

**OPENING AND KEYNOTE SPEECH BY  
YB DATUK SERI MAH SIEW KEONG  
MINISTER OF PLANTATION INDUSTRIES AND COMMODITIES**

**19<sup>th</sup> MALAYSIA STRATEGIC OUTLOOK CONFERENCE 2017  
“MALAYSIA AT 60:  
FORGING AHEAD – WHERE DO WE GO FROM HERE?”**

**24 JANUARY 2017 (TUESDAY)  
SUNWAY PUTRA HOTEL KUALA LUMPUR**

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Yang Berbahagia Tan Sri Dr. Micheal Yeoh  
Chief Executive Officer  
Asian Strategy and Leadership Institute (ASLI)

VVIPs (tbc)

Distinguished Guests, Ladies And Gentlemen,

Good morning, Salam Sejahtera and Salam 1Malaysia.

Foremost, I would like to congratulate the Asian Strategy and Leadership Institute (ASLI) on their initiative in organising the 19<sup>th</sup> edition of the Malaysia Strategic Outlook Conference 2017. I would also like to take this opportunity to record my appreciation to ASLI for the invitation to address all of you and deliver the keynote address.

2. This conference is indeed an important platform for us to look at the performance in 2016 and to assess the key trends, strategic challenges and critical issues that needs to be addressed in 2017. In addressing all you today, I intend to limit my speech on the outlook of the commodity sector, which covers palm oil, rubber, timber, cocoa, pepper and kenaf products. In doing so, I will discuss the prospects of the commodity sector, as well as some of the policy initiatives, to ensure the long term resilience of the commodity sector.

Ladies and Gentlemen,

3. The commodity sector is an important component of the economy and on the average has generated export earnings of RM616.7 billion for the period of 2011-2015, compared to RM502.2 billion for the period of 2006-2010. In addition, the total planted area of the commodity crops involving oil palm, rubber, cocoa, pepper and kenaf has increased from an average of 5.75 million hectares for the period 2006-2010 to 6.41 million hectares for the period 2011-2015.

4. In 2015, the exports earnings from commodity sector was valued at RM117.1 billion or 15 percent of the total merchandise exports. The commodity sector continues to be the largest net exporter after the electrical and electronic (E&E) and the oil and gas (O&G) sectors. This sector also contributed 8.3 percent or RM88.0 billion to the GDP.

Ladies and Gentlemen,

5. For the commodity sector, 2016 has been an equally challenging year for Malaysia. The snowball effect of economic and political changes globally passed through all segments of commodity chain. This has impacted smallholder's earnings, and industries at middle and downstream sectors registering a lower growth.

6. In addition, dry weather periods contributed by the El-Nino phenomenon resulted in a drop in the production of major commodities, mainly palm oil, which registered a production decline of 13 percent to 17.32 million tonnes in 2016, compared to 19.96 million tonnes in 2015. Nevertheless, the silver lining for this lower production is that it had resulted in higher commodity prices in 2016, as compared to 2015.

7. In 2016, the average price of crude palm oil increased by 23.2% to RM2,653 per tonne, in comparison to RM2,153 per tonne in 2015. In the case of natural rubber, the average price of SMR20 in 2016 recorded at RM5.64 per kilogram. In December 2016 alone, the average price had increased to RM8.36 per kilogram, which set the highest figure since

April 2013. It is hoped that the natural rubber price in 2017 will be more stable.

Ladies and Gentlemen,

8. As we enter 2017, we are conscious of the challenges the global economy brings forth. I strongly believe that the commodity sector will continue to remain as one of the major contributor for the national income and will drive the development of the nation. However, the significant changes to the global market environment, which among others include the decline in crude oil prices, the global economic slowdown, the market liberations and Free Trade Agreements together with the tariff and non-tariff barriers as well as the demand for sustainably produced commodity products, post a challenge to the commodity sector.

9. The Ministry of Plantation Industries and Commodities will continue with efforts to strengthen the commodity industry performance through various strategies and policy interventions. This includes strengthening its competitiveness, addressing sustainability issues, accelerating creation of value added products as well as strengthening and increasing market share for commodity and commodity based products.

Ladies and Gentlemen,

10. Acknowledging the smallholders contribution in the commodity sector, the Ministry will continue and strengthen the implementation of the current programs under the NKEA and MKRA to increase the productivity of commodity crops. We will also explore measures to ensure the smallholders in the commodity sector enjoy an average monthly income of RM5,270 by 2020, compared to an average household income of RM4,585 in 2014. The measures include enhancing productivity, crop and livestock integration and encouraging the smallholders to adopt good agricultural practices.

11. It is imperative that we address the sustainability necessities in meeting the required international regulations and standards to penetrate new export markets. On this note, standards and certification will be given priority in ensuring and promoting sustainability across the commodity sector value chain. This includes increasing the certified area and mills under the *Malaysian Standards Palm Oil* (MSPO) Scheme, as well as to mandate all palm oil mills to be equipped with biogas trapping facilities by 2020. Engagement with all stakeholders on various issues and initiatives related to sustainability in timber industry will also be conducted. Similarly, food safety issues for commodity and commodity based products will also be adequately addressed through R&D as well all standards and certification.

Ladies and Gentlemen,

12. The Ministry and its agencies are consistently focusing on research and development (R&D) of new inventions and machines, of which many appliances have been introduced into the industry. These R&D is aimed at further enhancing the productivity of the upstream sector as well as to increase the value addition in the downstream sector. It is crucial that our R&D institutions work hand-in-hand with the industry to ensure that the R&D carried out is market driven and competitive at the global market. On that note, a knowledge generation hub for the commodity sector with downstream and upstream industry expertise, centred on industry driven R&D is envisaged to serve as a catalyst to the development of this sector.

13. In addition, the development of the downstream commodity based industries will be undertaken by encouraging the industry to venture into value added products with emphasis on innovatively-designed and market oriented products. Industries are also urged to invest on new technologies and innovation that will further enhance the diversification of high value-added downstream commodity products.

Ladies and Gentlemen,

14. 2017 marks Malaysia's 60<sup>th</sup> Independence Day, but also we will commemorate the 100 years anniversary of commercialisation of oil palm in the country. Without a doubt for the past 100 years, the oil palm industry has evidently contributed to the national socio-economic development through providing employment opportunities, development of upstream and downstream industrial activities as well as promotion of domestic and external investments. The oil palm industry has been our strength and pride in the eyes of the world. Hence we need to strengthen our efforts in ensuring the oil palm industry to continuously contribute for the national development.

15. The Ministry is also exploring measures to ensure to strengthen traditional markets and explore new and emerging market through the establishment of bilateral cooperation and free trade agreements. MPIC will also continue to support its industries in meeting the required international regulations and standards to penetrate new export market. Along this line, Malaysia's participation and role in international organisations and forum related to commodity would be further intensified.

Ladies and Gentlemen,

16. Lastly, despite the challenges, the Ministry will continue to implement measures towards enhancing the contribution of the commodity sector to the Malaysian economy and its long term resilience. In this regard, I strongly believe that the commodity sector will remain relevant and continuously contribute towards economic development.

On this note, I wish all you a fruitful deliberation and officially declare open the Conference.

Thank you.

**Ministry of Plantation Industries and Commodities**  
**24 January 2017**