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Felda Global Ventures Holdings Bhd : Felda Global Starts to Acquire Plantation Land in Southeast Asia

07/09/2013 | 07:41am US/Eastern • Recommend:  0

--Felda Global is planning \$13.7 million purchase of rubber, oil palm land in Indonesia

--Says it is closing in on land deals in Myanmar, Cambodia, Papua New Guinea

--Company may ink deals within three months

--Indonesia plantation land acquisition may improve Felda's palm trees profiles

(Recasts first paragraph to broaden focus beyond Indonesia; adds background on Felda and palm oil industry, comments from Felda executives, details on acquisition)

By Shie-Lynn Lim

KUALA LUMPUR--Malaysia's Felda Global Ventures Holdings Bhd (5222.KU) is making land acquisitions in Southeast Asia, where it will expand its production of agricultural commodities, particularly palm oil, which the state-owned company sees as having strong growth potential.

Felda, which completed a \$3.3 billion initial public offering last year, the world's third-largest IPO of the year, is flush with cash to make purchases.

The company said that it is planning its first major plantation land purchase since the IPO. In the 44 million-ringgit (\$13.7 million) deal, Felda will take a 95% stake in two companies based in Indonesia's West Kalimantan province, PT Temila Agro Abadi and PT Landak Bhakti Palma, which combined own 21,037 hectares of rubber and oil palm plantation area.

The Kuala Lumpur-based company plans make palm oil-related acquisitions further afield, too.

"We have identified three countries--Myanmar, Cambodia and Papua New Guinea, Fairuz Ismail, head of plantations at Felda Global told reporters on Tuesday. "The company will likely ink the deals within three months." He didn't indicate how much it has budgeted for the purchases.

Felda accounts for about 10% of the world's palm oil production but its oil palm trees are relatively mature, meaning they yield less oil than rival firms Sime Darby Bhd (4197.KU) and Kuala Lumpur Kepong Bhd (2445.KU). The deal will allow Felda to improve its tree profiles, as planting new palms in its newly acquired areas could help boost productivity and power earnings growth in the coming years.

"The land [in Kalimantan] is ideal. It is a contiguous land that is next to Felda's existing plantations, which makes it easier for the company to manage," Mohammed Emir Mavani Abdullah, Felda Global CEO-designate told reporters.

The company said it will invest a further 283.55 million ringgit

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(\$88.4 million) over the next five to six years to plant new trees and build roads to link estates to mills and palm refineries in the area.

Mr. Emir said palm oil prices will likely remain firm, as demand for the relatively cheap vegetable oil is increasing globally. Palm oil, which is used in a range of products, from cookies to cosmetics and biofuels, is wresting market share from other types of vegetable oils, he said. According to Hamburg-based researcher Oil World, global exports of 17 major oils and fats will hit a record 75.65 million tons in the marketing year that ends Sept. 30.

Population growth and rising per-capita incomes in emerging countries will also boost demand for palm oil, Mr. Emir said.

Felda's expansion drive comes at a time of growing environmentalist criticism of the industry over the burning peat forests to expand plantations in Indonesia. Last month, clouds of noxious haze spread from smoking peat land in Riau province, Indonesia to Singapore and Malaysia to the east, leading to calls for Indonesia to do something to keep land owners from burning forests as a quick way of preparing them for oil palm planting.

Plantation companies, including Felda, Sime Darby and Kuala Lumpur Kepong, have said they maintain strict "zero-burning" policies and have blamed small landholders operating near their plantations.

Indonesia, which accounts for around 60% of global crude palm oil output, produced about 28 million metric tons last year. Malaysia is the second-largest producer, with 18.8 million tons, according to the Malaysian Palm Oil Board, the industry regulator.

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