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MAINSTREAMING COOPERATIVES IN THE AGRIBUSINESS SECTOR

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Agriculture in Malaysia

- Agriculture is an important sector in Malaysia. For many years, this sector has been the backbone of Malaysian economy by producing agricultural products for domestic consumption.
- It provides major employment for the people, especially from the rural areas. In 2013, this sector employs more than 1.3 million people or 10.8% of the total employment in Malaysia (Economic Planning Unit).

Agriculture in Malaysia

- The contribution of agriculture in Malaysia's economy has increased from RM51.3 billion in 2010 to RM54.8 billion in 2012, RM56.3 billion (2013) and forecasted to further increase to RM58.0 billion (2014).
- Despite an increase in absolute value, the percentage share of the agricultural sector in Gross Domestic Products (GDP) is declining.
- The share of the agricultural sector in GDP has declined from 7.58% in 2010 to 7.29 (2012), 7.16% (2013) and around 7.0% in 2014 (Economic Planning Unit).

Co-operatives in Malaysia

- All co-operatives are under the auspices of the Malaysia Co-operative Society Commission (MCSC), a government agency responsible for the establishment, development and supervision of co-operatives and for implementing the rules and regulations regarding the movement as a whole.
- The co-operative movement is under the purview of the Ministry of Domestic Trade, Co-operatives and Consumerism (KPDNKK).
- This movement supported by the government from time to time with the implementation of the National Co-operative Policy (NCP) 2002-2010 and NCP 2011-2020.

Co-operatives in Malaysia

- At present, the co-operative movement in Malaysia is recognised as the third engine of growth national development, together with the public and private sectors.
- The government is committed in supporting and assisting co-operatives as evident by the amount of both financial and non-financial resources allocated to the movement directly and indirectly through the country's various development programmes.

Co-operatives in Malaysia

(as at 31 Disember 2014)

NO.	FUNCTION/ SECTOR	NO. OF COOPS	NO. OF MEMBERS	SHARES (RM MILLION)	ASSETS (RM MILLION)	TURNOVER (RM MILLION)
1	BANKING	2	993,593	3,316.28	90,632.63	6,093.65
2	CREDIT	597	1,338,057	5,606.84	11,945.73	1,878.66
3	AGRICULTURE	2,547	744,406	604.85	2,449.57	2,823.06
	school coops	6	457	0.01	0.08	0.07
4	HOUSING	217	154,944	218.42	1,032.35	530.45
5	INDUSTRIAL	253	18,155	11.04	78.77	35.97
6	CONSUMER	2,609	607,967	312.15	1,369.22	804.85
	school coops	2,307	2,140,193	23.72	284.75	321.90
7	CONSTRUCTION	196	130,614	59.61	414.23	87.47
8	TRANSPORTATION	460	149,273	67.18	323.30	700.67
9	SERVICES	2,677	1,131,888	3,247.96	8,257.06	21,674.21
	TOTAL	11,871	7,409,547	13,468.06	116,787.70	34,950.98

Source: Malaysia Co-operative Societies Commission (MCSC)

Co-operatives in Malaysia

(as at 31 Disember 2014)

- Numbers of co-operatives – 11,871 coops
- Numbers of members – 7,409,547 members
- Total shares - RM13.47 billion (USD3.26 billion)
- Total assets – RM116.79 billion (USD28.24 billion)
- Total turnover – RM34.95 billion (USD8.45 billion)

Target in year 2020 (National Co-operative Policy 2011-2020):

- Total turnover - RM50 billion (USD12.09 billion)

Agriculture Co-operatives in Malaysia

- There are 21.5% (2,547) co-operatives registered as an agricultural co-operatives, with a 10% (744,406) members out of total membership in Malaysia (as at 31 December 2014).
- Total shares - 4.5% (RM605 million)
- Total assets – 2.1% (RM2.5 billion)
- Total turnover – 8.1% (RM2.8 billion)

Agriculture Co-operatives in Malaysia

- Before the advent of co-operatives, farmers used to obtain loans from individual lenders at excessively high interest rates, putting the farmer into indebtedness.
- Consequently, the early establishment of co-operatives was to provide a source of financing to members who were invariably farmers and market their farm produce.

Agriculture Co-operatives in Malaysia

- During the 1970s in Malaysia, the co-operatives involved in agricultural activities were supervised by various agencies.
- Among these were *Lembaga Pertubuhan Peladang* (Farmers Organisation) (LPP), *Lembaga Kemajuan Ikan Malaysia* (Fisheries Development Authority) (LKIM), Federal Land Development Authority (FELDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA) and Rubber Industry Smallholders Development Authority (RISDA) (Noor Zeeta & Haslinda, 2012).
- Now, all co-operatives are under the auspices of the Malaysia Co-operative Society Commission (MCSC).

Agriculture Co-operatives in Malaysia

- Although many co-operatives registered as agricultural co-operatives, only part of these co-operatives are actively involved directly or indirectly in agricultural, agro-based industry and plantation activities.
- This co-operatives is carry out various process such as selling, purchasing and services of agricultural commodities, which includes value chain activities for integrated farm, nursery, agricultural inputs, transportation (logistics), production, processing and marketing.

Agriculture Co-operatives in Malaysia

- For agricultural co-operatives are inclined towards marketing activities, the co-operatives use collection centres where members' produce are brought in, sorted and graded, and later sold in bulk.
- The advantages of bulk selling through co-operatives collection centres include reduced marketing risk, the establishment of a systematic marketing programme, and the attainment of economies of scale in marketing operation (Noor Zeeta & Haslinda, 2012).

Agriculture Co-operatives in Malaysia

- By way of bulk marketing, co-operatives are able to lower the selling price of its products below prevailing market price because of lower operation cost, thereby generating more profit for members. This is untenable under the middlemen system (Noor Zeeta & Haslinda, 2012).
- Co-operatives are essential in the development of the agricultural sector with respect to farmers and small and medium-scale entrepreneurs.

Agriculture Co-operatives in Malaysia

- The agriculture and agro based industry co-operatives have involved in various types of activities such as plants and selling vegetables, fruits, fisheries, aquaculture, livestock, commodity, seeding, breeding, agricultural input supply and livestock food.
- The plantation commodities consist of oil palm, rubber, cocoa, pepper, tobacco and kenaf.
- Total turnover of co-operatives from agriculture and agro based activities reached RM596 million and RM338 million for plantation activities (as at 31 December 2014).

Statistical data for co-operatives actively involved **agricultural and agro based** activities

No.	Activities	Number of Co-operatives	Turnover (RM)
1	Vegetables and Fruits	312	100 million
2	Fisheries and Aquaculture	20	174,000
3	Livestock	358	25.08 million
4	Commodity	115	419.56 million
5	Seeding and Breeding	3	250,000
6	Agricultural Input Supply	30	51.3 million
7	Livestock Food	1	362,500
	Total	839	596,726,500

Source: Malaysia Co-operative Societies Commission (MCSC)

Statistical data for co-operatives actively involved **plantation** activities

No.	Activities	Number of Co-operatives	Turnover (RM)
1	Agricultural Input Supply	22	26.39 million
2	Farm management	93	311.02 million
3	Palm Nursery	7	1.55 million
	Total	122	338.96 million

Source: Malaysia Co-operative Societies Commission (MCSC)

Promoting the Implementation of Agribusiness Sector to Co-operatives Movement in Malaysia



- National Co-operative Policy (NCP) 2011–2020
- Role of Government Agencies

National Co-operative Policy 2011–2020

- National Co-operative Policy (NCP) 2011–2020 was extended from previous NCP (2002 – 2010).
- This policy was implemented through programmes which included business development, access to financial resources, inculcation of entrepreneurial culture and enhancing the laws regulation and supervision of co-operatives.
- The impact of the programmes implemented can be seen in the increased growth of the co-operatives movement, well-being of the co-operative community and its contribution towards national development.

National Co-operative Policy 2011–2020

- From a macro perspective, this policy aims to transform the co-operative movement into an effective contributor towards national development.
- From the micro perspective, co-operative should become a generator of economic growth and competitive business entity in areas where it is strong.
- In implementing the above policy, focus is given on the Economic Activity Result Areas, namely Financial Services, Wholesale and Retail, Tourism, Health care, Agriculture and Plantation.

National Co-operative Policy 2011–2020

- Although the Services Sector is expected to contribute significantly to the economic development of the nation, agricultural and plantation activities are still vital in determining the efficient and optimal utilization of available resources, thereby assuring adequate food supply.
- Co-operatives are encouraged to participate in high value agriculture activities and operate on large-scale basis with the application of modern technology for increased results.

National Co-operative Policy 2011–2020

- The five strategic thrusts for the development of co-operatives under the NCP 2011-2020 as follows:
 - Strategic thrust I - Stimulate participation of co-operatives in high value economic sector
 - Strategic thrust II - Strengthen the capacity and capability of co-operatives
 - Strategic thrust III - Create and develop the capability of human capital in co-operatives
 - Strategic thrust IV - Improve public confidence in the co-operative movement
 - Strategic thrust V - Strengthen co-operatives through effective supervision and enforcement

Role of Government Agencies

- Related government agencies such as Malaysia Co-operative Societies Commission (MCSC) and Co-operative College of Malaysia (CCM) play their roles to achieve the development of co-operatives involved in the agricultural sector in Malaysia.
- The implementation is based on the five established strategic thrusts and assigned to specific divisions in MCSC and CCM.
- Strategic thrusts I, II, IV and V are implemented by MCSC, while strategic thrusts III is implemented by CCM.

Role of Government Agencies

- For each of the strategic thrusts, will be established a working committee to ensure programs and activities are implemented.
- In addition, Malaysian National Co-operative Movement (ANGKASA) as the apex body for co-operative movement in Malaysia, is also has been entrusted with the responsibility for consolidating the co-operatives for implementation of the programs drawn up the NCP 2011-2020.

Other National Policy related to Agribusiness Sectors in Malaysia

- The National Agrofood Policy (NAP) 2011-2020
- It will be a reference and guideline in the transformation of national agrofood industry to strengthened and increase the contribution to the national economy.
- NAP 2011-2020 initiated by Ministry of Agriculture and Agro-based Industry (MOA).

National Agrofood Policy 2011-2020

The main objectives the NAP 2011-2020 are:

- to ensure adequate food security that is safe to eat.
- to make agrofood industry as a competitive and sustainable industry.
- to increase agro based entrepreneur's level of income.

Agrofood Industry

- Agri-food is defined as agriculture-based food product.
- The agri-food industry is very significant to the economic development of Malaysia. This industry contributes to the country's food supply, provides job opportunities and leads to higher income for the target group.
- In the computation of GDP, the contribution of the agri-food industry is placed under the agricultural sector.

Studies on Involvement of Agricultural Co-operatives in Malaysia Agri-Food Industry

- The results of the study by Noor Zeeta et al. (2012), the involvement of agricultural co-operative in agri-food industry in Malaysia is still on a small scale.
- This study show that the majority of the co-operatives involved in agri-food activities are under the micro category in terms of size with capital and asset totalling less than RM500,000 each.
- About 40% have an annual turnover of less than RM200,000 each.

Studies on Involvement of Agricultural Co-operatives in Malaysia Agri-Food Industry

- ❑ The majority of the co-operatives are producers of agri-food, concentrating on traditional products and not having capitalized on the opportunities to go into the supply chain as well.
- ❑ The study also shows that utilization of technology in the operation process is deemed vital, besides other important production factors like supply, labour and capital.
- ❑ The biggest challenge faced by agricultural co-operatives is capital constraint. The business capacity of co-operatives is thus limited due to a lack of funds, land, agricultural input, automation and technologies.

Studies on Involvement of Agricultural Co-operatives in Malaysia Agri-Food Industry

- This industry offers tremendous opportunities for the farmer and agricultural co-operatives.
- It must be emphasized that technology and human resource is the key to the success of agri-food production, and agricultural co-operatives venturing into it must take cognizance of this fact.

Issues and Challenges in Agribusiness Sector

- An aging factor and migration of labour force from agriculture to non-agricultural sector has led to labour shortages in the agriculture sector. Labour shortage had lead to dependent on foreign labour.
- Increase in production cost, which is contributed by the increase of wages, the price of agricultural inputs and capital cost.

Issues and Challenges in Agribusiness Sector

- Land resources suitable for agriculture are getting scarce. This is because much of the land once utilized for agriculture had been converted for other more profitable use.
- Lack of infrastructure, using traditional and semi-commercial technology often led to inefficient operations affecting productivity and low competitiveness.

Issues and Challenges in Agribusiness Sector

- Weak food supply chain of agribusiness sector. Very little integration between food production and downstream food chain activities resulting inefficient market.
- Exposed to the risk of disease and pest.
- Less effective of management and leadership in agribusiness activities.
- Less participation of co-operatives members in the agriculture activities.

Direction and Strategy Implementation

- Intensify land use by introducing integrated farming systems that maximise land use. Integrated farming may be promoted by incorporating short and medium-term cash crops and livestock rearing during the immature stage of perennial crops.
- For example, oil palm smallholders could benefit from planting crops such as bananas, water melons and pineapples, which are suitable to be cultivated during the immature stage of oil palm growth. Livestock that are suitable for integration into oil palm farms are cattle, sheep and goats.

Direction and Strategy Implementation

- The use of fertigation and hydroponic systems under greenhouses for high-value fruits and vegetables is another potential intensive farming system that can substantially increase crop yield and farmers' incomes. Productivity is also boosted by the more efficient use of water, fertilizer and labour. However, both systems require significant capital investment.
- Strengthening the supply chain and marketing through domination of value chain in the agribusiness co-operatives by increasing the number of distribution centre (DC), sub-DC, COOP shops, COOP supermarkets, franchises and virtual mall.

Direction and Strategy Implementation

- Increase the centre of collection for co-operatives and members products.
- To encourage agricultural entrepreneurs to establish agricultural co-operatives.
- Promote existing co-operatives suitable to carry out agribusiness activities.
- Promote the existence of the consortium of agricultural co-operatives.
- Establishing co-operatives stores that supply agricultural inputs.

Direction and Strategy Implementation

- To provide financing sources to potential co-operatives for upgrading farm infrastructure.
- To ensure the use of quality seedlings.
- To encourage the participation of young farmers in the agribusiness industry and establish agricultural co-operatives.
- Establish strategic partnerships with relevant technical agencies.

Conclusion

- The changing economic and political climates facing the country and the world at large dictate that the agricultural co-operatives should move forward in tandem with these changes.
- The co-operative movement should reciprocate the government initiatives and support the country's drive towards becoming a developed and high income nation.



THANK YOU
TERIMA KASIH

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