



FEDERAL AGRICULTURAL MARKETING AUTHORITY (FAMA)

An exclusive report to be distributed with ***THE INDEPENDENT***

Transcript of the interview with:

Datuk Mohamed Shariff Abd Aziz

Director General (DG)

WORLD REPORT (WR): Please provide an introduction to the Federal Agricultural Marketing Authority, or FAMA.

Datuk Mohamed Shariff Abd Aziz: There are about 230,000 smallholder farm families throughout the country. Our services are geared towards these 230,000 who produce food crops. All of our activities are arranged to target this market of small holders along the supply chain.

(WR): Of these 230,000 small holders that produce food crops, percentage-wise, how much is dedicated to domestic consumption?

Datuk Mohamed Shariff Abd Aziz: There is a very thin line between large farmers and small farmers across the agricultural sector (fruits, vegetables and grains). 60% to 70% is produced by these small holders. The value is in the range of over 4 billion Malaysian ringgit per year in terms of food production as a whole. As they are small holders and they do not have economies of scale, they are always the low-key players as far as food production is concerned. One cannot farm vegetable and fruits on a big scale. The marketing of this produce is done in different ways. One is direct market trading with some contractual obligations under the contract farms arrangement. 10% of the total

farm produce is destined for farmers' markets. The normal chain wholesale market is about 70%. The remaining 20% comes directly from the hypermarkets and supermarkets. We also have some functions to regulate the movement of produce, mostly for traceability. A large amount is exported to Singapore, for example. We will be introducing packaging and labelling rules for all farm produce. Now we are in the process of explaining to people what will be implemented after next year in 2011. Whether big or small farms, they have to conform to certain grading standards and label packaging. They will have to say if it is ungraded or mixed grades, both for imports and exports. Those are the regulatory functions we have. Then of course we have the market information.

(WR): Whilst we are speaking of standards, are you going to be grading to European standards?

Datuk Mohamed Shariff Abd Aziz: Wherever we send our produce, we will conform to the local standards. We have, though, begun exporting some fruit produce into the EU.

(WR): Do you find the European standards very demanding?

Datuk Mohamed Shariff Abd Aziz: If you want that market, you have to conform to their standards. This is for traders and business-to-business (B2B). Usually, though, for B2B we only do the grading. Whether it is difficult or not, does not matter. The markets here are diverse and the biggest market for our fruits is not the EU. It is more the East Asian countries like Taiwan, Japan and Hong Kong. Japanese standards are rigid but through business relationships, they are finding a way to overcome all of the requirements. Slowly they have been able to conform. We regulate the grading standards. You have to conform to certain standards and we have to give them a standards certification. Once the produce goes out, we get feedback and the Department of Agriculture does a market assessment in certain countries, from government to government and then B2B. We normally take the B2B approach after knowing all of the market assessment made by the government. That is one function that is growing in importance. If we have to export, we have to conform. Even Singapore and

other Asian countries are conforming to certain global standards of imports and reforming over time.

Other than that, the market information section that we have will be there. If you look at our entire operations, we do finance studies, export potentials and monitor the prices of commodities and food crops here. Recently in terms of overproduction we have to come in and see that these items are not priced very low. If it falls to a certain level, we have to come in and make a direct intervention. It does not happen often but once in a while when it does, we do some farmers' markets which help these crops. Market information in the long run will be interconnected with all of the other local and international governments who will be able to directly approach us. We have some direct approaches with some countries like Japan, who will tell us their standards and who is conforming to what. We will go online with this when we export, grade and package.

(WR): You said that you deal primarily with small holders. The Prime Minister recently announced his budget of which over 6 billion ringgit is going toward agriculture. What are the challenges for the small holders, considering the fact that Malaysia wants to become a high-income economy and everybody is investing in research and development (R&D)? How does that translate into everyday life for the small producers?

Datuk Mohamed Shariff Abd Aziz: They are not really affected by this because they have a local niche market for their produce. They will always be around to supply. The aspect of food security also comes into play. When you have massive, small-scale production, vegetables will always be a small-scale production and never a large-scale production. The nearer the place of consumption, the higher the price they get. Through these farmer's markets we are establishing, this should be achieved. They do not go very far. Other assessed production that they have, their commercial sector and the marketing channels which we have now with the present wholesale market, that will be upgraded to be more transparent in their pricing. The government has set up the Malaysian AgriFood Corporation (MAFC) to be the vehicle to transform

agriculture into a bigger sector for export. They will be concentrating on one or two fruits which have potential, such as star fruit, papaya, mango, melons – including watermelon and others – and pineapple. These are the export potential crops because you can get these all year round, they grow very big and the availability of land to be used for these export commodities in the long run is there. As for the small holders crop, the more intensive cultivation, R&D will be more intensive than growing bigger. The intensive cultivation will take care of the growing needs among the population. I do not think the allocation is very critical here. The government has always been allocating a lot of money for agriculture. But this time it is for the overall plan and infrastructure development, not just food crops. It will go a long way towards alleviating the basic problems, after which the farmers will be able to adjust to their marketing situation, because their accessibility to the market will be made easy. They have a lot of alternatives; they can sell to wholesalers, go direct to the farmer's markets. They have more than 500 markets to which they can go anytime to sell, the wholesale marketplaces are all here because they have become competitive here and are giving better prices. There are also alternative market outlets, retail outlets, farmers' markets, wholesale markets, direct hypermarkets and supermarkets. They would like to have the best possible prices so they need to know what they are getting. We give them the information. Anyone can come to any of our FAMA offices here in Malaysia and ask what the best price is now. There will be people buying from them and they will not be at the mercy of the people fixing the price. We give them an option if they do not have a place to sell, we are willing to buy. These are the alternative market outlets we give to the small holders producing.

(WR): The organic foods sector is one that is named as coinciding with transforming Malaysia into a high-income economy. What is FAMA's role in promoting these products?

Datuk Mohamed Shariff Abd Aziz: Organic is a new thing here. The consumers are not particularly excited about it because they do not see the importance. The organic market is very small because it is not mass consumed. Prices are a major concern. Organic is not something that has a deep impact on

the consumers just yet. They are very price-conscious. If anything is priced above the normal limits, they will not buy it.

(WR): Are you trying to change the consumer's image of organic food?

Datuk Mohamed Shariff Abd Aziz: That will come later. It is a growing trend now. When you have traceability imposed by the government, they will be reducing all of these pesticides because by law they cannot use them. With this enforcement, organic products will become a little bit more competitive. Organic items need to be priced competitively before you can get the best market. We are giving them marketing channels. In the farmers' markets we have a channel for organic produce. That way we will see how competitive it can be.

(WR): Perhaps locally organic products are still a niche market, but in the West, in the European Union (EU) and the United States, and even parts of Asia as well, organic food is beginning to gain a bigger share of the market. In that sense, Malaysia has a big export potential...

Datuk Mohamed Shariff Abd Aziz: We have a big domestic demand for these organic items; the only thing is that they're priced differently. Some of our vegetables cannot last a long journey like juices and salads. The potential for export will be less because lot of these countries have their own production. There is definitely a market here, it is just a matter of people getting used to this. But again price plays a big role. If you price it 100% higher than a normal vegetable, nobody will even look at it. They will go for it if there is not a very big premium. With organics we telling the farmers, there are two prongs to this; one, the government is reducing the usage of all of these chemicals fertilisers. Secondly, the organic aspect is being promoted in all of the supermarkets. But they have to go by the price. On that level it is growing. They are pricing them lower and lower because their volumes are increasing. Our promotion will be more on the availability of these vegetables in these markets, especially the farmers' markets.

(WR): What do you believe needs to occur for the organic foods sector to develop?

Datuk Mohamed Shariff Abd Aziz: The organic sector has to convince the public that their product is much better. This government initiative needs to be taken up by the individual sectors. They are doing a lot to promote it. But if you have a normal cabbage that costs 1 or 2 ringgit and an organic cabbage costs 5 ringgit, it will not matter. They do not see the importance of the long-term effects of organic versus normal. Unless of course they are eating the vegetables raw, in which case the organic is superior. But the market for these raw vegetables is not very big. It is only the restaurants, eating outlets and service areas. Not individuals as yet. These eating outlets go into contracts with organic producers to get a cheaper price. It is expensive because there is no market for it. But as people discover more and more, they will buy.

(WR): Do you believe that small holders and future generations of farmers will be able to focus on organic as a means of earning more money to achieve a high income economy?

Datuk Mohamed Shariff Abd Aziz: They will do better than others. But the effort must be worth the returns. Otherwise they will not go for it. Organics have a very erratic demand. It is not fixed, but it is stable.

(WR): In fact in the EU, it was the only sector throughout the crisis that grew. For example in Germany, you will not sell any food unless they are organic. It is a hugely growing area, especially in the UK.

Datuk Mohamed Shariff Abd Aziz: It is growing, but it is still very low. Any small increase will look as though it is very big now. Maybe one tonne just becomes two tonnes. Suddenly that is 100%. In terms of percentage it looks very high. But the absolute increases are still very slow. People will go for it if they price it well. They want to make quick returns from this but organic standards are not really convincing as of yet. They did not have any checks at the farms. Now the Department of Agriculture does checks and gives

certifications as to whether a product is organic. But most of the farms do not like to do that because it is not a mass market yet. Those people producing organic do so for the niche market. It is definitely growing. But the level of vendors here as compared to Western countries is slower. In Singapore there is a market for organics but it is not a profitable market for the producers. A lot of promotion has to be done. More enforcement on the chemical limits will see a lower growth in organics. If something is organic, some of the harmful things are not there. But if the harmful things are taken out of the normal fruits and vegetables, what need is there for me to move to organic? That will be the perception, but there is a lot more to it of course.

There is a lot more to be done but the market is there. It is open to anybody to go in. There is no need for the government to interfere here because they will end up telling the consumers to buy the higher priced items. We do not want to give that type of wrong perception. This has more to do with the health effects so perhaps the Health Ministry will play a role. But again it is a situation where it still has to be really convincing to the people.

(WR): Looking to the future, what role do you foresee for the agricultural sector having in Malaysia's economy?

Datuk Mohamed Shariff Abd Aziz: Agriculture will be growing. We will have to reduce our dependence on imports. We need to have certain items. If they do not export, the dependence on imports is not so much for stopping the imports but we do not want to have food shortages here. If it would guarantee no shortages, we could rely on imports forever. But because of the shortages, overdependence on imports may not be a good move. At one time countries started banning exports. You have to have your own food security and less reliance on imported foods. But of course that is the natural thing. If you increase food production, that will be supply for you to export. It is just a matter of marketing it at the right price. If it is the right price, people will go for it. It need not be forced upon them. It has to be natural. If I see potential in producing food I will produce it. But if I can get cheaper produce from overseas, will I produce here? Of course, because it is much fresher from here. There is a premium for

the locally grown produce, because they see it as fresher, while the imported produce is kept for 6 months up to a year. With this growing awareness, there is lots of potential for locally grown fruits and vegetables. The government does not want to depend on imports. That will help increase production rather than curtail imports.

(WR): An increase in production also translates into a decrease in rural poverty levels...

Datuk Mohamed Shariff Abd Aziz: Rural poverty is not a big issue at the moment. The government has made efforts to eradicate it. It is not insurmountable. By the end of 2010, I think they will have overcome that problem. We have a lot of schemes in helping these people. But increasing food production is more important. Of course the government emphasises poverty levels because they can eradicate it completely. Food production takes a bit longer. With the population growing, the future small holders' agriculture is not really threatened. It will take national involvement, both from the big scale producers and the small holders.

(WR): If you had a final message about FAMA to the European readers of *The Independent*, what would it be?

Datuk Mohamed Shariff Abd Aziz: We are here to overcome some of the marketing problems. The small holders' process has always been seen as an impediment to economic growth. There is this need for FAMA to be ever vigilant, so that the perception amongst the small holders is that they have someone to rely on and not be exploited by the traders. It has to be seen that you play that role.

(WR): You are giving a voice to the small holders...

Datuk Mohamed Shariff Abd Aziz: That is our responsibility and our objective. They need to have some sort of a guarantee. If not, they will just go out of production and do something else. This is not a matter of whether they are

there because they have no other choice. They are there by choice. They like to grow food and make money. Here in Malaysia now, the country has gotten over the stage of poverty being related to agriculture. That is why the government is promoting agriculture as business; not subsistence. This has gone down very well with the farmers. Now you see a lot of people, even graduates, going for agriculture. They think there is a lot of potential there. It is self-employment. The efforts by the government give them a guarantee.

(WR): It is great to hear that agriculture still plays such an important role in a country like Malaysia, which is advancing towards a R&D, high technology sectors...

Datuk Mohamed Shariff Abd Aziz: It is more for food security than anything else. There is increasing awareness of food security. The prices of paddy have increased so much that these people are no longer poor. With the government subsidy schemes, they are consumers in addition to farmers, because now they are the people who can afford to buy. Agriculture is growing. The whole of Asia is like this. In countries like India, farmers are no longer the poor. There is huge potential there. The government has fought against their exploitation by big corporations.

(WR): Thank you very much for your comments.