

STANDARD OF LIVING OF OIL PALM SMALL HOLDERS IN
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EXECUTIVE SUMMARY

The purpose of this research is to survey the standard of living of oil palm small holders in Beaufort, Sabah. Standard of living/quality of life is a broad perspective. Therefore, the scope of this research will only encompass mainly on the earnings of the small holders and the few type of assets own by them.

The need for the study arose as the government has been emphasizing agriculture sector to uplift the standard of living of the 'Rakyat' in particular those in rural areas. Malaysia is the largest producer of oil palm in the world with Sabah being the largest state's producer of oil palm with acreage of plantation of 1.65 million hectares as at year '2004. Therefore, being the state's largest producer of oil palm, we felt that there is a need to actually gauge the small holders standard of living as they are mainly comprises of people in the rural areas. Our research objective will outline the following :-

- ☞ To determine the ethnicity of oil palm small holders in the district of Beaufort, Sabah.
- ☞ Correlation between the acreage of plantation and income.
- ☞ Correlation between the assets own (confined to details of assets owned as per sample questionnaire) and acreage of plantation.

This research project will involve only 133 respondents or approximately 1/3 out of the 398 oil palm small holders registered with Agriculture Department, Beaufort. We are unable to get all the small holders involved in this research due to lack of financial resources and time constraints.

¹ Department of statistics Malaysia 1975-1985. MPOB 1986-2004

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1.0 Overview of the Malaysian Palm Oil Industry 2004

Oil Palm industry in Malaysia has contributed immensely to the country's development. The country has recorded an export earning from oil palm product of RM30.41 billion for the year of 2004. From January to August, 2005, export revenue from oil palm product is at RM19.08 billion, a reduction of RM789 million or -4% compared to the revenue earned in corresponding period last year. The total oil palm planted area increased by 1.9% or 73,000 hectares to 3.87 million hectares in 2004 with Sabah remained the largest oil palm planted state with 1.169 million hectares of oil palm plantation.

The total exports of oil palm products constituting palm oil, palm kernel oil, palm kernel cake, alchemical and finished products increased marginally by 3.1% or 0.53 million tonnes to 17.35 million tonnes in 2004. Export of palm oil increased by 2.5% to 12.58 million tonnes from 12.27 million tonnes in 2003. China is the largest market for Malaysian oil palm followed by the European Union. In 2004, Malaysia exported 2.80 million tonnes of palm oil related products to China.

The average price of Crude Palm Oil (CPO) increased by 4.3% or RM66 to RM1,610 against RM1,544 the previous year. The highest and lowest CPO monthly average prices were recorded in March and December at RM2,000 and RM1,420 respectively. The highest daily trades price was RM2,030 in March 2004. The lowest was RM1,380 in late December.

Malaysia currently accounts for 51% of world palm oil production and 62% of world export therefore also 22% of the world's total production and exports of oils and fats. It is anticipated that the world palm oil production will increase from 2.8 to 2.9 million ton from the period of October, 2004 to September, 2005 i.e. higher by an average of 1.6 million ton for the same corresponding period previous year. This is due to the increase of planted area and improved production of Fresh Fruit Bunch per hectare³.

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1.1 **The Socio-economic impacts of oil palm industry in Sabah**

The agriculture sector is the backbone of the State's economy. It is identified that 2.1 million hectares of land in Sabah suitable for agriculture. Out of this, 1.165 million hectares⁴ of land had been planted with oil palm.

The oil palm sector is a very important sector to the state's economy. Palm oil products remains the largest export revenue earner in 2003. Palm oil related products accounted for 36.4% of the state major export commodities in 2003. This translates into value of RM6.810 billion. Sabah for the same period also has recorded a production of crude palm oil of 4,765 million tonnes⁵. Sabah accounted for 25% of the total production of crude palm oil in the country.

In terms of employment, Oil palm sector has provided plentiful of employment in the State particularly in the estate management as a laborers. It is very saddened to note that the local people are lacking of interest to work in the plantation despite the moderate income being offered by established oil palm estate companies such as IOI, PPB and Bornero Samudera. The composition of local people in the laborers sector does not even made up to 1/3 of the total laborers workforce. Despite the fact that hiring foreigners will incur more costs to the companies compared to hiring local people, established companies has no choice due to the fact that local people is less interested to work in the oil palm estate.

The rural folks in Sabah has benefited a lot since the government proactive approach to accelerate the growth of oil palm small holders in order to improved their living standard. The government through its agency, Sabah Land Development Board (SLDB) has introduced a settlers scheme in Klian, Beaufort whereby each family will get around 15 acres of land to be developed with oil palm with the assistance from SLDB.

⁴ Department of Statistic Malaysia 1975 – 2004

⁵ Department of Statistic, Sabah