

08/10/2003

Budget boost to develop sector

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UNDER Budget 2004, an allocation of RM3.3 billion has been provided for operating and development expenditure for the agricultural sector.

Of this, RM885 million is for the provision of basic agricultural facilities.

In addition, aquaculture farming will be expanded, with an allocation of RM70.6 million, while RM165 million is for the construction of an integrated deep-sea fishing port and a Fisheries Training Centre in Tanjung Manis, Sarawak.

Prime Minister Datuk Seri Dr Mahathir Mohamad also said value-added activities in the agricultural sector are considered by the Government as important, in line with the Government's goal that the country's food production be increased.

To achieve this target, the Government has proposed several incentives be granted to locally-owned companies involved in these activities, as announced in the Budget 2004.

The incentives are:

- * Pioneer status with tax exemption of 70 per cent of the increased income from reinvestment for five years; and
- * Investment tax allowance of 60 per cent on the additional investment for five years.

Dr Mahathir said the Government will continue to modernise the agricultural sector, in particular programmes to increase food production.

He said towards this end, large-scale mixed farming will be promoted, including animal husbandry, intensive farming as well as the use of modern technology and management.

Activities such as processing, logistics, packaging, developing brand names and securing new markets will also be supported and encouraged, said Dr Mahathir, who is also Finance Minister.

Companies that provide cold storage chain facilities for perishable agricultural products are also encouraged to use venture capital funds available from the Malaysian Technology Development Corp.

In addition, new companies that provide this facilities are also given pioneer status or investment tax allowance, said Dr Mahathir.

He said the Government has established the fund for food totalling RM1.3 billion under Bank Pertanian Malaysia to finance the production and processing of food products, which has been fully used.

"In view of the good response, the Government has provided an additional RM1 billion under the package of new strategies, bringing the total fund of RM2.3 billion," he said.

To further stimulate rural economic activities and help small-scale entrepreneurs in villages, the Government will establish the Village Micro-Credit Scheme amounting to RM1 billion under Bank Pertanian.

He said to ensure efficient and effective implementation of this programme, this credit will be provided on a group basis through the Village Development Committees for villages, which are involved in the "One Product One Village" programme.

The implementation of this scheme will be supervised by the District Development Committee and the Implementation and Co-ordination Unit of the Prime Minister's Department.

"The goal of the scheme is to provide opportunities to farmers to gainfully use their free time and increase their income," he said.

Stockbroking firm MIDF Sisma Securities Sdn Bhd, in its comments on the budget, said the agriculture sector looks set to blaze a trail to become the third engine of growth by 2005.

Commercial food production such as large-scale mixed farming including animal husbandry and intensive farming using the state-of-the-art technology could help Malaysia check its rapidly rising food import bills, it said.

It said that providing the pioneer status award to companies with cold storage chain facilities would allow them to cover their business costs, which they can pass on to farmers by offering cheaper cold storage services, enabling a longer lifespan of perish-able agricultural products.

"Thanks to better logistical services, a farmer can bypass middle-men, hence higher chances of lower retail prices for consumers," it said.

It also said the reduction or abolition in export duties on several un-processed agricultural produce and commodities or food products such as fish, fruits and certain minerals to between zero and five per cent from between 2.5 and 10 per cent now will enhance their competitiveness in export markets.