Tradewinds to expand Indonesian landbank

By ZAIDI ISHAM ISMAIL

TRADEWINDS Plantations Bhd, which already owns 6,000ha of oil palm estates in Kalimantan in Indonesia, plans to boost its landbank there by at least sevenfold to between 40,000ha and 50,000ha.

This will cost between RM25 million and RM31 million based on oil palm land value of RM625 per ha in Indonesia. By comparison, oil palm land in Sabah cost more than RM30,000 per ha.

Together with its existing landbank of 140,000ha in Malaysia, Tradewinds will then own a total of 200,000ha of oil palm estates, putting it at par with companies such as Golden Hope Plantations Bhd and PPB Oil Palms Bhd.

Kumpulan Guthrie Bhd still owns more than 300,000ha.

Tradewinds managing director Dr Radzuan Abdul Rahman said the company is now negotiating with one party to buy the Kalimantan land, which is an extension of its existing operations in Sarawak.

"The proximity will make it a lot easier for us. Land in Sumatra is expensive and people there are already exposed to plantations," Radzuan told Business Times.

Radzuan said return per ha is important for Tradewinds because the hectarage will give it the numbers.

"For the company, adding new greenfields and consolidating is subject to the availability of funds but within a reasonable period we want to stand side by side with industry giants.

"The way forward is to multiply and get big returns by 2010. Nonetheless, the growth must be balanced," said the former Island & Peninsular Bhd managing director with 25 years of plantations experience.

RADZUAN: 'The way forward is to multiply'

Tradewinds Plantations is the special purpose vehicle used for the merger between Tradewinds Plantations Services Sdn Bhd and Johor Tenggara Oil Palm Bhd, which are both linked to businessman Tan Sri Syed Mokhtar Al-Bukhary.

After the merger, which is expected to be completed by February 2006, Tradewinds Plantations (formerly known as Jubilant Century Bhd) will assume Johor Tenggara's listing status and emerge as the fifth largest plantation company in Malaysia in terms of planted hectarage.

Tradewinds is also on track to become the country's second most efficient palm oil producer next year in terms of oil extraction rate (OER) at 21.6 per cent and has the potential to go up further to 24 per cent.

The national average is 19 per cent compared with Indonesia's 24-25 per cent.

"To expand in the country is no longer competitive. For example, if you invest RM1,500 on 0.4ha in Sarawak, the recovery takes 10 to 12 years.

"However, in Indonesia, with just RM250 per 0.4ha, it takes six to seven years to recoup the investment," said Radzuan.