



Contract farming has been used in the broiler chicken industry since the 1980s. FILE PIC

CONTRACTS

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SOWING SUFFICIENCY IN FARMING

A SELF-SUFFICIENT rural economy requires state planning and intervention measures that go beyond the formulation of national strategic blueprints, such as the Malaysia Plans.

When the National Economic Policy was introduced in 1970, agriculture accounted for about 30 per cent or one-third of the country's gross domestic product, but it declined to 10.5 per cent in 2000.

Agriculture contributed 7.4 per cent to GDP in 2020, said the Department of Statistics. The agro-food sub-sectors' contribution was at 48.2 per cent, or RM52 billion, in 2020.

Of the estimated 5.3 million hectares of agricultural land in 2020, 900,000 hectares (16.75 per cent) are devoted to the agro-food sub-sectors.

The rest, 4.2 million hectares (80.7 per cent), is devoted to primary commodities, such as oil palm and rubber.

The rise in inflation has highlighted the nation's exposure to price shocks as we depend heavily on food imports.

Inflationary pressures have impacted farmers as they're hit by rising feed costs, prolonged labour shortages, and continuing price ceilings or controls. All these eat into

their thin profit margins.

For example, a padi farmer under the Muda Agricultural Development Authority (Mada) in Kedah, which contributes between 40 and 45 per cent to the nation's padi output, now has to pay RM78 for fertiliser, which used to cost RM50.

Pesticide used to cost RM48 but is now selling for RM90.

In 2016, the average or mean income of padi planters under Mada was RM2,527 per month.

Most padi farmers are also in debt to government and private entities.

It was reported that 300,000 padi planters were drowning in debt, so the problem becomes inter-generational and, by extension, structural.

The trend is similar for other farmers, be it vegetable or poultry.

In short, the global cost-push and supply-side inflation have worsened structural woes faced by agro-food farmers, the unsung heroes of the nation.

Efforts to improve the situation can be made through the expansion of contract farming, that is, directly between farmers and manufacturers or retailer, of which Pertubuhan Peladang Kawasan Kuala Langkat is an eminent example.

Contract farming has also been

used in the broiler chicken industry since the 1980s.

The integrators (multinational companies in food manufacturing) provide basic inputs like day-old chicks and feed to farmers.

In turn, the farmers agree to sell back fully grown broilers to the integrator at mutually agreed prices.

Contract farming would improve the efficiency of the supply chain and increase farmers' income and profit. It's superior to government subsidies.

This form of supply chain management (SCM) allows farmers to be connected to the global value chain via MNCs and other private sector players.

A more integrated SCM will ensure competition among supply-chains, whether anchored by the public sector through the Federal Agricultural Marketing Authority, or private sector via cartels, monopolies and oligopolies, where digitalisation will ensure an edge.

Empowering farmers with contract farming will ensure a sustainable and self-sufficient rural economy.

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