

## **The sudden price hike of cooking oil — what is the issue?**

PETALING JAYA (July 15): The sudden hike in the price of cooking oil is of concern to all Malaysians, not only those from the bottom 40% income group (B40) and M40 who spend most of their income on food. Although the household expenditure on cooking oil is only about 0.42% of total household expenditure on food, the increase in oil prices affects prices of other food items, in particular for food away from home.

Malaysia is the second largest producer of palm oil. Logically, there should not be a price hike amid plenty. Further, cooking oil is subsidised.

The PEMUDAH Technical Working Group on Food Cost (TWGFC) led by Prof Emerita Tan Sri Dr Sharifah Hapsah Syed Hasan gathered industry experts, regulators, government agencies and researchers to analyse the supply chain of cooking oil, and to identify the possible parts that contribute to the price hike.

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Out of the 18 million tonnes or so of crude palm oil (CPO) produced yearly, only about one million tonnes are allocated for cooking oil. Hence, only a small fraction (5% to 7%) of CPO is processed into cooking oil. Out of the total, 720,000 tonnes are dedicated for subsidised cooking oil, which works out to be 60,000 tonnes per month. The rest (300,000 tonnes) is unsubsidised cooking oil sold in 1 kg to 5kg bottles and 17kg tins.

In terms of costs, 70% to 80% of the cooking oil cost structure is due to the purchase of CPO. The rest (20%) is divided into processing, packaging, warehousing and retailing. Hence, the price of cooking oil is highly dependent on the price of CPO. Since the amount used for cooking oil is only about 5%, it makes sense for the government to intervene with industry subsidies to keep the price affordable.

Currently, the subsidy is only for the quota of 60,000 tonnes per month, which is packed in 1kg polybags. Statistics show that per capita consumption of cooking oil is 1kg to 1.5 kg per month (which is above the national dietary guideline of 620gm/month). Assuming that everyone consumes this amount of cooking oil per month, the total required for the B40 and M40 is only about 26,000 tonnes per month. Hence, we produce enough subsidised cooking oil for B40 and M40 — in fact, enough for the whole population of Malaysia, with a surplus even.

Where is the problem then? The TWGFC believes the packing of cooking oil into 1kg polybags may be the source of the problem. The quota for packing is given to selected packers. We need to understand better how they are chosen, and how the subsidised packets are distributed to the targeted groups. Leakages in the system may have led to selling of subsidised cooking oil across the border. There is also concern that subsidised cooking oil in polybags is repacked into unsubsidised bottles. A more comprehensive approach in selecting packers and the right mechanism of distribution should be introduced to ensure the targeted groups enjoy the government assistance.

The workshop was attended by the Malaysian Palm Oil Board, FGV Holdings Bhd, the National Action Council on Cost of Living, the **Department of Statistics Malaysia**, and University Putra Malaysia. Malaysia Productivity Corporation, which is also the secretariat to PEMUDAH, serves as a catalyst to bridging the gap between the private and government sectors towards improving productivity and competitiveness of the nation.

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