

CHAPTER VI

CONCLUSION - A

SUMMARY OF PRESENT AND FUTURE CONDITIONS

A Summary of the Previous Chapters

Several outstanding features of the oil palm industry can be noted from the data and analysis provided for in the previous chapters. Firstly it can be noted that the oil palm industry is gaining in importance as a contributor to the Malayan net exports and to the economy as a whole. Secondly, it can also be noted that yearly production of palm oil and kernels is increasing and that consumption habits tend to show the same. Thirdly, the crop is one of the most important items in the present government's diversification policy. Lastly, there seems to be a very hopeful future for this crop in terms of profits, production, consumption and its contribution to the economy.

Economic Problems and Possible Solutions

The problems faced by the oil palm industry are more economic problems than technical ones. The industry is in a sound position in terms of "know-how" and factory methods. The industry produces one of the highest yields in the world. Countries such as Nigeria and Congo lag far behind in terms of productivity per acre. Hence the industry does not face much of such problems.

Whatever problems encountered are mainly economic problems. Four problems can be distinguished from the analysis given in the previous chapters. They are as follows:-

- (i) Large financial outlays
- (ii) The need for more land
- (iii) Its indirect competition with the rubber industry
- (iv) Lack of international agreements

(a) Large Financial Outlays

The initiation of an oil palm estate involves a very large capital outlay. Hence only those firms with existing capital are able to expand in ~~the direction of~~ the direction of the oil palm. Thus it is not surprising to see that most of the areas under oil palm are in the control of the various Agency Houses such as Harrisons and Crosfield (Malaya) Ltd and Guthries (Malaya) Ltd.

Such concentration of control is good in a sense that the industry is in the care of efficient management. It is however disadvantageous for it does not give the Malayan rural elite a chance to start in the planting of oil palm. Such a pattern in the industry has resulted from the large financial outlays incurred in starting an oil palm estate. The smallholder will find that it would not be economical to plant a few acres of oil palm. On the other hand, to plant 5,000 acres of oil palm would be impossible for him for he lacks the needed capital of about \$10 million. Hence the only solution to this problem is to give aid to the smallholder so that oil palm planting will not only be monopolised by the estates. This has partly been done by the FLDA schemes as mentioned in Chapter V.

(b) The Need for More Land

The expansion of the oil palm industry is limited by the fact that there is a limited amount of good oil palm land. By "good oil-palm land" is meant areas where coastal sand ~~is~~ found. Such soils suit the growth of oil palm provided that ample rain of about 100 inches annually is available. However, most of the coastal areas are now under coconut or rubber. Such areas allow for the planting of oil palm. Such a trend however depends upon the action undertaken by the present rubber and coconut estate owners. They will have to weigh the benefits of changing into oil palm planting and the benefits of sticking on to their present crops.

The rate of expansion of the industry is therefore determined by the amount of land available in the future. Hence the government should take positive steps (such as soil surveys) to make the available oil palm land greater. If more land is available the industry can continue to expand easily

(c) Indirect Competition with the Rubber Industry

Although present trends tend to show that oil palm is a more profitable crop than rubber. Many rubber estate managers still seem to be optimistic about the future of the rubber industry. Thus a switch from rubber to oil palm planting would not take place on a very large scale. Only certain estates have adopted the policy of a gradual switch from rubber to oil palm.

Such a form of indirect competition is a hindrance to the development of the oil palm industry. The possible solution to the problem is that careful studies should be made of the future conditions of both crops so that the estate owners can know which is a better and a more profitable crop.

The Malayan smallholder also tends to think in such a way. Rubber is given priority in their choice of plants. They do not favour the planting of oil palm. Such a problem can be corrected by giving the smallholders proper information as to the profitability of the oil palm industry and the declining position of the rubber industry. Such a solution has been partly carried out by the FLDA in the various oil palm schemes.

(d) Lack of International Agreements

The total absence of any international agreements as to the price and the sale of Malayan oil palm products makes the industry relatively unstable. If for example, the United Kingdom were to enter the European Economic Community as a member, the sales of Malayan palm oil and kernels would definitely be reduced. To prevent such a disastrous event safeguards should be provided for. Hence it should only be proper that agreements on the sale of oil palm products are made.

A Summary of the Future of the Oil Palm Industry

An analysis of the future of the oil palm industry was provided for in Chapter V. Forecasts as to future production and future consumption were made on the basis of trends, population and income. From these forecasts it can be seen that future conditions facing the industry are rather favourable. The future of the industry can be summarised as follows:-

- (a) Increased production of both palm oil and palm kernels in the future.
- (b) Increased consumption of both palm oil and palm kernels in the future.
- (c) Oil palm to be used as a crop to achieve the government's diversification aims.
- (d) A very large increase in the smallholder areas carried out with the aid of the FLDA schemes.

- (e) An increase in the oil palm acreage in the Borneo territories.
- (f) More favourable prices as compared to rubber and coconuts.
- (g) The relative profitability of the industry as compared to rubber would mean a greater concentration on the oil palm industry.

The oil palm industry as the most important agricultural tree crop next to rubber has progressed at a very fast rate. It has overtaken the coconut industry in terms of export value and the contribution made to the economy. Following such a trend, it would then be, without doubt that the industry will progress still at a greater rate. The prospects of whether it would overcome the rubber industry are rather slim. At present, as the second most important tree crop it is still way behind rubber. However it is expected that in the years to come the industry will draw closer to that of rubber in terms of export value and the contribution to the nation's economy.

Recommendations to Improve the Present Position of the Oil Palm Industry

(a) Research Control

At present most research on oil palm yields, diseases, factory methods and the like are being carried out individually by the different oil palm establishments in Malaya. There is a lack of co-ordination in oil palm research. Whatever new methods that are discovered will benefit only those concerned with the discovery of these new methods. Hence, other establishments do not benefit from the new methods discovered. This is obviously unfavourable to the progress of the oil palm industry. Thus it is recommended that there ^{should} be a central establishment on the research of oil palm so that all interested parties can benefit from any new discoveries.

(b) Production Control

Present yields from oil palm vary within a very great range of approximately .75 ton to 2 tons per acre. These variations in yields would mean different productivity rates in different estates. Steps should therefore be taken to ensure that future plantings are of the highest yields. Another feature of production control is that proper measures should be carried out to ensure that the harvesting and processing methods are carried out in the most efficient manner. This should be done so that there will be as little wastage as possible.

(c) Price and Sales Control

There is a need for the safeguarding of oil palm prices which has shown a tendency to decline over the past years. There has been no agreement as to the ceiling and floor prices of oil palm. If there is a certain range in the oil palm prices, the industry would be more stable and progress would then be much easier. Together with the price control there should also be sales control. International agreements should be made as to the yearly amount to be sold, say to the United Kingdom, Japan, or India. This would ensure a proper production target for the whole industry.

(d) Target Setting and the Development of Plans

A good method of improving the position of the industry is the setting of targets and the formulation of sound plans. The setting of targets can be in terms of acreage, yields and output. Once the targets are set, plans should be formulated so that the targets can be achieved within the stated period of time. Such plans should be sound and should be capable of being enforced. The use of targets and plans would mean a positive step in the future progress of the industry.

Conclusion

The essay has tried to show the various features of the oil palm industry such as its importance to the economy, its production methods and its consumption trends. It has also shown the future position of the industry based on the present conditions. Hence from the analysis, it can be seen that the Malayan oil palm industry has a very good future especially in the field of agricultural diversification.