Malaysian Economy

Bachelor of Business Administration (BBA)
Development of agriculture in Malaysia

- Government policy on agriculture
- The old agriculture
- The new agriculture
- Challenges and choice
Government policy

On Agriculture
**After Independent:**
- Malaysian an agricultural nation
- Economic activity over dependant on agriculture & mining
- Contribution to GDP, 1957:
  - agricultural sector = 46%
- Total work force, 1966:
  - agricultural sector = 80.3%

**“New Millennium” Era**
- Malaysian well known as producer of manufacturing products
- Contribution to GDP, 2003:
  - agricultural sector = 8.45% *(declined)*
- Total work force, 2003:
  - agricultural sector = 14.3% *(declined)*
Malaysian Economic Development

## Contribution of Agriculture, Manufacturing and Services Sector in Employment

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Manufacture</th>
<th>Services</th>
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<td>2007</td>
<td>14.8</td>
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Malaysian Economic Development

Gross Domestic Product by Economic Activities

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Mining</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Electricity, gas &amp; water</th>
<th>Services</th>
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<td>48.3</td>
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<tr>
<td>YEAR</td>
<td>PLANTATION SECTOR (%)</td>
<td>FOOD SECTOR (%)</td>
<td></td>
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<td>------</td>
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Land Development and Rehabilitation by Federal and State Agencies.

<table>
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<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>FELCRA</td>
<td>23.6</td>
<td>27.1</td>
<td>31.1</td>
<td>81.8</td>
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<td>RISDA</td>
<td>19.2</td>
<td>12.3</td>
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<tr>
<td>Others State</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agencies</td>
<td>144.0</td>
<td>146.2</td>
<td>158.0</td>
<td>448.2</td>
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<td><strong>Total</strong></td>
<td><strong>186.8</strong></td>
<td><strong>185.6</strong></td>
<td><strong>198.9</strong></td>
<td><strong>571.3</strong></td>
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## Development Allocation for Agriculture 1996-2005 (RM million)

<table>
<thead>
<tr>
<th>Programme/Subsector</th>
<th>7MP Expenditure</th>
<th>8MP Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Land Development</td>
<td>475.9</td>
<td>274.2</td>
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<tr>
<td>Regional Development</td>
<td>807.0</td>
<td>570.1</td>
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<tr>
<td>In-situ Land Development</td>
<td>2941.9</td>
<td>2265.1</td>
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<tr>
<td>Forestry</td>
<td>143.8</td>
<td>225.2</td>
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<tr>
<td>Fishery</td>
<td>456.3</td>
<td>414.3</td>
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<tr>
<td>Livestock</td>
<td>176.3</td>
<td>127.5</td>
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<td>Support Services</td>
<td>354.3</td>
<td>719.0</td>
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<tr>
<td>Irrigation and Flood Mitigation</td>
<td>1929.9</td>
<td>2170.2</td>
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<td>Other programmes</td>
<td>844.9</td>
<td>1094.4</td>
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<td><strong>Total</strong></td>
<td><strong>8139.3</strong></td>
<td><strong>7860.0</strong></td>
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Public Development Expenditure for Agricultural Programmes in the Five-year Plans (RM billion)

<table>
<thead>
<tr>
<th>Programme</th>
<th>1&lt;sup&gt;st&lt;/sup&gt; MP</th>
<th>2&lt;sup&gt;nd&lt;/sup&gt; MP</th>
<th>3&lt;sup&gt;rd&lt;/sup&gt; MP</th>
<th>4&lt;sup&gt;th&lt;/sup&gt; MP</th>
<th>5&lt;sup&gt;th&lt;/sup&gt; MP</th>
<th>6&lt;sup&gt;th&lt;/sup&gt; MP</th>
<th>7&lt;sup&gt;th&lt;/sup&gt; MP</th>
<th>8&lt;sup&gt;th&lt;/sup&gt; MP</th>
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</thead>
<tbody>
<tr>
<td>In-Situ</td>
<td>0.6</td>
<td>0.4</td>
<td>1.3</td>
<td>3.0</td>
<td>6.3</td>
<td>3.6</td>
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<td>2.3</td>
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<td>0.3</td>
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<tr>
<td>Other Programmes</td>
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<td>0.3</td>
<td>0.6</td>
<td>1.6</td>
<td>1.0</td>
<td>2.1</td>
<td>4.6</td>
<td>5.3</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1.1</strong></td>
<td><strong>1.7</strong></td>
<td><strong>4.6</strong></td>
<td><strong>8.5</strong></td>
<td><strong>11.7</strong></td>
<td><strong>8.4</strong></td>
<td><strong>8.1</strong></td>
<td><strong>7.9</strong></td>
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</table>
Ministries and Agencies

**Food Subsector**
- Crop
- Livestock
- Fisheries

**Industrial Commodities**
- Palm Oil
- Rubber
- Cocoa
- Wood & Timber
- Pepper
<table>
<thead>
<tr>
<th>Agencies</th>
<th>R&amp;D activities</th>
</tr>
</thead>
</table>
| PORIM    | - Breeding new high-yielding varieties  
           |   - Enhancing and diversifying palm oil utilization  
           |   - Improving production efficiency  
           |   - Promoting non-food applications of palm oil |
| RRIM     | - Production of new forms of natural rubber  
           |   - New applications of rubber  
           |   - Increasing productivity through the improvement of labour saving techniques  
           |   - Breeding new high-yielding clones with shorter maturity periods, higher quality latex and rubber wood |
| MCB      | - Focus on cocoa processing  
           |   - Post-harvest technology  
           |   - End product development |
| MARDI    | - Developing efficient farm management  
           |   - Developing processing technologies for food sector  
           |   - Breeding high-yielding and disease resistant varieties of paddy, durians, pineapple and tobacco. |
Tables: R&D activities by various agencies.

<table>
<thead>
<tr>
<th>Agencies</th>
<th>R&amp;D activities</th>
</tr>
</thead>
</table>
| MARDI    | - Introducing more modern and efficient processing technologies  
         | - Developing new method of packaging  
         | - Diversification and commercialization of agro-based industry  
         | - Intensifying transfer of technology |
| FRIM     | - Focus on forest plantations  
         | - Focus on energy from biomass (agricultural waste)  
         | - Developing wood processing technology  
         | - New forest end products  
         | - Developing fast-growing local species that produce quality timber |
Agricultural Policies, Malaysia, 1950 - 2010

Rubber & Timber

Oil Palm & Land Development

Food Security, Productivity & Sustainability

Making New Waves

Biotechnology & New Agriculture

Output


NAP 1

NAP 2

NAP 3
Objectives:
- To maximize income through optimal utilization of resources in the sector
- Increase the food production for local market such as paddy, vegetables, fruits & poultry

Main strategies involved (land development, In-situ development, support services)

**Strategies:**
- Government invested heavily on institutional building
- **new land developments** for oil palm & cocoa (by Felda, Risda, Felcra)
- **in-situ development** to resolve uneconomic farm size & low productivity among small holders (aimed to improve productivity in existing agricultural areas by providing infrastructure and other services)


- Was introduced in 1992
- It was undertaken as Malaysia’s Vision 2020 which introduced in 1990
- This policy encouraged alternatives use of agricultural land for higher value added activities
- It was market oriented, commercialized, efficient, competitive & dynamic

Objectives:
- The maximization of income through optimal utilization of resources in the sector
- Increase the food production for local market such as paddy, vegetables, fruits & poultry

Strategies:
1. Optimization of resource utilization was encouraged to diversify out of export crop cultivation into other activities
2. Acceleration of Agro-based industrial development which generate more off-farm opportunities for smallholder to earn additional income
3. Enhancement of R&D are needed to overcome the production process, labor and other constraints in the agriculture
4. Greater participation of private sector were needed in order to transform the agriculture sector into a competitive and efficient sector
5. Human resource development is a key strategy to achieve increased productivity and output of both labor and land

Emphasis of NAP 2
- To further strengthen and enable agriculture sector to contribute substantially to the economic growth of the nation
- Increasing productivity, efficiency & competitiveness
- Increasing land areas for palm oil (plantation crop)
- Development of agro-based industry
- Acceleration the transformation of the sector into a dynamic and commercialized sector
The Third National Agricultural Policy (NAP3), 1998-2010

- Continued NAP 2
- Takes into account the 1997-1998 Asian Financial Crisis & the liberalization of the financial market
- Concerned on:
  - Food security
  - Increase productivity & competitiveness
  - Inflation
  - Private sector investment
  - Enhance export of domestic food production
  - Deepen linkages with other sectors
  - Reduce dependency on imports
  - Venture into frontier areas as well as utilize natural resources efficiency

Product-based Approach
- Is adopted to reinforce and complement the cluster-based agro-industrial development
- Identified in the 2nd Industrial Plan (1996-2005)
  - i.e. processed (halal) food from livestock industry, juices and cocktails from fruits or salad dressing from oil palm

The Agro-Forestry Approach
- Aimed to tackle the problem of resource constraints (land & labour) and focuses on sustainable agricultural development
- Agriculture and forestry are viewed as mutually compatible and complementary
- Aimed to create a large production base for both sectors
9th MP (2006-2010)

TARGETS

- To Increased Value Added
- Increased Production
- Increase Self-Sufficiency Level
- To Contain Import Bill
Increasing agricultural production including new sources of growth with greater private sector participation

- Improving the service delivery system
- Expanding agro-based processing activities & product diversification
- Enhancing incomes of smallholders, farmers and fishermen
- Strengthening marketing and global networking
Scenario of Malaysian Agriculture
Total land area - 33 million ha.

Agricultural area - 6.6 million ha (20% of total area)

Industrial crops - oil palm, rubber, cocoa, tobacco and pepper – occupy about 77% of total agricultural land

Other crops - paddy, fruits, vegetables & coconut – cover 16% of total agricultural land

Scenario of Malaysian Agriculture
(i) Estate sub-sector

- holdings more than 100 acres (40.5 ha)
- highly commercialized and efficiently managed
- owned by private companies, public-listed corporate entities or public land development agencies
- totally involved in the production of industrial crops such as oil palm, rubber, cocoa and pineapples
(ii) Smallholders’ sub-sector

- average farm size is about 1.45 ha and owned by individual farmers
- collective acreage of land operated by 1,033,065 farmers amounting to 75% of the total area under agriculture
- less commercialized and less efficiently managed
- main contributors to food crop production as well as industrial crop production
Farmers’ Profile

Total Number of Farmers: approximately 1 million *

- Paddy: ± 400,000
- Horticultural crop (Fruits, vegetables, floriculture): ± 200,000
- Industrial Crops (Rubber, oil palm): ± 750,000
- Other Crops: ± 50,000

* Some farmers are involved in more than 1 crop
Farmers’ Profile

< 45 years old : 30%
45-55 years old : 25%
> 55 years old : 45%
## LABOR FORCE IN AGRICULTURE (1998-2004)

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>1998</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<tbody>
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<td>320,587</td>
<td>297,227</td>
<td>268,542</td>
<td>320,022</td>
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<td>301,035</td>
<td>284,637</td>
<td>239,517</td>
<td>245,976</td>
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<tr>
<td>LIVESTOCK FARMERS</td>
<td>43,222</td>
<td>41,263</td>
<td>36,790</td>
<td>35,870</td>
<td>34,005</td>
<td>79,665</td>
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<td>FISHERMEN</td>
<td>115,901</td>
<td>125,353</td>
<td>136,610</td>
<td>104,309</td>
<td>102,933</td>
<td>132,712</td>
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<td>AQUACULTURE</td>
<td>8,966</td>
<td>9,134</td>
<td>8,528</td>
<td>3,346</td>
<td>4,067</td>
<td>9,694</td>
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<td>SMALL HOLDINGS</td>
<td>387,982</td>
<td>353,828</td>
<td>290,146</td>
<td>304,990</td>
<td>337,792</td>
<td>442,486</td>
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<td><strong>TOTAL</strong></td>
<td><strong>1,170,902</strong></td>
<td><strong>1,144,771</strong></td>
<td><strong>1,077,298</strong></td>
<td><strong>985,259</strong></td>
<td><strong>993,315</strong></td>
<td><strong>1,232,839</strong></td>
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**GDP**

National = USD 133.8 million  
Agriculture = USD 11.6 million (8.7%)

**Trade**

<table>
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<th></th>
<th>Export</th>
<th>Import</th>
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<tbody>
<tr>
<td>National</td>
<td>USD 144.3 million</td>
<td>USD 117.3 million</td>
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<tr>
<td>Agriculture</td>
<td>USD 16.3 million (11%)</td>
<td>USD 8.8 million (7.5%)</td>
</tr>
<tr>
<td>Agro-food</td>
<td>USD 2.7 million (1.9%)</td>
<td>USD 4.8 million (4.1%)</td>
</tr>
</tbody>
</table>

**Labor Force**

National = 10.5 million person  
Agriculture = 1.5 million (14.6%)
Issues & Challenges
**INDUSTRY RESOURCE**

Small & uneconomic land holdings
* 65% paddy planters work on holding < 1 ha

Competition for land resources
* 6.36 million land; 83 % for estate

Imported planting materials/ input
* Vegetables: 95% seeds imported
* Fruits: 40% seeds imported
* Fish try: 25% imported

**FARMERS**

Ageing farmers: 39% age >55 years old

Under employment
* Paddy planters: 27 days/season
  * Coconut smallholders: 16 days/ month

Perception of youngsters generation engaging in agriculture sector is not attractive

Inadequate labor force: 19,343 foreign workers brought in for period 2001-2003

**PRIVATE SECTOR**

Agricultural is perceived as a poor man’s sector & profile not comparable with other sectors

Low productivity of the sector
  * 60% lesser than productivity in the manufacturing sector
  * Need to enhance productivity

**OVERSEAS**

Trade liberalization: WTO, APEC & AFTA
  * Need to enhance competitiveness of agricultural products

Asian financial crisis 1997 & devaluation of values of Malaysian Ringgit (RM)
  * Increasing cost imported agricultural inputs
  * Increasing of food import bills
Challenges

- Transforming small scale agro-industry into commercial ventures
- Ensuring adequate, quality, safe and nutritious food at a reasonable price
- Reducing full dependency on labor force in the agricultural sector
- Ensuring sustainable development of the agricultural sector
- Increasing competitiveness of the national agricultural sector
- Strengthening the development of industry in agriculture and to encourage private sector investment
Challenges

- To make Agricultural sector as the 3rd engine of national economic growth (new source)
- New scope includes agro-based industry
- Development of the sector covers the total aspect of production and supply chain management
Agricultural Transformation
Transformation of agriculture and agro-based industry as a sector which is:

- Modern,
- Dynamic, and
- Competitive
## Scope of Transformation

<table>
<thead>
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<th>After transformation</th>
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<tr>
<td><strong>Farm size:</strong></td>
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<tr>
<td>- small</td>
<td>Large scale, commercial &amp; economic</td>
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<tr>
<td>- uneconomic</td>
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<tr>
<td><strong>Labor force:</strong></td>
<td></td>
</tr>
<tr>
<td>- limited</td>
<td>Mechanization, automation &amp; technology</td>
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<tr>
<td>- ageing</td>
<td>Less labor intensive activities</td>
</tr>
<tr>
<td><strong>Farm management:</strong></td>
<td></td>
</tr>
<tr>
<td>Professional, agriculture is business,</td>
<td>Application of ICT,</td>
</tr>
<tr>
<td>- traditional</td>
<td>Commercial management/</td>
</tr>
<tr>
<td>- “satisfactory”</td>
<td>collective/economic of scale,</td>
</tr>
<tr>
<td>- “enough”</td>
<td>Business Plan</td>
</tr>
<tr>
<td>- manual</td>
<td></td>
</tr>
</tbody>
</table>
## Scope of Transformation

<table>
<thead>
<tr>
<th>Current situation</th>
<th>After transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Less/ not competitive:</strong></td>
<td><strong>Standard, certification &amp; export quality</strong></td>
</tr>
<tr>
<td>- Low product quality</td>
<td></td>
</tr>
<tr>
<td>- non-standard quality</td>
<td></td>
</tr>
<tr>
<td>- product dumping</td>
<td></td>
</tr>
<tr>
<td>- price factor</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Return on Investment</th>
<th>Diversified returns:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Low</td>
<td><em>mixed farming, intercropping</em></td>
</tr>
<tr>
<td>- time consuming</td>
<td><em>value-added</em></td>
</tr>
</tbody>
</table>
Transformation

**Transformation of Traditional Farmers**
- Land/farm size
- Application of technology
- Mechanization
- Productivity
- Agricultural
- Supply-demand matching
- Marketing
- Farmer Cooperation
- Diversity of economic activity
- Modernization

**Sectoral Transformation**
- Development based on zoning/
- Private sector investment
- Investment incentives
- Implementation of Good Practices Program (GAP)

**Horizontal/Vertical Transformation**
- Food processing
- *Value added* activities
- *supply chain* activities
- *by products*
Transformation of Traditional Farmers

**Land/farm size:**

- Development of collective agricultural projects (in-group)
- Amalgamation of farms towards creating commercial farm size (sizeable estates)
- Introducing systematic & modern farming practices
- Practicing standard manual- (technology package, business plan & centralized management)
Application of technology:

- Research & Development based on current needs
- Commercialization & transfer of technology (TOT)
- Extension programs on technology & training
- On-site training
Transformation of Traditional Farmers

Reducing labor force in agriculture through:

• Reduction on labor intensive industries
• Promoting cultivation of new crops
• Promoting the production of environmentally controlled systems using mechanization and automation
• Accelerating R&D in creating new technology that reduces dependency on use of manpower/labor
Transforming of Farmers’ Association

✓ Changing mindset of traditional farmers through capacity building and motivational programmers
✓ Creating model projects involving paddy, fruits, vegetables and livestock
✓ Contract farming & integrated farms
✓ Processing, marketing, value added, supply linkages activities
✓ Mixed cropping, inter-cropping and integration
Transforming of National Fisherman’s Association

✓ Fund for Fishermen Program
  ✓ Use of fishing boats/ vessel and modern fishing equipments
✓ Skills enhancement through training and motivational program
✓ Branding & collection centre
✓ New market opportunities – fish mart, fish kiosk, fish on wheel & in petrol kiosk
✓ Inviting giant companies to establish grand seafood restaurant with all modern facilities-as a model

Transformation of Traditional Farmers
QUALITY AND FOOD SAFETY

Accreditation and certification program:

- Producing safe and high quality food
- Producing food conforms to international standards
- Promoting sustainable agricultural development
Farm Accreditation Scheme  
(Skim Amalan Ladang Baik Malaysia or SALM)

Aqua Farm Certification Scheme  
(Skim Pensijilan Ladang Akuakultur Malaysia SPLAM)
Farm Accreditation Scheme Malaysia (SALM)

Concept of SALM:
- Inspection and verification of farm by independent auditors
- Audit for conformance to accepted and defined protocols, national guidelines, standards, legislation and policies.
- Corrective and preventive actions by farm
- Benchmarking on specific farm based on EUREGAP, CODEX, others
Farm Accreditation Scheme Malaysia (SALM)

Program to recognize farms that adopt:
- Good agricultural practices
- Operates sustainable and environment friendly
- Safe and quality produce for consumption
Welcome to SALM Shoppe

Products sold here carry the SALM logo - Seal of Quality 'n' Safety

Product with this logo are:
1. Safe from pesticides and heavy metals
2. Harvested from certified farms with Good Agricultural Practices

FARM ACCREDITATION SCHEME OF MALAYSIA
Department of Agriculture

SKIM AMALAN LADANG BAIK MALAYSIA
JABATAN PERTANIAN
Livestock Accreditation Scheme
(Skim Amalan Ladang Ternakan or SALT)

(Veterinary Health Mark or VHM) – Processed products
Marketing

✓ Packaging, labeling and branding
✓ Conformance to Food Act 1974
✓ Conformance to food safety and sanitation
✓ Standard and quality
Quality Control System (MARDI QAS)
Seal of Quality

Promotion of Malaysian agricultural products through branding
Transformation of Traditional Farmers

- **Diversification of economic activity**
  - Integration of cattle in palm oil plantation
  - Intercropping
  - Mixed farming
  - Processing activities
Transformation of Traditional Farmers

Major Programs for Farmers
- Group Farming Project
- Permanent Food Production Park Project
- Transformation of Farmers’ Association
- Transformation of coconut Smallholders
- 10 Tan Paddy Project
- Malaysian Farm Accreditation Scheme
- Contract Farming
- Farm Mechanization Program

Major Livestock Programs
- Cattle Integration in Palm Oil Plantation
- Closed System for Chicken Rearing
- Cattle feedlot system
- Malaysian Livestock Accreditation Scheme
- Contract Farming

Major Programs for Fishermen
- Fund for Fishermen
- Transformation of National Fisherman’s Association
- Malaysian Aqua Farm Certification Scheme
- Contract Farming
Potential Fruit Crops

- PAPAYA
- STAR FRUIT
- PINEAPPLE
- MELON
- GUAVA
- JACKFRUIT
- BANANA
- CITRUS
- MANGO
MALAYSIA’S SUCCESS IN FRUIT TRADE

- No. 1 in EU
- No. 1 in Hong Kong
- No. 2 in the world
- No. 1 in Hong Kong & No. 12 in the world
- No. 17 in the world
- No. 18 in the world