

# Malaysian Palm Oil Board - A Merger of PORIM and PORLA

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## INTRODUCTION

**I**n Malaysia, oil palm affairs are under the purview of the Ministry of Primary Industries. The Ministry has two statutory bodies established by Acts of Parliament which handle various functions related to the oil palm industry. The first is the Palm Oil Research Institute of Malaysia (PORIM) which primarily carries out research and development, and the second is the Palm Oil Registration and Licensing Authority (PORLA) which is responsible for licensing and enforcement\*.

In 1996, the government decided to merge the two bodies into a single entity to better serve the interests of the palm oil industry. The enabling Act, the Malaysian Palm Oil Board Act 1998 (Act 582) has been passed by Parliament, received royal assent on 25 June 1998 and was gazetted on 9 July 1998. It will come into effect on a date yet to be appointed by the Minister. This paper takes a general look at the Act to see what is in store for the palm oil industry.

## MALAYSIAN PALM OIL BOARD (MPOB) INCORPORATION

Technically, on the appointed date, the two bodies will be dissolved (Section 80) and a new corporate entity called Malaysian Palm Oil Board established (Section 3). All powers, rights, privileges, liabilities and

obligations of the two bodies shall devolve on MPOB on the appointed date (Section 81). All properties, contracts and monies of the two bodies will also vest in MPOB (Sections 82-84).

Licences, especially those issued by PORLA will remain valid until expiry (Section 87). After expiry, applications may be made to MPOB for such licences [Section 87(4)].

## Objectives

The broad objectives of MPOB are to promote and develop the oil palm industry of Malaysia and to develop national objectives, policies and priorities for the orderly development of the oil palm industry of Malaysia [Section 3(2)]. These objectives were not specifically spelled out in the earlier Acts of PORIM and PORLA.

## Functions

The core functions of research and development (PORIM) [Section 4(b), 4(c)] and licensing and enforcement (PORLA) [Section 4(d)] have been retained. MPOB has also been given the task to implement policies and developmental programmes to ensure the viability of the oil palm industry of Malaysia [Section 4(a)]. Other functions which are currently carried out by either one of the two bodies but not specifically mentioned in their Acts are given specific mention in the MPOB Act. These include commercialization of research findings [Section 4(e)] and training [Section 4(j)]. PORLA functions, *viz.* to promote efficient marketing and handling [Section 4(g)] and quality [Section 4(i)] of oil palm products, and

\* Another body, Malaysian Palm Oil Promotion Council (MPOPC) is a company established to carry out promotion of palm oil. It is funded mainly through annual budgetary allocations from PORLA.

gathering information and maintaining records [Section 4(m)] have been retained. The PORIM functions of providing consultancy [Section 4(f)] and disseminating information [Section 4(o)] have also been retained. Market development [Section 4(h)] is also specifically spelled out as one of the functions of MPOB.

The MPOB has been vested with certain powers to enable it to carry out its functions effectively. These include regulatory powers [Section 5(h)], power to impose fees [Section 5(b)], power to prescribe grades of oil palm products [Section 5(i)] and power to do such other things to enable it to perform its functions effectively or which are incidental to the performance of its functions. [Section 5(j)].

### **Research and Development**

In terms of R&D, the Act has clearly spelled out the increased scope of R&D expected. For example, the definition of oil palm, besides the genus *Elaeis*, includes any oil bearing genus of palm, hybrids and genetically engineered versions (Section 2). The PORIM Act covers research and development on production, extraction, processing, storage, transportation, marketing, consumption and uses of palm oil and oil palm products [Section 5(1)(a) Act 218]. This scope has been clarified and expanded under the MPOB Act to include planting, harvesting, consumption and marketing of oil palm and oil palm products [Section 4(b)].

The Act allows MPOB to conduct R&D on other oilseeds and other oils and fats if it is for the enhancement of the oil palm industry [Section 4(1)] and to conduct R&D in any other area where the results of the research and development are intended to benefit the oil palm industry [Section 4(p)]. This general provision would allow MPOB to carry out research in areas such as integration of cattle under oil palm which does not directly involve research on oil palm products and as such may not be clearly covered by the other provisions.

The MPOB may make available any of its research finding to others for commercialization subject to the approval of the Minister as to the terms and conditions (Section 40).

### **Regulation and Enforcement**

It has been mentioned in jest that the MPOB Act is a 'fine' Act – full of provisions on impositions of fines and other penalties. This arises mainly from the regulatory and enforcement aspects of its functions. One notable feature is the increased penalties. For example, punishment for an offence for which no penalty is specifically provided is a fine not exceeding a maximum of RM 5000 under the PORLA Act but has been increased to a fine not exceeding maximum of RM 100 000 or imprisonment up to two years or both (Section 69). Furnishing false information carries a punishment of imprisonment not exceeding six months or a fine not exceeding RM 5000 or to both under the old Act but has been increased to imprisonment not exceeding two years or a fine not exceeding RM 100 000 or to both (Section 67).

Information furnished to MPOB will be kept secret and any breach of this confidentiality by any person having access to such material is an offence liable to a fine not exceeding RM 100 000 or imprisonment up to two years or to both (Section 66).

There is a provision for certain offences to be compounded (Section 71) and the amount payable will not exceed 50% of the maximum fine. Such offences which can be compounded will be specifically prescribed under regulations yet to be made under the Act.

Sections 44 to 78 of the Act cover the enforcement and regulatory aspects. Authorized officers empowered to carry out enforcement under the Act are officers of MPOB appointed by the Director-General or police officers not below the rank of inspector or officers of customs (Sections 2,44). Authorized officers have powers of investigation (Section 45), arrest (Section

46), search by warrant (Section 47), search without warrant (Section 48), stopping and searching conveyances (Section 49) and entering and searching premises [Section 51 (f)]. Prosecution of offences may be done only with the consent of the Public Prosecutor by any officer of MPOB authorized in writing by the Public Prosecutor.

### **Market Promotion**

Under the PORIM Act, PORIM's functions include inter alia 'to promote the use of palm oil and oil palm products in competition with other materials or as complementary thereto;' [Section 5(1) (f) Act 218] whereas under the PORLA Act, PORLA's functions include 'to promote the efficient marketing and handling of oil palm product;' [Section 11(b) Act 179].

With the formation of MPOB, this PORLA provision has been maintained [Section 4(g)] and in addition, a new subsection, *i.e.* 'to develop and maintain markets for oil palm products' [Section 4(h)] has been introduced. The Act also allows MPOB, subject to the approval of the Minister to make contributions to any organization, whether within or outside Malaysia, for the purpose of promoting the marketing of oil palm products [Section 33(i)]. This provision will enable MPOB to make financial contributions to MPOPC to carry out market promotion for oil palm products.

### **Funding**

The main source of funding for MPOB is expected to be from cess collections. The Minister of Primary Industries, after consultation with the Minister of Finance may make orders on the imposition of cess on oil palm products produced in or exported from Malaysia [Section 35(1)]. Currently, only crude palm oil and crude palm kernel oil produced in Malaysia are subject to cess. Failure or refusal to pay cess will be an offence liable to a fine of up to 10 times the amount due or to imprisonment of up to three years or to both [Section 35(4)].

### **Composition of Board**

The Malaysian Palm Oil Board will have 16 members appointed by the Minister comprising of a Chairman, one representative each from the Ministry of Primary Industries, Treasury, MITI, FELDA, smallholders, palm oil millers, palm oil refiners and the oleochemical industry, two representatives from oil palm producers, four other persons, and the Director-General (Section 6). Currently, the PORIM and PORLA Boards have 13 and 14 members respectively, and each body is represented in the other's Board. One notable new inclusion in the new Board is the representative from the oleochemical industry.

### **Establishment of Corporations**

MPOB, with the approval of the Minister and Minister of Finance may establish a corporation to carry out and have the charge, conduct and management of any project, scheme or enterprise which has been planned or undertaken in the performance of its functions (Section 43).

### **Retention of the name PORIM**

MPOB may continue to use the names 'Palm Oil Research Institute of Malaysia' and 'PORIM' for whatever purpose (Section 91). The use of such names by any other person without the prior written approval of MPOB is an offence liable to a fine not exceeding RM 50 000. There is no similar provision to retain the name PORLA.

### **Retention of Personnel**

On the appointed date, all officers and servants of PORIM and PORLA shall continue to be officers and servants of MPOB on the same terms and conditions of appointment as they had in PORIM and PORLA (Section 86).

### **CONCLUSION**

The formation of MPOB is intended to streamline the functions of PORIM and PORLA to

better serve the palm oil industry. It is an exercise in organizational development which should augur well for the industry.

## **REFERENCES**

**MALAYSIAN PALM OIL BOARD ACT 1998**  
(Act 582).

**PALM OIL RESEARCH AND DEVELOPMENT ACT 1979** (Act 218).

**PALM OIL REGISTRATION AND LICENSING AUTHORITY (Incorporation) Act 1976**  
(Act 179).