
Should Felda continue its strategy to operate in Brazil as a means of becoming global?

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RESEARCH QUESTION:

**‘SHOULD FELDA CONTINUE ITS STRATEGY TO OPERATE IN
BRAZIL AS A MEANS OF BECOMING GLOBAL?’**

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Abstract

In this essay, an investigation into a company's strategy to expand with the aim of becoming global is explored. Specifically, the discussion is in the context of the proposed research question, '*Should Felda continue its strategy to operate in Brazil as a means of becoming global?*' Felda here refers to a Malaysian government-owned company doing business in the palm oil industry and its strategy to expand has been postponed for reasons strongly related to external pressure. In answering the proposed question, this essay will look into the type of strategy under consideration in a Business and Management context and how the implementation of it may bring change to Felda. Following the discussion is a look into the external environment and its influence on Felda in making its decision and finally, an evaluation is based upon whether the said strategy can actually serve to resolve problems that the company is facing or otherwise in relation to its reasons for becoming global.

This essay covers the use of the Ansoff matrix, the PEST analysis and also the SWOT analysis to assist in bringing forward a structured and analytical discussion. Hence, it is to be noted that this academic essay covers only the qualitative aspect of the issue mentioned afore and does not indicate any reference to financial issues and those related to it. Throughout the discussion, arguments and analyses concerning for and against Felda's continuation of its strategy are put forth which brings to the development of the conclusion of the essay – *Felda should not continue its strategy to operate in Brazil as a means of becoming global*. As a minor overview, the reason behind the conclusion is majorly due to existence of technical problems that cannot be dealt with by the company under current situations.

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Introduction

Felda is a Malaysian government-owned company which aims to help the nations' settlers earn a better living and thus, improve their lifestyle through agricultural schemes. Felda manages the land involved in the plantation schemes for settlers and mainly operates through development in palm oil and rubber plantations. In relation to the call of the then Deputy Prime Minister (Dato' Seri Najib b. Tun Abdul Razak, now the 6th Malaysian Prime Minister) for Felda to become a global player, the company has widened its footage to include assisting agricultural schemes and plantation in other countries globally.¹

The Brazilian government has played a major role in offering Felda a 30,000-100,000 hectares (75,000 - 250,000 acres) land in the heart of the Amazon rainforest, located in Tefe and Manaus to be cultivated into oil palm plantations by the settlers there with help from Felda.² The new entity handling Felda's investments in Brazil will be called Felda Global Ventures Brazil Sdn. Bhd. with Felda having a 70 per cent stake and Braspalma of Brazil holding the rest.³ However, large international pressure from environmentally concerned groups determine to put a stop to possible deforestation of the Amazon rainforest has forced Felda to postpone its plan to move into Brazil.

¹ 'Felda For Amazon', New Straits Times, Biznews, 9 July 2008

² 'Felda in Oil Palm Project with Brazil Partner', New Straits Times, Biznews, 25 March 2009

³ *ibid*

Thus, the research question **‘Should Felda continue its strategy to operate in Brazil as a means of becoming global?’** is proposed and will be discussed analytically in this essay. It is considered important and relevant that this issue be examined as Felda’s final decision will affect its stakeholders, mainly the settlers of Malaysia under their scheme. This essay will hence, look into Felda’s strategic plan to operate in Brazil from various possible angles and in the end, achieve a conclusion that answers the proposed research question.

Findings

1. A Global Felda

1.1 What does it mean for Felda to become global?

Operating and expanding into other countries brings Felda closer to its mission of having a world-class management with Felda becoming a global player.⁴

Felda becoming global brings forward the definition of the Malaysian company becoming a multinational company (MNC). In relation to the globalization of the world involving freedom of movements of goods, capital, and people,⁵ many opportunities will be opened up to Felda as they are for other multinationals. Specifically, these opportunities involve the ability to avoid any protectionist policies such as possible unfair trade practices (i.e. import restrictions and other trade barriers)⁶ and an increase in competitive edge in the palm oil industry both in the home country and in the international arena. This would no doubt benefit Felda as involvement in the international palm oil industry would give rise to a wider market base, increase their sales figures and hence have a larger market share in the industry. Thus, this allows Felda to improve the lives of settlers under their scheme and indirectly, the national economy.

However, becoming a multinational is not without its risks. Stepping into Brazil, a foreign country whose population speaks a different language could cause language barriers between the

⁴ 'Profile-Vision and mission,' viewed on 1 November 2009, <<http://www.felda.net.my/felda2008/index.php/en/vision.html>>.

⁵ P. Stimpson, 'Business and the environment' in *AS and A Level Business Studies*, 7th edition, Cambridge University Press, Cambridge, 2006, p. 26.

⁶ P. Hoang, 'Globalization' in *Business and Management*, IBID Press, Victoria, 2007, p. 156.

local workers and Felda officials which negatively effects quality production, may delay conduction of new strategies and decrease productivity. Hence, an acknowledgement and respect of different cultural values and differing language should be put into practice by Felda officials to minimize negative impacts of language and cultural barriers and to ensure the success of the business should they consider becoming a multinational.

1.2 Felda and Growth Strategies

For Felda to become global and thus, be involved with multinational businesses it could be interpreted that the company is planning for growth. Hence, the Ansoff matrix will be used to further comment on strategies for Felda to realise its mission.

		PRODUCTS	
		EXISTING	NEW
MARKETS	EXISTING	Market Penetration -	Product Development - Producing higher quality oil palm seeds based on R&D findings. ⁷
	NEW	Market Development - Entering the Brazilian palm oil industry with its existing products via a joint-venture with a local company. ⁸	Diversification -

⁷ 'A World First in Oil Palm Technology', The Star (Nation), 13 May 2009.

⁸ 'Felda in Oil Palm Project with Brazil Partner', New Straits Times, Business News, 25 March 2009.

This essay will only look into Felda's strategy for market development since only this move will give Felda a global presence. *Market development* involves inorganic growth due to the possible trading of its products in a new market by joint venturing with a Brazilian company, Braspalma. It is rated as a medium-risk growth strategy since the business is familiar with the products that are being marketed.⁹ In the case of Felda, the company will be producing its palm oil in Brazil while providing its expertise in oil palm plantation and downstream¹⁰ to the Brazilian company. This growth strategy would definitely enable Felda to go global. However, since it plans to merge with Braspalma via a joint venture, Felda would have to incur a large investment cost and may have to deal with culture clashes in the newly formed entity. Felda should also be aware that the success of its products and services in the Malaysian market does not necessarily guarantee the same success in Brazil since no two markets are identical and hence, must be prepared to deal with emerging events. Nevertheless, the joint venture with Braspalma would probably benefit Felda in terms of reducing competition in the Brazilian palm oil market and gaining advantage from synergy.

2. The Operation in Brazil

2.1 What can Brazil offer? A look into the external environment

In discussing Felda's (postponed) plan to operate in Brazil, a PEST analysis is used to analyse the external environment that may influence Felda's decision making.

⁹ Hoang, op. cit., p.132.

¹⁰ The term 'downstream' refers to palm oil based products as cited by Felda in their webpage; 'Our core businesses,' viewed on 1 November 2009, <<http://www.feldaholdings.com/content.php?h=1116&lang=EN>>.

PEST analysis of multinationals operating in Brazil

Political/Legal Environment	<ol style="list-style-type: none"> 1. Political stability present in Brazil-no sudden elections which defects uncertainty in future business plans. 2. Malaysian and Brazilian government in efforts to boost economic cooperation and tourism ties.¹¹ 3. Brazil ranked 125th place out of 151 for ease of doing business.¹² 4. Stringent government legislation may put constraints on business activities (i.e. Corporation Law, Environmental Law (1988 Federal Constitution law), Labor Law, taxation and interest rate policies)*
Economic Environment	<ol style="list-style-type: none"> 1. Brazil is part of the BRIC group (Brazil, Russia, India and China, members of the world's fastest growing economies).¹³ 2. Reorganizing its economy; aiming for sustainable development.* 3. Brazilian country's regional economic performance does not show a uniform distribution. Southeastern region most performing (58% production) compared to Northern/Northeastern and West/Eastern regions. I.e. Manaus and Tefe is in Northern region.*
Social Environment	<ol style="list-style-type: none"> 1. Brazil's population: 6,692.03 million in 2008 with a 1.2% annual population growth.¹⁴ 2. Demographics; varying aged-population. Most are involved in the agricultural sector such as Brazil nut extraction. 3. Language barriers in rural cities and possible culture clashes.

¹¹ 'New envoy to Brazil hopes to boost ties', New Straits Times, 16 October 2009.

¹² 'Comparing Regulations in 181 Economies' in *Doing Business 2009*, Co-publication of the World Bank and the International Finance Corporation, 2008.

*P. N., Advogados, *Guide to Doing Business in Brazil*, Sao Paulo Chamber of Commerce, viewed on 1 November 2009, <<http://www.brazilian-consulate.org/secom/incs/DoingBusinessinBrazil.pdf>>.

¹³ 'New envoy to Brazil hopes to boost ties', New Straits Times, 16 October 2009.

¹⁴ 'Brazil,' viewed on 28 October 2009,

<http://ddpext.worldbank.org/ext/ddpreports/ViewSharedReport?REPORT_ID=9147&REQUEST_TYPE=EXCEL>.

	4. Rise of pressure groups concerning environmentally-related issues involving businesses.
Technological Environment	<ol style="list-style-type: none"> 1. Internet users in Brazil (per 100 people) is gradually increasing; 6.7 → 16.2 → 21.3 in the years 2000, 2005, 2007.¹⁵ 2. Transportation is worrying in Tefe; very expensive. Main transport is by river. Roads are not developed.¹⁶ 3. Technology concerning agricultural industry is highly developed in Brazil as a whole.* However, in Tefe specifically, it is not developed due to the location being a place with a great deal of deprivation.¹⁷ 4. Brazil is a leader in science and technology in South America and in some fields a global leader, such as biofuels, agricultural research, deep-sea oil production, and remote sensing.¹⁸

Based on the PEST analysis, the following analyses are presented:

The political environment of Brazil is encouraging due to the fact that Felda does not need to worry about sudden changes in government policies and thus can better predict the future outcomes of their business. Hence, results obtained from the investments' feasibility studies would be more reliable. Since diplomatic relations between Malaysia and Brazil is improving, Felda may receive financial aid from both governments as the business aims to develop land in

¹⁵ 'Brazil,' viewed on 28 October 2009,

<http://ddpext.worldbank.org/ext/ddpreports/ViewSharedReport?REPORT_ID=9147&REQUEST_TYPE=EXCEL>.

¹⁶ Reporter Brasil, 'Impacts of crops over land, environment and society' in *Brazil of Biofuels; Palm, Cotton, Corn and Jatropa 2008*, viewed on 27 August 2009, <<http://www.agrocombustiveis.org.br>>.

* P.N., Advogados, 'Guide to Doing Business in Brazil', Sao Paolo Chamber of Commerce, viewed on 1 November 2009, <<http://www.brazilian-consulate.org/secom/incs/DoingBusinessinBrazil.pdf>>.

¹⁸ 'Background Note: Brazil', viewed on 1 November 2009, <<http://www.state.gov/r/pa/ei/bgn/35640.htm>>.

the host country by a joint venture with a local company. Nevertheless, in discussing the possible move of Felda into Brazil, the company should also be aware that Brazil has a strict legislation procedure especially involving labour and the environment. Hence, these government-implied laws could affect the labour supply for Felda in Brazil which could constrain Felda's business activities, may delay business start up and affect productions.¹⁹

Relating to the economical environment, Felda's plan to operate in Brazil is seen to be promising due to the host country having a very fast growing economy. This may be due to the increase in demand for products made by Brazilian industries. With the increase in demand, output levels rises and hence, the government will have an increase in resources from tax payments.²⁰ The resources can be used to initiate public sector projects such as improve infrastructure in less developed regions as in Manaus and Tefe. Due to Brazil having an attractive economy also, Felda can attract more investors to invest in its oil palm project and thus, be more secure of its financial sources for the running of the business. However, developing a place will be a lengthy process and if the Brazilian government cannot invest in improving transportation and other public facilities in Tefe and Manaus, Felda will have to decide whether the project is really worth investing in with potential technical problems rising in the future.

Meanwhile, the social environment of Brazil may influence Felda's productivity if it plans to accept the Brazilian governments' offer to operate there. The people of Manaus and Tefe are mostly farmers involved in nut extraction. Introducing oil palm plantation schemes to them

¹⁹ P. Hoang, *op. cit.*, 2009, p.190.

²⁰ P. Stimpson, *op. cit.*, p.71.

would mean introducing new crops and thus, provide them with job opportunities that ensure a sufficient income.²¹ In order to maintain Felda's corporate image of producing quality palm oil, training must be given to the local farmers there to ensure the crops are well-managed and thus, the oil palm fruits produced would be of high quality. Providing knowledge of crop management for the locals would indirectly boost their motivation and ensure loyalty to the company. However, at the same time it would be increasing the company's expenditure to train the locals yet this must be done since Felda relies heavily on their workforce and labor supply for its business performance. Thus, it is deemed appropriate that the company analyse the feasibility of this project since inorganic growth is already costly to Felda, moreover since it is planning to operate as a multinational company. Too rapid an expansion in this case may lead to cash flow problems for Felda.²²

The location where Felda has been offered to develop (i.e. Tefe and Manaus) is located in the Amazonas, a Northern region in Brazil. Despite the language barrier and communication difficulties that may exist, a much worrisome problem is related to the formation of pressure groups that fight for the maintenance of the environment. Being a company that plans to operate in the heart of the Amazon rainforest, Felda is not unaffected by the growing power and influence of these pressure groups both on a national and an international level. Using the media as its source of influence, Felda has had its corporate image tarnished by pressure groups around the world that are keen on putting a stop to possible deforestations due to plantation of oil palm

²¹ Reporter Brasil, 'Impacts of crops over land, environment and society' in *Brazil of Biofuels; Palm, Cotton, Corn and Jatropha 2008*, viewed on 27 August 2009, <<http://www.agrocombustiveis.org.br>>.

²² P. Stimpson, op. cit., p. 51.

crops in the Amazon rainforest.²³ This has created mass problems for Felda especially in times of economic difficulties as the company has had to deal with negative publication concerning its plan to operate in Brazil. Thus, it can be seen that Felda will need to be prepared in terms of cost and public relations should they consider to further the plan to operate in Brazil as the pressure groups will not stop its campaign.

Regarding the technological aspect of the PEST analysis where Felda's plan to operate in Brazil is concerned, it is predicted that Felda may benefit largely from the country's progress in agricultural technology if it decides to continue its operation there. Considering that Felda will be operating through a joint venture with Brazilian company, Braspalma, getting access to recent findings and technology to further upgrade their oil palm related products would not be difficult. Coupling synergy with technological advancements may bring Felda a quantum leap forward. Furthermore, the company could also look into cooperating with the Brazilian government in relation to marketing its biofuel made from palm oil to other countries. Since Brazil is already world-renowned for its production of biofuel from ethanol²⁴, Felda could also benefit from its large market share of exports.

However, Felda should also take into account the increase in statistics of internet users in Brazil. The pressure groups previously mentioned have been operating extensively through the internet. If their campaign is a success, then Felda should also be cautious of further support of these

²³ R. Butler, 'Brazil: Malaysian palm oil targets Amazon', 25 March 2009, viewed on 1 May 2009, <<http://www.mongabay.com>>.

²⁴ E. Johnson, 'Brazil's Biodiesel Rush', August/September 2005 issue, viewed on 28 June 2009, <http://www.biodieselmagazine.com/article.jsp?article_id=380>.

pressure groups coming from the locals in Brazil via viral advertisements in internet sites and web pages. Some television and other mass media also act as watchdogs to expose firms who are guilty of malpractice or are suspected of doing so.²⁵ An increase in public protests would not be healthy for Felda in its mission of becoming global.

In addition, the deprivation of facilities and agricultural technologies in Tefe and Manaus (location of Felda's project) would be a disadvantage to Felda. Tefe, a town in the Northern region of Brazil uses water transport as its main method of transportation. Roads are not developed which would cause difficulties for Felda in terms of transporting its oil palm to the processing plant. According to Amazonas' secretary for Rural Production, Eron Bezerra, "The expectation is that FELDA/Braspalma will immediately build a crushing unit in Tefé and a refiner in Manaus, whose demand will be met by imports while the Tefé area is still not productive. Regarding processing structures, the coconut crusher and an oil refiner are still under study, but they will certainly not be installed before seven or eight years."²⁶ It is thus definite that the operation in Brazil is a very costly one and further studies on Felda's financial health would be appropriate.

Thus, from the discussion presented above, the points of the PEST analysis are shortly summarised and presented.

²⁵ A. Whitcomb, 'Pressure Groups' in *Comprehensive Business Studies*, Fourth Edition, Addison Wesley Longman Limited, 1994, p. 118.

²⁶ Reporter Brasil, 'Impacts of crops over land, environment and society' in *Brazil of Biofuels; Palm, Cotton, Corn and Jatropha 2008*, viewed on 27 August 2009, <<http://www.agrocombustiveis.org.br>>.

Influence of the external environment on Felda's operation in Brazil

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> - Possible government assistance (both Brazilian and Malaysian) in terms of finance. - Probable infrastructure developments by the Brazilian government due to high economic growth. - May attract investors to invest in Felda's project. - Provide job opportunities and a raised income for Brazilian locals. - Benefit from research and technological advancements in Brazil related to agriculture. - Benefit from Brazil's large biofuel market. 	<ul style="list-style-type: none"> - Too many legal constraints on business activities. - Language barrier may hamper decision makings and communication will be distorted. - Must incur cost on training of the locals. - Pressure groups are gaining more support from international audience. - Transportation is very poor due to location of future operation.

Hence, it is without doubt that the external environment plays a great importance in influencing Felda's decision whether to continue its operation in Brazil or to dismiss it altogether. The PEST analysis is indeed a useful tool in analysing uncontrollable factors that may affect business activities and provide a good forecast of future actions or strategies to be implemented. However, in obtaining a more thorough view of the company in discussion, a SWOT analysis will be used.

3. Investigating Felda's Current Position

3.1. Will the operation in Brazil solve Felda's problems or bring more difficulties to the company?

SWOT analysis of Felda

Strengths

1. World's largest owner and manager of plantation land.²⁷
2. Receives priority from government in comparison with its competitors (Sime Darby, KLK) since it is government-owned; e.g. GMN (national food warehouse) project.²⁸
3. Has an established reputation of managing plantations.
4. Diversified to include projects involving cocoa, rubber and fertilizer production.²⁹
5. Holds the reputation of being the country's top brand in oil palm planting materials and seed production.³⁰
6. Its oil palm seed is a top-selling brand with a 27 per cent market share.[#]
7. One of the world's largest oil palm breeding programmes.[#]

Opportunity

1. Approached by Sierra Leone, Papua New Guinea, Timor Leste, Brazil, Colombia, Brunei, Myanmar and Africa to help open palm oil plantations and estates in their country.³¹

Weaknesses

1. Restrictions to expand since it is government owned.
2. Limited network to overseas' company of the same industry compared to its competitors.
3. Research and development in palm oil is not superior and as fast-forward compared to competitor, Sime Darby.
4. Cannot further expand in Malaysia due to insufficient resource, mainly land.[#]
5. Its unit, Felda Agricultural Services cannot go global due to government restrictions; gazette prohibiting export of Malaysia's oil palm seeds.[#]

Threats

1. Competition from the merger of Sime Darby with Golden Hope Plantations Bhd. and Kumpulan Guthrie Bhd. in terms of oil palm seed.³⁵
2. Pressure groups very much against

²⁷ Z.I. Ismail, 'Felda eyes more overseas estates', New Straits Time, Biznews, 6 July 2009.

²⁸ 'Felda to focus on three starting 2010', BERNAMA, 26 September 2009.

²⁹ 'FAQs', viewed on 1 November 2009, <<http://www.feldaholdings.com/content.php?lang=EN&h=156>>.

[#] R. Paul, 'Wake-up call for Malaysian palm oil', New Straits Times, Business Times, 12 March 2009.

³⁰ Z.I. Ismail, 'Felda unit going all out to stay on top', New Straits Times, Biznews, 10 February 2009.

³¹ Z.I. Ismail, 'Felda eyes more overseas estates', New Straits Time, Biznews, 6 July 2009.

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|---|---|
| <ol style="list-style-type: none"> 2. New port for transporting palm oil to refineries and industrial areas and other infrastructures to be built in Brazil.³² 3. Congress, Brazil is weighing a law that would allow landowners to count plantations as forest towards their legal forest reserve requirement.³³ 4. 2.3 million square kilometers of the Amazon are suitable for growing oil palm.³⁴ 5. Growing global demand for edible oils, oil-based products, and biofuel feedstock. | <ol style="list-style-type: none"> growth in the Amazon basin (i.e. environmentalists) 3. Fluctuating oil prices. 4. Unpredictable weather conditions, El Nino could harm plantations. 5. Many countries around the equator band are expected to emerge as rivals to Malaysian palm oil industry. |
|---|---|

The SWOT analysis drawn above is based on the supporting documents and references made via reliable sources from the internet. This decision making tool allows a clear view of Felda's current position and also a view of the problems that it is facing. In relation to the operation in Brazil, the following are potential reasons for Felda to consider the need to become global in addition to it being the company's mission.

1. Felda's continuity of survival is at risk due to limited resources, namely land.
2. Competition from Sime Darby, a global major player in the agriculture-based industry and rising competition from international oil palm companies.
3. Increasing global demands for edible oils and biofuel feedstocks allows opportunity for Felda to 'go global' as stressed by Malaysian Prime Minister and Felda's senior managers.

³⁵ Z.I. Ismail, 'Felda unit going all out to stay on top', New Straits Times, Biznews, 10 February 2009.

³² 'Felda in Oil Palm Project with Brazil Partner', New Straits Times, Business News, 25 March 2009.

³³ 'Malaysian Palm Oil Targets the Amazon', Mongabay, 25 March 2009.

³⁴ *ibid*

whose ownership is at a respectable amount of 60.3% of developed oil palm planted land.³⁶ Thus, by expanding operations into other countries, Felda could stand a chance to increase its market share, revenue and also introduce the name 'Felda' to a worldwide audience. Hence, it could increase the company's competitiveness among local oil palm producers which would be beneficial to the company. However, by expanding into Brazil, Felda would be facing new rival(s) namely, Agropalma, Brazil's largest agroindustrial complex for planting and processing palm oil.³⁷ Agropalma is the monopoly of Brazil's oil palm industry³⁸ and thus, penetrating a market that is largely controlled by the aforementioned company would be tough regardless of government intervention and support. This situation however, would be different if Felda forms a partnership or have working ties with Agropalma and thus, face less competition.

Based on the above discussion, Felda's plan to operate in Brazil is seen to bring about both opportunity and costs as business plans tend to be. In general, continuing the plan to expand in Brazil would solve Felda's problems regarding insufficient land and at the same time, enable it to cater for a larger market. However, the move would not solve its problem with regards to reduction in competition as a whole; rather, Felda will have to face other fierce competitors in Brazil.

³⁶ See Appendix 1, source: A.K. Abd Rahman, R. Abdullah, F. Mohd Shariff, M.A. Simeh, 'The Malaysian Palm Oil Supply Chain: The Role of the Independent Smallholders' in *Oil Palm Industry Economic Journal*, vol 8(2)/2008, p.18.

³⁷ Reporter Brasil, 'Impacts of crops over land, environment and society' in *Brazil of Biofuels; Palm, Cotton, Corn and Jatropha 2008*, viewed on 27 August 2009, <<http://www.agrocombustiveis.org.br>>.

³⁸ See Appendix 2, Source: W. Elbersen, 'Oil palm in Brazil a different picture?' 20 November 2007, viewed on 11 September 2009, <<http://www.probos.net/biomassaupstream/pdf/finalmeetingpresentationOilpalm.pdf>>.

4. Should Felda continue its plan to operate in Brazil as a means of becoming global?

This essay has discussed Felda's growth strategy, how the external environment can influence the company and also whether the expansion in Brazil can reduce its current weaknesses and threats. Based on the overall discussion presented, the following comparison of the probable main forces influencing Felda to base its decision upon is presented.

For	Against
<ul style="list-style-type: none"> - Reduce problems related to insufficiency in land - Increase profit with more operations, reduce cost through economies of scale and gain by synergy - Increase market base and market share by being global 	<ul style="list-style-type: none"> - Opportunity costs regarding investments in other projects - Attention and response from pressure groups - Negative corporate image -Constructing costs due to technical problems

Conclusion

In conclusion, *it is deemed unsuitable for Felda to continue its plan to operate in Brazil as a means of becoming global*. Although the prospects for the start of the operation is bright majorly due to the governmental support given, the long term implications of the decision can bring about more harm than good. This is evidently due to the attention brought about on Felda by the pressure groups concerning the expansion in the Amazon Basin. Furthermore, Felda will have to incur a large cost in terms of improving transportation and building new oil palm plants in the area which is not beneficial if it must occur at the expense of their corporate image and ethically related issues concerning the environment. Most importantly, Felda will not lose much in terms of expansion opportunities as there are more offers from countries the likes of Sierra Leone, Papua New Guinea, Timor Leste, Colombia, Brunei, Myanmar and Africa; all of which are potential solutions to Felda's resources problems and the door to becoming a global player if invested efficiently. Hence, Felda should continue investigations into the potential investment projects in order to reap the most returns; thus, becoming closer to achieving its vision of becoming the world leader in the palm oil industry and to ensure that settlers under their scheme reaches the middle income group by 2010.

This essay did not focus on the financial performance of Felda. In obtaining a more quantitative and in-depth analysis of the issue, it is suggested that an investment appraisal is carried out on the possible expansion plans in other countries. Thus, Felda can compare the financial returns of their investments and benefit the most from its decision.

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APPENDIX 1

Should Felda continue its strategy to operate in Brazil as a means of becoming global?

Category	2006		2007		Growth in area (%)
	ha	%	ha	%	
Private estates	2 476 135	59.45	2 598 859	60.30	4.96
Government schemes:					
FELDA	669 715	16.08	676 977	15.70	1.08
FELCRA	159 780	3.83	163 891	3.80	2.57
RISDA	81 169	1.95	81 486	1.90	0.39
State schemes	323 520	7.77	313 545	7.30	-3.08
Independent smallholders	454 896	10.92	471 991	11.00	3.76
Total	4 165 215	100.00	4 306 749	100.00	3.40

Source: © Malaysian Palm Oil Board (MPOB). Reproduced with permission.

APPENDIX 2

Should Felda continue its strategy to operate in Brazil as a means of becoming global?

Brazilian palm oil production and import

	2007	2007	2007
	Area (ha)	Productivity Ton/ha	Production ton CPO+PKO
Para			
Agropalma and dependent producers	33198	3.96	131400
Other producers (7)	20000	1.69	33850
Bahia	1400	?	9000
Amazonas	6510	0	
Total	67453	2.58*	174250

*A larger share of young plantations (expansion) outside Agropalma and some lack of data explains low productivity

- Brazil imported 39.000 tons CPO and 42.000 tons PKO in 2005
- The demand for trans-fat free products has increased demand for palm oil (also in Brazil)
- Brazil need 800.000 tons of oil in 2008 and > 2 million tons in 2013 for biodiesel.

Source: Palmasa, 07/2007; <http://www.neac.gov.my>; FAOstat

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