

FGV Inks Agreement with PLS Plantation Berhad to Venture into Durian Business

The HoA was officially exchanged between FGV's Chief Investment Officer, En Fakhrunniam Othman (right) and PLS's Managing Director, Tan Sri Dato' Lim Kang Yew after the launch of Malaysia Durian Festival 2019



FGV Holdings Berhad (FGV) signed a Heads of Agreement (HoA) with PLS Plantation Berhad (PLS) on 27 April 2019, at the Belt & Road Forum in Beijing, China, to form a potential joint venture in the development of cash crop plantations, primarily durian.

FGV's Group Chief Executive Officer, Dato' Haris Fadzilah Hassan said this collaboration is part of the Group's strategy to make productive use of unplanted areas that are not suitable for oil palm, and to explore additional revenue streams by increasing the percentage of cash crops. FGV's Logistics and Support Businesses Sector will also benefit from this partnership as it is able to offer a reliable logistical network to create a regional logistic gateway through strategic collaborations.

"With this HoA, FGV hopes to explore the opportunity for both parties to form a JV, in line with the proposed National Durian Plantation Program initiated by PLS. In August 2018, Malaysia's Agriculture and Agro-based Industry Ministry signed an export protocol with China's General Administration of Customs for fresh and frozen durians. There is huge potential for the

Malaysian durian industry as China is currently the world's largest durian consumer," Haris Fadzilah said.

PLS, through its subsidiary Dulai Fruits, has successfully penetrated markets in ten countries, of which China accounts for the largest segment. Dulai Fruits has 30 years of experience in durian planting and exporting. FGV will also be able to leverage on PLS's market intelligence and networks to further strengthen its products and brand positioning in China.

Haris added, "FGV has identified approximately 1,398 hectares of land that is potentially suitable for large scale commercial planting of durian. However, to determine the best areas for durian planting, further investigation into several factors, including the suitability of the soil, terrain and the availability of water sources for irrigation is necessary. Other potential cash crops for cultivation include rubber, Meranti wood, Teak and Eucalyptus."

Durian is the most widely planted and harvested fruit in Malaysia. In 2017 a total of 72,391 ha and 35,179 ha of land were planted and harvested respectively. Total production during the year amounted to 210,874 metric tonnes, valued at RM2.79 billion. The price of durian has also been steadily increasing, with the growing demand for the fruit. The average retail price for durian was less than RM9 per kg in 2013, but had escalated to an average of RM24.80 per kg in 2017, an increase of more than 100%.

According to the United Nations' trade data, durian exports to China have been increasing by 35% on average a year, and was worth US\$1.1 billion in 2017, which was significantly higher than US\$243 million a decade ago. Although, Thailand dominates the market, the Malaysian Government is targeting a 50% increase in exports by 2030, as the local industry is reshaping itself for the global marketplace.

"Durian is the most profit-making cash crop from a value per hectare perspective and FGV aims to capitalise on China's demand for the King of Fruits. We believe that this venture will contribute positively to FGV's financial performance, which will in turn improve shareholders' value," Haris said.

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