

Malaysia's Economic Structural Transformation: *Whither The Agricultural Sector*

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Background – Timeline

After 1957

- Agriculture Based
- 46% GDP
- 80.3% labor

1969 / 70

- Interethnic Conflict:
New Economic policy
- 19.4% GDP
- 15.1% labor

1980s

- Heavy industrialization
- Agricultural sector unintentionally neglected
- Commodity prices plunged
 - Resurging of agriculture

2000

- 18.4% of GDP
- Maintaining production based and moving towards knowledge based economy

2003

- Rebranding of agriculture
- Reemphasis of its importance
- Back in development agenda
 - 9th Malaysia Plan

Objectives

1

- to look at empirical evidence to support the revival of agriculture sector

2

- to investigate why agriculture is back in the development agenda of the country

3

- to analyse related policies

Is agriculture back in the development agenda?

Agriculture is an important sector contributing to the nation's output

Late 1980s,
kick off 2003
(9MP)

Major role in
overall growth

reduce
poverty
through
distribution of
income

Three Basic Drivers of the Renewed Interest in Agriculture (Wong, 2007)

Agro-Biotechnology Revolution

- contribute greatly to innovations, cost reductions, productivity improvements, new processes, and new products

The Rise of Supermarkets

- connect farmers and other stakeholders more directly to meet the changing consumer preferences and demands

Reducing Poverty and Preserving the Environment

- reduce poverty and preserve environment especially in the rural areas

Introducing the **NEW AGRICULTURE**

9th Malaysian Plan
Agriculture was fine-tuned
Rebranding of Ministry
Ministry of Agriculture and Agro Based Industry

New Agriculture
Large scale commercial farming
Wider application of modern technology
Production of high quality and value-added products
Unlocking the potential in biotechnology

New Agriculture
Increased convergence with information and communications technology (ICT)
Participation of entrepreneurial farmers and skilled workforce
Streamlined function of agricultural services to enhance service delivery and efficiency

Some empirical evidence

Commodity	RM million (in 1987 prices)			% of Total			Average Annual Growth Rate (%)		
	2000	2005	2010	2000	2005	2010	BMP		GMP Target
							Target	Achieved	
Agriculture	18,662	21,585	27,517	100.0	100.0	100.0	2.0	3.0	5.0
Industrial Commodities	11,033	13,278	15,521	59.1	60.6	56.4	0.7	3.8	3.2
Oil Palm	5,860	7,915	10,068	31.4	36.7	36.6	3.4	6.2	4.9
Forestry and Logging	3,055	3,016	2,761	16.4	13.0	10.0	-5.6	-0.3	-1.7
Rubber	1,868	2,264	2,554	10.0	10.5	9.3	1.1	3.9	2.4
Cocoa	250	83	138	1.3	0.4	0.5	0.1	-19.8	10.8
Food Commodities	7,629	8,308	11,996	40.9	39.4	43.6	4.0	1.7	7.6
Fisheries	2,493	2,389	3,875	13.4	12.6	14.1	4.1	-0.9	10.2
Livestock	1,520	2,089	2,483	8.1	8.1	9.0	6.0	6.6	3.5
Padi	590	632	988	3.2	3.4	3.6	2.7	1.4	9.4
Other Agriculture ¹	3,026	3,198	4,650	16.2	15.2	16.9	3.2	1.1	7.8
Agro-Based Industry	13,584	16,928	22,221	100.0	100.0	100.0	4.0	4.5	5.6
Vegetable and Animal Oils & Fats	2,526	3,639	5,614	18.6	21.5	25.3	6.3	7.6	9.1
Other Food Processing, Beverages & Tobacco	4,010	4,790	6,333	29.5	28.3	28.5	2.0	3.6	5.7
Wood Products including Furniture	2,934	2,972	3,761	21.6	17.6	16.9	0.6	0.3	4.8
Paper & Paper Products, Printing & Publishing	2,293	2,640	3,275	16.9	15.6	14.7	3.4	2.9	4.4
Rubber Processing & Products	1,821	2,887	3,238	13.4	17.1	14.6	4.7	9.7	2.3
Total Agriculture and Agro-Based Industry	32,246	38,513	49,738				2.7	3.6	5.2
Gross Domestic Product at Purchasers' Prices	210,558	262,029	351,297					4.5	6.0

Source: Department of Statistics and Economic Planning Unit
Notes: ¹ Includes coconut, vegetables, fruits, tobacco and pepper.

Some empirical evidence

	2000	2005	2010	Average Annual Growth Rate (%)		
				BMP		9MP Target
				Target	Achieved	
Agriculture Employment						
Number ('000)	1,423.0	1,405.7	1,323.8	-1.4	-0.2	-1.2
% of Total Employment	15.3	13.3	10.9			
Value Added Per Worker (RM in 1987 prices)	13,115	15,752	21,299	4.5	3.7	6.2
Agro-Based Employment						
Number ('000)	844.0	981.9	1,110.2		3.1	2.5
% of Total Employment	9.1	9.3	9.1			
Value Added Per Worker (RM in 1987 prices)	16,107	17,002	19,688		1.1	3.0
Total Employment in Agriculture and Agro-Based Industry	2,267.0	2,387.6	2,434.0		1.0	0.4
% of Total Employment	24.4	21.9	20.3			

Source: Department of Statistics and Economic Planning Unit.

- Decreasing pattern of agriculture employment
- 2.5 percent average annual growth rate for the agro-based employment
- 0.4 percent total employment in agriculture and agro-based industry

Agriculture is Business

Some empirical evidence

Commodity	2000	2005	2010
Rice	70	72	90
Fruits	94	117	138
Vegetables	95	74	108
Fisheries	86	91	104
Beef	15	23	28
Mutton	6	8	10
Poultry	113	121	122
Eggs	116	113	115
Pork	100	107	132
Milk	3	5	5

Source: Department of Statistics and Economic Planning Unit.

Self sufficiency levels in food commodities

- Have shown an increase
- Depreciation of Ringgit led to imbalance of food trade

National Agricultural Policy (NAP)

NAPI

- 1984 – 1991
- Raise efficiency of the agricultural sector
- Increase income of rural sector
- Address poverty in rural areas

NAPII

- 1992 – 1998
- Optimum used of resources
- Development of integrated agro based
- Intensification of R&D
- Greater role of private sector
- Marketing reform and diversification of food production

NAPIII

- Maximise income from agriculture and forestry
- Increase food security
- Enhance agricultural linkages
- Increase productivity and competitiveness
- Sustain the use of natural resources
- Create new source of agriculture

Major challenges to agricultural sector

lack of land and land fragmentation

- Urbanization and conversion of agricultural land to industrialization

labour shortage

- Agro based industry to manufacturing

insufficient research and development

- Increase productivity and reduce production cost

The way forward

Modern agriculture

Genetic
engineering

New and
appropriate
technologies

Better extension
services to
farmers

Conclusion

Rebranding agriculture has proven to enhance and increase the production of agriculture.

With enhancement in science and technology with new farming techniques, agricultural production could be sustained.

Need new guidance to bring the sector to greater heights
- NAPIV
(National Agro Food Policy)



Thank You

