

# OIL PALM TO TIMBER PLANTATION: THE SUAN LAMBA CONVERSION MODEL

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## ABSTRACT

Labour shortage is one of the biggest challenges in the oil palm industry, it has resulted in a notable decrease in harvest, with some plantations harvesting as little as 30-40% of their total planted area. With more than 80% of the labour forces in the industry being foreign workers from Indonesia, the upcoming development of Indonesia's new capital Nusantara and the work force requirement during and post new capital development is bound to impact the oil palm industry further. In light of this, oil palm owners in Sabah have started to plant alternative crops that are less labour dependent, at the same time providing good monetary return. One of the alternative crops is fast growing timber tree species. The challenge with this choice is their harvesting age is usually from 7 years old onwards, therefore for smaller estates that have less access to credits and financial source, the long waiting period would require a strong operation cash flow. To understand the scenario better, a collaborative test model was set up with Harimaju Plantation Sdn. Bhd. to look into the economics of converting an oil palm plantation in Suan Lamba to timber plantation. The model will look at 3 aspects: (i) Size of oil palm area required to cover operation costs; (ii) Timber harvest rotation intervals and management regime; and (iii) Other operation cash flow source. By mid 2024, 75% of the plantation was converted and planted with *Neolamarckia cadamba* at a spacing of 5 x 5m and 7 x 7m using the triangular spacing method and intercropped with cash crops. While the diameter at breast height of trees range from 7 to 12 cm, the cash crop harvest since May to July 2024 was recorded to be over 1,850 kg. The study aims to provide economic costs and means to shorten the investment payback period, enabling smallholder to have a reference and gauge on points to be considered when they intend to convert or establish a timber plantation.