

Empowering Smallholder Farmers Initiatives and Policies in Malaysia

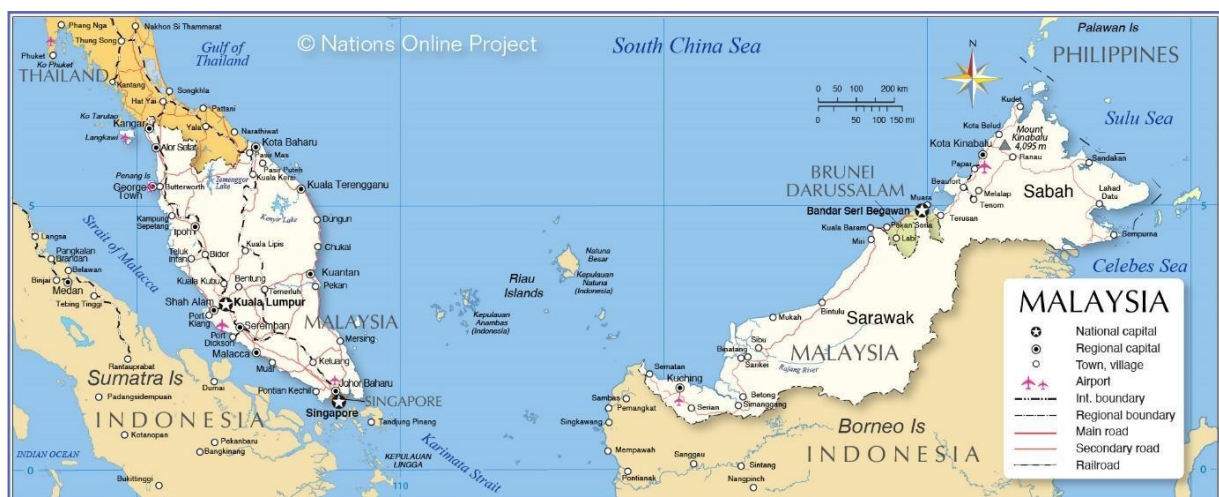
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Introduction

Malaysia is a federal constitutional monarchy nation located in Southeast Asia that made up of three federal territories and thirteen states, totaling 329,847 square kilometers. Malaysia is separated by the South China Sea, which divides into two land areas such as West Malaysia and East Malaysia. Previously known as Malaya, Malaysia received its independence from the British on 31st August 1957. Despite Malaysia's aims to become a developed nation through the service sector, manufacturing, and mining, agriculture is still an important sector as it supplies food and creates employment, especially for rural citizens (Dardak, 2015).

A smallholder refers to an individual or family who owns or manages a small area of land for agricultural purposes, typically with limited resources. They are often engaged in cultivating crops or raising livestock on a small scale (*Smallholder*, 2024). Since smallholders continue to be the backbone of the agriculture industry, their economic situation is a shared worry throughout most of the developing globe. Smallholders' role, particularly in the palm oil industry, has allowed it to emerge as the leading global exporter of palm oil. The region in Malaysia has simultaneously changed due to its success. The government-industry collaboration was adaptable and responsive, which was a major factor in the region's transformation's success (Ali et al., 2018).

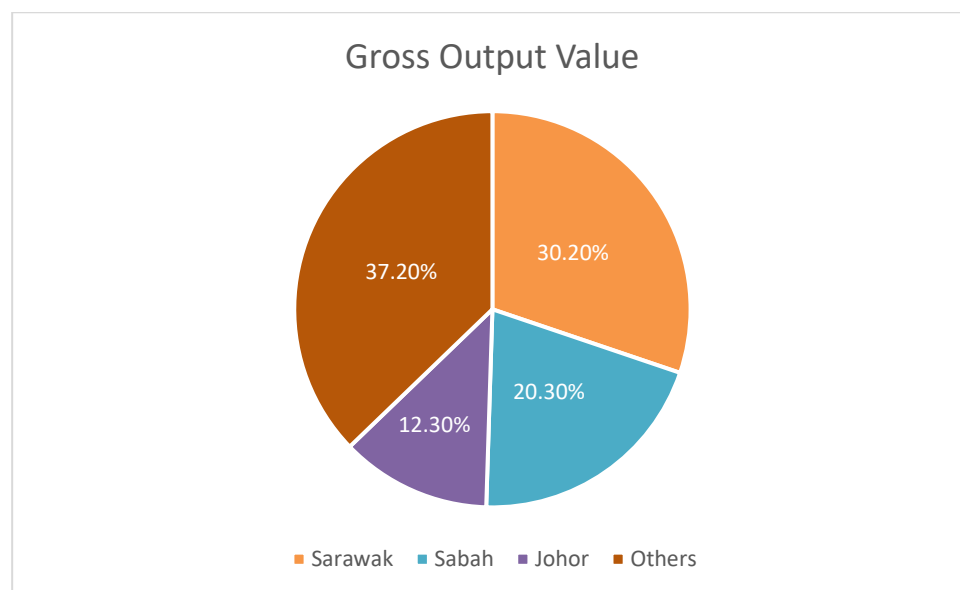


Malaysia Map¹

¹ See https://www.nationsonline.org/oneworld/map/malaysia_map.htm

Annual Economic Statistics (AES)

The Annual Economic Statistics (AES) Agriculture Sector for 2022 has displayed the performance of the economic sector consisting of 4 sub-sectors namely sub-sectors of crops, livestock, forestry logging and fisheries. Overall, the value of gross output for the agriculture sector increased from RM82.2 billion in 2020 to reach RM101.3 billion in 2021, with a growth rate of 23.2 percent. The three main states that contributed to the gross output value for the agriculture sector were Sarawak with 30.2 percent, Sabah (20.3%) and Johor (12.3%) (*Department of Statistics Malaysia Official Portal, 2023*).



Gross output value for the agriculture sector in Malaysia for 2022²

The National Agricultural Policy (NAP): NAP 1 1984-1991, NAP 2 1992-1997, NAP 3 1998-2010,

The National Agricultural Policies (NAP) spanning from NAP 1 (1984-1991) NAP 2 1992-1997 and NAP 3 1998-2010, represent a significant governmental effort in Malaysia aimed at bolstering the national economy, fostering the agricultural sector growth and enhancing food quality. Formulated by the Malaysia federal government and implemented by the Ministry of Agriculture, these policies underscored the importance of small farmers and smallholders in the agricultural landscape, recognizing their vital role in sustaining the nation's food security and economic development.

² Annual Economic Statistics (AES) Agriculture Sector 2022, Department of Statistics Malaysia, Official Portal https://v1.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=468&bul_id=R3BCR0FTUThWZm9VQUxzYzJERIRBZz09&menu_id=Z0VTZGU1UHBUT1VJMFlpaXRROxpdz09

Small farmers referred, in particular, to tenants, informal tenants such as sharecroppers, landless agricultural labourers and small owner-operators³. Within these policies, initiatives were introduced to support and empower small-scale agricultural producers, including provisions for access to resources such as land, technology, and financial assistance. As well, efforts were made to ensure the sustainability of agricultural practices while adhering to Islamic principles such as avoiding wastage (*al-israf*) and promoting equitable distribution (*awlawiyah*) to improve food quality and national income. These initiatives not only aimed at enhancing agricultural productivity but also emphasized the welfare and development of small farmers in alignment with Islamic values (Mohd Borhanuddin et al., 2019).

Deep Dive on the National Agricultural Policy (NAP) 1

The agricultural policies and initiatives for small farmers or smallholders in Malaysia, particularly under the First National Agriculture Policy aimed at developing the agricultural sector with a focus on maximizing income through efficient resource utilization. This initiative emphasized the involvement and investment of the private sector to reduce subsidies, promote commercialization through group farming and continue on-site development. Despite facing criticisms for being late and like previous agricultural policies, DPN 1 strived to address challenges faced by the agricultural sector, including its declining contribution to the nation's GDP and its role in poverty reduction among farmers. Strategies such as land restructuring, effective technology adoption, improvement of agricultural services and infrastructure, subsidy allocation, and intensive pricing were implemented to achieve the policy objectives of maximizing agricultural income and its contribution to overall economic development.

The New Economic Policy (NEP), introduced by Malaysia's second Prime Minister, Tun Abdul Razak, aimed to eradicate poverty and restructure society from the Second Malaysia Plan (1971-1975) to the Eighth Malaysia Plan (1986-1998). Governed by the federal government, DEB focused on land reform concepts, including agricultural land ownership, redistribution, communal farming programs, and cooperative development. It collaborated with subsequent agricultural policies like NAP 1 to address issues such as idle agricultural land, poverty alleviation, and income distribution in rural areas. DEB evolved from initially targeting poverty eradication to incorporating measures to address agricultural land issues, reflecting a holistic approach to rural development in Malaysia influenced by Islamic values (Mohd Borhanuddin et al., 2019).

³ The small farm scenario <https://www.fao.org/3/t0757e/T0757E02.ht>

The National Agri-Food Policy (2011-2020) and the National Commodity Policy (2011-2020)

The agricultural sector holds a crucial role in Malaysia's economy, contributing significantly to national income, export earnings and employment opportunities. It serves as the primary provider of food and raw materials for resource-based industries, highlighting its importance in ensuring food security and supporting industrial activities. Realizing the sector's significance, the government has continuously implemented adjustment measures to enhance its competitiveness, enabling it to confront new challenges both domestically and internationally. Initiatives such as the National Agri- Food Policy and the National Commodity Policy reflect the government's commitment to promoting the growth and sustainability of the agricultural sector while ensuring the welfare and development of small farmers and smallholders.

Both policies outline specific objectives aimed at improving the livelihoods of small farmers and smallholders in Malaysia. These policies seek to ensure sufficient and safe food supply, enhance the sustainability of the agri-food industry and increase the income levels of agricultural entrepreneurs. By focusing on modernization, these policies aim to uplift small-scale farmers by providing them with opportunities for growth and development. Initiatives to promote research and development (R&D), farming technology and processing methods aim to position Malaysia as a Centre of Excellence in the agricultural sector, through access to innovative practices as well as technologies that can enhance productivity and income levels (*Agriculture | Official Portal of Ministry of Economy*, 2024). During the implementation of the policies, the agricultural sector recorded 2.4% growth in the first half of the program period, and in general, 17 out of 32 commodities recorded a self-sufficiency ratio (SSR) of more than 100%, such as fruits and vegetables, which indicated that the production of the commodities is sufficient to meet domestic needs (Dardak, 2018).

The Development Plan for Agriculture (DPN3)

The Development Plan for Agriculture (DPN3) in Malaysia outlines strategic initiatives and policies aimed at empowering small farmers or smallholders in the agricultural sector. One of the key objectives of DPN3 is to maximize income through the optimal use of resources in the sector, including maximizing the contribution of agriculture to the Gross Domestic Product (GDP), export income and the income of farmers, livestock rearing and fishermen. The plan emphasizes enhancing food security, increasing productivity, strengthening linkages with other sectors, and creating new growth opportunities for agriculture.

To achieve these objectives, DPN3 introduces two new strategic approaches:

- i. The agroforestry approach and the product-based approach. The agroforestry approach integrates agriculture and forestry activities, aiming to optimize resource utilization, create synergies between the two sectors, and generate additional income streams.
- ii. On the other hand, the product-based approach identifies key products and markets based on demand and consumer preferences, enabling targeted production strategies to meet market demands and increase agricultural value-added. These initiatives are crucial for supporting small farmers by providing them with diversified income sources, enhancing productivity, and improving market access, thus contributing to the overall development and sustainability of the agricultural sector in Malaysia (*Dasar Pertanian Negara Ketiga (DPN3) - FAMA, 2024*).

The "Dasar Agromakanan Negara 2021-2030" (DAN 2.0)

DAN 2.0 reflects a robust commitment to empowering small farmers and smallholders in Malaysia's agricultural sector through a comprehensive set of initiatives and policies. Recognizes the vital role of smallholders in ensuring national food security and aims to address their needs through targeted interventions. One of the key initiatives outlined in DAN 2.0 is the provision of technical support and capacity-building programs tailored specifically to smallholders by enhancing their skills and knowledge in modern agricultural practices, including sustainable farming techniques and efficient resource management. It emphasizes the importance of improving smallholders' access to financial resources, including credit facilities and insurance schemes, to support their investments in agriculture and mitigate risks associated with farming activities. By providing the necessary support, DAN 2.0 seeks to empower these farmers to enhance their productivity, livelihoods and overall contribution to the agricultural sector (Malaysia, 2021).

Challenges on the Initiate and Policy implemented, such as NAP 3 for Small Scale Farmers' Initiatives through Contract Farming

The Contract Farming (CF) initiated by the Federal Agricultural Marketing Authority (FAMA) under Malaysia's third National Agriculture Policies aimed to boost commercialization and production among small-scale farmers. However, it faced challenges with participants struggled to consistently produce to FAMA due to low pricing and rising maintenance costs together with stringent regulations regarding produce quality and quantity. Overall, the CF program as implemented by FAMA has encountered obstacles and give their best to uplift Malay small-scale farmers.

Despite the challenges, contract farming remains a promising strategy to address the needs of small farmers in Malaysia. Contract farming fosters partnerships between smallholders and agribusinesses, enabling market participation, technology adoption and income generation, but policymakers must ensure equitable implementation with safeguards to protect smallholders' interests and mitigate associated risks. This underscores the importance of policies and initiatives tailored to the needs of small farmers to promote inclusive growth, sustainable agriculture and rural development in Malaysia (Buang et al., 2010).

Challenges to the Sustainability of Farming Issues for Smallholders in Malaysia

As one of the largest palm oil producers, together with its neighbor country, Indonesia, Malaysia is facing an enormous challenge as the European Union is planning to impose the EUDR (European Union's Deforestation Regulation), which becomes applicable on Dec 30 (Zaikariah, 2024). This EUDR is aiming to support partner countries in transitioning to sustainable, deforestation-free, and legal agricultural value chains. Indonesia and Malaysia account for 85% of global palm oil exports and would be heavily impacted by the EUDR (Jong, 2023). It will become mandatory for the exporters to the EU region to verify that there is no deforestation involved and proof that they have adhered to strict sustainability standards. In response to the EUDR, the Plantation and Commodities Ministry of Malaysia has taken some actions including the consolidation of independent palm oil smallholders to manage land more effectively and efficiently as well as filling a petition to the European Union to protest the new regulation which will be imposed at the end of this year (Reuters, 2023).

Conclusion

In conclusion, the initiatives and policies aimed at empowering small farmers and smallholders in Malaysia have played a pivotal role in enhancing the agricultural sector's resilience and sustainability. From the National Agricultural Policies to the more recent National Agri-Food Policy and the DPN3, these strategies have underscored the importance of smallholders in ensuring food security, poverty reduction and economic development. By providing access to resources, technology and financial assistance, these policies have sought to uplift small-scale farmers, enabling them to improve productivity, income levels and overall livelihoods. Challenges such as those encountered in the CF program under NAP 3, highlight the need for continuous evaluation and refinement of policies to address the evolving needs and realities faced by smallholders.

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