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## Cost of Palm Oil Production

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*In the current complex and highly competitive agricultural environment, the oil palm industry is facing challenges of enhancing productivity and increasing operational efficiency. Business profitability is not only dependent on output prices but on other factors affecting cost. Generally, bullish palm oil prices had resulted in delays in the replanting of old palms. Increased proportion of old palms (aged >25 years) had contributed to the reduced productivity and has caused higher cost of production.*

*An average of 19.4 per cent of the old palms were replanted every year. Larger areas of old and low productive palms would exist over the near term if current replanting rate continues, thus pushing production cost to a higher level. Long term implications would occur if replanting is not properly scheduled. The surge in demand for seeds and seedlings would create shortages, prompting their prices to rise exorbitantly. At the same time, the processing and downstream sectors would suffer from shortage of feedstock supplies and therefore this scenario could affect palm oil export performances.*

*The paper overviews the needs for prudent cost management measures to mitigate further increases in production cost. In particular, these include among others, the prospects of using clonal materials during replanting, addressing the skyrocketing fertiliser cost, approach towards integrated pest and disease management, precision agriculture, good agricultural practices etc. Therefore, the production cost dynamics must not only be monitored but also focused on improving management practices as well as addressing the critical needs to boost yield.*

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