

'Don't let it reach breaking point'

Put into effect mechanisms to deal with rising prices now, say experts

KUALA LUMPUR: Prices of food and other essential items, which reportedly have shot up by 60%, are stirring concern as the effects are not only being felt by B40 householders but also those in the middle income category, especially those living in the bigger cities.

Paying more for food and basic necessities has translated to higher household spending and dwindling savings.

In fact, observers expect consumers' purchasing power to continue to decline in the coming months based on April's consumer price index (CPI) or inflation rate.

They are urging the government to create an effective mechanism to address the rising prices as well as shortages in the supply of certain food items.

According to the Statistics Department, the CPI for April rose by 2.3% to 125.9%, compared to 123.1% in the same month a year earlier.

The department's chief statistician Datuk Seri Dr Mohd Uzir Mahidin was quoted as saying that food inflation rose by 4.1% in April, with 89.1% of items in the food and beverage group recording increases.

Putra Business School economic analyst Dr Ahmed Razman Abdul Latiff said the price hike became evident after the nation's economic sector and international borders reopened fully, causing an imbalance in demand and supply.

"Prices started to go up at that time due to disruptions in the food supply chain. Besides that, many people and business owners also received cash aid via the government's fiscal stimulus packages, which left them with excess cash to spend.

"This created a situation where demand exceeded supply, thus causing prices of goods to escalate.

"The situation was made worse by the Russia-Ukraine conflict as well as global weather which led to declining agricultural yields, forcing some exporting nations to limit their food exports to ensure sufficient supplies for domestic consumption," he told Bernama.

If no effective short-term and long-term measures are drawn up by the government to address the rising prices and supply hiccups, the current food crisis could become critical, Ahmed Razman warned.

He also urged the government to reconsider the provision of targeted subsidies because there is no guarantee in keeping the prices of goods low.

"The government may not be able to cover the cost of providing the subsidies because this year's

total subsidies are expected to increase to RM28bil, which is higher than the total annual collection from the sales and service tax (SST)," he said.

Ahmed Razman said the government must come up with an effective mechanism for the medium and long term to ensure food prices remain affordable, in addition to the initiatives it had already introduced such as abolishing approved permits (APs) to import food, stopping chicken exports and reducing the nation's dependence on food imports.

While agreeing that abolishing APs and putting a halt to chicken exports would help to check the price and supply crises, Ahmed Razman, however, felt that such initiatives are not suitable over the long term.

"Those are merely short-term measures. The government should quickly work on implementing medium-term and long-term measures. It can, for example, implement all the action plans outlined in the National Agrofood Policy 2.0 as soon as possible.

"It should also ensure that the food supply chain is fully monitored to prevent certain parties from taking

advantage (of the situation). And, all problems raised by those in the food industry should also be looked into," he added.

Universiti Putra Malaysia faculty of human ecology dean Prof Dr Mohamad Fazli Sabri, meanwhile, said any increase in the price of goods, even in small amounts, would have a substantial impact on household spending because incomes have not changed.

He said that previously, one could buy an average of three to four chickens for RM50 but these days only two for RM50.

Describing the rising prices as a never-ending story, Mohamad Fazli also said the government should draw up a comprehensive mechanism to alleviate the burden of the people who are increasingly pressured by the rising cost of living.

"Before this, many were affected by the Covid-19 pandemic as the economic sector couldn't operate fully for over two years. Now that it has reopened fully, various issues have emerged, including the hike in food prices.

"We don't want such issues to prolong because it may result in more people from the M40 group slipping into the B40 category as was the case during the (height of the) pandemic," he said.

According to the government's Household Income Estimates and Incidence of Poverty Report Malaysia, 2020, 12.8% of T20 households and 20% of M40 households have shifted to the low-income category.

Its data showed that 600,000 to a million M40 households have shifted to the B40 group as a result of retrenchment exercises and pay cuts.

Universiti Malaysia Terengganu Faculty of Business, Economics and Social Development lecturer Associate Prof Dr Roshaiza Taha said it would not surprise her if some B40 families had taken to practising food rationing, a situation that should not be happening in Malaysia.

In fact, she added, the current situation might also compel some households to sacrifice food items they enjoyed previously.

"The food issue is critical because not only have prices gone up sharply, supplies are not enough to meet the demand," she said.

Roshaiza said the time had come for relevant bodies such as the Federal Agricultural Marketing Authority (Fama), Malaysian Agricultural Research and Development Institute (Mardi), Agriculture Department and Fisheries Department to devise strategies to reduce the nation's dependence on food imports.

"I believe these agencies have been given huge allocations for research on sustainable food resources. It's time the government evaluated the findings of their studies, especially research related to food resources.

"The government should also review the implementation of unnecessary development projects and, instead, focus on the food industry as done by developed countries to ensure adequate food supplies," she said.

The Agriculture and Food Industries Ministry recently said it is committed to stepping up local agricultural output to reduce the nation's dependence on imports as well as to ensure adequate food supplies.