

Macroeconomic priorities of the Agrofood and Agrocommodity Subsector in Malaysia

THE ECONOMICS OF ECOSYSTEM AND BIODIVERSITY (TEEB) AGRIFOOD WORKSHOP

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Economic Planning
Unit
Prime Minister's
Department



OUTLINE

Evolution of Malaysia Agricultural Policy

Agriculture Sector Performance

Issues & Challenges

Way Forward



Evolution of Malaysia Agricultural Policy

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- Agriculture and rural development as engine of economic growth

1970s

- Agriculture as means to reduce poverty via NEP
- Government interventions in agricultural market

1980s

NAP I (1984 – 1991):

- Maximise return on agriculture
- Efficient utilisation of resources
- Revitalisation of contribution to economy

1990s

NAP II (1992 – 1997):

- Maximise Income
- Sustainability

NAP III (1998 – 2010):

- Maximise Income
- Food security
- Competitiveness
- Productivity
- Strengthen linkages with other sectors
- New sources of growth

21st Century

National Agrofood Policy (2011-2020)

- Food security
- Increase farmers' income

National Commodity Policy (2011-2020)

- Increase export revenue

Source:

50 Years of Malaysian Agriculture: Transformational Issues, Challenges & Direction, UPM Publisher



Evolution of Malaysia Agricultural Policy... from conventional to modern farming

- Investment in infrastructure
- New land development: FELDA, FELCRA
- Drainage & Irrigation: MADA, **KADA**
- Marketing: FAMA
- R&D: MARDI
- Financing: **Agriculture Bank**
- Extension activities

1960s

- RISDA, MARDEC, KEJORA, KESEDAR, **KETENGAH**
- Farmers' Association: LPP
- R&D
- Agriculture

- In-situ development: **IADPs**
- Support services
- Commercialization
- Further crops diversification: pepper, cocoa, coconut, pineapple, tobacco, floriculture, nontimber forest products

1980s

- Increase productivity & modernization
- Empowering cooperatives and farmers' associations
- Moving up the value chain
- Cluster approach

1990s

Fund for Food

Withdrawal of

government

rice market in

• ICT application

management

New land in East

Supply chain

stages

R&D&C

Malaysia

• Taman Kekal Pengeluaran

intervention from

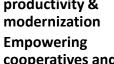
- R&D&C&I in biotechnology and technology advancement
- Adoption of Good **Agricultural** Practice (MyGAP), Malaysian **Sustainable Palm** Oil (MSPO) and sustainable agriculture

21st Century



1970s

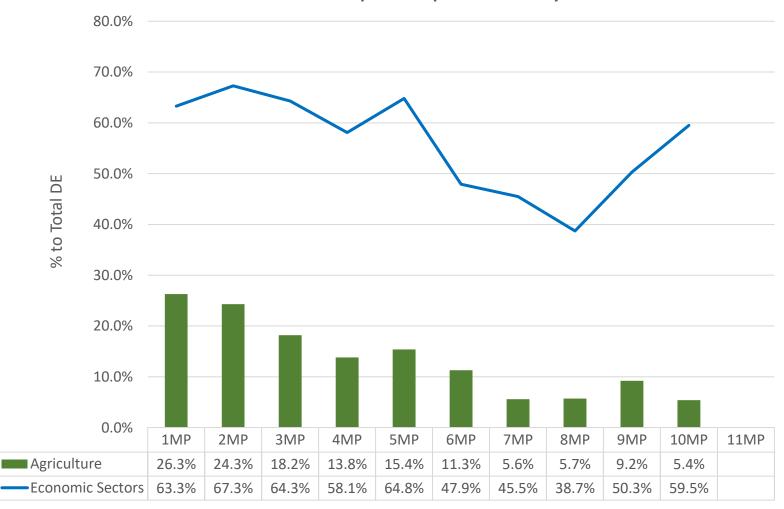
- Crop diversifications:
- Intervention in paddy & fisheries industry: LPN, LKIM
- **University: UPM**





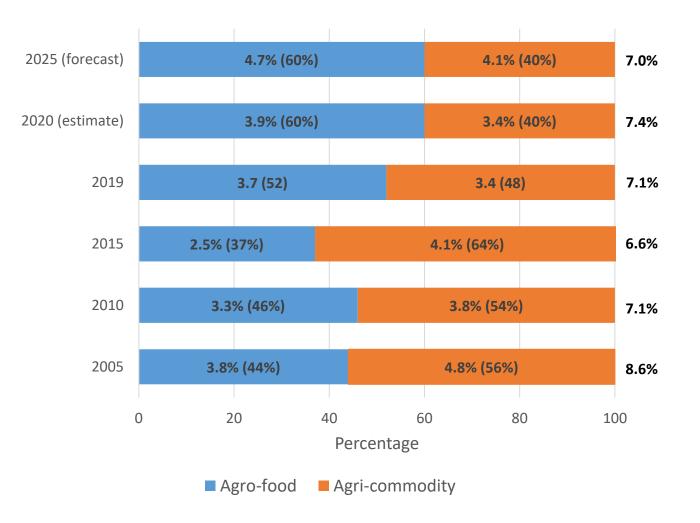
Performance... Federal Government Development Expenditure

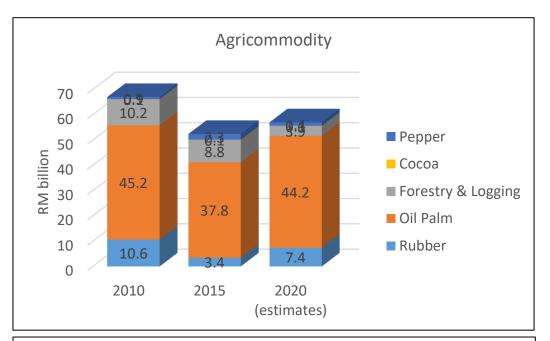
Federal Government Development Expenditure Malaysia Plan

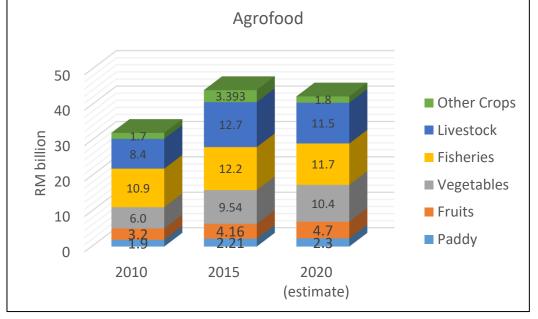




Performance... Contribution to GDP







Ministry of Economic Affairs

Performance... Value-added Growth

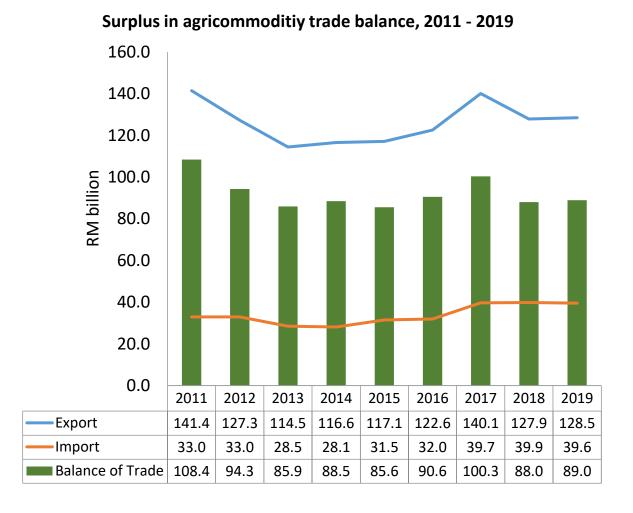
	(in 2010 prices)	(in 201	5 prices)
SECTOR	2010	2015	2019
Agriculture Value Added (RM million)	82,882	97,539	101,549
Industrial Commodities (RM million)	55,597	53,368	51,407
% to Agriculture	67.1	54.7	50.6
Agrofood (RM million)	27,285	44,171	50,142
% to Agriculture	32.9	45.3	49.4
Contribution of Agriculture to GDP (%)	10.1	8.3	7.1
Labour Productivity (RM/Worker)	52,887	51,984	54,212
Agriculture Export (RM million)	71,351	65,958	65,958
% to Agriculture	11.2	8.5	6.6
Agro-based industry value added	39,042	30,880	36,258
Total Agriculture & Agro-based industry Value Added (RM million)	121,923	128,419	137,806
% to GDP	14.8	10.9	9.7
Contribution of total agro-based industry to manufacturing value added (%)	20.3	11.8	11.5

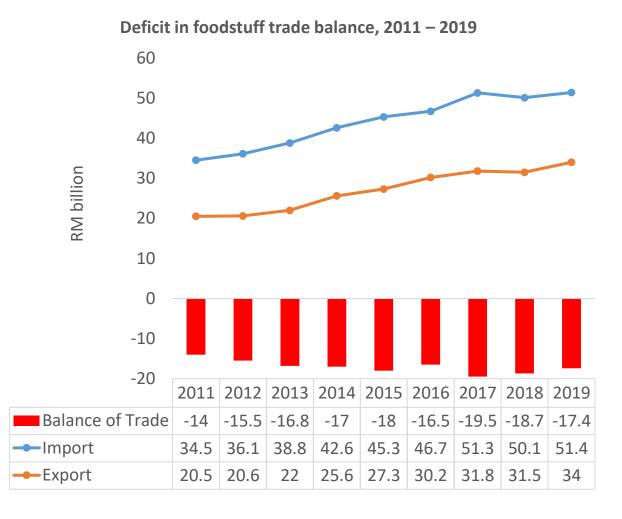
Performance... Employment

Sector	Total (Person)			Average Annual Growth Rate (%)
	2015	2018	2020 (E)	11MP
Agrofood	498,925	510,055	490,168	-0.3
Commodity Industries	1,254,941	1,060,196	1,187,029	1.6
Agriculture	1,753,866	1,570,251	1,677,197*	1.0



Performance... Trade of Agriculture





Issues & Challenges

- Low value addition
- Limited product complexity/innovation
- Limited market access/share
- Role of cooperatives not fully capitalised
- **HUMAN**

- High dependency on foreign labour
- Aging Farmers
- Lack of interest from youth
- Low skilled workers
- Low income

- Low public awareness on food safety
- Poor modern logistic support
- Fragmentation between government initiatives

CAPITAL

SUPPLY **CHAIN**

SUPPORT SYSTEM

- Low take up on sustainable agriculture practice
- Low private investment in R&D&C
- Limited engagement for extension service
- High capital and maintenance cost
- Lack of adequate agricultural infrastructure

- Unsustainable Business Models
- Limited involvement of agri-cooperatives along the value chain
- Lack of business models of interlinkages with other economic activities
- Conventional financing model
- Traditional agricultural programmes
- Limited PPP initiatives in R&D marketing & financing

- Low adaptation of modern technology
- Ineffective technology transfer
- Limited access to financing
- Insufficient investment
- Small scale farming
- Low conformance to standards (MyGAP)

BUSINESS MODEL.



Way Forward... 12th Malaysia Plan, 2021-2025





Agrofood

Accelerate modern technology application

> Modern Farming

Agricultural Outsourcing Services

> Urban Farming

Optimise farm size for productivity

Land Management Consolidation

Mix & Integrated Farming

Idle Land

Establish efficient agrofood value-chain system

R&D&C&I

Upskill & Reskill

Incentive & Financing

Logistics & Infrastructure

Strengthen industry specific produce

Sustainability of Crops, Livestock & **Fishery**

High Value Commodity

> Food Industry

Agricommodity

Enhance sustainability & productivity

Mechanisation & Automation, 4IR

• Sustainable Agricultural Practices

Empower human capital

• Skills Development & Industrial Training

Transfer of Technology

Empower & strengthen cooperatives

• Increase Participation

Entrepreneurial Competencies

Accelerate high value added activities

• Circular Economy – Biomass Industry

• R&D&C&I

Intensify private investment

Strengthen current market & explore potential market

• Public-Private Partnership Investment Platform

Overseas Promotional Activities

Business Matching



Thank you... Q&A

Economic Planning Unit

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