



CIRCULAR

Circular No. 007/2016

26 January 2016

DIALOGUE WITH YB MINISTER ON 2ND FEBRUARY 2016

Our earlier Circular No. 003/2016 dated 13th January 2016 refers.

PORAM will participate in the above Dialogue Session with YB Minister on 2nd February 2016 in Kuching, Sarawak.

Following are the three questions submitted to MPOC to be addressed during the session.

Question 1:

PORAM and MEOMA have been asking for the Government for the removal of the current 5% export duty on RBD Palm Kernel Oil. This request has been on hold for almost 2 years now. In the meantime we have observed that the export of RBD Palm Kernel Oil has been on a declining trend and the import of processed palm kernel oil has continued to increase. This situation will get worse especially since July 2015, the Indonesian have re-structure their CPKO export tax structure and giving at least US\$30 cost advantage to the export of its processed palm kernel oil.

PORAM survey has indicated that our members including in Sarawak and Sabah are not able to compete with the Indonesian in selling RBD Palm Kernel Oil because the Indonesian are selling their RBD Palm Kernel Oil almost at the same price of Malaysian CPKO. Can we get some closure on this request and how we can move forward?

Question 2:

PORAM is very alarmed with the performance of the export of Malaysian Palm Oil Industry last year (2015). There was a 3.4% decline in the total export of processed palm oil (PPO) from 12.61 million tonnes in 2014 to 12.18 million tonnes in 2015. What is more alarming is that we had the highest record of CPO export of 5.26 million tonnes or almost 12% more than in 2014 which is at 4.70 million tonnes. Our CPO export figures now represent more than 30% of our total palm oil export in 2015. We also see a decline of refining capacity from 27 million tonnes to 25 million tonnes in 2015. There are only 52 refineries in operation now from the high of 57 refineries in 2014.

PORAM is of the view that the new Indonesian palm oil export duty structure introduced in July 2015 has once again distorted the level playing field that Malaysia has countered with our own CPO export duty structure implemented in January 2013. What are the Government efforts to correct the situation; and how and when this level playing field can be put in place again?

Question 3:

PORAM is disappointed to report that many of our members are not getting our refunds (input tax) within the stipulated timeframe of 14 days as gazetted. It is almost a year now and it is our earnest hope that the Government will continue to further improve in their refunding process.

Beside refunds, our immediate concern now is on the subject of string contracts which have a detrimental effect on FOB trading volume in order to push more export from Malaysia. Since last year, PORAM have had several meetings with Royal Malaysian Customs Department (RMCD), Ministry of Finance (MoF) and MPOB. We are happy to note that both Royal Malaysian Customs Department and MPOB officials claimed that they fully understood the mechanics and importance of string contracts in the Malaysian Palm Oil Industry. PORAM has been requesting for string contracts to be Zero Rated because in practice, there is no physical movement of cargo from one party to the other in the string but only buying and selling documents until it reaches the final FOB shipper. More importantly, foreign trading companies are moving away from participating in paper trading as they too were subjected to paying GST. This situation does not augur well for the palm oil market development in the country.

The Ministry of Finance is yet to make a decision on PORAM's request. In the meantime, we are seeing a decline in FOB trading volume which partly explains the declined in processed palm oil export in 2015. What can the Ministry do to help resolve the GST issues on string contracts and to overcome any negative impact it may have on the commercial aspects of the industry?

Thank you and kind regards.

Yours sincerely,

Mohammad Jaaffar Ahmad
Chief Executive Officer
The Palm Oil Refiners Association of Malaysia