

# StarBizWeek

## AGRICULTURE

By INTAN FARHANA ZAINUL  
intanzainul@thestar.com.my

EXCLUDING the cash crop of oil palm, Malaysia's agriculture sector has not excited investors and large corporations. For the longest time, the sector has been dominated by smallholders and hardly has there been any listed company involved in any large scale vegetable farming. But some changes are happening. For one, the topic of food security has begged the limelight, egged on by the Covid-19 pandemic.

Consumers have felt rising prices of staples such as vegetables and meat. The supply chain disruption has impacted the import and export of food products.

This in turn, has thrown up opportunities for some.

One group involved in livestock farming has expressed an intention to inject their assets into a listed company looking for a new business, says an investment banker.

"They think the time is right, considering all the focus on food security these days," says the banker.

In another development, large palm oil groups are venturing into agriculture-related business, from dairy farming to pineapple and coconut cultivation.

They are planning to do this on a large scale and as a means to diversify income streams.

Last March, one of the country's largest oil palm players IOI Corp Bhd said it had a five-year plan to plant other crops on some of its land.

The other crops are coconut, durian and pineapple, with the idea of using up to 4% of its land, which works out to around 6,000 ha of land in Malaysia.

The idea is to reduce its dependence on oil palm, but also to save time improving soil conservation and increasing land output.

Presently, IOI has 177,000 ha of oil palm and only 1,000 ha of rubber and coconut planted areas across its 56 estates.

Another oil palm major diversifying into agriculture is United Plantations Bhd which has gone into banana and coconut plantations as part of its diversification efforts.

IOI Holdings Bhd is also going big into pineapple cultivation. Interestingly IOI is also venturing into dairy farming, a move that has taken some investors by surprise.

Aside from increasing the profita-

# Food for thought

As more listed companies take part in agriculture production, the local industry could get an uplift



**Moving forward:** The agriculture industry must embrace technology such as IoT, AI and big data for future food security. — Agroce Indoor Vertical Farm

bility of its plantation hecitage, IOI says it is tapping into the booming demand for fresh milk and dairy products both in Malaysia and Asean.

Malaysia's fresh milk industry is mainly an import market. According to the Veterinary Services Department, the deficit level in fresh milk has almost doubled from 13.3 million litres in 2014 to 26.1 million litres in 2020.

Other listed companies such as Fraser & Neave Holdings Bhd and Borneo M&B Holdings Bhd have also diversified into the fresh milk and dairy industry to tap into growing demand.

Then, there is The Holstein Milk Co, which owns the Farm Fresh

brand. Holstein, which was founded in 2007 with just 60 cows, now has 3,500 cows in its two farms in Johor and Pahang, according to its website. Its products of milk and yoghurt are sold in supermarkets across Asean. It counts Simeon Asia Private Equity and Khazanah Nasional Bhd as its shareholders and media reports have indicated last year that the company is seeking a listing on Bursa Malaysia.

Another well-publicised agriculture venture by corporations is the cultivation of durian, largely sold in China's export market.

Besides hearing anecdotal stories of businessmen and even some foreign parties buying up durian plantations or starting one regionally,

one big news was the venture by Royal Pahang Durian.

ipping that story must surely be the entry of former CIMB Group Holdings Bhd chairman Datuk Seri Nazir Razak's investment worth RM10mil in a durian plantation business by acquiring some shares in PLS Plantations Bhd in the latter's placement exercise that took place early this year. PLS said the fund raising was to set up a durian business hub and to expand its existing durian plantation businesses through the cultivation and planting of more durians at the group's existing plantation land and at other third parties' land.

The news came as a surprise especially with Nazir's background

in the banking industry.

### Listed agriculture companies

Aside from the oil palm plantation players that are mainly run by government-linked companies (GLCs), there are only 15-20 companies out of 900 companies listed on Bursa Malaysia in the agriculture sector.

Many of these companies are in the business of poultry and egg production such as Leong Hap International Bhd, Q1 Resources Bhd, Lay Hing Bhd and Cab-Cokoran Corp Bhd.

This sub-sector is rich in case studies for progressive business models within the agriculture industry, which has expanded beyond the small-scale family farms.

For example, Leong Hap has come a long way from the days of rearing chickens in the family's backyard in Muar, Johor back in the 1960s to become the largest poultry producer in Malaysia today.

Leong Hap was established in 1978 and since then has gone through several mergers and acquisitions to become one of the most diversified poultry players both in Malaysia and in the region.

The group has expanded its reach into Singapore, Indonesia, Vietnam and Philippine markets.

But why can't local businesses involved in fisheries, vegetable and fruit farming as well as the livestock industry grow to a similar size?

One reason is the huge profitability of oil palm cultivation has made the other crops less attractive.

Land issues are a big problem. Anstrama Advisory managing director Wong Muk Hong explains: "Many in the food farming industry are cultivating their products on either government land or on short-term leases from landowners. They can't seem to get funding due to the lack of collateral".

Adding to the complication is that land issues are managed at the

respective state levels, which is a challenge for entrepreneurs to secure sizeable plots. As a result, aside from palm oil and rubber plantations, there are hardly any other large-scale plantations in the country, not even for durians, says Wong.

"Malaysia lags behind countries like Thailand and Vietnam in the agriculture sector," she adds.

Sunway University professor of economics Yeoh Kim Leng concurs. "Oil palm is a proven sector for Malaysia taking on large scale plantation activities, achieving consistent improvement in yields and efficiency due to big investment by the private sector."

"But the country has not been successful in food agriculture. The government needs to incentivise the private sector to look into other crops, to enhance research and development (R&D) and better management practices to increase yield and productivity," he says.

Yeo says the poultry industry had also done well due to private sector investments in building up capacity.

He reckons Malaysia has yet to tap into its full potential in fisheries and cattle farming.

"With food imports continuing to rise especially with the change in consumer appetites, the country needs to ensure its staples are sufficient for food security," he says.

The challenges arising from farmers in Malaysia had been highlighted by a now former leading Malaysian politician.

In January last year, former Finance Minister Tun Dring Zainuddin pointed out in a commentary that the local agriculture sector is too unattractive to business-

men and executives. He said the sector is a problem which has held back many aspiring young farmers. He pointed out only a few are able to break even because of their expenses and contacts.

"Meanwhile, former Prime Minister Tun Dr Mahathir Mohamad wants Malaysia to look into mixed crops on a large scale especially in vegetable and fruit farming to reduce the country's dependency on food imports. Malaysia imported almost RM593bil

in 2020, the first time it saw a decline in general prices in 51 years.

Deflation is a general decline in prices for goods and services, which should give more purchasing power to consumers.

However, Malaysians continue to feel the pinch of a higher cost of living. This is because, last year, food prices rose 1.4% compared to a 1.2% year-on-year drop in the consumer price index (CPI), which is used to measure inflation.

While the supply of food has held up well to date, the prices have surged significantly.

The Economist magazine also reported that the world's food prices rose last May following adverse weather conditions and government measures to safeguard supplies. Robust demand has helped fuel prices across agricultural commodities from grains to palm oil.

While Malaysia is one of the largest producers of edible oil in the form of palm oil, the country is a net importer of food products excluding edible oils.

Malaysia imported almost

worth of food in 2019. In a recent bid, he highlighted that "there is something wrong with agriculture in Malaysia" and that "even after independence, we still have locals owning small, unproductive landholdings."

He points out the country has not made attempts to correct the situation despite knowing that smallholdings cannot be efficient or economical.

Mahathir suggests amalgamating the smallholdings to have big enough estates for mixed farming projects that would bring bigger benefits and earnings.

"This proposal should be given a try. This project will not only secure our supply of vegetables but would save a lot of foreign exchange," he says.

Another problem is cost. Many entrepreneurs are not willing to put in the kind of investments needed to become successful exporters of food crops.

Datuk Teoh Chew Chan Kit, founder and executive director of Agroce International Group Sdn Bhd, has made such investments but done so in Cambodia, where land is cheap.

He is an exponent of a Goodwill Safety Index of bananas. In 2013, he set up a company in Malaysia and tied up with Universiti Putra Malaysia (UPM) to engage in R&D and to set up a set of standard operating procedures (SOPs) for farms to engage in contract farming for bananas. But he says, "Many are not willing to invest in the SOPs. To export, we need packaging materials and can only use certified materials or pesticides. Otherwise you will run foul of the export standards."

Innovation and technology adoption is also lacking among local growers and farmers, as is an ecosystem that helps create a value chain of products related to the farms.

Other challenges that farmers face include labour issues, weather uncertainties and the supply of water and fertilizer.

For food is growing from an increasing world population, farmers are facing bigger challenges to produce larger output with lower resources.

According to Agroce Group Sdn Bhd founder Gerard Lim Kim Meng, technological adoption and digitalisation have been lagging in the agriculture industry due to

lack of awareness and the government's initiatives. Internet of Things (IoT), big data analytics and other emerging technologies could further increase yields and efficiency across crop cultivation to livestock farming, especially for small scale players, he says.

"With technology, farmers could increase their yield and you don't really need additional land to be profitable. At the same time, it could address labour issues and attract more young generations to get into the industry," he says.

However, Lim says there is not enough awareness in the agriculture industry on technological investment that makes it difficult for companies and farmers to raise capital.

He points out that the government allocation for the agriculture industry is still minimal, focusing on subsidies for seeds, fertilizers and pesticides.

"We need more incentives to modernise the industry," he adds.

Agroce Farm is a commercial large scale and industrial-grade indoor vertical farm, which aims to address the issue of Food Safety, Food Security and Sustainability in Malaysia.

"We need more incentives to modernise the industry," he adds.

Agroce Farm is a commercial large scale and industrial-grade indoor vertical farm, which aims to address the issue of Food Safety, Food Security and Sustainability in Malaysia.

"We need more incentives to modernise the industry," he adds.

Agroce Farm is a commercial large scale and industrial-grade indoor vertical farm, which aims to address the issue of Food Safety, Food Security and Sustainability in Malaysia.

"We need more incentives to modernise the industry," he adds.

Agroce Farm is a commercial large scale and industrial-grade indoor vertical farm, which aims to address the issue of Food Safety, Food Security and Sustainability in Malaysia.

"We need more incentives to modernise the industry," he adds.

Agroce Farm is a commercial large scale and industrial-grade indoor vertical farm, which aims to address the issue of Food Safety, Food Security and Sustainability in Malaysia.

"We need more incentives to modernise the industry," he adds.

Agroce Farm is a commercial large scale and industrial-grade indoor vertical farm, which aims to address the issue of Food Safety, Food Security and Sustainability in Malaysia.

"We need more incentives to modernise the industry," he adds.

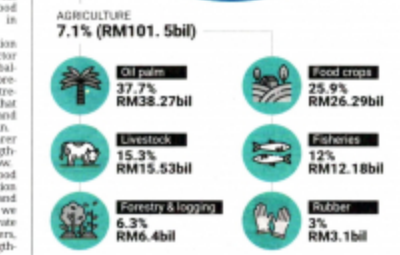
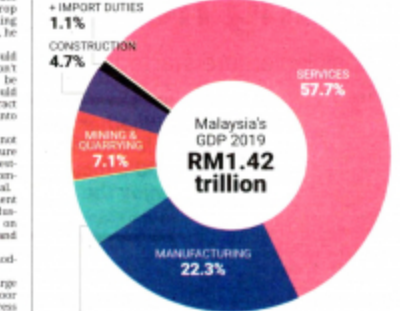
Agroce Farm is a commercial large scale and industrial-grade indoor vertical farm, which aims to address the issue of Food Safety, Food Security and Sustainability in Malaysia.

"We need more incentives to modernise the industry," he adds.

Agroce Farm is a commercial large scale and industrial-grade indoor vertical farm, which aims to address the issue of Food Safety, Food Security and Sustainability in Malaysia.

"We need more incentives to modernise the industry," he adds.

## The contribution of agricultural sector to GDP in 2019



RM115.5bil Exports of agriculture  
RM93.5bil Imports of agriculture  
Trade surplus: RM22bil

Source: Department of Statistics Malaysia TheStar graphics

## Newfound interest in AGRICULTURE

Food security has brought more attention on farming and other crops. Structural challenges, including a lack of funding, remain but the usage of technology does hold promise.

> 8 & 9

### Malaysia has been a net food importer for a long time



Source: Department of Statistics Malaysia TheStar graphics

## Food inflation will continue to rise if efficiency is not addressed

local farmers to lower their prices - how are we able to find our way out of planting that crop.

Lim also says it's time for the local agriculture industry to embrace digitalisation and technology to increase yields and productivity.

"We need to look at agriculture as food security where food is accessible to all at an affordable price," he says.

Meanwhile, Sunway Group chief innovation officer and Sunway Labs director Matt van Leeuwen says increasing food security through more food production spaces is one way to address the fluctuations of food prices.

"Urban farming has rapidly moved from being a fringe interest in a national priority as the urban population continues to increase and as we are heavily relying on imported food from other countries.

"Such a situation begs the question - how are we able to find our way out of planting that crop.

Lim also says it's time for the local agriculture industry to embrace digitalisation and technology to increase yields and productivity.

"We need to look at agriculture as food security where food is accessible to all at an affordable price," he says.

Meanwhile, Sunway Group chief innovation officer and Sunway Labs director Matt van Leeuwen says increasing food security through more food production spaces is one way to address the fluctuations of food prices.

"Urban farming has rapidly moved from being a fringe interest in a national priority as the urban population continues to increase and as we are heavily relying on imported food from other countries.