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THE COMPETITIVENESS OF MALAYSIA PALM OIL EXPORT
BY THE YEAR 2005:

LIEW WEE CHEN

UNIVERSITY OF MALAYA
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The competitiveness of Malaysia Palm Oil Export by the year 2005

Liew Wee Chen

Bachelor of Economics
University Utara Malaysia
1993

Submitted to the Faculty of Business and Accountancy
University of Malaya
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EXECUTIVE SUMMARY

The palm oil production in Malaysia has been on the increased trend since it was first commercially produced. In the last 10 years its contribution towards Malaysia GDP also is shadowing the trend of the production and export.

Malaysia palm oil industry is getting more competitive in recent years. Indonesia, the second largest producing country is posing a huge threat to Malaysia with their vast land and cheaper labor. Hence, it is crucial to understand the competitiveness of Malaysia palm oil industry in relation to Indonesia as well as other major oils and fats producing country.

Porter Five factor analysis is used to assess the competitiveness of the industry. It was found that the Malaysian palm industry in year 2000, already in an intense competition and not a very attractive industry. In year 2005, threat of new entrants would be reduced with technological advancement managed to drive costs lower. But profitability expected to erode compared to year 2000. This is expected to be so due to intense competition from Indonesia, which has advantage of cost and area to further achieve economy of scale.

Overall cost leadership strategy is recommended as palm oil is a commodity fits in well. This strategy is to achieve an overall cost leadership in the industry through sets of functional policies aimed at this basic objective.

It was recommended that a strategic alliance with Indonesia is the better alternatives, taking advantage of the lower labour cost.

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