AGRICULTURAL POLICIES EFFECT ON LIVESTOCK INDUSTRY - PERSPECTIVES FROM MALAYSIA AND NEW ZEALAND

Norhafizah Sahar  
Faculty of Economics and Management  
Universiti Kebangsaan Malaysia  
43600 Bangi, Selangor, Malaysia  
Email: fizahsahar@gmail.com

Norshamliza Chamhuri  
Faculty of Economics and Management  
Universiti Kebangsaan Malaysia  
43600 Bangi, Selangor, Malaysia  
Email: norshamliza@ukm.edu.my

ABSTRACT

This paper reviews the agricultural policy between Malaysia and New Zealand, which focuses on the different approaches by the government of both countries in relation to the livestock industry. The livestock industry in Malaysia is seen as an integral component of the agricultural sector. This sector has the potential to be developed. By reviewing agricultural policies from New Zealand, the best practices related to livestock production could be utilised as a guideline for a better policy formation in Malaysia. Hence, a critical policy analysis is required.

Key words: Agricultural Policy, livestock, meat, Malaysia, New Zealand.

Introduction

Agricultural policy in New Zealand is very unique as the country employs unsubsidised agricultural policies. Sayre (2003) reported that among developed countries in the world, New Zealand has the same percentage of its population employed in agriculture today as it did 30 years ago, and the same number of people living in rural areas as it did in 1920. Relatively, government provides little assistance to agriculture until the mid-1960s. Then, following a number of balance of payments crises, the government of New Zealand began to introduce a number of programmes aimed to increase production and foreign exchange earnings. Thus, the reformation of the agricultural sector started in the 1980s, resulting after the downfall of the New Zealand dollar and change of government (Harris and Rae, 2006). The country began complete restructuring, by phasing out farm supports between 1984 and 1987 and structuring the Closer Economic Relations (CER) agreement with Australia. As a result of this, the CER functioned as the trade liberalization side of domestic policy reforms, allowing expanded market access to Australia by New Zealand’s farmers to offset subsidy cuts (Runge, 2007).

In Malaysia, the structures of agricultural policies are very much different from New Zealand. Policies in Malaysia depend heavily from political planning and views. According to MacAndrew (1977), large scale government intervention through national planning is done in order to satisfy ethnic demands, and maintain political stability has been the key to development of Malaysia policy since 1957.

Since Independence, Malaysia has vigorously promoted agricultural activities and rural development. It aims to cater the needs of rising urban populations. In the mid-1950s, many programmes were designed to raise the people’s standard of living in the rural areas. These programmes include funding from the government to developed infrastructure villages, educational opportunities and medical benefits to the villagers. Rogers (1989) reported that one of the villages that has benefited from this programme was Sungai Raya, Muar, Johore. The villagers benefited from a few agricultural programmes such as Training and Visiting Organisation (Latihan dan Lawatan) programme that focused on distribution of free fruit seedlings, insecticides, and other agricultural inputs provided by the state department of agriculture. This means that although the Malay community was known to experience economic difficulties, however, various agricultural programmes were introduced to support them in many ways.

In 1971, the New Economic Policy was introduced as a result from the racial violence in 1969, which revealed the frustration of the Malay community regarding the slow pace of their economic advancement (Rogers, 1989). Previously, the Malays were mostly designated in villages, the Indians were located in plantations, while the Chinese lived in urban areas. Overall, the NEP was to revise imbalances between sectors, especially by shifting the traditional economy, which mainly comprises of the Malays and Bumiputera, and by expanding the modern economy which could benefit all ethnicity. The NEP serves as a model for modern agriculture, by introducing commercial farming on a large scale (King, 1988).

The 1980s saw the rapid transformation of the economy towards industrialisation, which lessen the agricultural sector’s contribution to the Malaysian Gross Domestic Product (GDP). The First National Agricultural Policy (NAP1) was implemented...
in 1984 to eradicate poverty and to support the performance of the agricultural sector (Abu Dardak, 2015). The NAP1 recognised the need for efficiency in the agricultural sector by focusing on export markets.

The Malaysian government have strengthen the role of the agricultural sector by introducing the Second National Agricultural Policy (NAP2:1992 – 1997), and the Third National Agricultural Policy (NAP3: 1998 - 2010) (Murad et al., 2008). Subsequently, the National Agro Food Policy (2011 – 2020) was formulated specifically to support the agro food industry. The aim was to ensure sufficient supply and demand of food for Malaysian, to improve national income, and agriculture entrepreneurs (Ministry of Agriculture and Agro-Based Industry Malaysia, 2012).

To enhance economic growth, Malaysia has initiated the Economic Transformation Programme (ETP) in September 2010. The government planned to concentrate on 12 sectors to achieve a developed nation status by 2020. Agricultural sector was identified as one of the main sectors. Under the ETP, the plan was to transform traditional small scale farmers and production based sector into a large agribusiness industry (ETP, PEMANDU).

Understanding on how different Malaysia and New Zealand transform their policies regarding agricultural can provides us better knowledge on how the agricultural industry evolved. New Zealand has been very successful with their sheep meat exports and successful with beef exporting activities (Welsh, R. and Llanes, V., 1996). In contrast, according to Federation of Livestock Farmers Association of Malaysia (2015), the ruminant sector lags in Malaysia still far behind with the majority of cattle, goat and sheep still owned by individual farmers who rear these animals as part of their overall rural agricultural activities.

By understanding the success of the livestock industry in New Zealand, we see the relevance of this paper to be discussed as the livestock industry in Malaysia has the potential to grow further.

Procedures

The literature to formulate this paper was gained through primary and secondary data. Primary data was collected through an in-depth interview with an officer from the Ministry of Agriculture and Agro-Based Industry Malaysia (MOA) to obtain information about the agricultural sector in Malaysia and discussing important issues regarding the livestock industry.

Additionally, secondary data was obtained from various sources such as academic journals, policy papers, reports, and government websites from Malaysia and New Zealand.

Issues And Discussions

Livestock is an important industry as it supplies the largest source of protein for Malaysian population. However, many net food importers are struggling to meet domestic demand (von Braun et al., 2008). Malaysia is experiencing shortages in the production of fresh beef in contrast to the high demand from consumers. The rationale behind this is that the beef industry in Malaysia has remained static due to low productivity and private sectors were found not interested to invest in this industry. As a result of this, Malaysia imported about 75% to 80% of the beef from different parts of the world in order to meet domestic consumption (Mohamed et al., 2013).

Although Malaysia is able to produce pork, poultry meat and eggs, nevertheless the country still needs to import milk, beef and mutton (Loh, 2002). Imports of beef and mutton increases every year, which brings an increment in the trade balance of food products. According to statistics from the Ministry of Agriculture and Agro-based Industry, data regarding the deficit of demand compare with production of livestock in Malaysia in 2010 amounted to 3,568,000 metric tonnes. The deficit is anticipated to rise in 2020, as it is forecasted that production will only reach 11,175,000 metric tonnes compare with demand of livestock that will reach up to 14,790,000 metric tonnes. The forecast deficit in 2020 will be amounted to 3,615,000 metric tonnes (MOA, 2012). This clearly shows that Malaysia will be highly dependent on import of livestock products, especially beef and mutton, from various countries, such as Australia, New Zealand, India and Thailand to ensure the supply of meat meets the demand of the Malaysian population.

Since the subsidy removal, the agricultural sector has grown faster than the rest of the economy in New Zealand. Sayre (2003) stated that the agriculture’ contribution to the New Zealand GDP has increased from 14.2% between 1986 to 1987 to 16.6% between 1999 to 2000. The New York Times (2007) reported that agriculture remains the lifeblood of New Zealand’s economy. In New Zealand, there are more sheep and cows than people, which its meat, milk and wool supply is one of the biggest sources of export earnings to the country. Most farms are still owned by families, where their incomes have recovered and output has soared. It is also being reported by The Meat Industry Association, Meat & Wool New Zealand and Deer Industry New Zealand (2009), that the red meat industry is one of New Zealand’s major export earners, created by a partnership between 14,000 commercial sheep, cattle and deer farms and some of the country’s largest companies. The export of red meat and related products earns export revenue of more than $NZ6 billion annually (RM17 billion).

Hence, this paper will examine the approaches used by Malaysia and New Zealand in relation to the livestock industry. By understanding how the government of New Zealand deals with various issues in the livestock industry will allow Malaysia to learn from their best practices. This paper shall discussed matters relating to strengthening the role of farmers, addressing Halal and also animal welfare issues.

Strengthening the Role of Farmers
Farmers are being treated differently in both countries. In 1984, New Zealand underwent extensive economic reforms. For the agricultural sector, this meant rapid removal of subsidies and incentives that usually involves minimum product prices, producer board subsidies, interest and taxation concessions. Total productivity growth increased from 0.7 to 1.9% per annum after subsidies were removed in 1985 (Johnson and Forbes, 2000). From 1989 onwards, farmers adjusted quickly to farming without subsidies and productivity gains were significant (Shi and McCarthy, 2013). According to the Federated Farmers of New Zealand Incorporated (2005), the removal of subsidies in New Zealand has given birth to a vibrant, diversified, and sustainable rural economy. Farmers in New Zealand are proud of their independence and are determined never again to be dependent upon government subsidies.

This means that in New Zealand, family farm plays an important role. According to the Food Agriculture Organization of the United Nations, there are more than 570 million farms in the world and 90 percent of farms are run by an individual or a family and rely primarily on family labour. Family farming is the dominant form of agriculture and the government must take consideration policies concerning small family farms. As the land ownership depends on the people, the government of New Zealand emphasizes on family farm board. Although capitalist farming existed in New Zealand, it only involves a small proportion of the total agricultural production. This makes it particularly appropriate to use the theory of family farm and cooperation to explore the role of producer marketing boards. Cooperation was an attempt to strengthen the position of New Zealand farmers as individual producers and removed the ‘middleman’ from the agro commodity chain in order to retain more profit (Moran et al., 1996).

The government of New Zealand also supports their farmers by implementing the “Readiness & Recovery Plan for Natural and Climate Disasters in Rural Areas” programme. It involves Adverse Event Income Equalization Scheme, Regionally Significant Events, and Nationally Significant Events. This policy ensures that the government responds and provides on-farm recovery assistance in the event where there are difficulties for farmers to cope with any disasters. Community is encouraged to establish link with government agencies, identify leaders to represent their interest in an emergency, and manage events before, during and after emergency. When farmers face extreme natural disaster, it is being classified as adverse events and they can get help from the government. The government encourages farmers to put aside reserves of money, food and livestock feed, keeping insurance up-to-date, locating building from high risk areas, and keeping stock in good health.

In contrast to Malaysia, traditional farmers are the main player in the production of livestock. According to The Federation of Livestock Farmers’ Associations of Malaysia (FLFAM), the farming of cattle, sheep and goats remains on a small scale basis with only a few enterprises involved on a commercial basis. Therefore, Malaysia through the Eleventh Malaysia Plan (2016–2020), aims to encourage farmers to adopt modern agricultural technology to increase productivity and income. It is very encouraging to know that the government has developed policies to enhance agricultural productivity. In Malaysia, however, there is less involvement from the farming community in the formation of policies. For this reason, there is a need for the government to get more farmers involved when planning for the best policies. All sub-sectors in agriculture, particularly involving food, should be developed and promoted. It is very important for agencies in different fields to share knowledge as it will create a strong support system that will give more benefit to the agricultural sector (Vu, 2007). The Malaysian government should foster more interaction and exchange of knowledge, information, skills and other resources among sectors to ensure that agricultural strategies could be organised accordingly.

It was reported in the Sixth Malaysia Plan (1990 – 1995) that the government through the Department of Veterinary Services (DVS) has distributed a total of 19,500 buffaloes to 6,600 farmers under the Small-scale Rearing Credit Scheme. A total of 2,800 dairy cattle were being distributed to 1,200 farmers under the dairy programme. Furthermore, 25,500 goats and sheep were loaned to 1,300 farmers under powah or crop sharing scheme. It is being reported by Indrani (2001) that production of beef, milk and mutton expanded as a result of the powah programme and beef or dairy projects by DVS and Lembaga Kemajuan Dan Perusahaan Ternakan Negara (MAJUTERNAK).

Through the National Agrofood Policy (2011 – 2020), the government plans to assist farmers by encouraging the usage of Information Communication Technology (ICT) knowledge, info structure facilities such as Agriculture Flagship and Supply and Demand Virtual Information System (SDVI) to broaden access and encourage e-commerce. In addition, farmers could apply for loan to support their livestock farm through Agrobank and the Entrepreneurship Group Economic Fund (TEKUN). This will help farmers to strengthen their capabilities to increase their outputs by the implementation of Factoring Scheme under Agrobank which provide short term credit facilities.

Programme Akhiri Zaman Miskin or also known as 1AZAM was introduced in 2010. This programme aims to alleviate poverty by assisting farmers in various agricultural activities. For instance, MOA provides financial assistance amounted up to RM10,000 in terms of supplying goats, fold, and pump sprayers. Community has benefited from this type of programme given that their income has increased to RM1,500 per month. This programme enhanced the community to become successful farmers (GTP, MOA).

From the discussion above, we could conclude that farmers in New Zealand are more independent as producers, are less depending on middleman and focuses more on their agricultural activities as agriculture is seen as the main income for their family. Conversely, various agricultural programmes need to be initiated by the government to develop this sector and to ensure the continuation of the agricultural sector in Malaysia.

Importance of Halal Certifications and Recognitions
New Zealand has penetrated the Halal market due to the high potential market. According to the Federation of Islamic Association of New Zealand (FIANZ), New Zealand was the first non-Muslim country to establish industrial slaughter of Halal meat. About 98% of lamb and sheep as well as 60% of cattle in New Zealand are slaughtered in a Halal manner, in accordance with the shariah laws of Islam (New Zealand Islamic Meat Management, 2009). New Zealand is a big exporter of Halal meat (Singham 2006).

Nevertheless, it was reported that the export of Halal meat from New Zealand firms faced downfall in 2005 as Malaysian inspectors found several wrongdoings with the New Zealand Halal system that were being managed by Malaysian and New Zealand Muslim authorities with the Meat Industry Association. In that event, meat plants started to lose their licences to trade. The trade took a dive after Malaysian authorities refused to accept meat from plants that were not according to Halal principles. Following this incident, New Zealand plants faced a downfall from 41 to two plants that were approved to trade with Malaysia. This problem continues for two years, from 2005 to 2007, until the intervention from the government of New Zealand. The Agriculture and Forestry Ministry and the Foreign Affairs and Trade Ministry became involved in 2007 and reached a mutual agreement regarding rules for Halal certification that should be abide by New Zealand with Malaysia in 2009. Since then, 14 meat plants have been approved to export to Malaysia and more are close to certification. In 2010, New Zealand won an award for best service provider at the World Halal Forum which indicates that New Zealand is recognised globally as having the best Halal system in the world. The New Zealand government is aware of the needs of other countries and strive to comply with the rules and regulations that are being imposed. This is supported by the statement from the Minister of Market Access director Tony Zohrab, who indicates that “I can get on the phone now to the people in Malaysia, and I do regularly, and they just open up – it's great. We now know where the boundaries are when we didn't before, and we can work on improving the standards further”.

In a further statement by the Meat Industry Association Chief Executive, Tim Ritchie mentioned that “the agreement was not just a piece of paper and it would be useful in dealing with other Muslim countries”.

In January 2015, the Ministry for Primary Industries (MPI) of New Zealand proposed a new notice specifying requirements pertaining to the processing of animal material and animal products that are intended to be labelled as Halal for the purpose of export with a Halal certificate or Halal official assurance. The new notice will revoke and replace the Animal Products (Overseas Market Access Requirements for Halal Assurances) Notice 2014. The act specifically underlines the Halal requirement that need to be conform by producers. MPI recognised that the demand for Halal food is not only significant to Muslim populations but also other countries as well due to globalisation. Halal animal material and animal products that are processed within New Zealand’s Halal export assurance system could be a significant tool for negotiating access to these markets. The producers of livestock, particularly cattle, sheep and goats are an important influence to the economy of New Zealand.

In this approach, Malaysia has a big advantage as the country is recognised as a Halal hub. Being a Muslim country, Malaysia is a pioneer in introducing a comprehensive standard for Halal products through Malaysian Standard: Halal Food–Production, Preparation and Storage-General Guidelines, known as MS 1500/2004 (Samori et al., 2014). It was stated in the National Agrofood Policy (2011 – 2020) that Malaysia intend to develop The Halal Accessories and Food Assurance System (HAFAS) as a quality assurance system to ensure that the concept of Halal is not doubtful. The National Livestock Tracking System will also be established to keep track of livestock from farms to slaughterhouses as in line with the government intention to transform Malaysia as the World Halal Hub. According to Rezai et al. (2012), even the non-Muslim in Malaysia also understands the importance of Halal principles. The Jabatan Agama Kenajjauan Islam Malaysia (JAKIM) is an important agency with regards to Halal certifications. The certification is recognised worldwide due to the strict criteria and strong relationships with major trading nations and strong government supports (Badruldin et al., 2012). The livestock industry should take this opportunity to develop and promote its products in international markets as JAKIM is recognised worldwide. In this aspect, Malaysia has the comparative advantage but unfortunately, the recognition is not being fully exploited.

According to Mohamad Zailani et al. (2010), the establishment of Halal supply chain in Malaysia is still at its infancy stage. As a result of this, developing a Halal supply chain management (SCM) is very important to boost the livestock industry. Implementing good SCM should be a top priority for competitiveness (Fulconis and Paché, 2005). The agency that is responsible to support SCM in Malaysia is the Federal Agricultural and Marketing Authority (FAMA). FAMA is a marketing agency established under the MOA as a statutory body on 30 September 1965 under Parliament Act 49 (1965) and Parliament Act 141 (Amended) 1974. FAMA is responsible in marketing fruit and vegetables, floriculture products, grains and herbs, livestock and aquaculture products (Mohamed, 2014). Thus, it is very crucial for FAMA to collaborate with JAKIM in taking full advantage and opportunity with regards to Halal market. Branding Malaysia as the World Halal Hub and having JAKIM’s Halal logo that is among one of the well-known symbols of Halal compliance are two important strengths in penetrating the global market.

Animal Welfare

Consumer expectations are important and could act as global regulators because the community nowadays are increasingly seeking more ethically sound products. According to Grunert (2005), consumers preferred products that require the attentions from farmers in issues related to animal welfare and organic production. Due to this, the government of New Zealand emphasizes on animal welfare strategy to promote their livestock products as it is important for the country’s economy. Matheny and Leahy (2007) stated that New Zealand provides a guarantee that their livestock products exported to European markets have higher standards of animal welfare. In November 2014, the World Animal Protection released its Animal Protection Index and ranks 50 countries across the world on their animal welfare standards. In this index, New Zealand was being placed first along with the United Kingdom, Austria and Switzerland. Undoubtedly, the government of New Zealand emphasizes on the importance of how animals are being treated. Additionally, New Zealand considered animal practices as an added value to their exports and portrayed the country as a responsible agricultural producer. The producers that are involved must comply with the Animal Welfare Index.
Welfare Act 1999 and minimum standards for animal care and management codes of welfare. The government, farmers, sector leadership, professionals, and scientist are working together in ensuring the care of animals is being followed.

The concern for animal welfare should also be discussed extensively in Malaysia. In Malaysia, the Department of Veterinary Services (DVS) under MOA is the agency primarily responsible for livestock development and animal health (Mohd Nor et al., 2003). The veterinary department existed since 1888 in Penang. At that time, the main duty of the veterinarian was to examine imported animals especially from Thailand. Currently, DVS is responsible to control, to prevent and eradicate animal diseases, breeding, animal feed, farmers’ socio-economic aspects, laboratory services and quality assurance for livestock based products as well as veterinary law enforcement (DVS, MOA). DVS is also working with various agencies to ensure the welfare of animals. In alliance with the Animal Act 1953, reported by Channel News Asia 2015, the Malaysian government have introduced a new welfare act that imposes harsher penalties for those torturing or neglecting animals. The new act imposes a minimum fine of RM20,000 to offenders, as well as possible jail time. This hefty penalty is 100 times more costly than the one outlined in the Animal Act 1953, which is presently in place. This shows that Malaysian government realised the importance of animal welfare and act accordingly through the implementation of relevant act regarding animal welfare. This approach shows that Malaysian farmers practice animal welfare and guarantee that the animals are bred in a good condition.

Additionally, Malaysia also emphasizes on animal welfare through a few strategies that was being stated in the National Agrofood Policy (2011 – 2020). One of the strategies is to strengthen the effectiveness of disease control and to expand safe slaughtering and processing practices. Through the policy, the country aims to create disease-free zones especially to meet export requirements. The development of the livestock industry will be implemented in accordance with the World Organization guidelines for Animal Health. Malaysia plans to establish a central slaughtering plant to ensure Halal, clean and safe slaughtering process. The government aims to end the small scale slaughtering practices in wet markets and rural areas.

To achieve these strategies, Malaysia needs an extensive plan to ensure that the country could be able to follow thoroughly the best practices performed by developed countries. Fundamentally, Malaysia needs to cater issues in relation to the livestock such as the condition of the animals in farms. It is being reported that high capital is needed to run the best practices of farm management involving goats. A study done by Abdul Hadi and Mustafa (2011) demonstrated a goat farm located at Tanah Merah, Kelantan that implements good farm management. In the farm, goats are being located in a conducive environment due to good hygiene practices. The cleanliness of the field is commended. The goats manure is being sell as fertilizer, which becomes an additional income for farmers. It is not impossible for farmers to practice good farm management as the demand is there.

Conclusions

Livestock is an important industry in the agricultural sector in Malaysia despite of its long time non-resolved issues and challenges. Government interventions are needed, especially in Research and Development (R&D) activities because it requires large investments.

There are still several unsolved matters that still need government interventions. Policies regarding livestock should be spell-out clearly. There must be a clear target on what to obtain from the policy. For instance, the goat meat industry in Malaysia is lagging behind the other meat sub-sectors, therefore, the gap between production and consumption are growing wider (Kaur, 2010). Developing countries perceived goats as a small scale business, and consequently goat products seldom enter a formal marketing system. For these reasons, goats are accorded a low status and given a low priority in national development in most Asian countries (FFTC Annual Report, 2008). However, from this paper, we could see that each sub-sector in agriculture contributes to the GDP and the economic growth of the country. Therefore, having good agricultural policies is essential to develop the sector.

Although the agricultural policies in New Zealand are tailored according to their land, people and culture, it is worthwhile to study, understand and apply the best practices that we could learn from. The concerns regarding the role of farmers, Halal recognition and animal safety are potential issues that could be further explored.

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University of California.


