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Meeting the agro challenge

By Farush Khan; Koh Lay Chin

MOBILISING the private sector is the greatest challenge for the agriculture industry, considering that segment of the economy contributes only 30 per cent to food production, with the rest coming from small-holders.

"We have to work harder to increase the country's food exports as the rate of the increase in imports far exceeded the rate of increasing exports in the year 2000 and 2001," said Agriculture Minister Datuk Effendi Norwawi.

The ministry has set seven performance measures with the first three being to succeed in reducing the national food import bill, increase food import substitution and increase exports.

If it could address these three measures well, he said, the country would be able to redress its deficit balance of trade in food products, now around RM6 billion annually.

"When I started this job (three years ago), our target was to produce RM81.5 billion (worth of food products) in five years, starting from 2000," he said in an interview with the New Straits Times.

"In 2000, however, we exceeded our target of RM11.6 billion by achieving RM14.2 billion and in 2001 produced RM15 billion against the target of RM12.3 billion."

With this success, he said, it was still vital for the ministry to concentrate on getting private sector investment so the country could even out the import-export disparity and become a net exporter by year 2010.

"Oil palm is number one in the country because of the private sector's involvement.

"As soon as you get the private sector involved you will get the management expertise and their technical resources."

He added the ministry had accordingly formed strategies to attract more investment.

The best way, he said, was to create successful models and to offer incentives to attract more private sector players.

"Since we have put in the new incentives, we have received applications (for projects) worth RM5.5 billion from January 2001 to November 2002.

"This is good news because our target was to achieve RM2 billion per year.

"But I am not happy that the application (approval) process takes too long.

"For example, out of the RM5.5 billion, we have only approved RM718 million.

"This is too slow so I am reviewing the system."

In efforts to create successful models for farmers, the ministry will introduce the first large-scale commercial farm this year that will cover over 4,000ha called "Projek Perdana Johor".

Effendi said there had been hundreds of applications to develop the area in Ayer Hitam and the project would be launched by March.

"This is going to be exciting. I am sure when people see this project, there will be many more commercial farms.

"There will be fruits and vegetables, a cattle farm, dairy farm, food production and an 'English Cotswold' village."

The Cotswold village was the idea of Prime Minister Datuk Seri Dr Mahathir Mohamad.

Other large-scale farming areas have also been identified in Pahang and Johor, as well as the Tanah Gula Padang Terap project in Kedah that will be developed for commercially mixed farming and is projected to yield RM253 million worth of food produce annually.

"This will be our focus. With our initial success we expect a lot more people to come forward in 2004.

"Part of the attraction will be incentives like a 10-year tax break and the 3F (fund for food)."

The tax break is a 100 per cent tax exemption on statutory income for 10 years commencing from the first year a company enjoys profit, which means companies will not have to pay tax until the 11th year of making profit.

The ministry has also conducted seminars around the country that have been attended by 3,500 participants and is following up with 850 interested parties on various projects.

"We also have 18 business councils set up by various agencies which meet regularly.

"They meet with main players in the private sector and listen to their problems and suggestions on how to make things better for them."

Another addition to the ministry will be the Business Development Centre which will be set up by March.

"All the business development managers from private sector companies can send their officers to the centre where they can get all the information they want in any areas," Effendi said.

"Be it physical studies, the market situation or technical support, they can and get world-class information on anything they want."

Supporting the centre will be two initiatives - 10 knowledge centres around the country; and a Market Intelligence Service led by the Federal Agriculture Marketing Authority.

Effendi said another effort to bring in private investment was to work with Bank Negara to introduce crop insurance.

"The private sector is wary of putting money into the food sector because there is no insurance coverage.

"Hopefully we will be able to introduce this within this year."

For aquaculture, prospects for making "billions for the country" would also be explored through various efforts.

"We are going to create aquaculture (fishing) industrial zones in the country and have identified around 200,000 hectares of water bodies suitable for this.

"We are now conducting detailed studies and these areas will be developed so they can handle everything right up to processing," he said.

He said just as they would ensure that the best seeds are available for agriculture, they would also produce very high quality fry.

"To achieve a 600,000 tonne target for aquaculture by 2010 we will need 16 billion of fish fry annually, compared to the 3.2 billion today."

One of the measures introduced by the ministry is the "new value" created with products like tuna, ornamental fish, herbs, halal products, roselle, kenaf and orchid, among others.

"These can create billions for the economy," he said.

"With tuna, for example, we have the opportunity to easily produce 75,000 metric tonnes annually by 2010.

"The ornamental fish and herbs will also be a multi-billion ringgit industry; the demand is huge locally and abroad.

"We have dedicated task forces for each of these specific products and they are finalising our detailed strategies.

"In fact some of these programmes have already started.

"We have also commissioned a comprehensive study on herbs and a master study on a Halal Food hub to be done as we can be a big player in these

areas."

With all these strategies in place, the ministry will also introduce new approaches, including crop zoning and a distribution rationalisation programme through the Terminal Makanan Negara (Teman).

"The market is so irrational, from the producer to the consumer it goes through many layers and that just increase costs.

"So one of the biggest challenges this year is for us to rationalise the market mechanism."

Teman will be supported by collection centres near to the farms, which will collect, grade and package produce from farmers.

The produce will be sent to Teman which will forward it to outlets like Carrefour and Tesco.

"This way the farmers get their produce direct to outlets so they can get better prices, the outlets will get a better price and this will translate into cheaper goods for consumers."

Another important strategy by the ministry is the accreditation of farms.

"We will drive hard to get the producers to conform to international standards and we will be bench-marking them with the world's best accreditation programme.

"Only accredited farms will be approved with the Malaysia's Best seal."

So far 385 farms have applied for the accreditation.

The ministry is also looking at developing high-quality agro-tourism projects in the country with major projects.

This includes Taman Botani, a world-class botanical garden, Ladang Satellite, a place where buyers can pick their own fruits and vegetables, the Cameron Highland Agro Park and the Serdang Agro Park.

The first precinct of Taman Botani is expected to be completed by next April and six satellite farms are being developed in Kedah, Perak, Selangor, Negri Sembilan, Malacca and Johor.

"We are hoping to launch the Cameron Highland Agro Park in October and the Serdang Agro Park is expected to be completed by the end of this year.

"The Serdang park will be like the Agro Dome in New Zealand and the Kew Gardens in England."

With all the strategies and programmes set up by the Agriculture Ministry, it hopes for "many success stories" from the private sector.

"We have some very successful examples of aquaculture, livestock and horticulture."

There have also been cases of people who have tried investing in agriculture in the past and some got their fingers burnt.

Effendy cited the example of some of those involved in the aquaculture industry who had been hit when the white spot disease hit the industry.

"But that was the past and things are different now.

"We have more knowledge, better technology, better management techniques and the Government is better organised to support the private sector."

There is the technology to meet these challenges now and although there are risks, these are all about management.

"With good management we should be able to succeed.

"In the case of livestock, for example, what we are trying to impress on plantation owners now is that their land is suitable for breeding cattle.

"If we can get all these areas to carry animals, we will have around one million animals and that will greatly reduce our imports."

Effendi said in the places where have introduced the project, they have met with success.

"We are hoping plantation owners will co-operate with us here."

Effendi said all these strategies were about gaining that competitive edge to meet challenges arising from the Asean Free Trade Area (Afta).

"We must meet Afta whether we like it or not.

"Even the most sensitive crops like padi will meet Afta in the year 2010 and the answer to this is competitiveness and successful transfer of technology to producers.

"We have the technology. The issue now is to successfully transfer this to our farmers.

"We now know that our farmers are producing four tonnes per hectare (for padi) and we have started a system with the first batch of 4,000 farmers who can produce 10 tonnes per hectare."

In its efforts to mobilise the private sector to boost food production and generate more revenue for the people and the country, one should be forgiven for thinking what the ministry is trying to do could be a bit too ambitious.

"It may sound ambitious, but it is achievable," Effendi said. "We think we can succeed.

"We have a common vision, we have a common belief, we all believe we can achieve it.

"We want our ministry to be well known as a ministry that truly serves our clientele - the farmers, the private sector and the consumers."

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