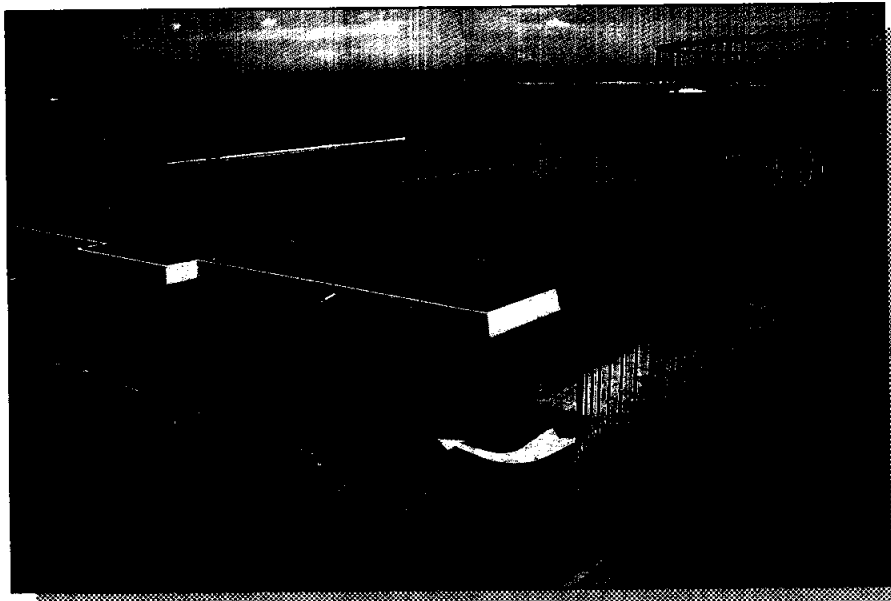


Felda Refinery Corporation



*FELDA Refinery
Corporation
Complex*

The Federal Land Development Authority (FELDA) is a major government agency in Malaysia, established in 1956 and entrusted with the opening up of virgin jungle areas for agricultural development. Since the foundation of FELDA, the country has witnessed the emergence of modern and efficient land schemes creating a whole new life for the participants in them, the FELDA settlers. In the early years, rubber was the dominant crop in the schemes. In fact rubber was for many years synonymous with agricultural progress in Malaysia. It is still a major crop for FELDA, but it has now taken second place to oil palm, and FELDA is recognized as the leading producer of palm oil in the country, in fact, in the world.

In the mid 1970's, FELDA, as a leading producer also ventured into downstream activities, and palm oil refining is now a major activity. FELDA's refineries are equipped with the latest technology, enabling it to meet the ever-increasing demands and tighter specifications of an expanding and highly diversified world market. FELDA has three refineries and two packaging plants, operating under the auspices of the Felda Refinery Corporation. Besides these, FELDA has an earlier plant located in Pasir Gudang Industrial Estate, the outcome of a joint venture project with Japanese partners initiated in 1976.

FELDA adopts stringent handling and quality control measures in all its facilities. These, coupled with the fact that all the plants are fabricated by well-

known equipment manufacturers, enable FELDA to offer a range of quality products tailored to varying consumer requirements. Both refined and fractionated palm oil and palm kernel oil are produced using these facilities. Other products include flaked stearic acid, cooking oil, margarine, ghee, shortening and dough fats.

In addition, FELDA employs highly competent food technologists in its quality control and R&D undertakings. The Felda Refinery Corporation's General Manager, Mohd Yusof, said in a recent interview that FELDA's venture into the refining business was a natural development.

The Corporation spent about M\$60 million to acquire refineries and a margarine plant, besides building a new refinery at Kuantan in 1987 which is now undergoing expansion. With this expansion the refining capacity of the plant is set to increase from 12 000 tonnes per day to 22 000 tonnes per day by April 1992. The expansion was necessary because of the increase in crude palm oil production by FELDA itself and also to cater for the raw material needs of FELDA's latest joint venture project located close to the refinery. The combined annual capacity of all FELDA's refineries will be close to a million tonnes.

Mohd Yusof said that FELDA's refineries are capable of catering to a range of users, both domestic and foreign. For example, the Corporation can produce high quality RBD palm oil for the Japanese



and other buyers, which entails the use of nitrogen blanketing from the time of obtaining the raw material from the mills until its final destination as an end-product. This oil is so special that it can be used by the consumer directly without the need to re-refine it, he said, adding that the Corporation can ensure quality as it has the choice of picking and selecting the best raw material from FELDA's 66 mills, which serve FELDA's entire oil palm area of 608 100 hectares throughout the country. With access to bulk raw materials, FELDA's refineries have a constant and reliable supply of feedstock. As noted above, quality is emphasized at all times, with quality control laboratories staffed by fully qualified personnel.

The Felda Refinery Corporation also operates two packaging plants located near its refineries. Research plays a vital role in the development of packed products as there are many consumers who ask for stringently specified raw material for their manufacturing needs. The Corporation's initial venture into the production of cooking oil catered for consumption by FELDA's own settlers. Marketing to the public was not pursued until recently. However, Mohd Yusof said he is very glad that the Felda Refinery Corporation's cooking oil has managed to carve a niche for itself in supermarkets, and elsewhere among consumers, without any sales promotion.

The Corporation now plans to set up the necessary infrastructure in strategic cities in the country such as Kuala Lumpur, Klang, Johor Bahru, Butterworth, Ipoh, Kota Bharu, Temerloh and Seremban with a sales force to undertake aggressive

marketing and promotion of the cooking oil. The necessary budget allocation for this purpose has been obtained.

"For the consumer sector, we will be going all out in 1992 to capture a major slice of the market for ourselves," Mohd Yusof said, adding that the Corporation aims to increase by three-fold its share of the cooking oil market. If everything goes well, the necessary equipment will be installed at various refineries sometime this year, after which production will be stepped up.

The Corporation has also developed several brands for overseas markets and it also supplies other manufacturers. Mohd Yusof said that currently the Corporation holds a leading market share of about 40% in the local industrial fats sector, with the main users being manufacturers of biscuits, bread, cookies and cakes.

Mohd Yusof stressed that Malaysian manufacturers were losing out to their Singapore counterparts in the marketing of packed products overseas, mainly due to the freight advantage enjoyed by them.

Mohd Yusof said it was difficult for the Corporation to compete in this context, and almost impossible to penetrate markets where there were many other brands firmly established and accepted by consumers. To do well the Corporation must enter markets where there were no established brands, or few, and where there was a potential for growth. Even then promotion would have to be very vigorous.

Mohd Yusof also said that the Corporation has identified some East Asian and African countries as potential and relatively new markets for its products. The Corporation is presently supplying its packed products to Syria, Lebanon, Jordan, Iraq, the U.A.E., Australia, Hong Kong, Taiwan, China, Vietnam, Papua New Guinea, Mauritius, Cambodia and Laos.