

# **New Strategies for Greater Growth and Development of the Agriculture Sector in Malaysia**

Rozhan Abu Dardak  
Economic and Social Science Research Centre, MARDI  
Persiaran MARDI-UPM, 43400 SERDANG, MALAYSIA  
rozhan@mardi.gov.my

## **Introduction**

The Malaysian government launched its Eleventh Malaysia Plan (EMP) for the period of 2016-2020, last year. The EMP is considered as the last and critical economic development plan in Malaysia's journey to become a developed nation in 2020. It is a comprehensive strategy that focuses on delivering both the capital and people economy. The capital economy aims to create wealth for the nation, while the people economy addresses the livelihood of the people.

The EMP sets six strategic thrusts that include i) enhancing inclusiveness towards an equitable society, ii) improving well-being for all, iii) accelerating human capital development for an advanced nation, iv) pursuing green growth for sustainability and resilience, v) strengthening infrastructure to support economic expansion, and vi) re-engineering economic growth for greater prosperity. The full document of the EMP can be read at the <http://rmk11.epu.gov.my/book/eng/Elevent-Malaysia-Plan/RMKe-11%20Book.pdf>. The strategic thrust comprise of six covers and seven key areas that include i) investing in competitive cities and regional economic corridors development, ii) transforming service industries towards world class standard, iii) energizing manufacturing industries, iv) transforming construction industries toward a dynamic and an international standard, v) Growing dynamic SMEs, vi) translating innovation to wealth and vii) modernizing agriculture. This paper shares the strategies formulated for modernizing the agriculture sector in Malaysia which is published in the Eleventh Malaysian Plan (2016-2020).

## **Modernising Agriculture sector**

In the EMP, the agriculture sector, namely the agro-food and industrial commodity sub-sectors will be transformed and modernized into a high-income and sustainable sector. This sector is expected to grow at 3.5% per annum, contributing 7.8% to GDP in 2020. Industrial commodities will contribute 57% and agro-food 42.4% to the total agriculture value added in 2020. Efforts will be focused on ensuring food security, improving productivity, increasing skills of farmers, fishermen, and smallholders, enhancing support and delivery services, strengthening the supply chain and ensuring compliance to international market requirements. The development of the sector will also take into account the impact of climate change on sustainability of agricultural practices. Special focus will also be given to the industrial commodities smallholders to further boost productivity through the infusion of modern technologies with the aim of reducing labor dependency as well as addressing low commodity prices through income stabilizing measures. Seven strategies have been identified to spur the growth of the agriculture sector.

- **Strategy 1: Improving productivity and income of farmers, fishermen, and smallholders** by accelerating adoption of ICT and farming technologies, preserving and optimizing agricultural land, and intensifying R&D&C in priority areas;
- **Strategy 2: Promoting training and youth agropreneur development** through collaboration across agencies and the private sector to modernize farming techniques and nurture agribusiness start-ups;
- **Strategy 3: Strengthening institutional support and extension services** by streamlining extension services and encouraging advisory services from the industry and academia;
- **Strategy 4: Building capacity of agricultural cooperatives and associations along the supply chain** by vertically integrating the supply chain for selected crops, enhancing management skills, and pooling resources for promotion and exports;
- **Strategy 5: Improving market access and logistics support** by strengthening logistics and enhancing access to domestic and international marketplaces;
- **Strategy 6: Scaling up access to agricultural financing** by restructuring and providing a more flexible payment mechanism as well as increasing sustainability of financing mechanisms for replanting programmes; and
- **Strategy 7: Intensifying performance-based incentive and certification programmes** by encouraging farmers to get certified, and prioritizing certified farms for incentives and support.

**Strategy 1:**Improving productivity and income of farmers, fishermen, and smallholders

#### **Accelerating adoption of ICT and farming technology**

The use of smart farming technologies and ICT in plantation, farming, livestock, and fishing activities will be intensified to improve production efficiency and reduce dependency on labor. ICT-based applications to support farm and plantation management, precision farming, and monitoring and surveillance will be expanded to increase productivity and reduce the cost of production. Mobile phone applications and portals will be used to disseminate real-time information on market demand and prices, early detection and warning alerts on disease outbreaks as well as provide interactive platforms for technical advice.

#### **Preserving and optimizing agricultural land**

State governments will be encouraged to gazette agricultural land, particularly granary areas and permanent food production parks, to preserve land for farming. In this regard, incentives in the form of infrastructure including farm roads and grants will be provided to compensate for loss of revenue. Integrated farming and inter-cropping in farms and plantation areas will be intensified to optimize the use of agricultural land to increase the income of farmers. A land bank database for idle land will be established through the cooperation of ministries and state land offices. Such land subsequently will be leased to farmers and corporation for agricultural ventures.

## **Intensifying research & development and commercialization in priority areas**

Focus will be given to R&D&C, particularly in the development of quality seeds, breeds, fries and animal feeds, integrated pest and disease management, as well as product improvement and development of green products. In addition, research will also focus on addressing climate change issues to ensure that crops, livestock, and fisheries are climate resilient. Collaboration in agricultural research will be spearheaded by a research management agencies (RMA) with support from existing agricultural research agencies, such as the Malaysian Agricultural Research and Development Institute (MARDI), Malaysian Palm Oil Board (MPOB), Malaysian Rubber Board (LGM), Universities, and private research centres. This is to ensure that the research is participatory and market-driven to promote the uptake of solutions among industries and farmers.

## **Strategy 2: Promoting training and youth agropreneur development**

Focus will be given to enhancing the agricultural and entrepreneurship skills of farmers to modernize the sector. The National Agricultural Training Council (NATC) and Institute of Malaysian Plantations and Commodities (IMPAC) will collaborate with higher learning institutions and industry players to continuously review existing training curriculums to meet industry demand. The current skill sets of farmers, fishermen, and smallholders will be assessed and up skilling programmes will also be introduced to assist them in adopting modern technologies and good agricultural practices.

Entrepreneurship development programmes will be improved through collaboration among the NATC, IMPAC, Malaysian Global Innovation & Creativity Centre (MaGIC), and National Institute of Entrepreneurship (INSKEN) to assist and nurture more start-ups, particularly by young agropreneurs, into successful and sustainable agribusinesses. Existing facilities in agricultural training institutes will be optimized to undertake entrepreneurial courses. In addition, the young agropreneurs programme, a collaborative effort between Agrobank, universities, and agricultural training institutes, will be further promoted to attract undergraduates into agribusinesses. Participants of this programme will be given priority in obtaining start-up grants and soft loans.

## **Strategy 3: Strengthening institutional support and extension services**

Extension services provided by various agencies will be reviewed and streamlined based on location, agricultural activities, and relevance of services provided. Extension officers will be pooled at these establishment to offer one-stop advisory services to farmers, fishermen, and smallholders. The officers will be trained in areas such as livestock, aquaculture, oil palm, rubber, modern technologies, sustainable practices, and managing climate change impact. Modern technologies, such as remote sensing and drones will be used for planning, surveillance, and monitoring activities by the extension officers. In addition, the private sector, universities, and farmer associations will be encouraged to provide advisory and technical services in specialized areas.

## **Strategy 4: Building capacity of agricultural cooperatives and associations along the supply chain**

A cluster-based approach that vertically integrates production, quality control, processing, marketing will be promoted to encourage participation of cooperatives and associations in agro-food and industrial commodities along the supply chain. This approach will assist in

securing demand contracts, enabling better farm-gate prices and profit-sharing from processing activities, and ensuring sustainable income for farmers and smallholders. Specific clusters will be developed for rubber, cocoa, fruits and vegetables. To ensure the successful implementation of the clusters, the cooperatives and associations, will be managed by professionals appointed by the cooperatives or area farmers' organizations.

In addition, the capacity of cooperatives and associations including fishermen associations in the area of management, finance, investment, and marketing will be strengthened to enable them to undertake new business ventures along the supply chain. Fishermen associations will be incentivized to assist members in purchasing deep-sea vessels equipped with modern technologies through special schemes. In the area of industrial commodities, assistance will be provided to smallholders in the establishment of new cooperatives. Professionalism in the management of cooperatives will be enhanced with the placement of young agropreneurs programme participants to infuse entrepreneurship and dynamism. In addition, cooperatives and associations will be encouraged to pool their collective resources and participate in various local and international events to showcase their products and secure contracts. Assistance in the form of matching grants and soft loans will be provided for product testing, packaging, and promotional activities at cooperative or association-level.

#### **Strategy 5: Improving market access and logistics support**

Marketing of agricultural products will be improved by linking producers to commercial outlets, establishing more market outlets and increasing market-compliant products. Online marketing, promotion, and branding will also help stimulate product sales. Direct involvement of the Federal Agricultural Marketing Authority (FAMA) in the marketing of agricultural produce through contract farming arrangements will be reviewed. In addition, MATRADE will intensify the promotion of agricultural products in relevant international markets through trade and food exhibitions with the collaboration of agriculture attaches under the Ministry of Agriculture and Agro-based Industry. Similarly, promotion for industrial commodities including palm oil, rubber, timber, and timber products will be intensified through the efforts of overseas offices of the MPOB, Malaysian Palm Oil Council, Malaysian Rubber Export Promotion Council and Malaysian Timber Council, under the Ministry of Plantation Industries and Commodities. The logistics support for collection, distribution and marketing of agricultural produce as well as fishery products will be improved to ensure quality, minimize post-harvest losses, and reduce marketing cost. Additional collection and distribution centres will be established in new and existing production areas, while cold storage and handling facilities will be provided and upgraded in fishery complexes, ports, and airports based on demand to facilitate the export of perishable products. The use of halal and green logistics will be emphasized to increase the marketability of agricultural exports.

#### **Strategy 6: Scaling up access to agricultural financing**

Government funding through Agrobank will be restructured from fixed-term financing to flexible repayment based on harvest cycles of agro-food commodities. The current practice of loan repayment for paddy based on harvesting cycles will be extended to other agro-food commodities, such as aquaculture and vegetables. In addition, these loans will have greater flexibility, where credit insurance will be allowed in place of collateral requirements.

The suitability of the current mechanism in financing the replanting of rubber through the collection of taxes will be explored for extension to oil palm, cocoa, and pepper. This is to

ensure of the availability of sustainable funds to finance long-term replanting activities. The difference between actual replanting cost and total tax collection will be covered through a soft loan scheme. The management of the loan scheme will be undertaken by smallholder cooperatives of Agrobank for the case of independent smallholders, while loans for organized smallholders will be managed by the respective agencies, such as the Rubber Industry Smallholders Development Authority (RISDA), Sabah Rubber Industry Board, and Malaysian Cocoa Board.

### **Strategy 7: Intensifying performance-based incentive and certification programmes**

Existing input-driven subsidies will be gradually replaced with performance-based incentives to ensure productivity-led assistance. Incentives will be provided to encourage compliance of farmers and smallholders to the Malaysian Good Agricultural Practices (MyGAP) certification and other certifications such as the Malaysian Sustainable Palm Oil (MSPO), a sustainable palm oil certification scheme. This is to ensure that farm produce complies with sustainable agricultural practices and food safety requirements to command premium prices.

Certified farms will be given priority for grants of soft loans. In addition, the MyGAP certification will be streamlined according to the Global GAP requirements to increase market access, particularly to the European Union. The benefits of MyGAP certified products will be promoted to consumers through campaigns and awareness programmes. For industrial commodities, quality certification of products such as palm oil, cocoa and pepper, and sustainable forest management certification for forest plantation will be encouraged. The MSPO will be promoted among plantations and small holdings to ensure palm oil from Malaysia complies with sustainable practices to enable them gain better market access. In addition, the Malaysia Timber Certification scheme, will also be promoted.

### **Conclusion**

The Eleventh Malaysia Plan sets a new direction for the agriculture sector in Malaysia. The strategies formulated for the development of the agriculture sector aims to accelerate growth and promote the agriculture sector to be a modern and dynamic sector. At the same time, the strategies are formulated to increase the competitiveness of agriculture produce in the domestic as well as international markets. It is hoped that the strategies will ensure that the agriculture sector will be one of the driving forces and engine of growth for economic development in Malaysia.

Date submitted: June 27, 2016

Reviewed, edited and uploaded: June 28, 2016