



PINEAPPLE

The current total pineapple harvesting area in our estates in Johor stood at 154 hectares (or 381 acres). For the year under review, volume of pineapple harvested increased by 9.60% to 3,698 MT from 3,374 MT in the previous year. Currently, the division grows 3 pineapple cultivars – Josapine, MD2 and N36. The division is looking to

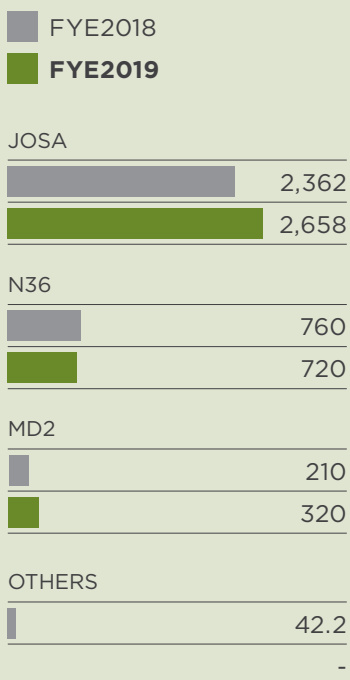
plant more of the MD2 variety given the strong demand for the same. MD2 is popular due to its high quality, sweetness and golden yellow colour. Further, MD2 has a much higher yield per hectare compared to the other variants and has a longer shelf life, which makes it ideal for export. Due to the flat terrain at our Ladang Ayer Hitam, approximately 90% of the operations thereat are mechanized i.e. from plastic mulching to foliar application, which to some extent has helped address issues of labour shortage.

Pineapple Segment Revenue (RM Million)



40%
of the
pineapples
produced in
FYE2019 are
exported

Pineapple Production (MT)



to maintain and support our MSPO certification. However, the Indonesian Sustainable Palm Oil (“ISPO”) audit on PTNJL remains status quo from last year as authorities await a definitive outcome of the ongoing legal suit pertaining to PTNJL’s HGU before the ISPO certification process can be resumed.

Outlook

The palm oil industry continues to be challenging with geopolitical uncertainties, protectionist policies, recent EU resolution to ban palm-related biodiesel by January 2021 and uncertain weather conditions. The industry is also struggling with long-standing labour shortages and rising operating costs. These factors will continue to accentuate the bearish sentiment in the overall market.

While more areas are expected to attain maturity in this financial year, we expect the division’s earnings to continue experiencing some pressures in the near term as a result of the prevailing low CPO prices and required expenditure in developing our greenfield estates. Nevertheless, the Board believes that on balance, this sector will continue to benefit from the growing demand given that palm oil is a significant and versatile raw material for both food and non-food (i.e. oleochemicals and biofuel) industries and is confident of its sustainable growth over the long-term. We also continue to see significant opportunities to grow the division through acquisitions as our capital structure continues to provide us with the flexibility to execute our growth strategy, including the funding of our acquisitions.