

# Tradewinds to expand Indonesia oil palm landbank

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**TRADEWINDS** Plantation Bhd is looking to expand its oil palm landbank in Indonesia, in an effort to reduce the group's cost in doing business.

Managing director Dr Radzuan Abdul Rahman said the company is conducting due diligence on certain areas in Indonesia, and expects the outcome to be known by end of this year or early next year.

"The Malaysian cost structure is higher than that of Indonesia. In fact, our team just came back last week from one of these areas. We are appraising, we have not concluded any deal at this point of time," he said.

According to Radzuan, Tradewinds is looking at close to 20,000ha, which requires an initial investment of RM100 million. A sizeable landbank in Indonesia is needed to reduce the cost of production of crude palm oil (CPO) for Peninsular Malaysia.

"If we have 140,000ha now and we want to bring down the cost, the landbank cannot be too small, it has to be sizeable areas and meaningful investment.

"The average cost of production of CPO in Indonesia is about RM520-560 per tonne compared with Malaysia which is about RM750-800 per tonne," he said at a press conference



after the launch of the company as a new entity in Kuala Lumpur yesterday.

Tradewinds is the result of a merger of Tradewinds Plantations Services Sdn Bhd and Johor Tenggara Oil Palm Bhd. The group now has a landbank of about 6,000ha in Bangka Island under a joint venture with an Indonesian party.

Radzuan said the cost of maturity of oil palm in Indonesia which is about RM6,000 per ha, is also lower compared with that in Malaysia which is RM8,000-10,000 per ha, depending on the location.

"So, I think the appetite is

about RM100 million for about close to 20,000ha. That is a fair size to begin with," he said.

He also said that Tradewinds prefers to venture into Indonesia on its own, rather than joint venture with a local party, as it would be easier to run the business and be in full control of it.

Radzuan said that the company expects to achieve a single-digit growth on yield per hectare this year. He also expects the company's cost of production of CPO to be as competitive as RM710 to RM720 per tonne within the next three years.

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Radzuan

"We are hoping that it will be at RM840 per tonne this year," he added.

Tradewinds is the fifth largest plantation firm in terms of planted hectareage, even though it has planted only 59 per cent or 75,353ha of its 126,980ha landbank.

It enjoys an exciting maturity profile where the average age of its palm trees is 10 years.

Of its matured areas, 46 per cent are under eight years old and 41 per cent at the highest yield stage of between nine and 18 years old.