

# Newsletter

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## Visiting Malaysia's rice bowls and learning about Malaysia's food safety and marketing policy



*Service providers play an important role in rice production in Malaysia. They provide seedlings and machine rental services to overcome labour-intensive work.*

To promote self-sufficiency, rice marketing in Malaysia has been strictly controlled since 1974. Many efforts have been made by government agencies and their subsidiaries to provide incentives for farmers, to develop irrigation systems and to improve the efficiency of marketing and distribution. The domestic rice market has also been protected from imports although import controls are due to be lifted in 2021. Here we explore the current situation and report on meetings with Bangladeshi officials concerned to learn about Malaysia's plans.

*(Read more on page 3)*

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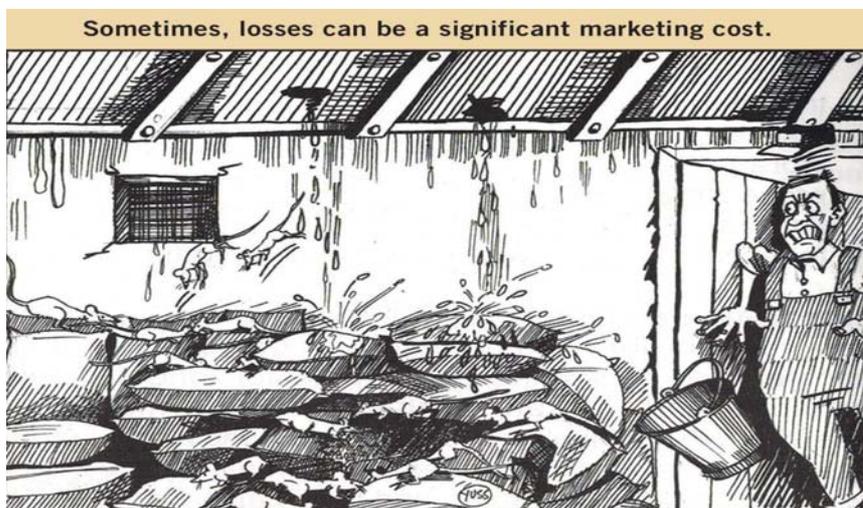
# From the Editor's Desk



In June, I attended the 12th Annual General Membership Meeting and Training Conference of the Cold Chain Association of the Philippines. The theme was 'Strengthening the Cold Chain: Gearing up for ASEAN Integration in 2015'.

The event is organized once a year to give members the chance to meet and at the same time give them exposure to international developments related to cold chains. Several speakers were invited to make presentations, including from the Philippines' Department of Trade and Industry and Department of Agriculture and the Global Cold Chain Alliance. The Governor of the Province of Agusan Del Norte spoke, as did representatives from various companies. Finally, AFMA also presented. Presentations from local government were very instructive for me. Trade figures for the Philippines were provided as well as information on how ready their cold chain facilities are to serve the growing demand for agricultural and food products in the country. The Philippines has to maintain competitiveness in readiness for ASEAN Economic Community (AEC) integration. On the topic of regional integration we have chosen to review a report from the ASEAN Business Advisory Council on ASEAN competitiveness in this issue. In our Feature Articles section, we carry an interview on how mango from Myanmar has been successfully promoted. We also report on Malaysia's rice policy and rice sector players in the News and Events section. Finally, the Secretariat is also developing content about the AEC for our website. Send us at anytime your views or news on what is going on in your agricultural marketing network, so we can tell others what you are up to.

Best wishes,  
Juejan



Source: *Marketing Extension Guide (2): Understanding and using marketing information*  
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## AFMA Newsletter

The AFMA Newsletter is published quarterly and distributed to members, FAO Representatives, embassies, universities and marketing agencies throughout Asia and the Pacific. Its purpose is to provide information on AFMA's events, as well as information and ideas on international and regional agricultural food policy, trading and marketing. To submit news items or to advertise with us, please visit [www.afmaasia.org](http://www.afmaasia.org).

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## Visiting Malaysia's rice bowls: learning about Malaysia's food safety and marketing policy

By Juejan Tangtermthong and Monthinee Iambamrungsakun

In June, AFMA, in association with the National Food Policy Capacity Strengthening Programme (NFPCSP) of FAO Bangladesh, organized a study tour on Malaysia's public rice procurement, stocking, storage and distribution, and food safety regulation. Seven senior officers, mainly from the Ministry of Food of Bangladesh joined the visit, aiming to gain a practical understanding of how Malaysia is developing and promoting its rice industry. Seven key players in the rice supply chain and with responsibility for food safety, including government offices, other government bodies and private companies were visited, and there were two days of travel to one of the rice bowls of Malaysia in the northern state of Kedah.



*Demonstration of rice milling by the Serba Wangi Company*



*Delegates with senior officers of the Department of Agriculture, Malaysia*

On the first day, the Director of the Division of Rice, Department of Agriculture (DOA) briefed the group on agriculture in Malaysia, especially on rice production. Agriculture accounts for 20% of total land use. Rice plantation areas are mostly in designated areas known as 'Granaries' where irrigation systems have been laid down. Some of these date back to colonial times. These areas are mainly located in Kedah state, Sarawak and Sabah, with some others in Selangor. The self-sufficiency level of rice in Malaysia is 72%, but there are plans to achieve 100%. The average age of farmers is over 50 and the average farm size is 1.2 hectares (ha). These are identified as the main challenges to increased production. The key strategic plans of the national agro-food industry are to increase productivity in the granary areas.

Participants then visited the Food Safety and Quality Division of the Ministry of Health. They learned about activities and functions of the Division, about the Food Act in Malaysia and the food import system, including the development of guidelines and certification under HACCP and GMP. The main concepts underlying the Food Act were shared with participants and, in return, participants shared information on the progress of the Food Safety Act in Bangladesh, which is due to be implemented soon. Food processors can acquire HACCP certificate from either government or a private company.

On the next day, the group travelled to Alor Setar in Kedah State to visit the major rice production area, where many government offices and rice processors are located. The first place visited was Serba Wangi Company, the largest rice producer in Malaysia. The company produces the leading local rice brand 'Jati' and a new line of brown rice and brown rice beverage, 'ecoBrown's'. Export of rice is prohibited by Malaysia, but the company's brown rice is permitted to be exported to Singapore and Australia.

On the second day in Alor Setar, participants visited Muda Agricultural Development Authority (MADA), an organization falling under the Ministry of Agriculture and Agro-based Industry. The agency was originally set up to promote rice production and increase productivity using heavy machines. It is now also focusing on increasing income for farmers in the area using a whole supply chain approach.

Participants were also taken to learn of MADA's integrated mango project, which introduces mango production to rice farmers to increase their income and strengthen their entrepreneurship by using unutilized land acquired by MADA. The project will buy back fresh mango to produce juice and to market fresh mango under the Tobiar Gold brand, named after the area. Participants then visited the office of the Malaysian Agricultural Research and Development Institute (MARDI), Alor Setar branch. The officer met presented work on MARDI's rice breeding program and on processed food products made from rice extrusion. Some popular rice varieties in the area include MR219, MR269 and others that give a high yield.

On the fourth day of the programme, participants again travelled out of Kuala Lumpur to visit the Integrated Agriculture Development Authority (IADA) in Northwest Selangor. IADA was set up through collaboration between the Department of Agriculture and Agro-based Industry, Department of Irrigation and Drainage and the Farmers Organization Authority to maintain the irrigation systems in the 13 rice granaries in Malaysia. Its work also includes

upgrading and enhancing infrastructure of existing farms and resolving disputes between farmers over the irrigation canals.

On the last day, BERNAS welcomed participants at their headquarters in Kuala Lumpur. Ms. Karmawaty Binti Abu Bakar, Senior Manager of the Strategic Business Department, gave presentations on the history and role of BERNAS in the rice industry and provided insight into the entire rice supply chain in Malaysia. The history of BERNAS began with the establishment of the Rice Commission Committee in 1931 and through various change sit became the National Paddy and Rice Board (LPN) in 1971 and a corporation in July 1997. In 2009, it became a company under the Tradewind group, a plantation company. Rice import into Malaysia was solely controlled by BERNAS. This was the consequence of the soaring world price in the 1970s as there was no trader in Malaysia who wanted to import rice. The government then took action by giving sole import rights to LPN in 1974. Currently, the main role of BERNAS is buying, processing and

distribution of rice and paddy. It does not do marketing or development of a retail brand. However, it has major shares in many big rice packing companies. The sole import rights will be lifted on 10 January 2021.

In conclusion, the rice industry in Malaysia is like other industries in the country in that there are many government agencies involved. Farmers get subsidies for inputs, extension support and a guaranteed price. The Ministry of Agriculture and Agro-based Industry has responsibility for regulations related to rice production, licensing and pricing. BERNAS, although not involved with regulations and pricing, always advises on related issues.

Despite all this support, Malaysia is facing declining rice farming as fewer new, younger farmers want to participate in the business.

We wish to thank TFNet (International Tropical Fruit Network) for all local coordination and for accompanying us during this trip.

## Feature Articles

### How an exhibition helps promote a start-up product

By Juejan Tangtermthong

International trade fairs for agricultural products can be found in Asia almost every quarter. AFMA has been taking members to these exhibitions regularly every year and there are many more that we help to promote. The number of trade fairs is likely to continue to grow, especially as emerging economies continue to expand.

We visited the ThaiFex, a big food show, on 22 May to get an insight from exhibitors on how a trade fair helps to promote their products. As is usually seen, producers and exhibitors gathered in the colourful halls, displaying their product samples and packaging innovations, and talking with potential customers to give details about their products and to exchange information. However, these marketing activities are not the only reason exhibitors attend a trade show. AFMA met with three exhibitors to find out how exhibitions have been helping their businesses.

First, we met with the Mandalay Mango Producer Group from Myanmar. They first came to ThaiFex in 2010, under support from a regional project of FAO<sup>1</sup>, which also supported their visit this year. The group uses this exhibition to promote mango from Myanmar. On show were Sein Ta Long, Yinkwe and Shwehintha varieties. Among these varieties, they considered Sein Ta Long to be the leading variety for fresh mango.

Mr. KoKo, senior national consultant of the FAO regional project, said the project and the Department of Agriculture, Myanmar provided technologies and equipment to mango farmers, as well as supporting them to exhibit in the show. Their fresh mango now obtains an average of MMK700-800 per kg compared with MMK400 before the project. He said



*Sein Ta Long mango is the main variety of fresh mango exported from Myanmar*

participating in the exhibition gave them a great advantage in penetrating overseas markets. 'There would be no market if we were sitting at home and we would not have been able to keep producing good quality mango' he said. This year, they have already secured orders from Dubai, Malaysia and Korea. Myanmar Golden Produce is another example of those who gain benefit from exhibitions. Executives from the company said that they first participated in 2013. They learnt from visiting last year that there is still a big market for mango puree. They decided to make puree and use the exhibition again this year to promote the product. Their booth was busy with people taking samples.

The third booth we visited was a collaboration project between Thai (Swift) and Japanese (Tatominoen) companies to produce Japanese rice in Thailand. They have been trying to grow a heat-resistant variety 'Kinohikari' in Chiangrai province to the north of Thailand, aiming to produce quality Japanese rice. Although the company has not yet launched their rice on the market, they came to the exhibition to meet their existing customers and to promote the project.

For company exhibitors, participating in a food or agricultural fair serves several purposes, such as to promote their products, to get direct feedback from potential customers, to meet with their networks, to get new ideas and to keep an eye on their competitors. Since participating in a tradeshow is not cheap and it is face-to-face marketing, there are several things to consider before attending an exhibition. Goals should be clearly identified and staff attending the exhibition should be trained well. Preparation prior to the trade show is essential; exhibitors must be professional during the show, and must be prepared to follow up after the event.



*Exhibition being used to promote a project to grow Kinohikari rice in Thailand and to meet with existing clients*

<sup>1</sup> MTF/RAS/242/CFC Production of Certified Fruit and Vegetable for Export from Lao PDR and Myanmar through Integrated Supply Chain Management

## Malaysia's strategic food security approach after 2008<sup>2</sup>

By Tey, Y.S., Institute of Agricultural and Food Policy Studies, University Putra Malaysia

Edited by Juejan Tangtermthong

Among four aspects of food security (availability, accessibility, utilization, and stability), Malaysia has given most weight to availability, by introducing short- and long-term policy measures to boost paddy and rice production, particularly in Sabah and Sarawak, under the National Food Security Policy. This paper was aimed at policymakers and the general public to enable them to understand initiatives taken by Malaysia in relation to her situation and the implications for the food security of other Asian countries.

### The Malaysian National Food Security Policy

Policy objectives and instruments in Malaysia's paddy and rice sector stretch back as far as the 1st Malaysia Plan and have continued to the current 10th Malaysia Plan. They extend from the 1st National Agricultural Policy to the present National Agro-Food Policy. This prolonged thrust is based on the dominant objective of attaining a reasonable self-sufficiency level (SSL) in rice, which has been used as an indicator of food security in the country. SSL was targeted at a comfortable level of 65% in the 3rd National Agricultural Policy (1998-2010) but was required to be at 70% by the end of the 10th Malaysia Plan (2011-2015).

Most efforts to increase the SSL are carried out via a comprehensive set of market interventions, involving input and output subsidies, production programmes, a Guaranteed Minimum Price for paddy, Paddy Price Support, and other production-based incentives. However, at its recent best, SSL in rice was just 72% in 2007 compared to 74% in 1985. There has been just a marginal increase in the area planted to

paddy, from 654,974 hectares in 1985 to 676,111 hectares in 2007, due to land competition from more profitable crops, particularly oil palm. The table summarises the paddy and rice programmes in the National Food Security Policy.

The annual budget allocated by the government for R&D in the paddy and rice sector is always no more than 5% of the total paddy and rice budget. Some people have suggested that research in paddy and rice alone constitute 10% of the budget of the main agricultural research centre – Malaysian Agricultural Research and Development Institute (MARDI), and there are other small and limited research activities conducted by Padi Beras Nasional Berhad (BERNAS), universities, agencies and private organizations. These efforts, unfortunately, are carried out in bits and pieces and there is no official, concentrated, and committed rice research centre (like the International Rice Research Institute) in the country.

The National Padi/Rice Stockpile scheme was first introduced in 1949 during British colonization. The buffer stock is now used to facilitate price stabilization. It first came into action during and subsequent to the food crisis of 1972-74. In 1994, BERNAS took over the social obligation of running the national stockpile of 92,000MT of rice from National Paddy and Rice Board (Lembaga Padidan Beras Negara). In response to the recent food crisis, the National Stockpile was set to a higher level of 239,000MT of rice, with a distribution of 78, 12, and 10% for Peninsular Malaysia, Sabah, and Sarawak respectively.

*(continue on page 7)*

# Upcoming Activities

## ISRMAX Asia 2014 and Asian Rice Forum

29-31 August 2014, Bangkok, Thailand

ISRMAX Asia 2014, is the 3rd International Exhibition & Conference on agricultural industry that provides information on innovations and sustainable technology in Asia's leading agricultural sectors. Focus is on the entire value chain from pre- to post-harvest for rice, sugar, maize, vegetables, fruit and

flowers. This event will be held concurrently with the Asian Rice Forum on 29th August organized by AFMA at the IMPACT Exhibition and Convention Center. For more information, please visit: <http://www.isrmaxasia.net/home.php>

## Consultation workshop on a Legal Guide on Contract Farming

26 September 2014, Bangkok, Thailand

FAO, IFAD and UNIDROIT are organising this Consultation workshop. The workshop will focus on the legal framework for contract farming arrangements and on how practical issues that may come up between producers and buyers can be addressed in the contract.

Participants with practical and/or legal experience in contract farming in countries in Asia are welcome to attend to help develop the content of a forthcoming international legal

reference document on contract farming. Representatives of producers and agribusinesses, government officials, IGOs, development agencies and NGOs, supply chain financing institutions, and participants from academic and research institutions are welcome to attend.

This workshop is organized by AFMA. For more information, please visit: <http://www.unidroit.org/work-in-progress-studies/current-studies/contract-farming>

## Members' News

### MAHA coming again this November, with the theme of 'Agrotechnology'

From 20-30 November 2014 in Malaysia, FAMA (Federal Agricultural Marketing Authority) and MARDI (Malaysian Agricultural Research and Development Institute) will co-organize MAHA 2014, with the theme of "Agrotechnology – Catalyst for Transformation". The event will exhibit the latest technologies and innovations from the Agriculture, Horticulture & Agrotourism Industries.

MAHA 2014 will gather industry players and professionals from various sectors to explore the opportunities

presented by newly emerging agribusiness companies and the innovations being made in agriculture.

It will be held concurrently with the Farmers, Livestock Producers and Fishermen's Day (HPPNK), which gives recognition to the agriculture communities across the country for their efforts in producing food-based materials and agricultural products for domestic needs, as well as for the international market. For more information, please visit: <http://www.maha.gov.my/index.php/en/>

### Former San Miguel Foods head as new NFA chief

President Benigno Aquino III has appointed former San Miguel Foods Inc. president, Arthur Juan, as the Administrator of the National Food Authority (NFA).

According to appointment papers signed on June 18, Juan was named as the NFA Administrator and as a member of the powerful NFA council, which is headed by the Secretary of Agriculture.

Juan, 68, was president of San Miguel Foods Inc. from March 2005 to April 2009. He was also project director of the Integrated Agro-Industrial Zone from March 2003 to March 2005 and president of Monterey Foods Corporation from

October 1999 to March 2003. Before that, he worked as general manager of San Miguel Foods' Poultry Business and Feeds Business.

Juan obtained his Bachelor of Science degree from the Philippine Military Academy in 1968 and took the Management Development Program at the Asian Institute of Management in 1988.

(Source: GMA News online)

AFMA very much looks forward to working with Mr Juan and continuing our good relations with NFA.

## Contract Farming for Inclusive Market Access

Published by FAO, Rome

Edited by Carlos A. da Silva and Marlo Rankin

The potential of contract farming to help small farmers depends on many factors, such as the product category, the requirements of the end market, the country and local circumstances, including government policy for the particular sector, and the availability of rural and other services. The Rural Infrastructure and Agro-Industries Division of FAO, Rome has published “Contract Farming for Inclusive Market Access” to review information on the benefits of contract farming for small farm development.

The book uses case studies from a variety of countries including China, India and Thailand. It reveals the complex nature of contracting as an agri-food chain coordination

mechanism to promote inclusiveness and efficiency in supply chains. The case study from China looks at the country's pork production and supply chain. That from India considers the impact of contract farming for Basmati rice in the Punjab, and the study of contract farming in Thailand considers the provision to farmers of genetically improved eucalypt plants and extension support. These and other papers are well brought together in an Introduction prepared by the editors that identifies the key messages that come out of the papers presented.

The PDF version of the publication can be downloaded from: <http://www.fao.org/3/a-i3526e.pdf>

### Featured Articles (continued from page 5)

**Table: Paddy and rice programmes in the Malaysia National Food Security Policy**

No.	Programme	Description
<b>Availability</b>		
1	Irrigation Infrastructure and Drainage Development	Develop new water sources and increase irrigation infrastructure and drainage density to optimum level of 50 metres/ha
2	Irrigation Infrastructure and Drainage Maintenance	Maintain paddy areas both in granary areas and non-granary areas
3	Pest Control Aid	Control and reduce paddy disease due to damage by pests. The aid is as much as RM200/ha/season
4	Additional NPK Fertilizer	Add nutrients through NPK fertilizer supply. The aid is as much as three 50 kg bags per hectare
5	Land Levelling	Implement land levelling activity to improve efficiency of good agricultural practices. The subsidy for land levelling is as much as RM1,500/ha
6	Lime Application	Supply lime to improve soil fertility. The aid is RM850/ha
7	Farm Mechanization	Increase amount of machinery in rice cultivation
8	Incentive and Subsidy	Increase Paddy Price Subsidy and Productivity Incentive
9	Miller Subsidy	Encourage domestic millers to produce 15% broken rice called ST15 (Peninsular) and SS15 (Sabah & Sarawak)
<b>Accessibility</b>		
1	Beras Nasional	15% broken rice subsidised and retailed at RM1.80/kg throughout Malaysia
<b>Utilization</b>		
1	Research and Development	Promote new methods of paddy cultivation to increase productivity
<b>Stability</b>		
1	Stockpiling	Increase stockpile level from 92,000 MT to 239,000 MT

Source: Ministry of Agriculture and Agro-based Industry (2009). US\$1 is approx. 3.2 RM (as of 2014)

### Conclusion

Malaysia has emphasised the “availability” aspect of food security by introducing many short- and long-term policy measures for promoting rice production. This has been done particularly in Sabah and Sarawak, due to limited land

resources for agriculture in the Peninsular. It is clear that many of the policy measures target productivity. The author suggest that the dominant path to achieve the targeted SSL in Malaysia is through R&D at a specialized and committed paddy and rice research centre.

<sup>2</sup> Edited from ‘Review Article: Malaysia’s strategic food security approach’, the International Food Research Journal 17: 501-507 (2010), full article can be viewed at [http://www.ifrj.upm.edu.my/17%20\(03\)%202010/IFRJ-2010-501-507%20Tey%20Malaysia%20ok.pdf](http://www.ifrj.upm.edu.my/17%20(03)%202010/IFRJ-2010-501-507%20Tey%20Malaysia%20ok.pdf)

# Publications Review

## Findings from the 2013 ASEAN-BAC Survey on ASEAN Competitiveness

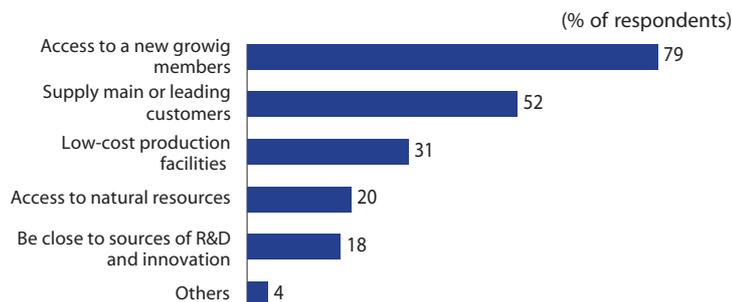
Published by ASEAN Business Advisory Council

Authors: Marn-Heong Wong and Andre Wirjo

The ASEAN region has maintained its robustness in a global economic environment that continues to remain challenging and uncertain. The Gross Domestic Product (GDP) of ASEAN as a whole grew by 5.7% in 2012, an increase from 4.5% in 2011. ASEAN's total exports grew at a slower rate of 2.7% in 2012, from 16.8 percent in 2011. However, the region's share of world export of goods and services was almost unchanged in 2012 at 6.7%, from 6.6% the year before. In terms of foreign direct investment (FDI) inflows, ASEAN attracted a record US\$111 billion in 2012, the highest total ever achieved since its formation. ASEAN's share of world FDI inflows of 8.2% in 2012 was the first time that the region has been able to cross the 8% mark since 1996. These are encouraging signs of ASEAN's ability to sustain and increase its competitiveness for trade and investment.

The ASEAN Business Advisory Council (ASEAN-BAC) has, since 2010, partnered with the Lee Kuan Yew School of Public Policy, at the National University of Singapore, to conduct a survey of businesses based in ASEAN, in order to channel feedback from the business community to policymakers. Findings from the 2010 and 2011-12 ASEAN-BAC Survey on ASEAN Competitiveness and related policy recommendations were presented to ASEAN Leaders and Economic Ministers

### Main reasons for investments in ASEAN countries



**Note:** Each respondent was allowed to select multiple responses. Percentages do not add up to 100%.

during their annual dialogue and consultation sessions.

In the 2013 Survey, it is noted that some small businesses do not engage in export. At the same time, the businesses that are larger, older and have foreign equity ownership tend to be internationalized, engage in export and are interested in investment in other ASEAN countries. The main reasons for this are the potential for access to a new or growing market, and to be able to supply leading customers, as well as to obtain access to low-cost production facilities.

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