

Impacts of the New CPO Export Tax Structure on the Malaysian Refining Industry

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ABSTRACT

The performance of the Malaysian palm oil refining industry had been greatly affected since Indonesia revised her palm oil export tax structure in 2012, which made her palm products more competitive in the world market. To improve the performance of the Malaysian refining industry, the government also revised its long-standing crude palm oil (CPO) export tax (operative since the 1970s) and implemented a new export tax structure, effective 1 January 2013. This is a proactive approach by the Malaysian government to increase competitiveness. As a result, the performance of the industry has been much better after the implementation, with exports of oil palm products increasing, stocks of palm oil declining, the price of CPO showing an upward trend and volatility reduced, refinery capacity utilisation rate increasing, purchases of CPO by refineries rising, processing of CPO growing, and production of finished products also expanding. Average capacity utilisation recorded a higher rate at 56.9%, or an increase by 10% after implementation of the new export tax structure as compared with the rate in 2012. The total volume of CPO purchased by refineries also increased to 12.62 million tonnes in 2013 from 11.49 million tonnes in 2012. Meanwhile, the total volume of CPO processed by refineries in 2013 had increased to 15.89 million tonnes compared with 14.07 million tonnes in 2012, or an increase of 12.9%. Production of finished products also recorded positive performance at 0.30 million tonnes in 2013 compared with 0.29 million tonnes in 2012. A survey carried out on refineries showed that the majority of them (71%) felt that the government should continue with the new CPO export tax structure.

Keywords: new CPO export tax structure, competitiveness, capacity utilisation rate.

INTRODUCTION

The Malaysian government implemented a new crude palm oil (CPO) export tax structure on

1 January 2013 with the objective of increasing competitiveness of Malaysian CPO in the world market. The imposition of the new tax structure saw a tax cut in

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the region of 4.5% to 8.5%, down from the previous 23% (unchanged since the 1970s). With the new CPO export duty rate, there is zero duty imposed on local palm oil exports when the price of CPO is below RM 2250/t (Table 1). The CPO export tax starts at 4.5% when the price of CPO exceeds RM2250/t, rising by 0.5% as the price increases by every RM 150/t. The rate of duty imposed is determined by the monthly gazetted CPO prices released by MPOB.

Exports of Malaysian palm oil products are expected to be as competitive as those of Indonesia in the world market after implementation of the new CPO export tax structure. This strategy will indirectly contribute to a reduction in the palm oil stock level in the country, and will stabilise CPO prices in the market. There was a need to implement this strategy due to the high stock level in the country, resulting from the introduction of the palm oil export tax structure by the Indonesian government in September 2012, which consequently slowed down Malaysian export activities, especially from the refining industry.

Figure 1 shows the exports of palm oil by Malaysia and Indonesia from 2005 until 2013. The annual growth rate during the period for Indonesia was 9.0% per annum, while that of Malaysia was 3.8%. Over the period 2010 to 2013, Indonesian exports of palm oil showed an increasing trend whereas those from Malaysia declined. In 2010, Indonesia exported 16.45 million tonnes of palm oil, increasing to 20.85 million tonnes in 2013. This increase was partly due to the receptiveness in the world market of the new Indonesian tax structure, thus, making Indonesian palm oil products more competitive than Malaysian palm products. At

CPO market price (FOB RM/t)	(%)
< 2 250	Nil
2 250-2 400	4.5
2 401-2 550	5.0
2 551-2 700	5.5
2 701-2 850	6.0
2 851-3 000	6.5
3 001-3 150	7.0
3 151-3 300	7.5
3 301-3 450	8.0
> 3 450	8.5

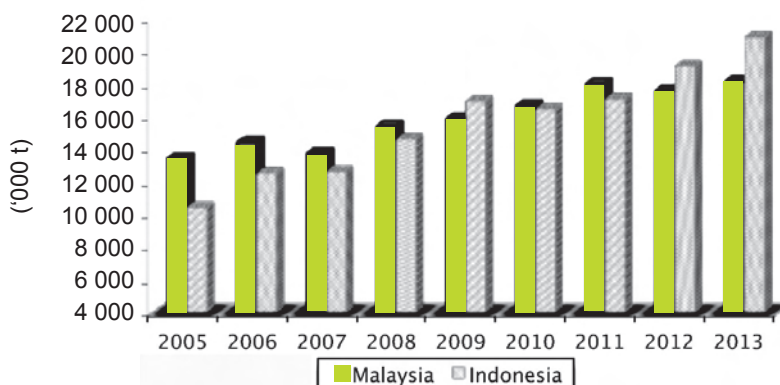
Note: FOB - free on board.
Source: Malaysian Royal Customs Department (2013).

the same time, the export volume of palm oil by Malaysia showed a slight downward trend from 17.99 million tonnes in 2011 to 17.58 million tonnes in 2012, or a decline by 2.3%. However, in 2013, the export volume of palm oil by Malaysia increased to 18.15 million tonnes after the implementation of the new CPO export tax structure.

With Malaysia and Indonesia being the two main exporters of palm oil in the world, it can be said that when Malaysia's market share declines there would be a corresponding increase in Indonesia's market share. This in effect has been affected by the tax structures in the respective countries. Table 2 shows the CPO

export tax structure for both countries for the period from January 2012 until December 2013. During the period January-December 2012, the tax for Malaysian CPO exports was higher than that of Indonesia. In January 2012, the tax imposed in Malaysia at 22.9% was about 4.9% higher than the tax in Indonesia which was 18.0%. In November 2012, the Indonesian tax declined to 9.0%, while the Malaysian tax registered at 20.3%, i.e. about 11.3% higher. In December 2012, the difference between the Malaysian and Indonesian taxes was 10.3%, in Indonesia's favour.

In 2013, there was a turnaround in the tax difference with the



Source: MPOB (2013). Oil World Annual (2013).

Figure 1. Exports of palm oil by Malaysia and Indonesia: 2005-2013.

Year	Month	Malaysia	Indonesia	Difference
2012	Jan	22.9	18.0	4.9
	Feb	22.9	16.5	6.4
	Mar	23.2	16.5	6.7
	Apr	23.5	18.0	5.5
	May	23.3	19.5	3.8
	Jun	22.5	19.5	3.0
	Jul	22.7	15.0	7.7
	Aug	22.3	15.0	7.3
	Sep	22.2	13.5	8.7
	Oct	20.4	13.5	6.9
	Nov	20.3	9.0	11.3
	Dec	19.3	9.0	10.3
2013	Jan	0	7.5	-7.5
	Feb	0	9.0	-9.0
	Mar	4.5	10.5	-6.0
	Apr	4.5	10.5	-6.0
	May	4.5	9.0	-4.5
	Jun	4.5	9.0	-4.5
	Jul	4.5	10.5	-6.0
	Aug	4.5	10.5	-6.0
	Sep	4.5	9.0	-4.5
	Oct	4.5	9.0	-4.5
	Nov	4.5	9.0	-4.5
	Dec	5.0	9.0	-4.0

Source: MPOB (2013).

implementation of the new tax structure in Malaysia, resulting in the tax being lower in Malaysia than in Indonesia (Table 2). Based on the gazetted prices for January and February 2013, the Malaysian CPO tax was 0% due to the prices being lower than RM 2250/t, while the Indonesian CPO export taxes were at 7.5% and 9.0%, respectively, for the two months. For the period March until November 2013, the gazetted Malaysian CPO prices ranged between RM 2250 and RM 2450/t; therefore, the CPO export tax was 4.5%. In the case of the Indonesia, the CPO export tax ranged between 9.0% and 10.5%. Thus, the Malaysian CPO export tax from January-September 2013 was lower by 4.0% to 9.0% as compared to the Indonesian CPO tax.

Figure 2 shows a comparison between the Malaysian and

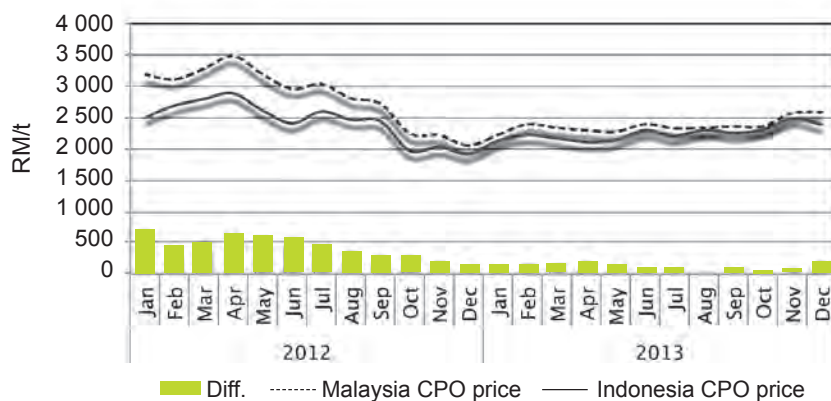
Indonesian CPO price levels in the respective domestic markets. In 2012, due to the high CPO export tax structure (ranging from 9.0% to 19.5%), the local Indonesian CPO price was estimated to be much cheaper than the local Malaysian CPO price which ranged between RM 132 and RM 675/t. As a result, it is expected that Indonesian refineries enjoyed the advantage of a lower cost for their raw material. However, in 2013 when Malaysia introduced the new CPO export tax structure, this contributed to a decline in CPO price difference between Malaysia and Indonesia, by as much as RM 38 to RM 198/t.

Three outcomes are expected from Malaysia's new CPO export tax structure implemented in 2013. Firstly, exports of the Malaysian palm oil products are expected to be more competitive than Indonesian palm oil products. This

is because manufacturers of palm oil downstream products will get CPO at the same competitive price as the Indonesia manufacturers. Secondly, the increased sales will reduce the palm oil stock levels in Malaysia. There had been a high stock level in the country as a result of the introduction of palm oil export tax structure by Indonesia. This has consequently slowed down Malaysian palm oil export activities, especially those from the refining industry. Thirdly, the new tax structure serves to reduce volatility and to stabilise CPO price movements in the market place.

OBJECTIVE

The general objective of this article is to study the impact of the new Malaysian CPO export tax structure on the palm oil industry



Source: MPOB (2013). *Oil World Annual* (2013).

Figure 2. Malaysia and Indonesia crude palm oil (CPO) price movement: January 2012- December 2013.

in the country. At the same time, the specific objective of the article is to study the impact of this new tax structure on the palm oil refining industry, including packed products.

METHODOLOGY

The study used a combination of approaches, namely, trend analysis and descriptive analysis. Trend analysis was carried out using relevant monthly time series data, while descriptive analysis was done by means of a survey conducted on all the 50 refineries in operation for the year 2013. To study the performance of the palm oil refining industry before and after the introduction of the new CPO export tax structure, two sets of data were gathered and analysed. The first set was for the time period from January-December 2012 (*i.e.* before the introduction of the new tax structure), while the second set was for the period from January-December 2013 (after the new tax structure was implemented). Relevant time series data were collected for the following:

- palm oil stock movement;
- export volume of oil palm products;
- daily CPO price movement;
- capacity utilisation rate of the palm oil refineries;

- CPO and crude palm kernel oil processed by the refineries;
- production of processed palm oil by the refineries; and
- production of finished products by the refineries.

Descriptive analysis carried out on the data collected from the survey included frequency and percentage analysis for each specific question asked of the refineries.

FINDINGS OF THE STUDY

The findings of the study were divided into two sections. The first explains the results from the monthly time series data collected by MPOB (primary data). These data were used to compare the performance of the Malaysian palm oil industry before and after the introduction of the new CPO export tax structure. The second section shares the results from the survey done through a set of questionnaires sent to the palm oil refineries (secondary data).

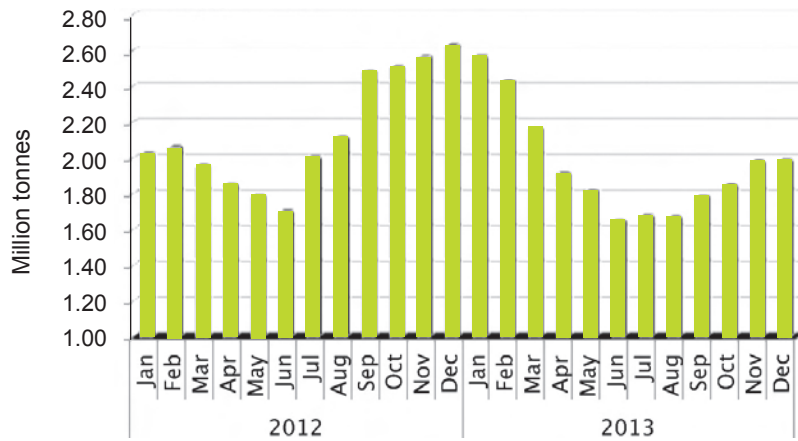
Performance of the Malaysian Palm Oil Industry in 2012 vs. in 2013 Based on Primary Data Analysis

This section examines the impact of the new Malaysian

CPO export tax structure on the performance of the Malaysian palm oil industry in the period January-December 2013 in comparison with that in the period January-December 2012, an analysis based on MPOB data. The first part focuses on the impact of the CPO export tax on palm oil stock, exports and CPO prices in 2012 vs. in 2013, while the second part examines the impact of the CPO export tax specifically on the refining industry in 2012 vs. in 2013.

Figure 3 shows palm oil stock movements from January to December in 2012 vs. those in 2013. In 2012, palm oil stocks recorded an upward trend, starting in July and continuing to December, with the palm oil stock level in December at 2.63 million tonnes, with an average of 2.14 million tonnes for the year. During this period, the CPO export tax in Indonesia was reduced from 19.5% in June to 9.0% in December. In 2013, palm oil stocks showed a downward trend from January to June, and started to pick up slowly in July to December. The lowest palm oil stock was in June at 1.65 million tonnes, while the average for the year was 1.96 million tonnes, *i.e.* a decline by 8.4% compared with 2012's average. Based on a correlation analysis between palm oil stocks before and after the implementation of the new CPO export tax structure, the correlation coefficient registered a negative 0.2976. This analysis indicated that the new CPO export tax structure had a negative relationship with palm oil stocks.

Table 3 shows the export volume of oil palm (OP) products in 2012 compared with that in 2013. In 2013, exports of CPO and other OP products recorded a declining trend with CPO exports down by 14.2% and exports of other OP products by 6.1%. However, exports of the rest of the OP products showed an



Source: MPOB (2013). *Oil World Annual* (2013).

Figure 3. Malaysian palm oil stock movement: January 2012-December 2013.

Product	2012	2013	% Difference
Crude palm oil	4 633 686	3 975 910	(14.2)
Processed palm oil	12 929 155	14 146 224	9.4
Total palm oil	17 562 841	18 122 134	3.2
Crude palm kernel oil	220 132	245 173	11.4
Processed palm kernel oil	863 344	925 659	7.2
Total palm kernel oil	1 083 476	1 170 831	8.1
Palm kernel cake	2 459 526	2 665 083	8.4
Oleochemicals	2 600 812	2 725 755	4.8
Biodiesel	28 983	175 032	503.9
Finished products	360 795	365 637	1.3
Others	465 197	436 804	(6.1)
Total oil palm products	24 561 620	25 661 278	4.5

Source: MPOB (2013).

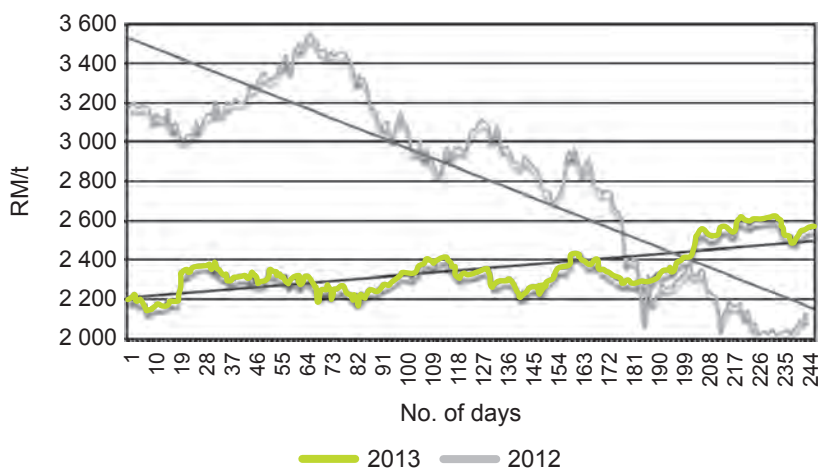
increasing trend. Processed palm oil exports in 2013, comprising all refined, bleached and deodorised (RBD), increased by 9.4% to 14.15 million tonnes compared with 12.93 million tonnes in 2012. Thus, this scenario contributed to an increase in total PO exports by 3.2%, or at 18.12 million tonnes compared with 17.56 million tonnes in 2012. Exports of the rest of the products (except what was defined as 'others') also recorded increasing trends. Most importantly, the export of biodiesel increased by 503%. Crude palm kernel oil (CPKO)

exports increased by 11.4%, palm kernel cake exports were up by 8.4%, processed palm kernel oil up by 7.2%, oleochemicals increased by 4.8% and finished products were up by 1.3%. Thus, the total volume of exports of Malaysian OP products increased by 4.5% in 2013 compared with 2012.

Based on a correlation analysis between the exports of OP products before and after the implementation of the new CPO export tax structure, the correlation coefficient was 0.2625. This analysis indicated that the new CPO export tax structure had

a positive impact on the export performance of Malaysian OP products.

The third variable in the study was daily CPO price movements. Figure 4 shows daily CPO price movements in 2012 vs. those in 2013. In 2012, CPO price movements were on a downward trend with the lowest CPO price at RM 2015/t and the highest at RM 3551/t, a difference of 76.2%. The average CPO price in 2012 was RM 2764/t. In 2013, CPO price movements showed an upward trend with a 22.3% difference between lowest and highest CPO



Source: MPOB (2013). *Oil World Annual* (2013).

Figure 4. Daily crude palm oil (CPO) price movements in Malaysia: 2012- 2013.

prices, the lowest price being RM 2141/t and the highest RM 2619/t. In 2013, these prices hovered between RM 2200/t and RM 2400/t, averaging RM 2371/t. This indicates that the CPO price movements had less fluctuations in 2013 than in 2012.

The ARCH and GARCH models were used to examine the degree of volatility in CPO prices. The analyses were based on daily CPO prices in 2012 and 2013. Table 4 shows that the volatility index for daily CPO prices in 2012 registered at 2.1828, indicating very high volatility, while in 2013 the volatility index declined to 1.4148, or by 35%. This proves that the new CPO export tax structure contributed indirectly to a reduction in the volatility of CPO prices.

Table 5 shows that in total there were 58 palm oil refineries in Malaysia in 2013 with 38 (or 66%) of them classified as integrated refineries and 20 (or 34%) as non-integrated refineries. The total capacity for the 58 refineries was 26.15 million tonnes, with 19.11 million tonnes (73%) from integrated refineries and 7.04 million tonnes (27%) from non-integrated refineries.

Figure 5 shows the capacity utilisation rate for the 38 integrated palm oil refineries for the period January-December 2012 (*i.e.* before the new CPO export tax structure was introduced) and for the period January-December 2013 (after implementation of the new tax structure). On average, the capacity utilisation rate for the 38 integrated refineries in 2013 was 63.5%, while the rate was 59.9% in 2012, showing an increase by 6.0%. Out of the 38

integrated refineries, 20 recorded higher capacity utilisation rates than in 2012. Fourteen refineries recorded utilisation rates above 80% in 2013, compared with only nine in 2012. This indicates that the capacity utilisation rate for integrated refineries in 2013 was better than in 2012.

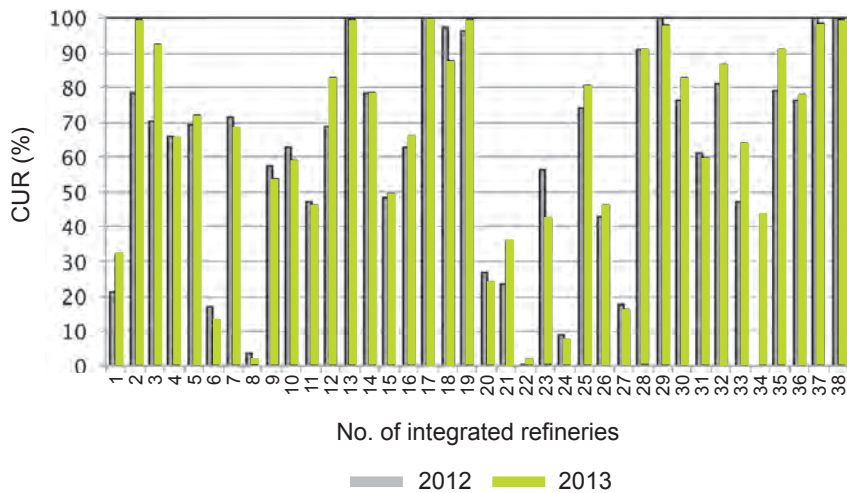
Figure 6 shows the capacity utilisation rate for the 20 non-integrated palm oil refineries over the two periods, January-December 2012 and January-December 2013. On average, the capacity utilisation rate for the 20 non-integrated refineries in 2013 was 50.3% compared with 43.6% in 2012, or an increase by 15.4%. Out of these 20 refineries, 14 recorded a higher capacity utilisation rate in 2013 than in 2012. Also in 2013, seven refineries recorded an utilisation rate above 80% while only four refineries did so in 2012. This indicates that the capacity utilisation rate for non-integrated refineries in 2013 was better than in 2012.

Table 6 shows the total volume of CPO purchased by the integrated and non-integrated refineries over the two study periods in 2012 and 2013. In 2013, total

TABLE 4. VOLATILITY INDEX FOR DAILY CRUDE PALM OIL (CPO) PRICES			
Year	ARCH (p)	GARCH (q)	(p) + (q)
2012	1.2629	0.9199	2.1828
2013	0.4180	0.9968	1.4148

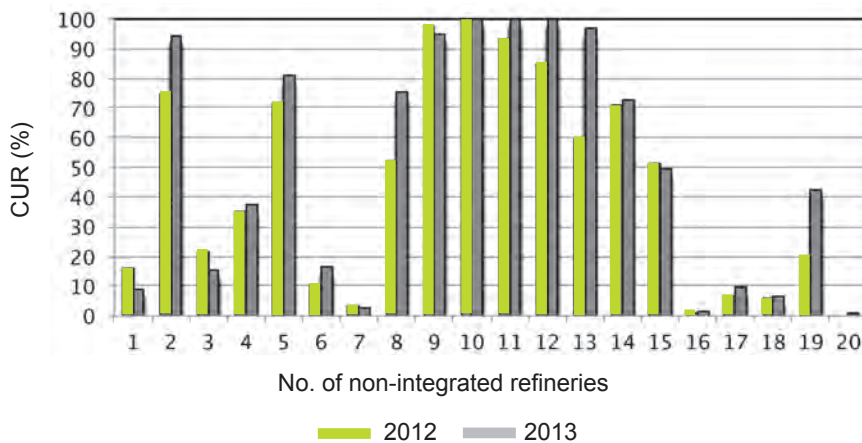
TABLE 5. STATUS OF PALM OIL REFINERIES AND CAPACITY IN 2013		
Item	2013	%
No. of palm oil refineries in operation	58	100
Integrated	38	66
Non-Integrated	20	34
Total capacity (million tonnes)	26.15	100
Integrated (million tonnes)	19.11	73
Non-integrated (million tonnes)	7.04	27

Source: MPOB (2013).



Source: MPOB (2013).

Figure 5. Capacity utilisation rate (CUR) for 38 integrated refineries.



Source: MPOB (2013).

Figure 6. Capacity utilisation rate (CUR) for 20 non-integrated refineries.

CPO purchased by the integrated refineries increased by 14.1%, while for the non-integrated refineries there was a decrease by 3.3% in comparison with 2012. The total

volume of CPO purchased by integrated and non-integrated refineries increased from 11.49 million tonnes in 2012 to 12.62 million tonnes in 2013, an increase

of 9.8% over 2012. This can also be considered as evidence that the new CPO export tax structure contributed to an increase in performance by palm oil refineries in 2013 compared with 2012. This indicates that business activity by refineries had improved in 2013 over 2012.

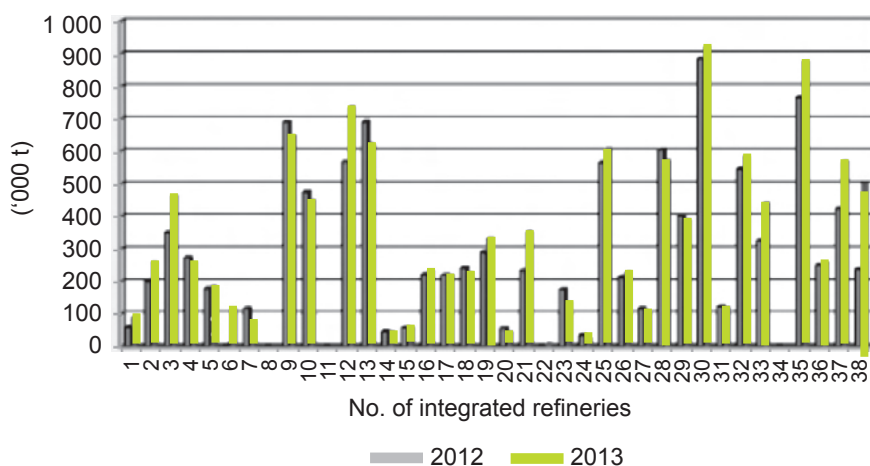
Figure 7 shows that CPO processed by the 38 integrated refineries in 2013 amounted to 11.75 million tonnes, which is 10.3% higher than the 10.65 million tonnes in 2012. This may indicate that the new CPO export tax structure had contributed to an increase in CPO processed by integrated refineries in 2013.

Furthermore, Figure 8 shows that the CPO processed by the 20 non-integrated refineries in 2013 amounted to 4.14 million tonnes, which is 20.9% higher than the 3.42 million tonnes in 2012. This may also imply that the new tax structure had contributed significantly to the increased volume of CPO processed by the non-integrated refineries in 2013.

Figure 9 shows that the production of finished products by 23 refineries (integrated and non-integrated refineries), in 2013 amounted to 301 030 t. This was 3.0% higher than in 2012, when the volume was 292 343 t. Finished products cover such items as vanaspati, margarine, shortening, cocoa butter substitute, fat blends, dough fats, vegetable ghee, butter oil substitute, coating fat, cocoa butter equivalent, cocoa butter

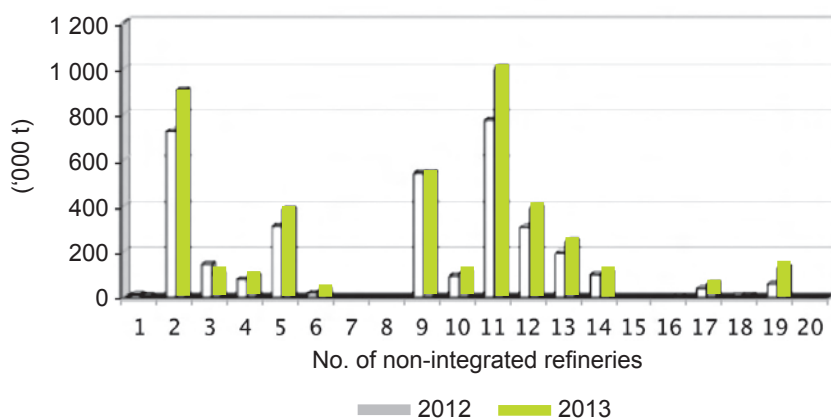
TABLE 6. CRUDE PALM OIL (CPO) PURCHASED BY REFINERIES				
Item	Integrated refineries		Non-integrated refineries	
	Jan-Dec 2012	Jan-Dec 2013	Jan-Dec 2012	Jan-Dec 2013
No. of refineries purchasing CPO	37/38	37/38	18/20	19/20
CPO purchased (t)	8 634 373	9 853 310	2 859 833	2 764 413

Source: MPOB (2013).



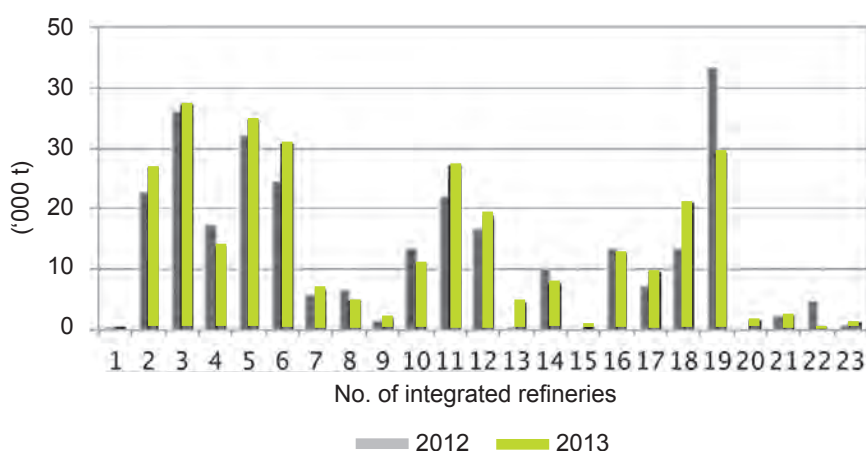
Source: MPOB (2013).

Figure 7. Crude palm oil (CPO) processed by 38 integrated refineries.



Source: MPOB (2013).

Figure 8. Crude palm oil (CPO) processed by 20 non-integrated refineries.



Source: MPOB (2013).

Figure 9. Production of finished products by 23 refineries.

extender, cocoa butter replacer, blended vegetable oils, soap chips, and prayer oil. The increase in production of these finished products indicates that the new tax structure had contributed to an improved performance of the palm oil refining industry in 2013 over that in 2012.

Based on trend analysis, it can be concluded that performance in terms of capacity utilisation rate, CPO purchased, CPO processing and production of finished products for the 2013 period by the integrated and non-integrated refineries was much better than for the 2012 period. Therefore, it is believed that the new CPO export tax structure had indeed produced a positive impact on the refining industry in Malaysia in 2013.

Survey Results from the Palm Oil Refining Industry

The MPOB survey was carried out between September and October 2013. Questionnaires were distributed to 53 of the palm oil refineries in operation (integrated and non-integrated). Forty-four refineries or 83% responded. The objective of the survey was to get the opinions from refineries regarding their perceived impact by the implementation of the new CPO export tax structure in 2013 on their businesses. The questionnaires were sent through fax and e-mail.

Table 7 shows the type of business activities of the refineries. All the 44 respondents to the survey carried out their core activity, i.e. refining (100%), as well as exporting (52.3%), trading (22.7%) and re-packing (18.2%), while only 4.5% did other types of business activities.

From Table 7, it is evident that the majority of the respondents (47.7%) did only one type of business activity, while 22.7% respondents carried out two

TABLE 7. TYPE OF BUSINESS ACTIVITIES OF REFINERIES

Type	No. of refineries	Percentage
Refining	44	100.0
Exporting	23	52.3
Trading	10	22.7
Re-packing	8	18.2
Others	2	4.5

activities, 13.6% with three activities and 15.9% with all types of activities (Table 8).

Table 9 shows that 30 respondents (68.2%) believed that the new CPO export tax structure had a positive impact on their companies, with an equal number of respondents (15) from the integrated and non-integrated refineries. However, in total, there were also 14 respondents (or 31.8% out of 44 respondents) who stated that the new tax structure did not give a positive impact to their companies. Eleven of these respondents were from the integrated refineries and the remainder from non-integrated refineries.

Nevertheless, these refineries benefitted through the implementation of the new tax structure in another ways. Table 10 shows that the majority of the palm oil refineries (41.2%) agreed that the major benefit of the new tax structure was in making palm oil export products more competitive in the world market. Other benefits include the fact that the tax ensures availability for sourcing CPO from the local market (32.4%), and being able to buy CPO locally at competitive prices (20.6%).

It is interesting to note that of the 44 respondents, 16 or fewer respondents claimed to have difficulty in getting CPO supply in the local market in 2013

(Table 11). For the integrated and non-integrated refineries, 34.6% and 38.9%, respectively, agreed to this difficulty. Meanwhile, 28 refineries (or 63.6%) found it easy to get a local supply of CPO, of which 17 (or 65.4%) represented the integrated refineries and 11 (or 61.1%) the non-integrated refineries. According to the 16 respondents who faced the difficulty, among the factors that contributed to this difficulty were the implementation of the new CPO export tax structure itself (six respondents), weather phenomena (two respondents), and competition among the buyers (10 respondents).

In addition to sourcing CPO from the local market as a raw material, only eight respondents (18.2%) stated that they also imported CPO from other countries, six coming from the integrated refineries and two from the non-integrated (Table 12). Seven of these respondents imported their CPO from Indonesia and one from Thailand. As the majority

TABLE 8. NUMBER OF BUSINESS ACTIVITIES BY INDIVIDUAL REFINERIES

Number of activities	No. of refinery	Percentage
1	21	47.7
2	10	22.7
3	6	13.6
4	7	15.9
Total	44	100.0

TABLE 9. OPINION REGARDING THE STATEMENT: THE NEW CRUDE PALM OIL (CPO) EXPORT TAX STRUCTURE GAVE A POSITIVE IMPACT TO THE LOCAL REFINING INDUSTRY

Types of refinery	No. of refineries		Percentage	
	Yes	No	Yes	No
Integrated refineries	15	11	57.7	42.3
Non-integrated refineries	15	3	83.3	16.7
Total	30	14	68.2	31.8

TABLE 10. BENEFITS OF THE NEW CRUDE PALM OIL (CPO) EXPORT TAX STRUCTURE TO THE REFINING INDUSTRY

Benefit	No. of refineries	%
Export products more competitive	14	41.2
Availability for sourcing CPO in the local market	11	32.4
Buying CPO locally at competitive prices	7	20.6
All of the above benefits	2	5.8
Total	34	100.0

TABLE 11. DIFFICULTY IN GETTING CRUDE PALM OIL (CPO) SUPPLY IN THE LOCAL MARKET IN 2013

Types of refinery	No. of refineries		Percentage	
	Yes	No	Yes	No
Integrated refineries	9	17	34.6	65.4
Non-integrated refineries	7	11	38.9	61.1
Total	16	28	36.4	63.6

TABLE 12. IMPORT OF CRUDE PALM OIL (CPO) FROM OTHER COUNTRIES

Type of refinery	Frequency		Percentage	
	Yes	No	Yes	No
Integrated refineries	6	20	23.1	76.9
Non-integrated refineries	2	16	11.1	88.9
Total	8	36	18.2	81.8

of the respondents (36 out of 44, or 81.8%) did not experience any difficulty in getting local CPO, they did not import CPO from other countries. This constituted 20 from the integrated refineries and 16 from the non-integrated.

Table 13 shows that most of the respondents (30 out of the 44 respondents, or 68.2%) agreed that the government should continue with the new CPO export tax structure in the future, while the remaining 14 (or 31.8%) disagreed. Out of the 30 refineries, 16 were integrated, while the rest were non-integrated. Among the integrated ones, the majority (61.5%) agreed,

while among the non-integrated ones, 77.8% agreed.

The results regarding the respondents' satisfaction with the new CPO export tax structure are shown in Table 14. The new CPO export tax structure was agreed by 61% had given a positive impact to their companies. About 56.8% of the respondents agreed that their company did not experience any difficulty in sourcing for local CPO after the introduction of the new tax structure, while 70.5% agreed that this tax structure should be continued by the government. About 50.0% of the respondents were unsure whether

the introduction of the new tax structure had really helped in stabilising CPO prices in the market. From Table 14, it may also be seen that about 43.2% of the respondents agreed that since the introduction of the new tax structure, the demand for processed palm oil from their companies had increased in the market place in comparison with 2012.

CONCLUSION

Basically, the implementation of the new CPO export tax was not the only significant factor that

TABLE 13. OPINION REGARDING THE NEED TO CONTINUE WITH THE NEW CRUDE PALM OIL (CPO) EXPORT TAX STRUCTURE IN THE FUTURE

Type of refinery	No. of refineries		Percentage	
	Yes	No	Yes	No
Integrated refineries	16	10	23.1	76.9
Non-integrated refineries	14	4	11.1	88.9
Total	30	14	68.2	31.8

TABLE 14. SATISFACTION OF RESPONDENTS ON THE NEW CRUDE PALM OIL (CPO) EXPORT TAX STRUCTURE

Remarks	Disagree	Unsure	Agree	No answer
The new CPO export tax structure gave positive impact to my company	10 (22.7)	6 (13.6)	27 (61.4)	1 (2.3)
My company has not experienced any difficulty in sourcing for local CPO even with the introduction of the new CPO export tax structure	15 (34.1)	2 (4.5)	25 (56.8)	2 (4.6)
The new CPO export tax structure should be continued by the government in the future	8 (18.2)	3 (6.8)	31 (70.5)	2 (4.5)
Introduction of the new CPO export tax structure helped in stabilising CPO prices in the market	9 (20.5)	22 (50.0)	11 (25.0)	2 (4.5)
Since the introduction of the new CPO export tax structure, the demand for processed palm oil from my company has increased in the market in 2013 compared with 2012	14 (31.8)	10 (22.7)	19 (43.2)	1 (2.3)

determined the performance of the palm oil refining industry in Malaysia. There were other influential factors, such as price competitiveness between palm oil and substitute products like soyabean oil, good management practices, production of high quality products, aggressive marketing approaches, and having joint ventures with companies in the importing countries.

Overall, based on the analyses of secondary data and the survey results, it can be concluded that the performance of the refining industry in 2013 was much better as compared with 2012. This was due mainly to the increase in exports of oil palm products, the

decline in the stock of palm oil, the price of CPO being on an upward trend and the reduction in price volatility, the increase in refinery capacity utilization rate, the rise in purchase of CPO by refineries, more processing of CPO, and the higher production of finished products.

Besides that, based on the survey, the majority of the refineries agreed that their performance in 2013 had improved over 2012 as a result of the new CPO export tax structure. As a consequence, most of the palm oil refineries agreed that the new CPO export tax structure should be continued in the future. However, it is believed that the continued success of the export

tax structure in future will depend on any changes in the Indonesian CPO export tax structure.

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