



AGRICULTURE

**BRINGING MALAYSIAN FARM
PRODUCTS TO THE WORLD**



YB DATO' SRI AHMAD SHABERY CHEEK

Minister of Agriculture and Agro-based Industry

Agriculture initiatives under the NTP have adopted a bold approach aimed at extracting value from a sector traditionally seen as the poor man's sector. In contrast, the Government sees agriculture as a high-yielding activity which can leverage Malaysia's rich natural resources and catalyse economic growth, contributing to employment, income generation and food security.

With this in mind, the Agriculture NKEA marks a shift from subsistence farming towards agribusinesses, facilitating the production of high-value products for export. This contributed to the RM73.6 billion in GNI generated by the agriculture sector in 2017, an achievement which has already surpassed the roadmap target of RM49 billion by 2020. This has been driven by the growth of the processed food sector, aquaculture segments and herbal products, as well as the development of agriculture SMEs through the anchor company model to take up NKEA projects and provide income-generating opportunities for smallholders.

In the processed food sector, we recorded the development of 154 SMEs and RM511.21 million of sales to support anchor companies along the full value chain in 2017, the highest number recorded since 2015 when we initiated the SME development programme. This exceeds the targets of developing 40 SMEs and generating RM320 million in processed food sales for the year. To date, 323 SMEs have been developed with RM1.1 billion in sales generated.

Meanwhile, the shrimp farming industry has generated more than RM2.7 billion worth of

production since the establishment of the Integrated Zone for Aquaculture Models (IZAQs) project. Annual shrimp production stood at 25,399 tonnes in 2017, compared with 10,464 tonnes in 2012. Aligned with agriculture industry norms, the aquaculture sector is affected by the risk of disease and the need to ensure minimum standards. In view of this, the Government is undertaking various efforts to maintain quality and boost aquaculture production, such as to allow companies to import shrimp brood stocks from approved sources in Thailand, Singapore, Brunei and the US, at the same time requesting anchor companies to adopt the Malaysia Good Agricultural Practice (MyGAP).

In the herbal sector, 27 products have undergone pre-clinical and clinical trials since 2011, of which three have been completed and launched for use in the nutraceutical and cosmeceutical industries. The growth of this segment, in turn, continues to spur demand for contract farming of local botanicals under the herbal cluster initiative which commenced in 2012, with total sales from the herbal cluster reaching RM5.25 million in 2017 against just RM1 million at its start.

With new projects still taking off, such as in fresh milk production, as well as continued momentum of existing projects, I am confident that the agriculture sector remains well-positioned to complete its transformation in line with our socio-economic agenda under the NTP.

DEVELOPING AGRICULTURE SMEs

The Ministry of Agriculture aims to consolidate the local processed food industry by developing an integrated food park facility, under a project to strengthen export capability of the processed food industry. The food park will produce ready-to-eat packaged food by SMEs to be marketed and distributed by anchor companies that will also obtain product certification, package, brand, market, manage suppliers and help develop small fragmented players through apprenticeship training.

“As of 2016, the percentage of local fresh milk market share stood at 61.24% against the market share of imported fresh milk.”

An anchor company under the food park project, Holstein Milk Sdn Bhd, is presently distributing its dairy products under the “Farm Fresh” brand, mostly through home vendors instead of hypermarkets. To date, the company has signed up 350 home vendors and 25 stockists. Holstein’s decision to utilise home vendors provides job opportunities to more than 300 people, besides increasing the national market share of local fresh milk. As of

2016, the percentage of local fresh milk market share stood at 61.24% against the market share of imported fresh milk.

Under this project, 154 SMEs have been developed against the target of 40 SMEs in 2017 alone. Sales from these SMEs have reached RM511.21 million, 50% more than the original target planned.

Another project undertaken in this NKEA is the transformation of seaweed farming in Sabah into a high-yielding, commercial-scale business by clustering farms under the seaweed mini-estate initiative which is spearheaded by the Department of Fisheries (DoF). To date, five mini estate projects and four cluster programmes are actively operating, providing valuable income-generating opportunities to 615 seaweed farmers.

Operators have, however, encountered challenges such as production and demand issues, land disputes, as well as low seaweed price levels. In terms of production, Semporna has been identified as an ideal habitat for the best-quality seaweed and efforts have been made to develop the optimal technique to grow seaweed. However, gains in terms of yield quality and quantity have been offset somewhat by a lack of standardisation in implementing good agricultural practices. While MyGAP standards are in place, not all farmers implement the standards strictly.

Furthermore, the State Government is unable to gazette and allocate areas for seaweed farming



The PAKAR programme recorded 3,441 participants in 2017.



and instead, leases out areas for short periods of less than five years. This scenario limits the DoF's ability to attract seaweed growers to participate in this programme. There is also only one active seaweed processing company for growers to sell their produce to, which weighs down demand, affects pricing and restricts growers' compensation. In mitigation, the Ministry is looking to expand the pool of entrepreneurs to buy and process seaweed to avoid the current monopoly which impacts pricing. Moving forward, the Ministry is planning to produce the National Seaweed Blueprint based on a study that was conducted in 2016 in collaboration with a local university to better address the industry's supply-demand dynamics.

The Pasar Komuniti dan Karavan (PAKAR) initiative was introduced under the Wholesale and Retail NKEA in 2010 to modernise the traditional concept of markets by introducing more up-to-date trading methods and creating cleaner and more comfortable environs for traders and consumers. The initiative was transferred to the Agriculture NKEA in 2013, following which 10 PAKAR sites in Manjung, Jengka, Pekan, Bera, Mersing, Paroi, Kuala Kedah, Kota Belud, Keningau and Kuching were established. In 2013, 1,865 people took part in this initiative, with this number almost doubling to 3,441 in 2017. In 2017 alone, revenue generated from the PAKAR programme reached RM103 million, exceeding the target by 24%.

To boost participation, the Ministry is working to improve the coordination of agricultural marketing activities by private sector and Government entities to enhance marketing and undertake new market development for Malaysia's agricultural produce moving forward.

BOOSTING EXPORT OF AGRICULTURE GOODS

The herbal product project aims to take advantage of Malaysia's rich biodiversity to establish the country as a producer of high-value herbal products in the global market for traditional medicines and supplements. A total of 27 high-value herbal product development initiatives have undergone pre-clinical and clinical studies, whereas a selection

of herbal companies exhibiting strong potential in terms of product offerings, command of the market as well as financial strength have been identified and appointed as anchor companies. These companies are offered grant incentives to finance their product development through pre-clinical and clinical studies. As of October 2017, 14 companies have been identified as anchor companies under this project.

“From 2011 to 2017, Malaysia has exported EBN products mainly to Hong Kong (RM507.51 million), followed by China (RM360.57 million) and Taiwan (RM166.71 million).”

The product development pipeline for 2017 involved 14 herbal products that have entered pre-clinical studies, while 11 products have commenced clinical studies. Additionally, four products have completed pre-clinical and clinical studies, which will expand the market for high-value herbal products both domestically and internationally. A notable company in this field is BioAlpha, a botanical drug producer and owner of a herbal park. Focus Malaysia has listed BioAlpha as one of the fastest-growing companies (for companies with market capitalisation below RM500 million) on Bursa Malaysia in 2017. BioAlpha was publicly listed in 2015 and has expanded into new markets.

The DoF also leads the Integrated Zone for Aquaculture Models (IZAQs) project, which focuses on improving the production of fully certified export-quality shrimp for premium markets. Smallholders and SMEs are continually engaged to participate in this project through contract farming or profit-sharing agreements with anchor companies. As of 2017, anchor companies in the IZAQs project have committed to producing 9,264 jobs in the sector. The Government's capital expenditure of RM300 million in this sector has also catalysed more than RM2.7 billion worth of shrimp production.

Nevertheless, this project faces a unique challenge as most of the ponds are in remote areas. For instance, one of the highest-producing anchor companies, Pegagau, which operates in Kalabakan, 90 km away from Tawau in Sabah and produced 2,651 tonnes of shrimp in 2017, faced issues in

Milking New Opportunities

Dairy farming is something most people would associate with New Zealand, rather than tropical Malaysia. Yet Malaysia's own The Holstein Milk Company has not only managed to surpass foreign established brands in the fresh milk category, it has helped spur a new development of a sustainable dairy industry as well as significantly increase incomes of dairy farmers around the country. The Holstein Milk Company, one of Malaysia's premier dairy brands, has also helped to improve the quality of fresh milk in the market as their products are made of pure fresh milk directly from the farm, free from any form of preservatives, unlike most imported brands sold as fresh milk which are either reconstituted from powder or milk solids or treated with preservatives.

Holstein has a 39% market share for fresh milk in Malaysia with its "Farm Fresh" brand, the No. 1 brand in the fresh milk category. Holstein is an anchor company under the Agriculture NKEA, which aims to develop dairy farming clusters in Peninsular Malaysia as well as develop small entrepreneurs as distributors.

Started by Johor-based entrepreneur Loi Tuan Ee about seven years ago, the company received strong support and backing from the Government including investments from national strategic investment firm, Khazanah Nasional, which now holds a 30% stake in the company. Holstein also received a RM10 million soft loan from the Government which has aided in funding for initial equipment investment.

Holstein currently produces about one million bottles of milk a month from approximately 4,000 heads of cattle. It has two farms — one in Kota Tinggi, Johor, and another at the Muadzam Shah Cattle Research and Innovation Centre in Pahang. The latter was started in 2014 with assistance from the East Coast Economic Region (ECER) and MARDI (Malaysian Agricultural Research and Development Institute). New farms and processing plants expansion are underway.

"Malaysia is a very conducive location to set up a business and the Government has been very supportive," says Loi.



Loi at his dairy farm in Kota Tinggi, Johor.



Holstein has also played a role in lifting the incomes of dairy farmers in Malaysia, contributing to the long-term sustainability of the industry. About 30% of its milk is sourced from contract farmers and Holstein currently pays them a fair price of about RM2.80 per litre as compared to RM1.20-RM1.40 per litre previously. By doing so, Holstein has managed to put an additional RM3,000-RM15,000 a month into the pockets of contract dairy farmers around the country.

“Malaysia is a very conducive location to set up a business and the Government has been very supportive.”

“In the dairy industry context, we are of the view that the Agriculture NKEA has succeeded beyond expectations,” says Loi. “For decades, the price of raw milk has been suppressed by foreign processors at RM1.20 -RM1.40 per litre. Today, it is RM2.80 per litre. This is life changing for the local dairy farmers. Many farmers have gradually increased their herds to produce more milk as they can earn more profits.”

Loi says that the potential for dairy in Southeast Asia is vast as it is a multi-billion dollar market. “The Malaysia market is significantly smaller compared to Indonesia and Vietnam,” he says.

The dairy entrepreneur has several suggestions to enhance the industry, especially in terms of the governance of the milk industry. He believes there needs to be a central agency that coordinates all national dairy development programmes. Loi also urges that the label “fresh milk” should not be allowed for imported processed liquid milk. “This will allow the Government to establish better pricing for local farmers who produce real fresh milk,” he says.

Loi adds that he is optimistic about the long-term future of the dairy industry as consumers are getting more discerning and aware about the benefits and differences between fresh milk and powdered milk.

He adds, “With the correct dairy development policies in Malaysia, more private sector involvement and parties will invest in the sector to improve the quality of farming and increase fresh milk products.

“With concerted efforts amongst Government agencies to educate Malaysian parents to feed their children fresh milk instead of powdered milk, even if three out of 10 kids were to switch, it will translate to a growth of RM500 million for the fresh milk market. This translates to 70 million additional litres of fresh milk which will require 20,000 dairy cattle to produce.

“More Malaysians today are moving towards the consumption of healthier and more nutritious food,” he says. “The long-term future of the industry in the country is extremely good.”

receiving electricity supply. This delayed the project for almost a year. However, strategic intervention and monitoring from federal agencies resolved the operational issues, enabling the farms to operate according to projected targets.

On the other hand, upstream edible birds' nest (EBN) production and development of high value-added downstream products, driven by the Department of Veterinary Services, has recorded significant achievements since its commencement. From 2011 to 2017, Malaysia has exported EBN products mainly to Hong Kong (RM507.51 million), followed by China (RM360.57 million) and Taiwan (RM166.71 million). As of 2017, 15 companies under the third batch of exporters are currently being audited by the Certification and Accreditation Administration of China (CNCA), while the number of existing companies that have been approved to export products stands at 19. The total export for EBN products reached 385.44 tonnes in 2017, exceeding the target of 270 tonnes.

A challenge faced by this initiative was the export restrictions on EBN products due to an avian influenza outbreak in Kelantan during the year. Although China lifted its export ban on 15 June 2017, the epidemic risked Malaysia's reputation as an EBN exporter and has required stricter monitoring of the implementation of MyGAP standards to ensure EBN producers comply with the highest standards.

Meanwhile, under a project to upgrade the industry's capabilities to produce premium fruit and vegetables, the local fruits and vegetables export sector has seen exports of fruits rise from RM630 million in 2011 to RM1.09 billion in 2016, led by exports of watermelon and durian mainly to Singapore and Hong Kong, while vegetable exports increased from RM750 million in 2011 to RM1.5 billion in 2016, led by tomato and cucumber exports to Singapore and the UAE. In fact, the durian to China reached RM18 million in 2016. The local premium fruits and vegetables export project leverages existing Permanent Food Production Zones to boost the production of shortlisted fruits and vegetables and catalyse the sector holistically.

The main complication faced by this project is limited market access to other countries. Nevertheless, federal agencies led by Department of Agriculture are in constant negotiations with their counterparts in target markets such as China, the US, Australia and Japan. Among results of this effort is the signing of a protocol on phytosanitary requirement in May 2017 to export pineapples to China, allowing Malaysia to export 12,000 tonnes of pineapples worth RM40 million annually to China. Currently, Malaysia exports RM160 million worth of pineapples mainly to Singapore, Iran and the UAE every year.



Working visit by YB Dato' Sri Ahmad Shabery Cheek to a manufacturer of 'daun belalai gajah' extract.



MOVING FORWARD ▶▶

The Ministry of Agriculture has developed the National Dairy Industry Development Programme (NDIDP) 2017-2020 to raise milk production by an additional 20 million litres by 2020 through the import of 10,000 heads of dairy cattle. In 2017, funding was allocated for this programme on a pilot basis, covering the development of Muadzam Dairy Valley and upgrading of dairy farms in Segamat in Johor and Gemencheh in Negeri Sembilan. Work on this project is expected to begin in January 2018. An additional 4.5 million litres of milk is targeted to be produced by August 2018 (19 million litres for the full year), with 28 million litres to be achieved by December 2019.

Separately, recognising the importance of certification to ensure quality control, the Ministry will make MyGAP certification compulsory throughout the agriculture industry and aims for all companies to be certified by 2020.
