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Pushing the agribusiness initiative

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ZUL and Ah Chong are cackling their way to the bank. Their financier has just approved a loan for hatchery equipment costing about RM1 million for their low cholesterol egg business.

Their joint venture is expanding and the loan, together with their excellent marketing and distribution outlets, will enable them to cash in on growing demand both at home and in Singapore and Thailand.

But Amin is not so fortunate. Although he has the technology to freeze-dry jackfruit for export, a few banks have turned down his request for a loan because he cannot secure a constant fruit supply.

When the Government is exhorting companies to invest in food production and export their produce, it is a pity that people like Amin are bogged down by obstacles as basic as the source of supply.

It is no wonder then that efforts to trim Malaysia's burgeoning food import bill fail to make a dent. It stood at RM4.6 billion about 10 years ago, doubled five years later and stands at RM13 billion now. In contrast, we exported some RM6.6 billion worth of food which comprised mainly seafood, cocoa butter and cereals.

With the economic slowdown, the scramble to temper imports with more exports and look for new markets is in full swing. The need to look for innovative ways to sustain growth and diversify risks to compete in the global market has given agencies food for thought.

Agriculture's billing as the third engine of growth after manufacturing and tourism is not far-fetched as the world is our market but we will have to examine the ultimate cost to gauge whether we have the competitive edge.

So far, the Government is not leaving things to chance. Permanent food production parks have been planned, with 40,000 hectares to be opened nationwide in 10 years' time. To promote the sector on a commercial scale, the Government is banking on private sector investment with their managerial expertise and improving production with the use of state-of-the-art technology.

Various tax incentives have been given. Under Budget 2002, reinvestment in food production will be granted 100 per cent income tax exemption for five years for existing companies and 10 years for new companies.

The 100 per cent allowance on capital expenditure - previously confined to prawn farming, floriculture and fruit planting - has been extended to a broad range of agricultural projects. Under the Third Outline Perspective Plan from this year till 2010, the projected annual growth for the agriculture sector is 3.5 per cent.

But the hardware alone is not enough. A concerted marketing drive for the products will be launched, including the development of a globally recognised name.

Amin's failure to ensure a regular supply of jackfruit has put paid to his plans to export them even though he has the freeze-drying technology. Such basic setbacks do not go down well with financial institutions in the loan evaluation process, and this is one of the reasons they give a wide berth to food production when considering loan targets.

Since many of the businesses are small and medium scale, they do not have the means and wherewithal to modernise operations to meet market needs and international standards.

But beyond these, food production has to be expanded for Malaysia to

scale back on food imports and promote for export. Most of the premium land - about four million hectares - is in the hands of plantation companies and it is up to them to help the Government realise its agricultural objectives. It will be difficult to cull foreign investment in large-scale high-tech farming as foreigners are not allowed to own land.

Prime Minister Datuk Seri Dr Mahathir Mohamad has called on the plantation companies to use part of their land for agricultural activities on a commercial basis. They may not have the expertise but they have the resources to acquire them. In view of the volatile palm oil market, now is as good a time as any to consider venturing into the business.

If our agricultural goals materialise, there will be some spin-off industries including research and development and it should nurture entrepreneurs too.

However, in our zeal to reduce the food import bill, we must not run to protect our food industries with high tariffs on similar imported products.

Time will tell whether our efforts in whipping up a green initiative to downsize the food bill and earn more foreign exchange will bear fruit. The proof of the pudding is in the eating.

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