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Time to put the shine on agriculture

Spiralling food prices may be leaving many hungry and even more angry. But in every crisis, there's an opportunity, says agriculture and resource economist Professor Dr Mad Nasir Shamsudin. The dean of UPM's Faculty of Environmental Studies talks to ELIZABETH JOHN about how today's problems could open doors to a more bountiful future



Q: How would you describe the current situation with rising food prices? A crisis?

A: I look at it as an opportunity, not a crisis.

Q: Why?

A: We are a small country in terms of size and population. The increase in oil price is an exogenous factor, we can't influence it.

Of course, with the increase in oil price, the food price increases and people call it a crisis.

If we dwell on it, it will always be a crisis. So why not do something about it? Find ways to do something about it.

Q: What are these opportunities?

A: Look at farm prices. In real terms, minus inflation, the price

of food at farm level has been declining over the years.

The many subsidies given to farmers are to make it worthwhile to invest in agriculture and to produce food.

Now the farm price of rice and wheat have gone up.

The price of rice in Malaysia has not reached world market level because interstate movement of rice is banned.

For the longest time, you couldn't move rice from Kedah to Selangor. If this interstate movement is "freed", then millers can compete. Millers from Selangor can get rice from Kedah and Kelantan. Now they can't.

If they compete, I'm sure the farm price will go up.

Then there will be an opportunity for farmers to get the right price for their rice.

And when the price goes up,

the investment in padi farming will increase.

By investment in agriculture, I mean in terms of technology, management, infrastructure, land area and so forth. It's also an opportunity to carry out reforms. We are already in the trade liberalisation and globalisation process. One day, there'll be no more subsidies.

So now is the time for us to dismantle these subsidies.

We should only give subsidies which are targeted, for example, on inputs like fertilisers. But not blanket subsidies.

Q: Can farmers manage if that's done?

A: I'm not suggesting taking away all subsidies. Just ensure it's targeted. Like for fertiliser, which becomes more expensive when the oil price rises because



it has many oil components.

We can't give subsidies on a per hectare basis.

There is also no harmony in our country's inter-sectoral policies. In the mid 1980s, our country transformed from an agricultural to industrial base.

The policies favoured manufacturing and the service sector. Not much was spent on agriculture. It's only recently that we started looking at agriculture again.

If we hadn't done this, it could have been as good as the manufacturing sector. That's why our food base is not very competitive. Because we haven't properly invested in it.

Q: Higher farm prices will attract investment but isn't it mainly the government that has invested in agriculture?

A: Mostly. Why isn't there much private investment? Because it's not lucrative enough. Private investors will come in where there's money.

We're not self-sufficient in so many foods. We are self-sufficient only in broilers (chicken). We're not self-sufficient in rice, although it is our staple.

If our policy makers had paid more attention to agriculture, we could have been more self-sufficient. If Thailand can be self-sufficient, why not us?

Investment is the reason. Investors will compare how much they will get for every dollar spent on manufacturing and agriculture.

If the price of food was as good as, say, palm oil, people would come in. Why would I want to plant rice, if the returns were higher in palm oil?

But I think now the private sector may come in and we can talk about estate-type production. It's time to look at agriculture and food policies and see where we have gone wrong.

Q: With prices projected to keep on rising, do we have the time to sit down and review policies?

A: The policies are in place but perhaps it's the package that's not. By package, I mean the details, the exact programmes.

For instance, the policy is to increase rice production by 10 per cent — how do you do that? What programmes will you launch? That's what I mean by "package".

And the mechanisms. We have to review why private sector investors are putting money in housing and manufacturing and not agriculture.

Are there enough incentives for them to do so? I don't mean subsidies. Just incentives, for example, loans with low interest rates for agriculture.

Bring in more green technology, for example. The net impact must be lower cost of production. It's good to manufacture but food security is important. Even when the weather

worsens in one rice-producing country, the price may go up and people panic. What happens if it affects more than one country? What happens to our staple?

Q: If farm prices are kept high to encourage investment, won't that negatively impact consumers?

A: As the country develops, the proportion of income spent on food will decline, so much so people now want higher-value protein-based food and better packaged food.

However, the value (in ringgit) spent on food is high because we buy more processed and expensive items.

A fair amount can still be

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spent on food. But now, instead of buying fried chicken from KFC, we may have to buy the chicken pieces and fry them at home. So our lifestyles will have to change a bit.

Q: Does the giving of subsidies to consumers make the system inefficient?

A: That's difficult to answer. In economic theory, subsidies are given where resources are not allocated efficiently.

But, at the moment, the price has increased so much and suddenly, you need to cushion consumers. So it's okay.

But in the long run, we shouldn't. I'm sure the government budget is limited and they can't give subsidies forever.

You eventually have to let market forces take over and consumers will have to adjust.

Q: But should there be a programme or a safety net for the poor?

A: Of course. But it should be for food aid, for disadvantaged groups, for the very poor and child nutrition programmes.

It's not the same as a blanket subsidy. People who are rich don't really need it but they also get it under the current system. Perhaps, there could be food stamp programmes for the very poor.

Q: Another short-term policy you've recommended in your paper is reducing import restrictions? How will that help?

A: Import restrictions can be in the form of tariffs or quotas.

If we liberalise these, the prices will be cheaper, because there'll be more of the item in the market. If more people can import an item, say 10 importers compared to a sole importer, both farmers and consumers will get better prices.

Q: You also talk about getting developed countries to eliminate bio-fuel subsidies?

A: When there is a subsidy to produce corn for bio-fuels and none for livestock feed, of course more people will produce corn for bio-fuel. And that's how meat becomes expensive. Bio-fuels are important for the environment, but now, with food prices the way they are...

Q: What does it say about a country like Malaysia, that isn't self-sufficient in so many of the food it depends on, despite having the land, good weather and water?

A: There are a lot of factors. One of them is the lack of policy packages I mentioned earlier.

Second is a technical reason. There are some things that don't do well in tropical countries but thrive in temperate countries, like cattle breeding.

Having said that, many countries that don't have the land and can't develop agriculture, invest heavily in it in other countries. One example is Singapore. Look at Thailand and Vietnam which produce so much rice. You have to ask why we can't? In these countries, there's a lot of investment in rice.

Q: What do you think about suggestions that people start their own vegetable gardens?

A: It's a good suggestion if you have the space and time.

I reach home at seven every evening. When am I supposed to tend the vegetable garden?

It will make a good hobby and increase awareness but not overcome any self-sufficiency or other food problems.

It should not be a policy.

Study: Malaysians will eat more wheat, meat

SERDANG: What will the hungry in this foodie nation feast on in a dozen years or so?

More wheat and more meat, says a Universiti Putra Malaysia study on changes in consumption patterns.

By 2020, we will close to double the amount of bread each person consumes in a month.

The per capita consumption of beef will grow to 0.45kg per month from 0.26kg in 2005, while poultry consumption would have more than doubled in that time.

This is a typical pattern for developing countries like Malaysia, says project leader Professor Dr Mad Nasir Shamsudin.

As a country grows and income increases, consumers will reach for higher-value, pro-

tein-based foods, said the agriculture and resource economist.

People are also likely to substitute rice with wheat products.

"I remember when I was small, a meal was a plate full of rice, with a bit of meat on the side.

"Now, of course, there's a bit of rice and more beef and chicken. Sometimes, it's just beef or chicken.

"People are getting more calories from non-staple food now."

The study was an analysis of data from 14,084 households collected by the Statistics Department for its 2004/05 Household Expenditure Survey.

A second study on consumer preferences for fresh food produce looked at the demand patterns of 614 consumers.

Nasir's studies showed that

from 1985 to 2000, per capita rice consumption declined by 16 per cent while wheat grew by almost nine per cent.

In that time, fruit, vegetable and fish consumption doubled.

The largest jump in the 1½ decades was recorded in the consumption of beef and chicken, which rose 121 per cent and 141 per cent respectively.

But as incomes rise, Malaysians will probably consume less chicken, says Nasir.

This is because it is considered a cheaper source of protein and the time will come when Malaysians consider it an inferior product.

Apart from high-value protein-based food, Malaysians tend to consume food that had better packaging and were more conve-

nient, like ready-to-cook meals.

Also, more people were eating out today and the higher-income group spent a larger proportion of their salary eating away from home.

The study made several other interesting finds, said Nasir, who heads UPM's Faculty of Environmental Studies.

Urban folk, for instance, consumed less rice per capita than rural folk.

The younger category of consumers, those 25 years old and younger, ate less rice than the older group (26-56 years).

Men consumed less wheat than women, the study figures showed.

"I've tried to figure out why but can't explain it," says Nasir.

Malaysians in both the younger

and older age groups enjoyed fish and seafood but the study found that the younger ones tended to eat more fish.

According to survey figures, urbanites consumed more sweetener, coffee, cocoa and tea.

But they consumed less sugar than rural folk.

Sugar here refers to the spoonful people put into their coffee or tea and doesn't include "sweet food" like desserts.

Nasir also found that the older category of consumers took more sugar than the younger ones.

And the single category where race made a difference? Spices.

"No surprise here. Indians consume the most spices," says Nasir.

"But for some reason, so do a lot of older people."