

I AM fortunate to be given such an important task,' says Agriculture and Agro-Based Industries Minister Tan Sri Muhyiddin Mohd Yassin.

He describes his current appointment as very challenging and extremely demanding. 'We are looking at a very wide industry. Even getting an overview of this vital sector is not easy. It took me a long time to understand how the industry works,' he says.

Even so, Muhyiddin still has a mammoth task ahead. His ministry deals with a lot of human factors, and particularly the rural folks, some of whom are on the brink of poverty. But having identified the structural weaknesses of the ministry as well as its agencies, Muhyiddin is confident of the role he can play.

Born and raised in Muar, Johor, Muhyiddin is the former Menteri Besar of the state. His Federal Cabinet appointments include as Minister of Youth and Sports, and Minister of Domestic Trade and Consumer Affairs. He is also a vice-president of Umno.

*Malaysian Business* Editor Charles Raj and writer Clarence Y K Ngui caught up with Muhyiddin at his office in Wisma Tani, Kuala Lumpur. Following are excerpts of the interview:

### **What are the most important challenges in transforming the agriculture sector in Malaysia?**

The ministry's effort in transforming the agriculture sector aims at creating a sector which is modern, dynamic and competitive. But we face a number of constraints and challenges.

We face competition with other sectors for resources such as land and water, which are becoming increasingly scarce. There is also competition within the agriculture sector itself, that is, the food sector versus the plantation sector.

Productivity in the agriculture sector is low compared to that of the manufacturing sector. There is also the problem of ageing farmers. In 2002, the ministry carried out an exercise to study the number of hours spent by padi farmers in the farms and it was noted that close to 40% of those interviewed were above 55 years old.

Agriculture has to compete with the

# When the Going Gets Tough

**Agriculture and Agro-Based Industries Minister Tan Sri Muhyiddin Mohd Yassin talks about the government's big plans for the agriculture sector, and the challenges it faces.**

other sectors for labour, both local and foreign. We are still dependent on foreign labour. For example, between 2001 and 2003, the government approved another 19,343 foreign labour for the agriculture sector (including plantations).

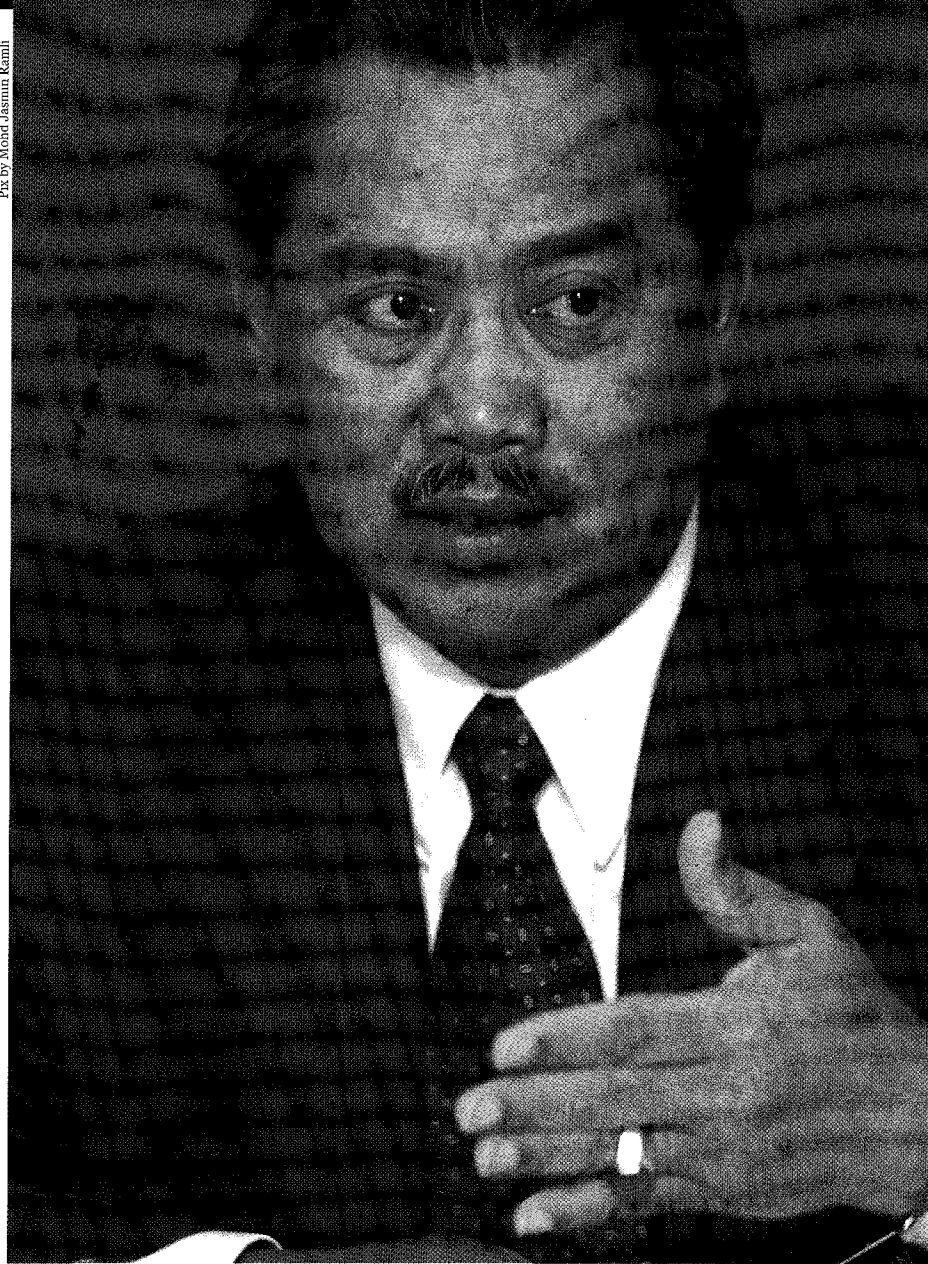
Following trade liberalisation, greater competition for local agricultural products is expected. On July 31 this year, the World Trade Organisation (WTO) endorsed a framework which has set directions for greater liberalisation in agricultural trade. At the regional level, the import duties of more than 90% of agricultural products in Malaysia have been reduced to 5% or less under the Asean Free Trade Area (Afta) agreement.

There has been renewed interest in the agricultural sector after the 1997 Asian Financial Crisis. The government is also giving more emphasis to agricultural development. For 2005, the ministry has

been given RM1.5 billion for development projects, which is the biggest annual budget we have received in recent years.

**The 'big push' for agricultural development calls for the modernisation and introduction of innovation and technology. Is Malaysia ready for this challenge and how does the government plan to harness the growth of biotechnology?**

Technology plays a critical role in modernising the agriculture sector to overcome the problem of labour shortage. The adoption of new technologies is also important to improve productivity. Examples of technologies that have been successfully adopted are fertigation, the use of rain shelter in vegetable farms, vegetable farming under netted structure and the close-house system for poultry.



There is also a need to expedite transfer of technology. We are setting up an incubator programme where the latest technology will be taught to the farmers on a hands-on basis. We are also upgrading the 40 existing training institutions under the ministry to meet the demand for training required by farmers, besides setting up an Agricultural College in Kedah.

Extension workers are our front men who are responsible for the transfer of technology to the farmers. We hope to increase the number of better qualified extension workers on the ground so as to enhance and accelerate the transfer of technology to farm communities.

Biotechnology has been identified by the Third National Agricultural Policy as an emerging technology to be given attention. However, we stand to be guided by the government's policy on biotechnology, which is under the purview of the Ministry of Science, Technology and Innovation, as the application of biotechnology is linked to a number of issues such as food safety and biodiversity.

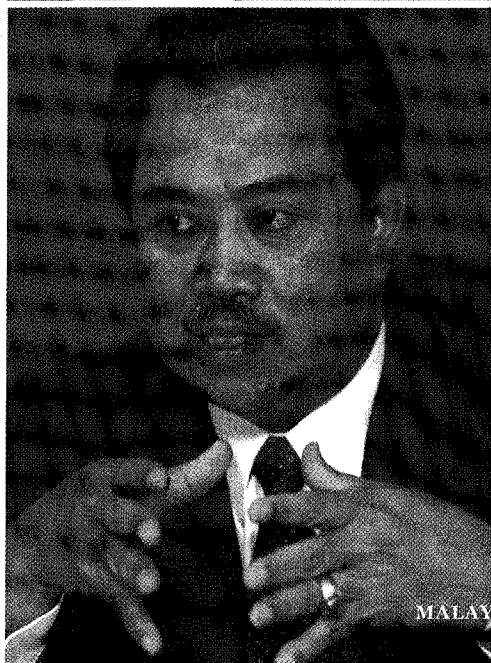
However, it must be reiterated that we are very cautious in the application of biotechnology in the food sector as there are still controversies pertaining to the production of genetically modified (GM) food. We do not want to be caught in a situation where we produce food that we cannot sell.

**How can we institute a change in mindset among players in the agricultural sector?**

There are many success stories in the agricultural sector and one of the missions of my ministry is to change that perception of agriculture.

Not all farmers in the country are backward and need to be subsidised by the government in order to survive. We have many farmers who are thriving in the agri-business and making good money from agriculture.

Farmers must realise that they cannot thrive in the agri-business with assistance from the government alone. The farmers themselves must be prepared to accept this change, or else none of the programmes the government is implementing is going to help them.



The ministry has instructed its departments and agencies to incorporate programmes aimed at changing the mindset of the target groups in their projects. The projects will give equal emphasis to the creation of entrepreneurial skill and the inculcation of awareness among farmers that they need to stay independent and competitive in a global economy that is full of challenges.

**The modernisation of the agriculture sector calls for large economies of scale. Can this be achieved in Malaysia considering that most agriculture acreages, especially for food production, are relatively small?**

We are short of land resources after decades of development. Getting new land for large-scale development is not easy. In this connection, the ministry is adopting a multi-pronged strategy to achieve economies of scale in food production projects.

The strategy includes encouraging private companies, especially those with large landbanks, to venture into food production. The government has introduced very attractive incentives to encourage plantation companies to carry out food production.

Since the introduction of these new incentives in 2001, we have received more than 181 applications with a proposed investment value of more than RM2.2 billion. The tax incentives which were supposed to end in 2005 have also been extended to 2010.

Currently, the ministry is establishing a modern farm in Kluang, Johor. We are also working closely with the state governments to allocate more land with cheaper premium for agricultural projects. The Federal Government will provide infrastructure in these areas to facilitate these food production projects by investors.

The ministry is also considering the feasibility of implementing an exit scheme for padi farmers who own farms but are no longer interested to work there. By so doing, the land-man ratio could be improved and we could increase the farm size to achieve economies of scale. The government will consider giving incentives

to farmers who want to participate in the exit scheme.

**Unlike Thailand's dominant Charoen Pokphand (CP) Group, there are no equivalent agriculture-based business groups in Malaysia. Why is this so and how can an agriculture-based business be further developed and expanded in Malaysia?**

We do have large companies which are agriculture-based in plantation sectors such as Sime Darby, Golden Hope and Kumpulan Guthrie. The government has been encouraging the private sector to venture into the food business. Towards this end, the ministry has also undertaken the following measures:

- i. Holding investment seminars to convey to the private sector the potential in the food business. Apart from that, we have set up an Agri-Food Business Development Centre (BDC) to provide all necessary information to potential investors;
- ii. Expanding food production areas, permanent food production zones and aquaculture industrial zones (AIZ) to ensure that food production projects can be carried out in an orderly manner;
- iii. Developing more organised food supply chains including distribution and marketing facilities as well as strengthening logistic support services and improving the delivery system;
- iv. Enhancing R&D to support private-sector initiative; and
- v. Introducing standards and implementing accreditation schemes such as the Farm Accreditation Scheme of Malaysia (SALM), Livestock Farm Accreditation Scheme (SALT), Malaysian Aquaculture Farm Accreditation Scheme (SPLAM), Veterinary Health Mark (VHM) and Quality Assurance System (QAS) in order to encourage Good Agricultural Practices (GAP) and the production of quality and safe-to-eat food for the world and domestic markets.

**The agriculture sector is often labelled as backward and a major**

**source of poverty. How can the sector emerge as a major development component for the nation?**

We do not agree with the perception that agriculture is a major source of poverty. Since agriculture is a major source of employment and livelihood for the rural population, I believe that without agriculture, the rural population will be worse off.

The income gap between the rural population and the urban folks is still large due to a number of reasons. Therefore the current emphasis on agriculture is perfectly justified. Currently, about 38% of the population in Malaysia still live in rural areas. If we do not give sufficient attention to agriculture and rural development, we may be accused of ignoring the plight of the people who need our help most.

Malaysia is also one country that is endowed with abundant natural resources. We should continue to explore and exploit fully these natural resources for the betterment of the economy.

**For a long time, the agricultural sector was sidelined in efforts to develop the manufacturing and services sectors. What were the problems?**

The agricultural sector has not been deliberately sidelined. Development of the manufacturing and other sectors is just part and parcel of the process of economic development. As the country's economy progresses further, we would like to go further downstream and diversify into the development of other economic sectors, which naturally include the manufacturing and services sectors.

Decades ago, the country's entire economy was dependent on just two commodities - rubber and tin. At that time, the economy and livelihood of the people were dependent on the performance of these two commodities. We saw the need to diversify and to venture into other areas, including manufacturing and other sectors.

Although the share of agriculture in the country's Gross Domestic Product (GDP) has declined compared to that of the manufacturing sector, it continues to grow, albeit at a slower pace. Both the agricultural and the manufacturing sectors can work hand in hand. 