

# **Malaysian Floriculture Industry Development Policy**

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## **INTRODUCTION**

Malaysia is home to a wide variety of plants species. Located in the tropics, it is one of the most diverse floristic regions in the world. Thus, Malaysia has the advantage of developing and advancing its floriculture industry which could generate decent income to producers and traders and contribute to the national income. Floriculture production value recorded an increase of 23.3%; from RM 417 million (US\$104.25 million) to almost RM 514 million (USD128.5 million) in the last five years (2011-2015), in line with the increase in acreage planted within the same period. Exports reached 108 metric tons in 2012 which was considered high, but experienced a slight decline in the following years until 2014. However, Malaysia is still ranked among the top ten exporting countries in the world for floriculture products. Among its major export destination countries are Japan, Australia and Hong Kong.

### **Policies related to Floriculture**

The National Agricultural Policy (NAP), a set of official document formulated by the government to specify the strategic direction for the agricultural sector in Malaysia, recognizes the importance of the floriculture industry. Since the First National Agriculture Policy, NAP 1 (1984 -1991), the floriculture industry has been identified as a source of growth for the agricultural sector. The Second Agricultural Policy, NAP 2 (1992-2010) focuses on innovation in the floriculture industry, viability, competitiveness and quality to meet the standards of the domestic and international market. The Third Agricultural Policy, NAP 3 (1998-2010) progresses the floriculture industry further towards increasing efficiency and productivity, competitiveness, as well as in helping strengthen institutions and promote sustainable development. Government support and commitment are directed to establish Malaysia as the global center for tropical floriculture products, among others. This includes the establishment of national and international logistics and marketing network. Areas for establishment of large scale commercial production were identified through zoning of land on a long term leasehold basis. Large scale automated production and post-harvest handling are encouraged to reduce cost and reliance on labor. Focus is also given on research and development (R&D) intensification to produce new species and varieties, and to develop cost-effective production and post-harvest handling technologies.

The most recent policy, the National Agrofood Policy (2011-2020), listed floriculture as one of its high value industries. The policy outlined six strategies to drive its development:

#### **i. Expand areas for commercial cultivation of flowers**

Areas for cultivation of flowers are expected to grow at 3.8% per annum, from 2,400 hectares in 2010 to 3,500 hectares in 2020. Expansion of 980 hectares of land for

cultivation of flowers in the lowland will focus on ornamental orchids and tropical plants. Development of areas for cultivation of temperate flowers in the highlands will cover 120 hectares including the Lojing Highlands, Kelantan; Kinta Highlands, Perak, Sabah and Sarawak. Floriculture Nursery Commercial Zones will also be developed in strategic areas to meet demand for landscape plants.

**ii. Strengthen the support services of the floriculture industry**

The support services will be strengthened, through public-private partnerships for the development of a competitive floriculture industry. In addition, extension services will be intensified to promote and expand the use of up-to-date technologies among floriculture producers in an effort to increase productivity and ensure efficient postharvest handling.

**iii. Encourage private investments**

The private sector will be encouraged to be active players in the floriculture industry market due to the great potential offered by this industry. Agrobank soft loans will be widened to include financing the construction of infrastructures such as greenhouses and irrigation systems to accelerate private sector participation. Agrobank is a government-owned bank that provides financial services and banking facilities for the agriculture sector. In addition, reinvestment allowance by Agrobank will also be extended to floriculture producers to increase the use of up-to-date technologies.

**iv. Diversify floriculture products**

Incentives will be given to develop quality products including handicrafts and interior decoration products through the use of flower and foliage preservation technologies. Use of preservation technologies will also be expanded for development of potpourri and fragrance products. Flower preservation had thus far used the pressed flower technology, which also involves the processes of drying and dyeing. The process has transformed many weeds and forest species into exotic preserved flowers and other plant parts.

**v. Expand markets of floriculture products**

Efforts will be made to expand access of floriculture products to existing and new markets through bilateral consultation and active participation in floriculture, landscape and tourism exhibitions. Floriculture industry players will also be encouraged to comply with the terms and conditions of importing countries such as sanitary and phytosanitary (SPS) and Good Agriculture Practices (GAP) requirements. All types of flowers and foliages for example, require a Phytosanitary Certificate (PC) to enter into a country. The Department of Agriculture (DOA) Malaysia is responsible for managing regulations on plant health. Therefore, DOA Malaysia provides professional advisory services to facilitate exporters in the issuance of the PC, and to comply with other exportation protocols of importing countries.

**vi. Strengthen R&D activities**

R&D activities will be intensified, especially in germplasm collection, production of new varieties and improvement in quality of floriculture products to create a competitive floriculture industry. The production of new varieties through hybridization is given priority in MARDI's orchid research programme. Cyclic night lighting, irradiation and modified atmosphere packing are among the technologies developed from R&D activities in MARDI. MARDI (Malaysian Agricultural Research and Development Institute) is the research wing of the government, in the areas of agriculture and agro-based industry.

In line with the aforementioned policy strategies, the Government has allocated funding for development projects to be used under the 11<sup>th</sup> Malaysian Plan (11MP). The maximum funding for a Flower and Ornamental Plant Nursery sub project, is up to RM50,000 (US\$12,500) for those with a minimum planting area of 0.2 hectares. It involves the cost of technology transfer, development of basic infrastructure, which include shade houses made from iron, irrigation system, farm equipment and input materials. RM50,000 (US\$12,500) were also allocated under the Agrotech Floriculture Park Incentive, for each entrepreneur with a minimum area of 0.4 hectares. Intended use is limited for planting area development, basic infrastructure such as iron shade houses, black netting (multilock) and irrigation system. Input material costs are to be borne by the entrepreneur. Another sub-project under the Flower and Ornamental Plants cluster, a maximum of RM500,000 (US\$12,500) is allocated to a minimum of 10 people per cluster, for the development of the planting area, basic infrastructure facilities such as shading structures made of steel, irrigation system, farm equipment, input and promotional materials.

To attract new investments in the floriculture industry as well as promote the export of floriculture products, the government has also extended various tax and financial incentives. The 'Pioneer Status' is one such incentive that will entitle the business to five years of partial tax relief. An alternative to the Pioneer Status is the Investment Tax Allowance (ITA). Any businesses participating or intending to participate in a promoted activity or in the production of a promoted product may apply for the ITA approval. The amount of allowance that can be granted under the ITA is 60% of qualifying capital expenditure. Local companies engaged in exporting agricultural products, including floriculture are qualify for enhanced export allowance rates of up to 30%, 50% and 100%, depending on their export value. Furthermore, there are also incentives provided for R&D and training purposes.

The Malaysian government realized that a strong network is needed between the private industry players and government agencies to materialize growth of the industry, especially to increase export performance. Therefore, a platform to facilitate a workable private-public partnership, the Food and Agro Council for Export (FACE) was established to coordinate the implementation of agriculture and agro-based production for export. A Malaysian Agro Networking (MAN) committee was formed for each commodity; fruits, vegetables and floriculture. MAN (Floriculture) will serve as a medium of discussion between the Department of Agriculture (DOA) and other departments or agencies concerned, including industry players to understand the issues currently faced, to deliberate on strategies to overcome any hurdles, in order to increase the production of floriculture, especially for export. MAN (Floriculture) will also strengthen the Public-Private Partnership for the purpose of data exchange, and sharing of information, experiences and knowledge.

## **CONCLUSION**

The floriculture industry in Malaysia has received attention in the development policies of the country, because it is viewed as an economically viable diversification option in the agriculture sector. More importantly, it has the potential to capture the interests of youth entrepreneurs to enter into the agriculture business. Indeed, the industry has developed into becoming a feasible commercial enterprise due to local and export demand, driven by the support from policy development and various incentives provided for the sector. Most of the

existing and planned programs will hopefully lead to fulfill the government's aspiration to encourage growth and further expand the floriculture industry.

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