



AP abolition strengthens food security, prevents price hike – Economist

KUALA LUMPUR, June 5 (Bernama) -- The government's move to abolish approved permits (APs) for food imports is viewed as a short-term solution as it allows markets to operate freely to strengthen the country's food security and halt the price hike, an economist said.

Malaysia University of Science and Technology (MUST) economics professor Dr Geoffrey Williams said the government is doing the right thing in stages -- from price caps to market liberalisation -- to ensure sufficient food supply in the country.

"We should see the price pressure easing and this will benefit consumers in the short term.

"Then, if the APs are not reimposed, we should see more long-term benefits in terms of lower prices, more product options and better quality," he told Bernama during a recent interview.

Recently, Prime Minister Datuk Seri Ismail Sabri Yaakob announced the government's decision to abolish APs for food products immediately to ensure that the country has an adequate food supply.

Chicken is one of the food products that are currently in the spotlight due to the supply shortage.

Williams, who is also the MUST provost for research and innovation, said the abolishment of the APs is an important step towards creating open, free and transparent trade arrangements.

"It should be extended beyond food towards abolishing all APs and import restrictions except for health and safety reasons.

"This will promote business and trade, reduce prices for consumers and reduce costs for the government -- a win-win-win solution -- and will promote investments, jobs and growth as well as help to keep food prices down," he added.

According to the **Department of Statistics Malaysia**, over the last 10 years, Malaysia's food imports amounted to RM482.8 billion and exports at RM296 billion.

In order to meet the domestic consumers' needs and demands, it said imports of food products, especially onions, dairy products, coffee, wheat flour, tea, shallots, potato and cooking oil are necessary.

Meanwhile, Sunway University economics professor Dr Yeah Kim Leng said the food cartel members will have to face the open market competition following the abolishment of the APs.

"But they will have an advantage if they have already established a distribution network and economy of scale in their operations," he said.

Yeah took note of the higher number of participants in the free market and expects the competition to result in increased market efficiency, price transparency and more choices for consumers.

However, he said in the short term, as long as supplies are available, the key challenge is to ensure that the low income households are able to cope with the rising food costs.

Hence, he suggested targeted food subsidies as an appropriate policy response.

Meanwhile, Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid suggested for the government to implement initiatives that promote agricultural activities.

“Ideally, we should grow our own crop since the country has vast fertile land and the weather is conducive for agricultural products.

“However, there are structural issues (that needs to be addressed) such as the over-concentration of cash crops like oil palm, as well as factors such as labour and capital in order to resuscitate the agricultural sector holistically,” added Mohd Afzanizam.

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