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MUCH TO GAIN FROM CIRCULAR ECONOMY

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NEW GROWTH PATH

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THERE are signs that the Federal Land Development Authority (Felda) is treading a new growth path. This should be good news for the thousands of Felda settlers pinning their hopes on Felda.

The new management has decided to embrace the circular economy model to take the organisation forward. Many see the decision as a wise move.

The chairman of Felda, Datuk Seri Ahmad Shabery Cheek, recently announced a new direction for the agency.

The proposals have three aspects, which are agricultural transformation to improve food security, a just transition of the Bumiputera economy and land use to drive a high-impact circular economy.

Palm oil has for years been the main source of earnings for Felda.

It was through wise investments in the palm oil value chain, including refineries, oleochemicals and bulking facilities, that have catapulted Felda to success in the early years.

The advice to stay focus on palm oil was strongly echoed by Plantation and Commodities



DR AHMAD IBRAHIM

Minister Datuk Seri Johari Abdul Ghani — a timely advice for Felda as the agency negotiates new business challenges.

As a minister who is no stranger to the business world, Johari has taken steps to move the sectors under his ministry to be in line with global challenges and opportunities. The looming climate crisis is fast changing the game of global business.

There is no running away from complying with the new demands associated with sustainability and net zero. Businesses must embrace the environmental, social and governance (ESG) discipline to remain attractive to investors.

The palm oil business is not spared. By embracing ESG and



Palm oil has for years been the main source of earnings for the Federal Land Development Authority. FILE PIC

the green business, economic opportunities are aplenty for the sector.

This is where the circular approach of harnessing the by-products of the palm oil business can generate extra returns. Empty fruit bunches (EFB) are a by-product of palm oil milling that many find promising.

As one of the leading palm oil producers in the world, Felda generates huge amounts of EFB from its mills. But it is not economically viable for a single mill to process the EFB for added value.

A few mills must come together to collect enough EFB to justify the economies of scale. This explains why the recently launched National Biomass Action Plan under the Plantation and Commodities Ministry has proposed

the establishment of EFB collection centres to provide feed materials for the biomass business.

There have been attempts in the past to generate electricity from EFB under the Small Renewable Energy Programme. A few companies entered the business but not many had been able to deliver the agreed megawatts. Though the uncertain supply of EFB was one factor, many failed because of management problems.

If Felda intends to venture into the EFB business, the agency should be wary of the risks involved, going by the experience of many companies in the past. Though the raw materials of EFB come from the palm oil mills, it is a different business altogether.

The business needs a different kind of management skills. But

there is no denying that Felda stands to gain by participating in such business. As advised by some business experts, it would be wise for Felda to partner with a proven biomass company rather than going it alone.

That way, the risks in the largely uncharted biomass business can be shared. This is where choosing the right partner is critical.

One thing is clear though. The biomass industry is set to be another revenue channel for Felda. There is no doubt that with the right business partnership, the extra value gained will eventually trickle down to the settlers.

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