

Malaysia needs to respond to rising food protectionism, boost agricultural development, say analysts

Rising food protectionism that stokes fears of inflation globally has yet again exhibited the need for more focus and mid to long-term investments in agriculture and food-based research in Malaysia to safeguard the domestic economy and food supply.

Only by doing so, can Malaysia cut down its food import bill. Growing dependence on imported food has caused the country to carry an annual bill of more than RM50 billion and rising.

The nation's dependence on food imports rose from RM51.4 billion in 2019 to RM55.4 billion in 2020 and the figure is expected to rise, agricultural economist Prof Datuk Dr M Nasir Shamsudin was quoted as saying.

The 2021-2025 National Food Security Policy Action Plan (DSMN) is a good start but it should be done in an effective, efficient and transparent manner so that after the five-year span the country would be able to enjoy more of its own produce.

Goals should be set for the country to be able to feed itself and not be intimidated by any food protectionism in the long run. This could also help tame its inflation rate which increased 2.3 per cent in April from a year earlier, led by higher food prices (4.1 per cent).

Not only the move is sustainable, but it can create some sense of appreciation to the land that is home to about 32 million people.

Sustainability is future

Khazanah Research Institute deputy director Dr Sarena Che Omar said Malaysia has a rich biodiversity of organisms that have not been fully tapped into, in terms of their nutritional, as well as commercial value.

"Why consume bland and expensive imported salads, when we have access to a plethora of punchy, flavourful local ulams that is cheaper, more sustainable and have great health benefits," she told Bernama.

She said the prices of food as a whole has gone up as can be seen in the prices of vegetables and poultry.

Sarena said the global food price index tracked by the Food and Agriculture Organisation of the United Nations showed that in March, it was almost 30 per cent higher year-on-year, hence, a really bad food price inflation experienced globally.

Institute of Strategic and International Studies Malaysia (ISIS) chief executive Herisal Hazri said a food security problem could turn easily into a national security issue.

"The National Food Policy Action Plan 2021-2025 is a strategy to secure our future food systems. It places heavy emphasis on digital transformation to ensure the sector can meet future demands.

Covering five core strategies, the DSMN outlined 15 strategies and 96 initiatives to ensure the sustainability of the country's food supply at all times, especially in the face of unexpected situations.

"The goal is to forge a resilient, inclusive, competitive and sustainable agro-food sector that is prepared to mitigate and manage food security crises and disruptions of agro-food value chains," Herisal said.

He said the urgency is compounded by global warming with experts already warning that last year's "once-in-a-century" floods will become increasingly a norm.

The agro-food sector recorded losses of more than RM67 million from December's flooding. The cost of such natural disasters and their impact on food production will be more severe.

Lessons from Qatar

Citing Qatar as an example, Herisal said the Middle Eastern country that imported 40 per cent of its goods and services through Saudi Arabia (before a diplomatic crisis erupted in 2017) is now a self-sufficient country in terms of dairy.

A company called Baladna now owns one of the largest cattle farms in the region.

"It started with 4,000 dairy cows in 2017 and today, it has more than 20,000 heads of cattle housed in special cool sheds. Cows are milked daily using the most advanced rotary milking system to provide a wide selection of dairy products. The farm is also open to the public, including schoolchildren, to tour the milking parlours.

"Two years after it was set up, Baladna exported its products to Afghanistan, Yemen and Oman. Born out of a blockade, the company ensured that Qatar went from being dependent on dairy imports to 100 per cent milk self-sufficiency." The company has recently entered into a partnership with Malaysia's FGV Holdings Bhd to jointly establish a large-scale, state-of-the-art integrated dairy farm in the Northern Corridor Economic Region.

Subsidy is not sustainable

Consumers are currently enjoying highly-subsidised cooking oil and fuel, and the government is looking to replace the blanket subsidy schemes to targeted ones so as not to hurt its coffers.

Sarena said the current subsidy scheme does not discriminate who the consumers were, which was not a wise thing to do.

"One problem with generalised subsidy schemes is that both the rich and the poor, both businesses and individual consumers, benefit from them, for example food subsidies.

"This means a lot of the government's money may go to unintended recipients. A possible solution is to strengthen and expand on targeted cash-based assistance, such as the MyKasih-Prihatin food aid programme which specifically targets the B40," she said.

Sarena opined that if a larger net is intended, the government can always expand to the B50 or B60 income groups.

One limitation to this, she said would be the government's available databases and the risk of some invisible and vulnerable communities that were unregistered or not within the database system that might be left out.

Until that happen, the government is expected to fork out higher total subsidies this year to the tune of RM71 billion, while petrol subsidies alone will touch RM30 billion amid the rise in crude oil prices, Finance minister Tengku Datuk Seri Zafrul Abdul Aziz was reported saying at the recent World Economic Forum's Annual Meeting in Davos, Switzerland.

The higher subsidies had resulted in lower core inflation rate at 2.3 per cent and it is expected to reach 3.2 per cent this year.

Economists have also suggested that in the long run, the government may need to scrap its subsidy programme when the economy is growing steadily, unemployment rate further reduced and employees are well paid.

DoSM: Higher food import led to increase in trade deficit

According to the **Department of Statistics Malaysia (DoSM)**, the share of agriculture stood at 7.4 per cent to overall gross domestic product in 2020 from 28.8 per cent in 1970.

Malaysia imported 60 per cent of its food. In 2020, Malaysia imported RM55.5 billion food products against RM33.8 billion worth of exports.

Malaysia's import dependency on agricultural commodities to meet domestic demand increased to 13.7 per cent from 7.3 per cent over 28 years (1987-2015).

The fastest increase in imports compared to exports has led to an increase in the trade deficit of food products amounted to RM21.7 billion in 2020, an increase of 24.9 per cent compared to the previous year.

It is also observed that imports of food accumulated to RM482.8 billion for the last 10 years, while exports amounted to RM296 billion.

Beyond borders

The United Nations World Food Programme has warned that the war in Ukraine is creating an agriculture crisis that was not seen since World War 2.

Even before the war started in February this year, the global food supply chain was already collapsing due to the pandemic and other natural disasters which has disrupted the whole supply chain.

It has pushed up commodities prices and cost prices to businesses that were channelled to consumers who were forced to pay higher for kitchen staples, namely rice, wheat, poultry, vegetables and fruits.

Since the start of the Ukraine war, at least 30 countries have taken steps to restrict food exports with agricultural protectionism at the highest level since the food price crisis in 2007 and 2008, Fitch Solutions head of commodities Sabrin Chowdhury said.

The poorest countries are the most at disadvantages due to this, while higher-income nations see the people scaling their spending on food amid the higher cost of living.

Countries across Africa's Sahel region, for example, are forced to see their people starving to death due to food shortages, mainly due to the war in Ukraine.

About 811 million would go to bed hungry at night and 49 million people face emergency levels of hunger, the World Food Programme estimated. This is 10 times higher than pre-Covid-19 levels.

Living in an age of food protectionism

While the Ministry of Agriculture and Food Industries (MAFI) has assured that food supply in the country has not reached a crisis level, it is important that Malaysians are aware of the issue and mindful of the impact.

Do not splurge money unnecessarily and if you can, opt for locally made goods as this will help to generate more revenue to the country that will soon be channelled back to the people.

Malaysians should feel blessed that they are living in a tropical climate country that produces abundance natural resources such as palm oil, rubber, cocoa, pepper, tin, petroleum, timber, and copper.

Malaysia was named among the economies to win big from the high commodity prices and will pay less of a price on the inflation side as it exports several times of its domestic production, Moody's Analytics said.

Under Budget 2022, the government has allocated RM4.82 billion to MAFI, of which RM3.28 billion is for operating expenditure and RM1.54 billion for development expenditure.

<https://www.intellasia.net/malaysia-needs-to-respond-to-rising-food-protectionism-boost-agricultural-development-say-analysts-1059408>