

MD sees potential in rubber plantation

TH Plantations Bhd (THP) managing director Datuk Rashidi Omar shares his thoughts with StarBiz journalist

ELAINE ANG about the oil palm industry and the prospects it holds for the group.

Group has mill operations in 3 states

TH Plantations Bhd (THP) has a total plantation land of about 15,746ha, of which 15,389ha has been fully planted. The estates are located in Pahang, Johor, Negri Sembilan and Terengganu.

The group also owns three mills - Bukit Lawang Palm Oil Mill in Kelang, Johor; Kota Bahagia Palm Oil Mill in Muadzam Shah, Pahang; and Pasir Besar Palm Oil Mill in Gemas, Negri Sembilan.

THP's associate company Kilang Sawit Pangli Alami Sdn Bhd (KISPA) also has a mill in Kemaman, Terengganu, which serves two of the group's estates in Terengganu as well as third party estates.

The Bukit Lawang Palm Oil Mill was built in 1988, commissioned at the end of May 1989 and was fully operational in June 1989. Its initial processing capacity was 30 tonnes per hour and this was upgraded to 40 tonnes per hour in 1994.

The mill is now running at a capacity of 200,000 tonnes per annum.

The Kota Bahagia Palm Oil Mill was built in 1975 with an initial processing capacity of 20 tonnes per hour and this was subsequently increased to 30 tonnes per hour.

The mill is currently running at a capacity of 165,000 tonnes annually.

The construction of Pasir Besar Palm Oil Mill was completed and commissioned in February last year and was fully operational the following month, with a processing capacity of 10 tonnes per hour.

The mill is expected to run at a capacity of 54,000 tonnes per annum.

At present, the three mills process fresh fruit bunches (FFB) supplied by the majority of the group's estates as well as from smallholder estates located around the mills.

These FFB are processed and converted to crude palm oil (CPO) and palm kernel, which are then sold to palm oil refineries and external crushers.

THP is also the management agent for Lembaga Tabung Haji's oil palm operations in Malaysia and Indonesia, and teak plantations in East Malaysia totalling about 122,000ha.

THP was listed on the main board of Bursa Malaysia on April 27.

Its principal activities are investment holding; cultivation of oil palm; processing of FFB; marketing of CPO, palm kernel and

Oil palm plantation offers about 30% profit margin to THP



TH Plantations' FFB production and yield

	Years ended Dec 31				2006 first half
	2002	2003	2004	2005	
FFB production (tonnes)	278,563	306,935	296,828	353,981	146,390
Mature plantation (ha)	13,906	13,390	13,617	15,610	14,322
Average yield (tonnes/ha)	20.03	21.99	21.80	20.81	10.22

Source: TH Plantations Bhd

Tabung Haji's oil palm operations

Subsidiaries	Total planted area (ha)	Total area (ha)
Oil palm plantations in Malaysia		
TH Bakti Sdn Bhd	-	2,201
TH Ladang (Sabah & Sarawak) Sdn Bhd	-	-
Ladang Bukit Belian Sdn Bhd	1,061	1,089
Syarikat Saaboo Sdn Bhd	8,649	8,642
Ladang Sawit Binta Sdn Bhd	3,949	7,000
Subtotal	13,659	28,132
Teak plantations in Sabah		
Ladang Jati Keningau Sdn Bhd	1,483	1,590
TH Unia Julimes Sdn Bhd	2,232	4,045
TH Bonggava Sdn Bhd	1,925	10,117
Siamore Axi Sdn Bhd	-	6,078

STARBIZ: Besides oil palm plantations, what other opportunities are the group looking at to grow its business?

Datuk Rashidi Omar: We are also looking at rubber, as the price has gone up. We are looking at some land to plant rubber on a small scale - a maximum of 3,000ha of rubber estates, only in areas that are not suitable for oil palm.

The cost of rubber production is only about RM2 per kg, so the margins are huge compared with the production costs of crude palm oil, which is about RM1,100 versus a price of say, RM1,500 per tonne.

The downside is that rubber price will go down in tandem with crude oil prices. However, I do not believe crude oil price will go down below US\$50 per barrel, and rubber at RM6 to RM7 per kilo is still profitable.

There are also bound to be opportunities in Myanmar, Vietnam and Cambodia for plantations but nobody is looking at these places yet because we still have plenty of land.

StarBiz: What are the group's plans in terms of biodiesel?

Rashidi: We are actually quite keen on biodiesel but as we have just been listed, we are now focused on expanding our land bank and improving our plantations. So, we are not looking at it for the moment.

It could be an opportunity for our parent, Lembaga Tabung Haji, which has a refinery in Batam, Indonesia, and about 80,000ha of plantation land near there. These are managed by THP. We are currently upgrading the refinery and it should be up and running by next year.

The refinery will be able to process 1,500 tonnes of palm oil a day. We need to have a refinery before we can talk about biodiesel, and we will certainly look at biodiesel once the refinery is ready and if it is still a viable option.

StarBiz: What are the prospects for oil palm plantations to use tissue culture material?

Rashidi: Tissue culture material will increase yield in the short term

but we do not know about the long term yet, as this process is still new.

We have to be very careful as we can only replant after 30 years. So, if we plant wrongly now, we will suffer for the next 30 years. At present, THP is planting tissue culture material on a small scale to see the results first.

StarBiz: What are the main challenges for THP and the industry?

Rashidi: One of the biggest challenges in this industry is that you can control your production costs but not your selling price. We are not like other businesses where we can pass our production costs over to consumers. The CPO price is determined by world demand.

At the moment, production costs in Indonesia are cheaper compared with ours due mainly to labour costs. Although we have better infrastructure, we have to ensure that our quality is better, embark on good agricultural practices and preserve the environment.

All Malaysian palm oil producers will have to look at these.

StarBiz: What is the outlook for the group and industry?

Rashidi: We are in the right business. Not many industries will be able to give you margins of about 30%. Demand also far outweighs supply at the moment.

We have not encountered any problems selling and marketing palm oil yet, except maybe in terms of pricing.