

A Trace of the Plantation Project *(Contd.)*



Young palms

In the beginning.....

The Company has come a long way since it was incorporated in 1989 as PT. Bohindomas Permai. The name was changed to PT. AGRO INDOMAS in 1995 subsequent to becoming a PMA Company (Foreign Owned Company).

After the present location close to Lake Sembulu in the Regency of Kotawaringin Timur, Central Kalimantan was identified as the project site in early 1995, a soil survey was carried out and necessary permits and licences obtained to commence operations.

The site identified was an area logged over and covered mainly with lallang and belukar, located 75 kms away from the port town of Sampit on the way to the town of Pankalanbun in Kotawaringin Barat Regency.

Securing land rights...

In April 1998, land rights were obtained for 30 years to develop an oil palm plantation of up to 12,104 hectares together with infrastructure and processing facilities and 77 hectares for management complex as per the land title certificate (HGU). The right to extend the period of land title for further periods of 25 years and 30 years was also obtained by the Company. In February 1999, the (HGU) Certificate of Right to cultivate was obtained for a further 3,760 hectares. The Company has also obtained the (HGB) right to construct an oil mill on 30 hectares of land.

The process was not entirely easy. As is often the case in plantation projects, the Company has also faced land compensation claims. As these claims are often not supported by any legal documentation, land ownership being passed from generation to generation according to informal but at the same time binding traditional systems of inheritance, the process requires considerable dialogue with village elders. All claims have now been settled except additional claims made by people from a nearby Bangkal village for an extent of 635 hectares.

Land prior to development



Land clearing



Nursery



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Part of road network

Roads and housing....

The setting up of nurseries coincided with necessary work on infrastructure development. Roads, bridges and housing for the workforce progressed in line with requirements. Today the entire road network in the plantation totals approximately 800 kms. The main roads are 9 metres wide and a kilometre apart. Likewise, the collection roads are 7 metres wide and 300 metres apart, thus making each block or field approximately 30 hectares in area. The workers and staff were initially housed

temporarily in barracks and long houses until permanent housing was built. Today there are nearly 800 houses for workers, in addition to the houses of the supervisors, staff and management.

Building an efficient management team....

A highly motivated and committed management team is often the core of a successful business venture. Highly experienced personnel in the fields of agriculture, engineering and finance were recruited from Malaysia and Sri Lanka. The main purpose of this is the transfer of skills to Indonesian managers who will form the backbone of the future management team.

Sourcing financiers...

An agreement was signed with our loan financiers, Rabobank and CDC Group Plc. (CDC) in January 1999, in the face of Indonesia feeling the impact of the Asian economic crisis. The funding, made up of term loan and convertible debt, amounts to US\$ 25.2 mn. A further term loan was finalized with Rabobank amounting to US\$5.3mn in July 2001. The promoters of the project committed funding of US\$ 12.0 mn, which was raised to US\$ 15.5 mn subsequently.

House construction



Road construction



40 metre long bridge



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Planting the first seeds....

When operations finally began, two nurseries were set up covering a total area of 50 hectares. The planting material for 70% of plantation area was high yielding seeds procured from the Dami Oil Palm Research Station, Papua New Guinea while London-Sumatra and Socfindo planting material were used to make up the balance. The river cutting through the area has resulted in a natural categorization; Group I and Group II, which are connected by a 40 metre long bridge. For administrative purposes, two

managers head each group. A grid system of 30 hectare blocks characterizes the entire plantation.

Land clearing and site preparation commenced in November 1995, followed by planting 11 months later in October 1996. By the end of FY 1997, 2,084 hectares had been planted. In the FY 1998 a total of 3,094 hectares were planted followed by 4,860 hectares and 2,519 hectares in the following two years respectively.

First harvesting....

The initial plan was to develop an area of 10,000 hectares with a palm oil mill. The project cost was estimated to be US\$ 40 mn. Subsequently the scope of the project was enhanced and it now covers an area of 15,934 hectares of which 12,557 hectares has already been planted and the planting reserve of approximately 2,100 hectares will be developed in the next phase.

The plantation management carried out ablation on the initial bunches formed to encourage improved palm growth rates. A good initial harvest resulted. The first year's harvest was partially sold to outside millers. However, with the prices of Crude Palm Oil (CPO) falling, the Company decided to destroy the balance crop rather than incur transportation costs which would have added to more than the price fetched by FFB.

*Reservoir - capacity 100,000 cu. mt.
(Storage of water for mill consumption)*



Civil work-mill



Boiler shipment



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Constructing the mill...

The site for the mill, covering an area of 30 hectares was identified and the turnkey contractor took over the site in November 1999. The construction was completed within 14 months, a remarkable achievement given the remote location.

At present the palm oil processing mill has a rated capacity of 45 metric tonnes per hour with infra structure in place to accommodate capacity increase to 90 metric tonnes per hour. Mill capacity will eventually be expanded to 90 metric tonnes per hour. Technological and environmental concerns were paramount when this state-of-the-art

palm oil processing mill was planned. The boiler for the mill is a case in point. The boiler sourced by the Company is fully automated, a combination of the fire tube and water tube system which enables the boiler to give consistent steam output. It can be operated for long hours without being shut down for maintenance. At the same time, unlike conventional boilers there is no smoke emission. The ash produced has a high mineral content and can be used as fertilizer.

Commencement of mill commercial operations...

Test production began in February 2001 and the first shipment of CPO was made from the Terawan jetty in April 2001. The mill was officially commissioned in November 2001. The total shipments of CPO made by the Company during the year amounts to 26,500 metric tonnes.

The Fresh Fruit Bunches (FFB) supply to the mill is not restricted to supplies from our own estates. Both established plantations nearby who are without sufficient facilities of their own as well as small-holders contribute to the mill input.

Despatch of CPO & PK...

The CPO can be loaded into the barge from the Terawan village jetty, close to the estate boundary. So far it is from here that most CPO shipments have been made. The maximum volume made in one shipment is 3,000 metric tonnes of CPO. However, during prolonged

Transportation & unloading boiler



Mill construction



Installation of machinery



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Delivery of FFB to mill

periods of drought the water level goes down and shipments cannot be made from this jetty. In such situations CPO is transferred via tankers to Sampit and then loaded to barges from there. This operation takes an extra two days. The Palm Kernel (PK) is usually bagged and shipped from Sampit.

Growing with the community...

The Company has always worked on the principle that the long-term success of the project is dependent on healthy relations with the neighbouring villages. A concerted effort

has been made to ensure that local people including those in the nearby villages directly benefit through employment and the provision of services such as transportation. We are also advising and encouraging small-scale growers of oil palm to enable them to achieve greater output. The local people already benefit from the network of roads constructed by the Company. Provision has also been made by the Company to improve education and health standards of the community.

Towards a healthy environment.....

The Company is committed to environment-friendly practices and is fully aware of its responsibility in ensuring the protection and sustaining the environment. We are therefore very selective with respect to inputs and careful in waste disposal. Empty bunch mulching and Palm Oil Mill Effluent (POME) application have been adopted as waste utilization methods, which are not only environment-friendly but would also have a positive impact on the plantation.

Project assets...

PT Heburinas Nusantara, who are associated with CB Richard Ellis, USA, one of the world's leading real estate services, was contracted to value the Company's investment. The market valuation as of 31st March 2002 amounted to Rp. 464.96 bn (US\$ 49.73 mn).

Delivery of FFB to mill



Unloading of FFB at the mill



Evacuation of CPO

