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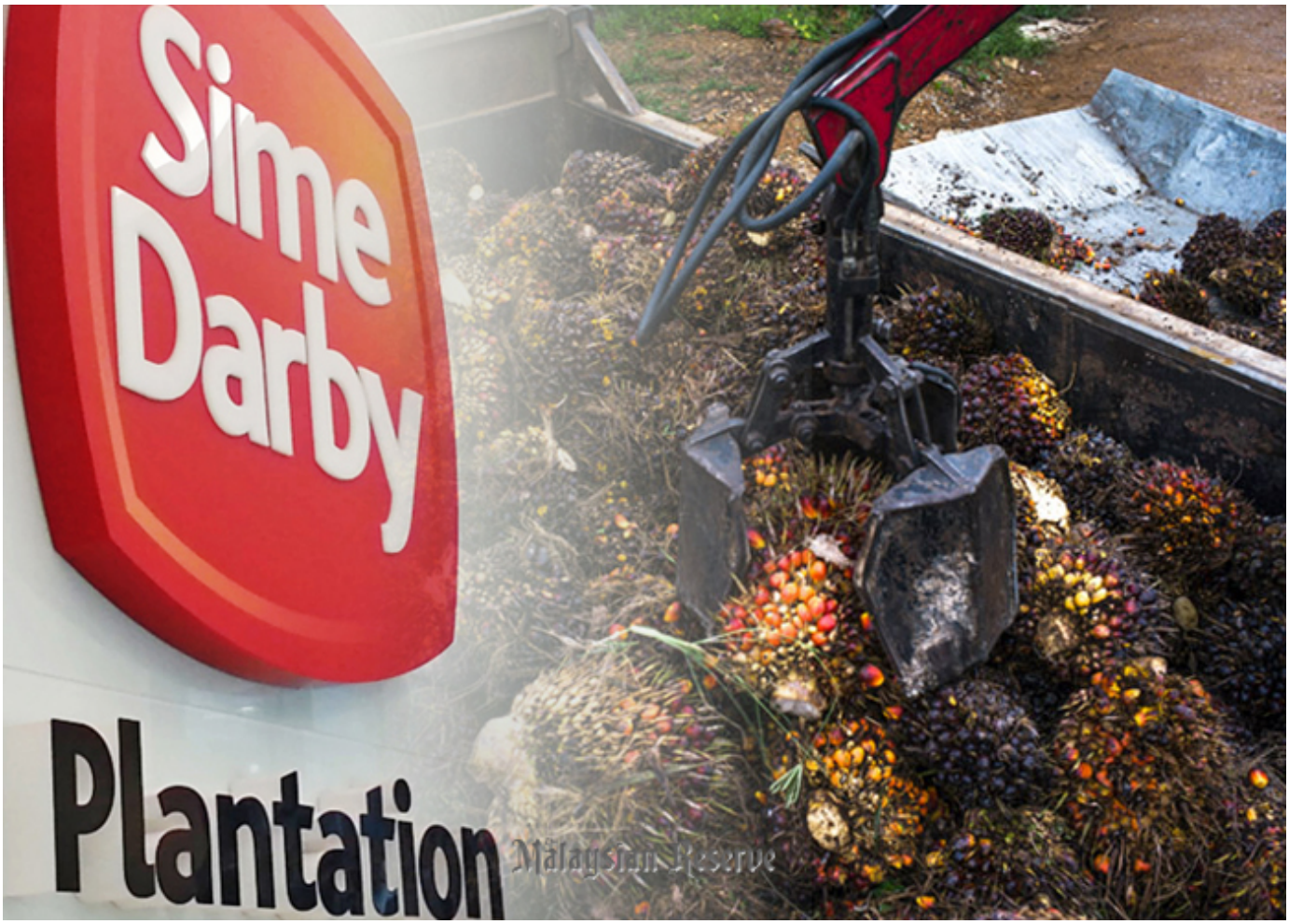
SD Plantation in talks with 3 firms to dispose of Liberia land



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by SHAHEERA AZNAM SHAH/ graphic by MZUKRI

SIME Darby Plantation Bhd (SD Plantation) — the world's largest oil palm planter by land holdings — has initiated talks with three companies for the disposal of its business operation in Liberia.

Group MD Mohamad Helmy Othman Basha said the planter is planning a "responsible exit" for the palm and rubber plantations in the West African country, possibly to materialise by year-end.

"Our performance has been brought down by the Liberian operation, thus disposing it has always been there on our agenda. We are quite confident that in the next few months, we will be able to make our exit in a responsible way.

"There are not many investors in Liberia, thus, jobs are hard to come by. As far as the country is concerned, the investment by SD Plantation is the biggest one," he said in a media briefing last Friday.

"So when we leave, we want to make sure that the party who takes over the operation will act responsibly as there are communities around our estate whose livelihood depends on the business," he added.

Mohamad Helmy said the planter has the option to return the concession to the Liberian government, should the planter fails to seek competent and qualified buyer for the takeover.

"We have informed our intention to the government of Liberia to exit our business in the country.

"The last option for us, if we cannot come to terms with any of three parties, is handing back the concession to its government," he said.

SD Plantation had signed a 63-year concession agreement with the Liberian government to develop 220,000ha of land in the country into oil palm and rubber plantations.

To date, 10,400ha have been planted in five estates, out of which 10,280ha are planted with oil palm and 121ha are planted with rubber.

"The Liberian government had asked us to work with the prospective company to continue developing the land.

"The plantations are all still in prime stages, about six to seven years old and the trees are still producing," Mohamad Helmy said further.

Separately, he said the planter targets to increase its downstream revenue from the current 15% contribution to 40% in the next five years.

"Based on our past performance, the upstream contribution to the group's bottom line has ranged between 80% and 85% and the balances are coming from the downstream operation. The revenue generation is where we are very much one-sided.

"The upstream segment is a commodity business and it is very sensitive to the global price. Our aspiration to increase it to 40% in parallel to growing our upstream," he said.

To achieve its revenue contribution target, SD Plantation would have to review the capacity of its assets in addition to the possible investment required to expand the production capacity.

"We are looking at the assets that we have right now, such as refineries, and see whether we can run them at maximum capacity with products that can give better margin.

"We may look further into more investment to increase the capacity of these refineries," he said, adding that the firm has dismissed the possibility of a merger and acquisition for the segment.

SD Plantation is hoping for crude palm oil (CPO) prices to hover around the RM2,200 range for the remaining of the year.

Commenting on India's plan to increase import duty on refined palm oil from Malaysia, Sime Darby Oils Sdn Bhd MD Mohd Haris Mohd Arshad said the duty is unlikely to affect the planter's operation.

"In the whole scheme of things, the raised duty probably would not impact us significantly.

"What we shipped to India has been a combination of Indonesia and Malaysia origins.

"So if ever there is a duty change, which makes palm olein uncompetitive coming from Malaysia, probably we would ship it out of Indonesia.

"It has been an interesting interplay shipping of CPO and palm olein as we may ship CPO out of Indonesia and palm olein from Malaysia and vice versa," he said.

Mohd Haris added that the planter ships about 1.2 tonne to 1.3 tonne of palm oil products to India annually.

The Indian government has recommended an increase in import duty on refined palm oil from Malaysia in response to the demand from domestic refiners.

India slashed the import duty on CPO to 40% from 44% starting this year, while for the refined palm oil, the duty was slashed to 50% from 54%.

However, the tax was reduced from 54% to 45% for palm olein imports from Malaysia due to the Malaysia-India Comprehensive Economic Co- operation Agreement.