

Agribusiness Challenges

MALAYSIA



**Importance of the
Agricultural Sector
in the Malaysian
Economy.**

Employment by Sector (1999-2000)



	1999		2000 ^e		Annual Growth Rate (%)
	(' 000)	(% share)	(' 000)	(% share)	
Agriculture, Forestry and Fishing	1,389.0	15.9	1,382.0	15.5	-0.5
Mining	42.0	0.5	41.0	0.5	-2.4
Manufacturing	2,379.0	27.2	2,455.0	27.1	3.2
Construction	804.0	9.2	828.0	9.2	3.0
Electricity, gas and water	72.0	0.8	74.0	0.8	2.8
Wholesale and retail trade, hotels and restaurants	1,449.0	16.6	1,485.0	16.6	2.5
Finance, insurance, real estates and business services	420.0	4.8	434.0	4.8	3.3
Transport, storage and communications	442.0	5.1	458.0	5.1	3.6
Government services	877.0	10.0	863.0	10.0	-1.6
Other services	867.0	9.9	908.0	9.9	4.7
Primary sector	1,431.0	16.4	1,423.0	16.5	-0.6
Secondary sector	3,183.0	36.4	3,283.0	36.3	3.1
Tertiary sector	4,127.0	47.2	4,222.0	47.2	2.3
Total	8,741.0	100.0	8,928.0	100.0	2.1

Gross Domestic Product (GDP) by Sector (%)

	Annual Growth Rate		Share of GDP	
	1999	2000 ^e	1999	2000 ^e
Agriculture, forestry and fishing ¹	3.8	0.5	9.4	8.8
Mining	-3.1	0.6	7.2	6.8
Manufacturing	13.5	17	30	32.6
Construction	-5.6	3.1	3.6	3.4
Services	3.3	4.9	54.3	53
Less Imputed bank service charges	2.2	2.8	7.3	7.0
Plus Import duties	20.1	-7.5	2.8	2.4
GDP	5.8	7.5	100.0	100.0

¹ Includes livestock and horticulture

Source: Ministry of Finance Malaysia, Economic Report



Value Added in the Agriculture, Livestock, Forestry and Fishing Sector in 1987 Prices (%)

	<i>Annual Growth Rate</i>		<i>Share to Agriculture</i>	
	1999	2000*	1999	2000*
Agriculture, Forestry and Fishing	3.8	0.5	100.0	100.0
Rubber	-12.9	-9.0	8.1	7.4
Oil Palm	29.2	0.9	33.2	33.3
Other Agriculture Including Livestock	-3.2	2.3	27.8	28.3
Forestry and Logging	-11.3	1.5	17.9	18.1
Fishing	4.4	0.3	12.9	12.9

Source: Ministry of Finance Malaysia, Economic Report

EXPORT STRUCTURE

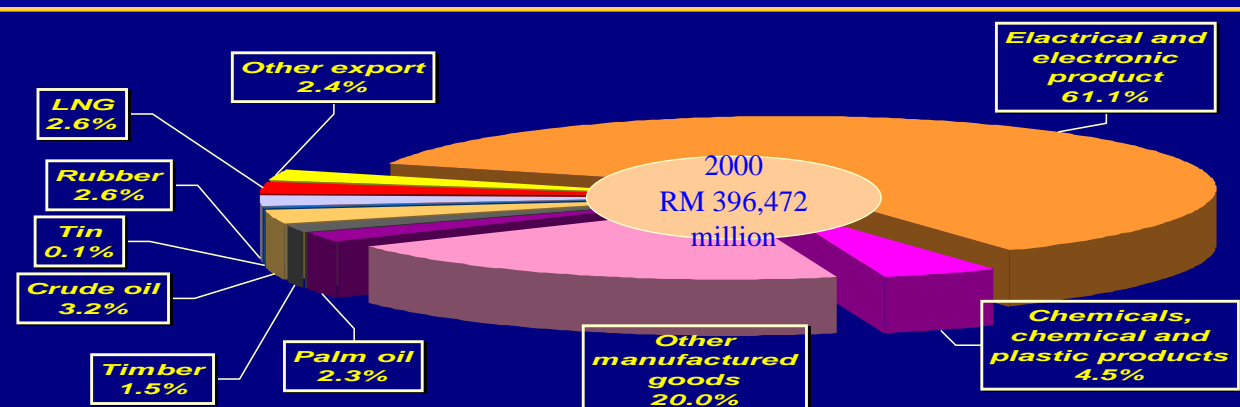
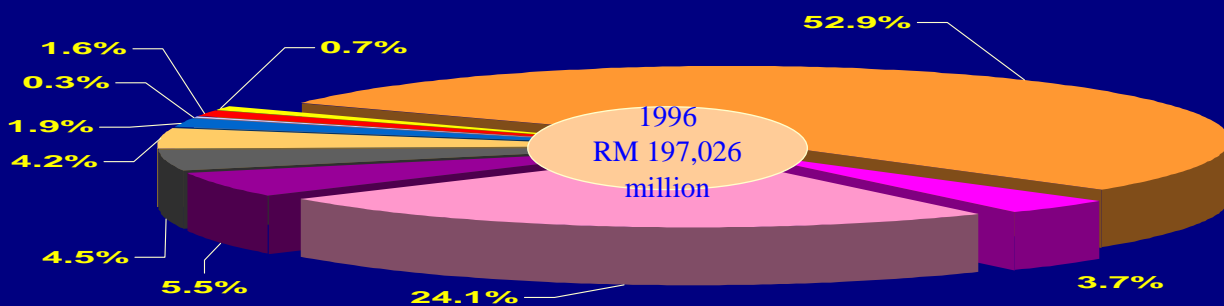
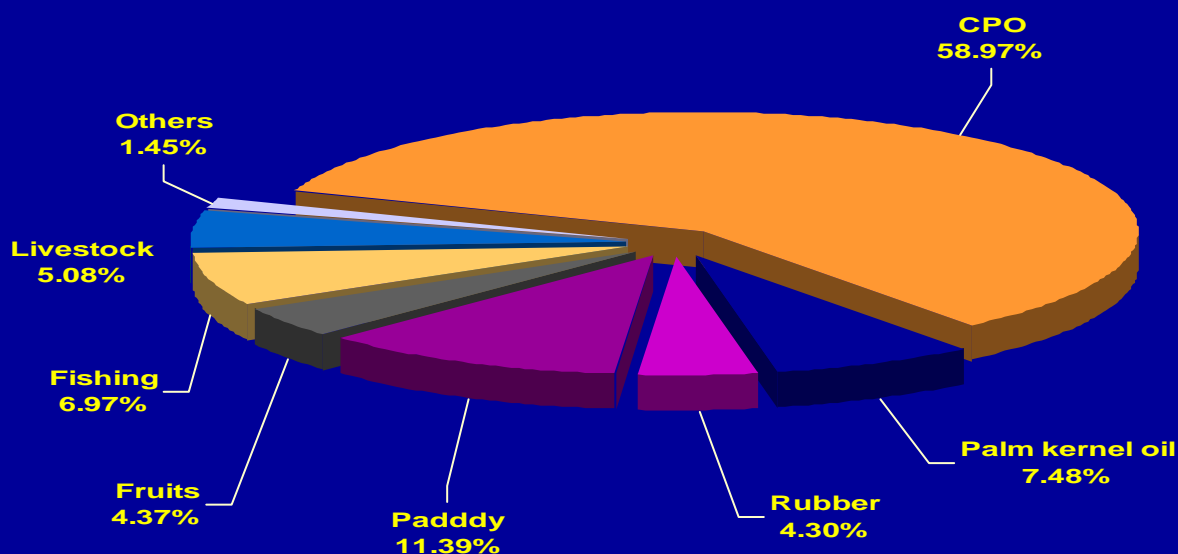


Figure in diagram refer to percentage of total
Source: Department of Statistics, Malaysia

Agricultural Production by Commodities



Source: Ministry of Finance Malaysia, Economic Report



Malaysia's Changing Agriculture

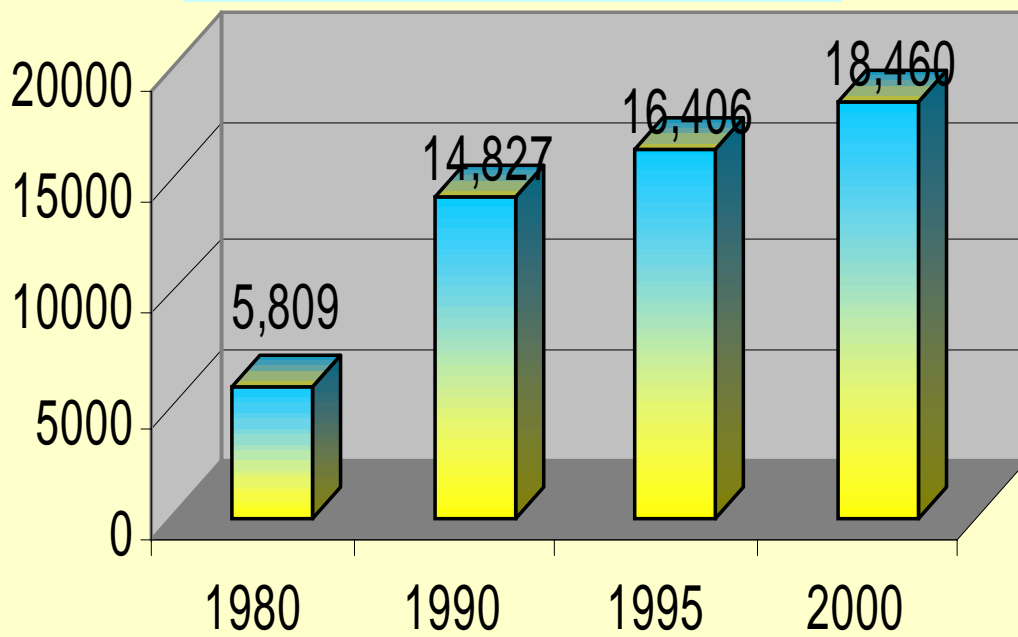
Table 1. Gross Domestic Product by Industry of Origin, 1980 - 2000

SECTOR	RM million (in 1978 prices)				Share of GDP				Growth Rate	
	1980*	1990	1995	2000	1980	1990	1995	2000	1991-95	1996-2000
Agriculture, Forestry, L/Stock, Fishing	5,809	14,827	16,406	18,460	22.2	18.7	13.6	10.5	2.0	2.4
Mining & Quarrying	1,214	7,757	8,938	10,023	4.6	9.8	7.4	5.7	2.9	2.3
Manufacturing	5,374	21,340	39,825	66,251	20.5	26.9	33.1	37.5	13.3	10.7
Construction	1,186	2,832	5,277	8,560	4.5	3.6	4.4	4.8	13.3	10.2
Electricity, Gas & Water	592	1,526	2,823	4,686	2.3	1.9	2.3	2.7	13.1	10.7
Transport, Storage & Communication	1,696	5,487	8,787	14,599	6.5	6.9	7.3	8.3	9.9	10.7
Wholesale, Retail, Hotel & Restaurant	3,296	8,806	14,568	22,378	12.6	11.1	12.1	12.7	10.6	1.1
Finance, Ins., R. Estate, Biz. services	2,155	7,758	12,884	20,977	8.2	9.8	10.7	11.9	10.7	1.1
Government Services	3,398	8,447	11,683	14,354	13.0	10.6	9.7	8.1	6.7	4.2
Other Services	657	1,678	2,436	3,749	2.5	2.1	2.0	2.1	7.7	9.0
(-) Imputed Bank Services	308	4,076	8,414	13,242	-	5.1	7.0	7.5	15.7	9.5
(+) Imported Duties	1,120	2,947	5,108	5,840	-	3.7	4.3	3.2	11.6	2.7
GDP at Purchases' Value	26,188	79,329	120,316	176,635	100.0	100.0	100.0	100.0	8.7	8.0

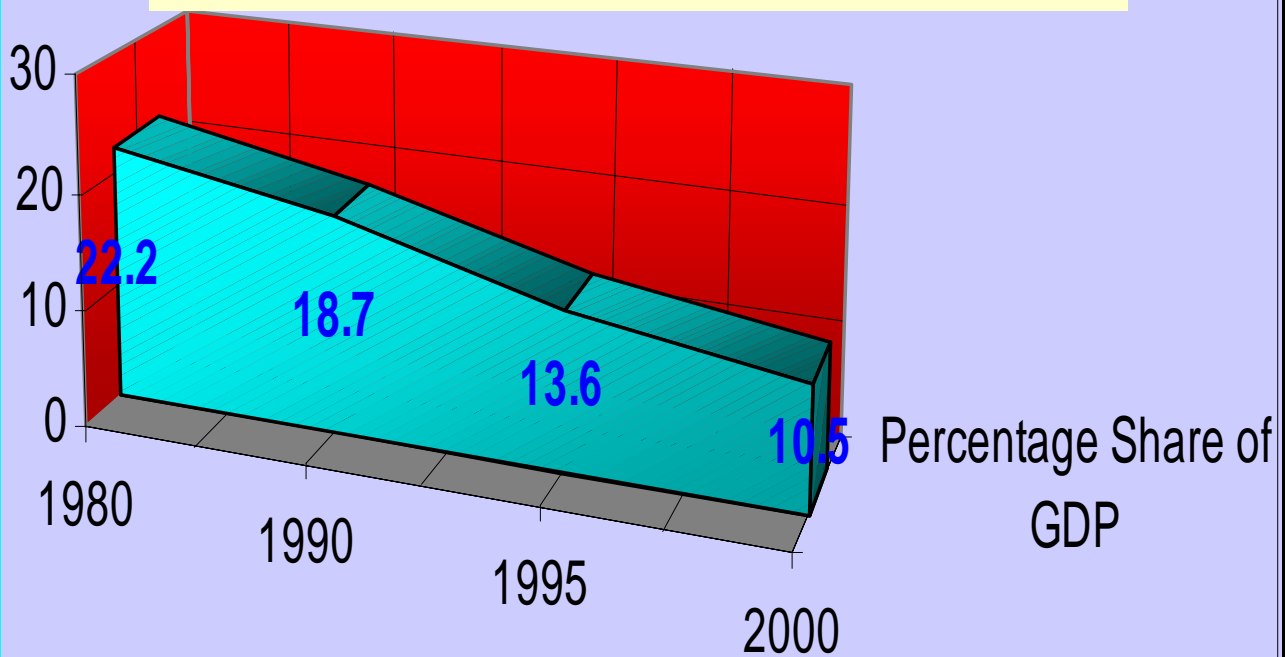
Sources : Malaysia (1991), Second Outli
Malaysia (1996), Seventh Malaysia Plan, 1996-2000

Note: * = in 1970 prices

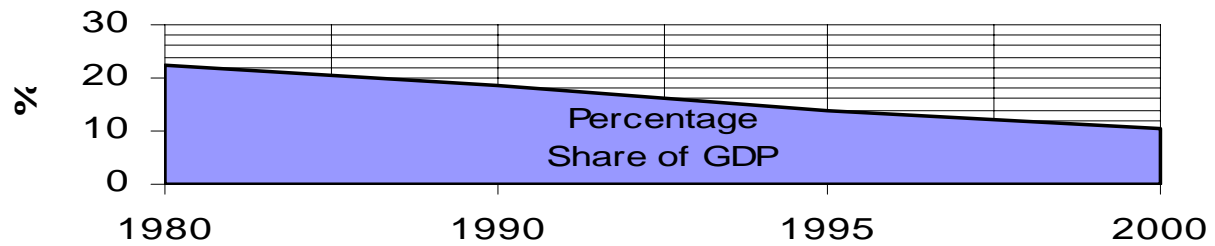
**Agric. Sector Output in RM million
(at 1978 prices) 1980 - 2000**



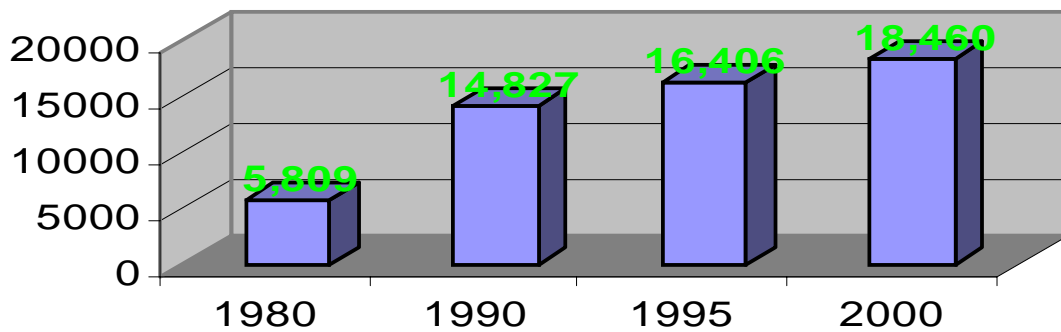
Agric. Sector's Percentage Share of GDP 1980-2000



Agricultural Sector's Percentage Share of GDP 1980 - 2000



Agric. Sector Output in RM million (at 1978 prices) 1980 - 2000



Against the back drop of
Industrialization

*AGRICULTURE and AGRIBUSINESS
will continue to be significant to
economic growth and development
because it provide*

- **Income**
- **Employment**
- **Export Earnings**
- **Investments**
- **Socio-political Stability**

The Third National Agricultural Policy (NAP3)

1998 -2010

Objectives:

- To Enhance Food Security
- To Increase Productivity & Competitiveness
- To Deepen Linkages with Other Sector
- To Create New Source Of Growth for The Sector
- To Conserve & Utilize Natural

Other Strategies of NAP3

- ❖ Develop new industries from Malaysia's rich natural resources
- ❖ Develop new high value products from agricultural commodities, waste and by-products.
- ❖ Create new market for agricultural products for purpose of export earnings
- ❖ Increase production of major food products to enhance food security & affordability.
- ❖ Ensuring balanced eco.development through integrated and sustainable agro-forestry development practices

Area Of Concern For Future Agricultural Development

- o The need to control Inflation
- o The need to improve
- o To encourage Private Sector Investment
- o To Reduce Unnecessary Imports
- o To Conserve & sustain the use of Natural Resources.

Reasons For declining Agricultural/Agribusiness Sector's Role in Malaysian Economy.



•Structural Constraints

- Uneconomic size of farm and enterprises; food production is dominated by individual, small or medium unorganized operators.
- Dated, traditional & semi commercial technology(inefficient, poor quality).
- Private Sector's poor commercial investment response in food production leading to lethargic food production sector.

Continue

- Very little integration between food production and down stream food chain activities resulting in inefficient market.
- Unsustainable food production practices leading to issues on food security, nutrition & safety.

- **Low prices of commodities**

Major export commodities (palm oil , rubber & cocoa) faced steep price decline due to;

~ poor demand from importing countries

~ Stiff and competitive international market

~ Non-tariff trade barriers (lobby, stringent standard etc.)

- **COMPETITION**

- **CAPITAL:** Preference for manufacturing because of better, higher and steady return compared to agriculture.

- **LAND:** Lack of suitable land, relatively lower return compared to other enterprises.

- **LABOR:** Acute shortage affecting profitability and productivity. Migrating of labor force to manufacturing sector.

STRATEGIES FOR GROWTH OF THE AGRIBUSINESS SECTOR

- Government to encourage private sector participation in food production on large commercial scale.

- *The government has provided the following incentives in its latest Budget 2001 (October 26th)*

- *“ Investment by companies in their wholly owned subsidiaries for FOOD Production, would be granted deduction equivalent to the amount of the investment as well as tax exemption of 100% on their statutory income for 10 years starting from the first year the company enjoys a profit.”*

- *Losses incurred before and during exemption period are also allowed to be brought forward after the exemption period of 10 years.*

Continue

- Accelerating the adoption of labor saving techniques, mechanization and automation with the aim of reducing dependency on foreign labor.

- Intensifying R&D efforts, especially in downstream activities to enhance agriculture-based industries and to produce more end-products.

- Reviewing the remaining tariffs imposed on agricultural inputs; gradually withdraw subsidies to promote efficiency and prepare for challenges of market globalization (AFTA , WTO etc.).

- Review and revamp all government agricultural agencies, streamlining them for better efficiency and effectiveness.

- Provide more tax incentives to companies that are into agricultural input production and value added agricultural activities to enhanced foreign exchange earnings

More..

- Providing conducive business environment such as improving land access, strengthening facilitative bank support system especially in credit and agricultural finance. Continuing airport, sea-port, road, railway, communication and other infrastuctural development.
- SET: Science, Engineering and Technology is the way forward for increasing output without significant increase in land. Innovative methods of farming should be encouraged (rain-shelter, aeroponics, hydrponics, multi-tier farming, precision farming etc.
- Development of Human Resource: The dire need for ‘ technopreneur’ within the K-driven economy is inevitable. Institutions are expected to produce such super farmer in the immediate future.
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THANK YOU

Khorb K hoon K arb

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11th November 2000