



Agricultural Commodity Crops in Malaysia: The Covid-19 Transmission Channels, New Norms and Way Forward

by

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Talking Points in the International Webinar The Future Strategies of Estate Crops in the New Normal on the 16th July 2020, 9.00a.m Indonesia Time via Zoom Meeting



Outline of Sharing Session

1. Where Malaysia Stands in terms of Palm oil, Rubber, Cocoa & Coconut?
2. Agricultural Sector and its Transformation in Malaysia at Glance
3. Channel of Covid-19 Pandemic Transmissions on Palm Oil Industry: A Theoretical View
4. Channel of Covid-19 Pandemic Transmissions on Palm Oil Industry: Moving Forward with Future Strategies and New Norms
5. Conclusions



1. Where Malaysia Stands in terms of Palm oil, Rubber, Cocoa & Coconut? contd.

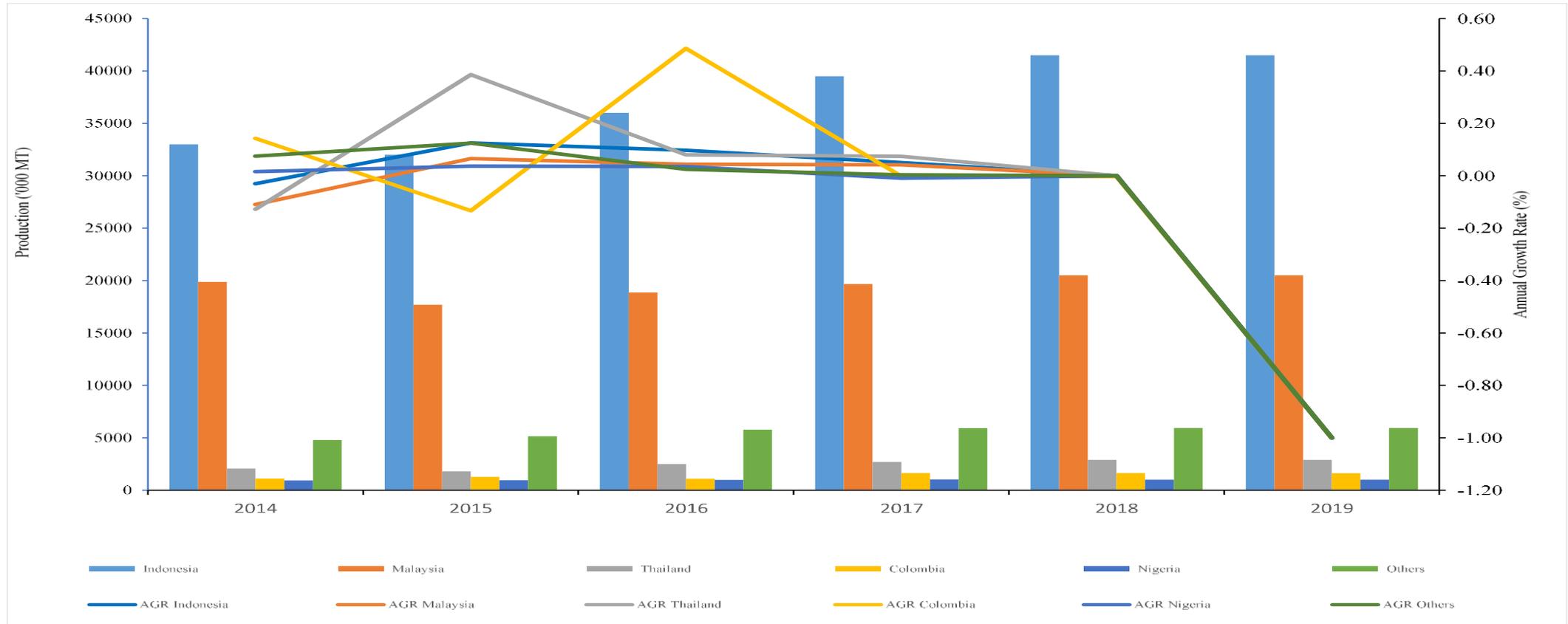


Figure 1: The Production and Annual Growth Rate (AGR) for the Major World Producers of Crude Palm Oil, 2014-2019

Data Source: USDA, 2019

- Indonesia has maintained its position as the highest producer of CPO in the world followed by Malaysia. Other top producers of CPO are Thailand, Colombia and Nigeria.



1. Where Malaysia Stands in terms of Palm oil, Rubber, Cocoa & Coconut? contd.

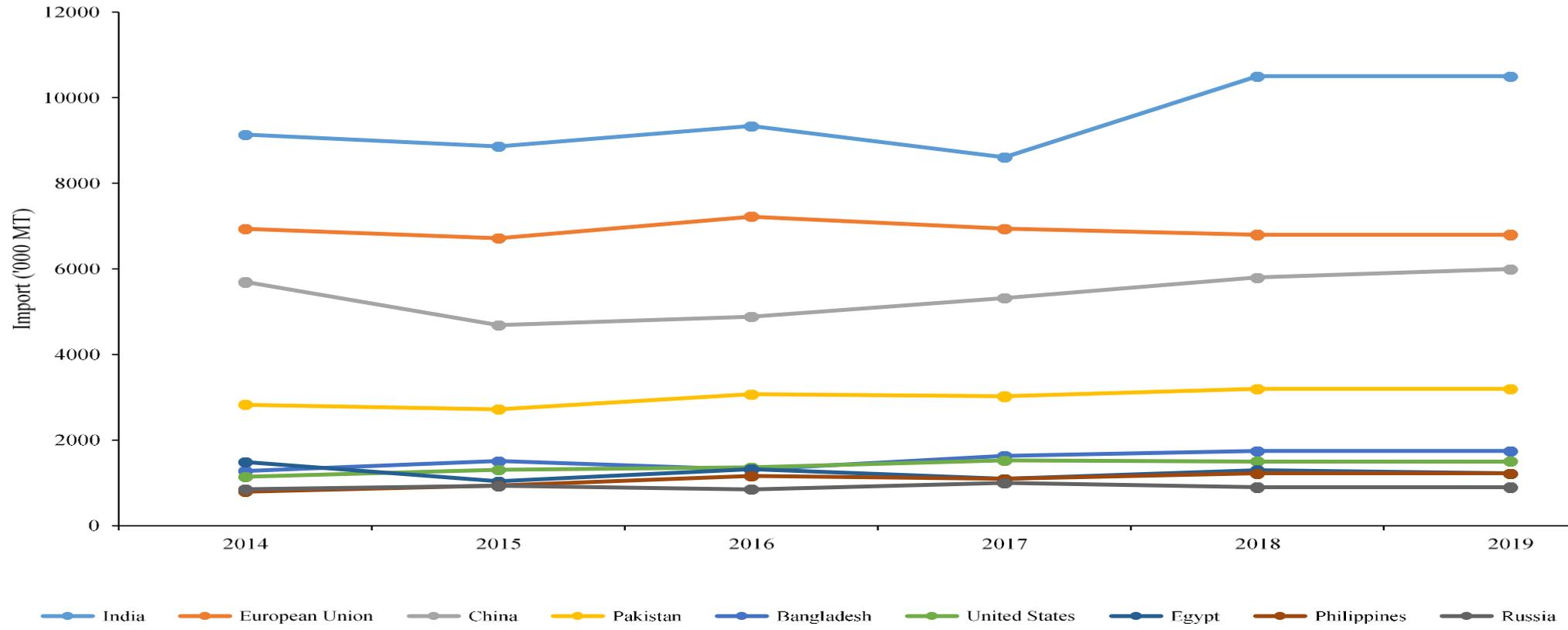


Figure 2: CPO Total Import Quantity by Major Countries, 2014-2019

Data Source: USDA, 2019

- Major importers of CPO are India, European Union, China, Pakistan, Bangladesh, USA, Phillipine, Russia and Egypt.



1. Where Malaysia Stands in terms of Palm oil, Rubber, Cocoa & Coconut?

contd.

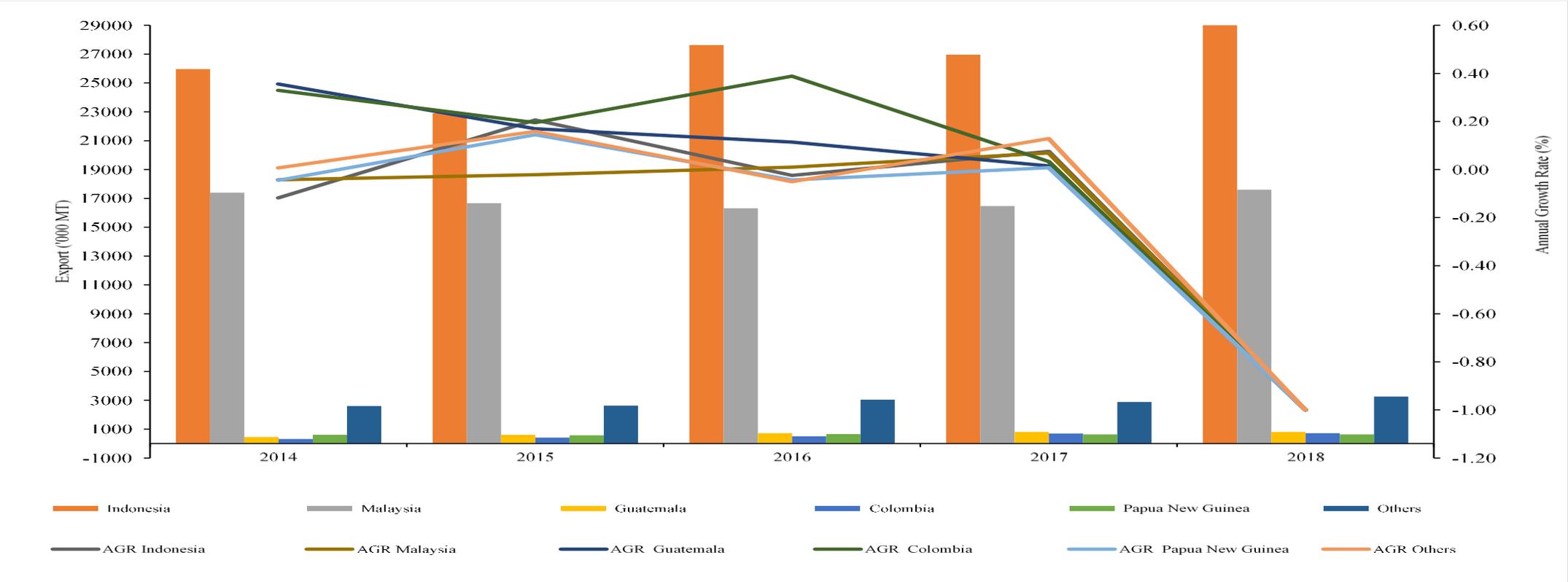


Figure 3: CPO Exports by Major Countries, 2014-2019

Data Source: USDA, 2019

- Indonesia remain as the highest exporter of CPO in the world followed by Malaysia.
- Other top exporters of CPO are Guatemala, Colombia and Papua New Guinea at the 3rd, 4th and

1. Where Malaysia Stands in terms of Palm oil, Rubber, Cocoa & Coconut? contd.

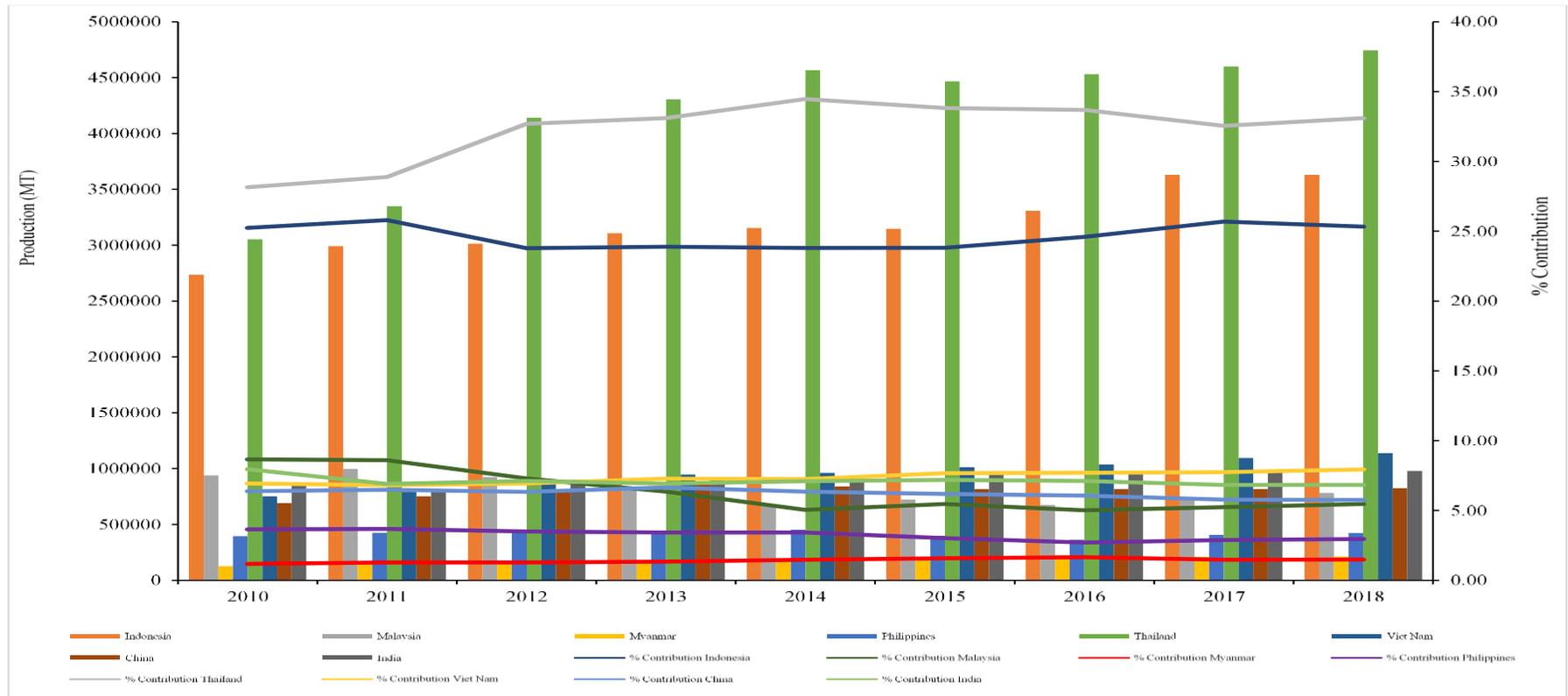


Figure 4: The Production and Annual Growth Rate (AGR) for the Major World Producers of Natural Rubber Production including Malaysia, 2010-2018

Data source: FAOSTAT

- Thailand has the largest production.
- Indonesia the second largest.
- Followed with Vietnam, India and China respectively.
- Then Malaysia stands at the 6th position as at 2018.



1. Where Malaysia Stands in terms of Palm oil, Rubber, Cocoa & Coconut? contd.

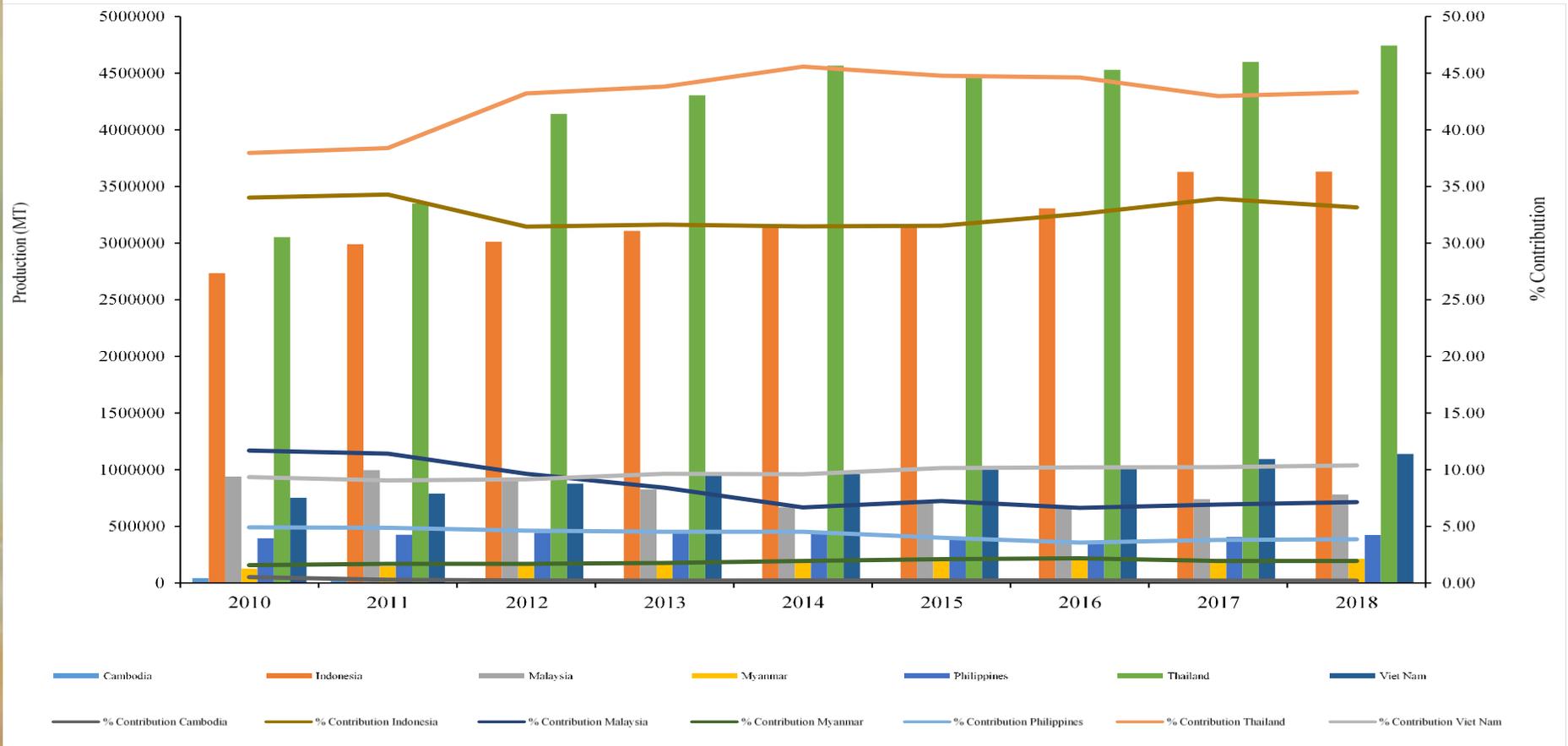


Figure 5: The Production and Annual Growth Rate (AGR) for the Major SEA Producers of Natural Rubber Production including Malaysia, 2010-2018

Data source: FAOSTAT

➤ Thailand, Indonesia, Vietnam, Malaysia, Philippine and Myanmar.



1. Where Malaysia Stands in terms of Palm oil, Rubber, Cocoa & Coconut? contd.

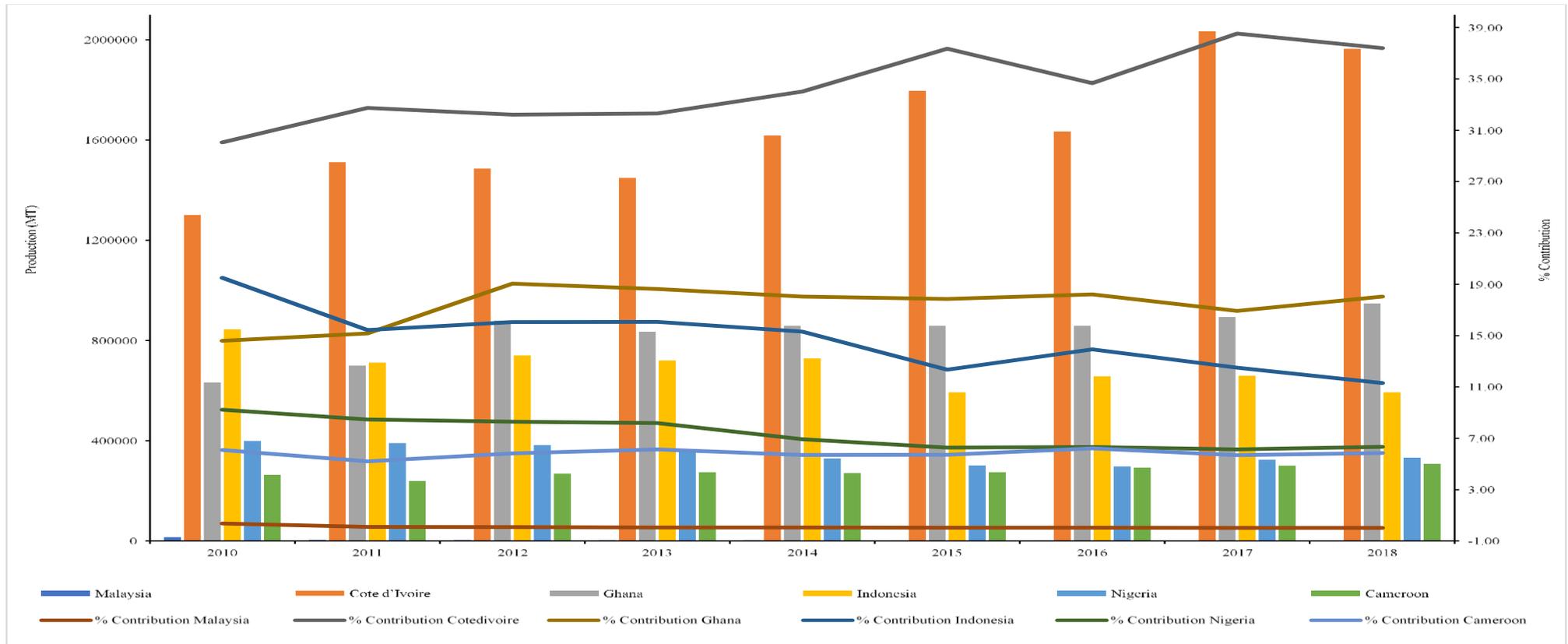


Figure 6: The Cocoa Production for the Major World Producers including Malaysia, 2014-2019

Source: FAOSTAT data.

- Cote d'Ivoire, Ghana, Indonesia, Nigeria and Cameroon
- Malaysia had contributed just a small fraction of about 0.03% to 0.36% within the period of 2010 to 2018.



1. Where Malaysia Stands in terms of Palm oil, Rubber, Cocoa & Coconut? contd.

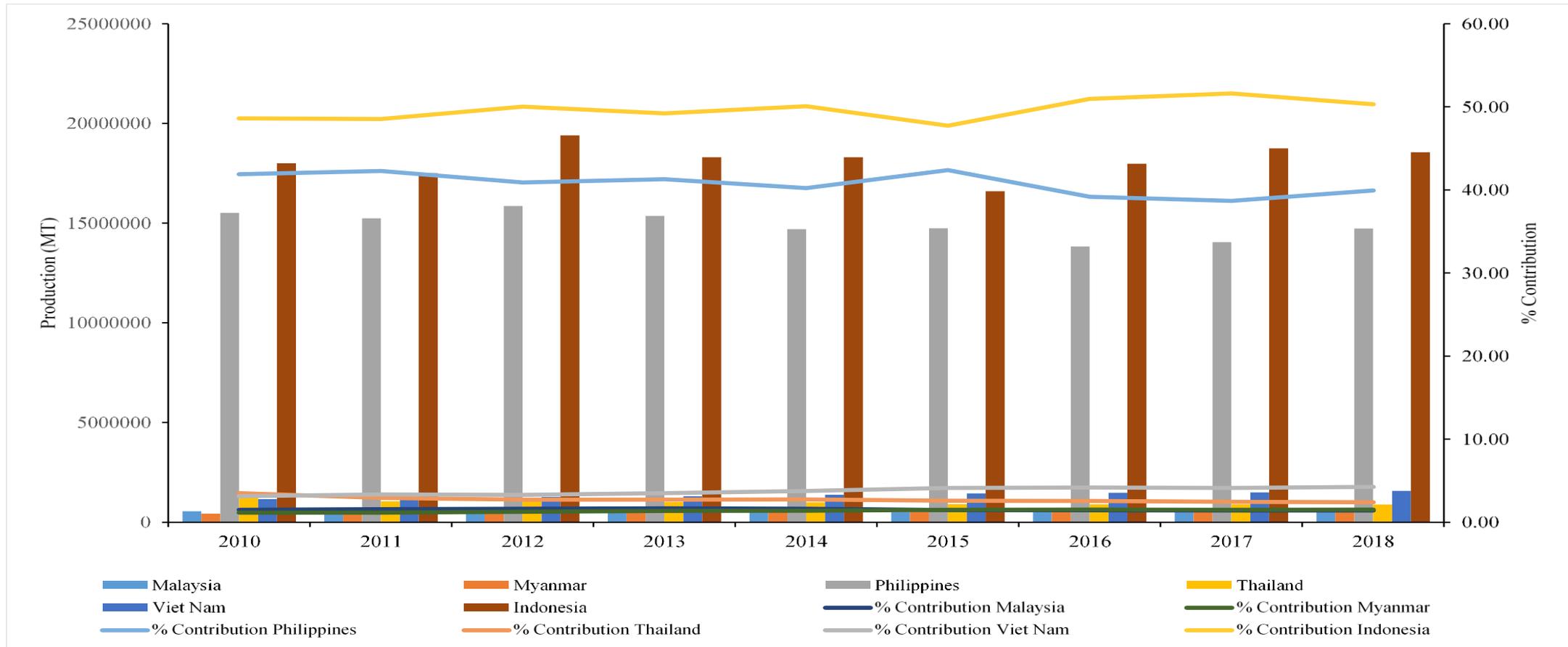


Figure South East Asia Producers of Coconut and % Contribution by Country

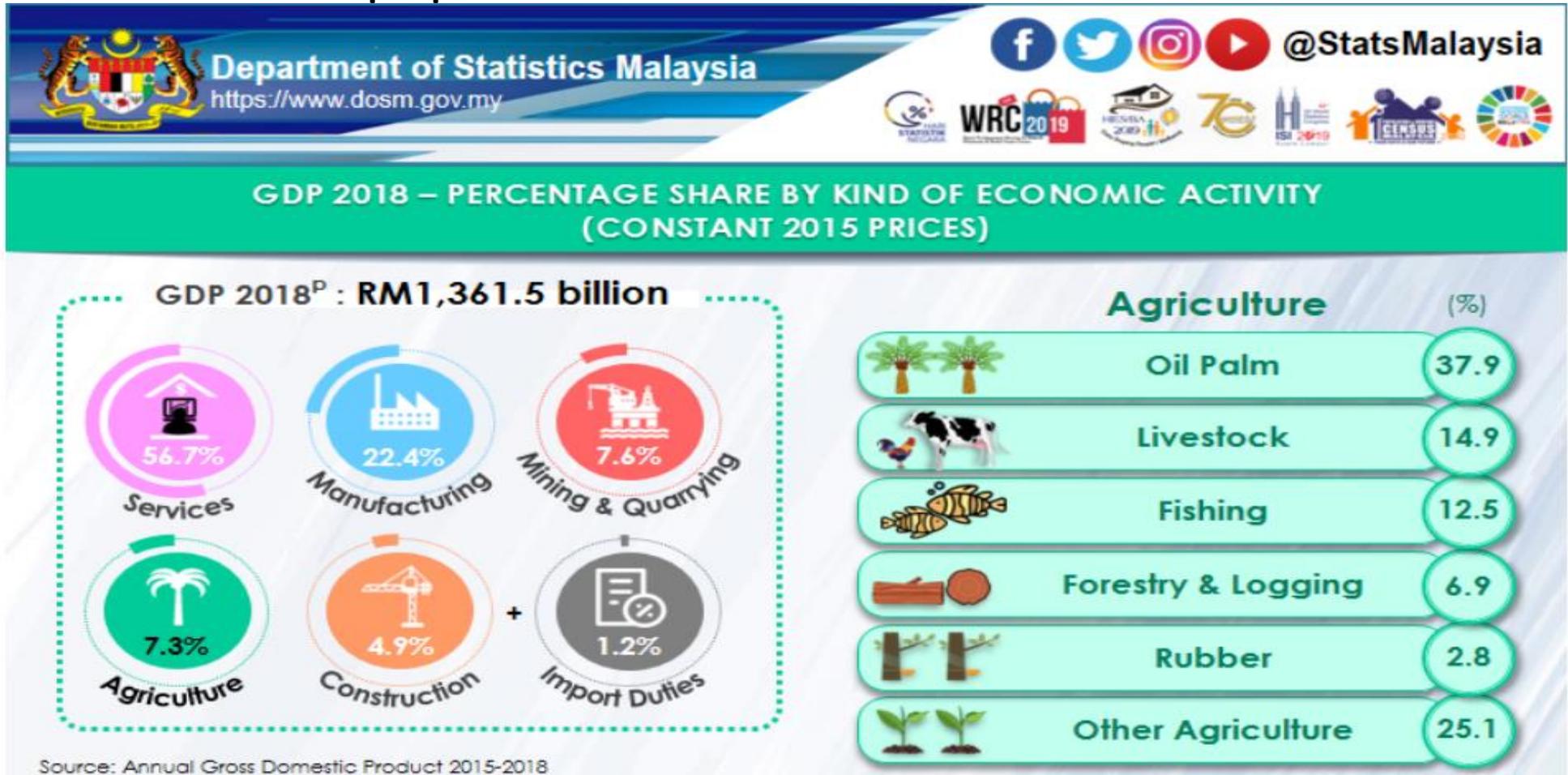
Source: FAOSTAT

➤ Indonesia, Philippine, Viet Nam, Thailand, Myanmar, and Malaysia (1.3%)



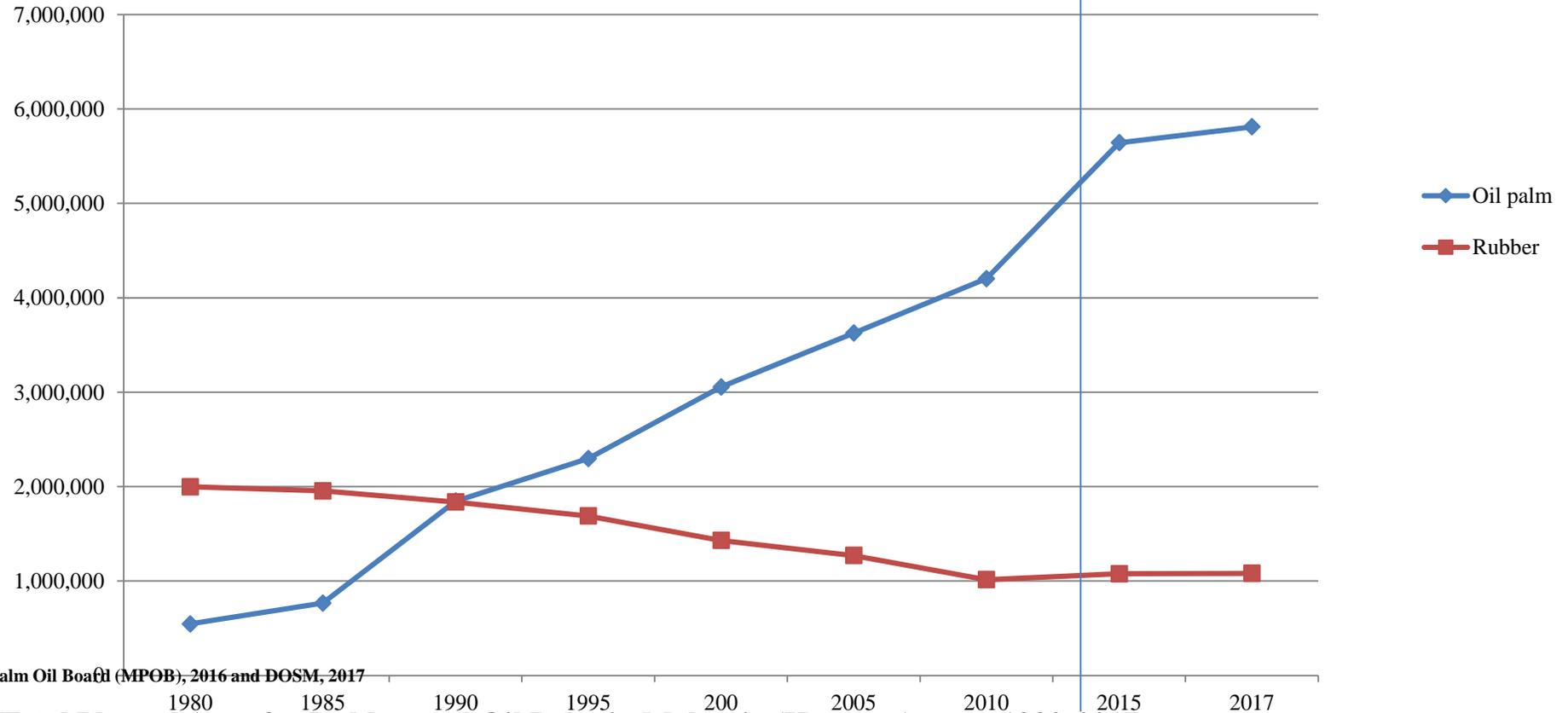
2. Agricultural Sector and it's Transformation in Malaysia at Glance contd.

➤ Agriculture remain as an important sector as a source of food, fibre and also fuel for the population.





2. Agricultural Sector and it's Transformation in Malaysia at Glance contd.



Source: Malaysian Palm Oil Board (MPOB), 2016 and DOSM, 2017

Figure 4: Total Planted Area for Rubber and Oil Palm in Malaysia (Hectares): year 1980-2017



2. Agricultural Sector and it's Transformation in Malaysia at Glance contd.

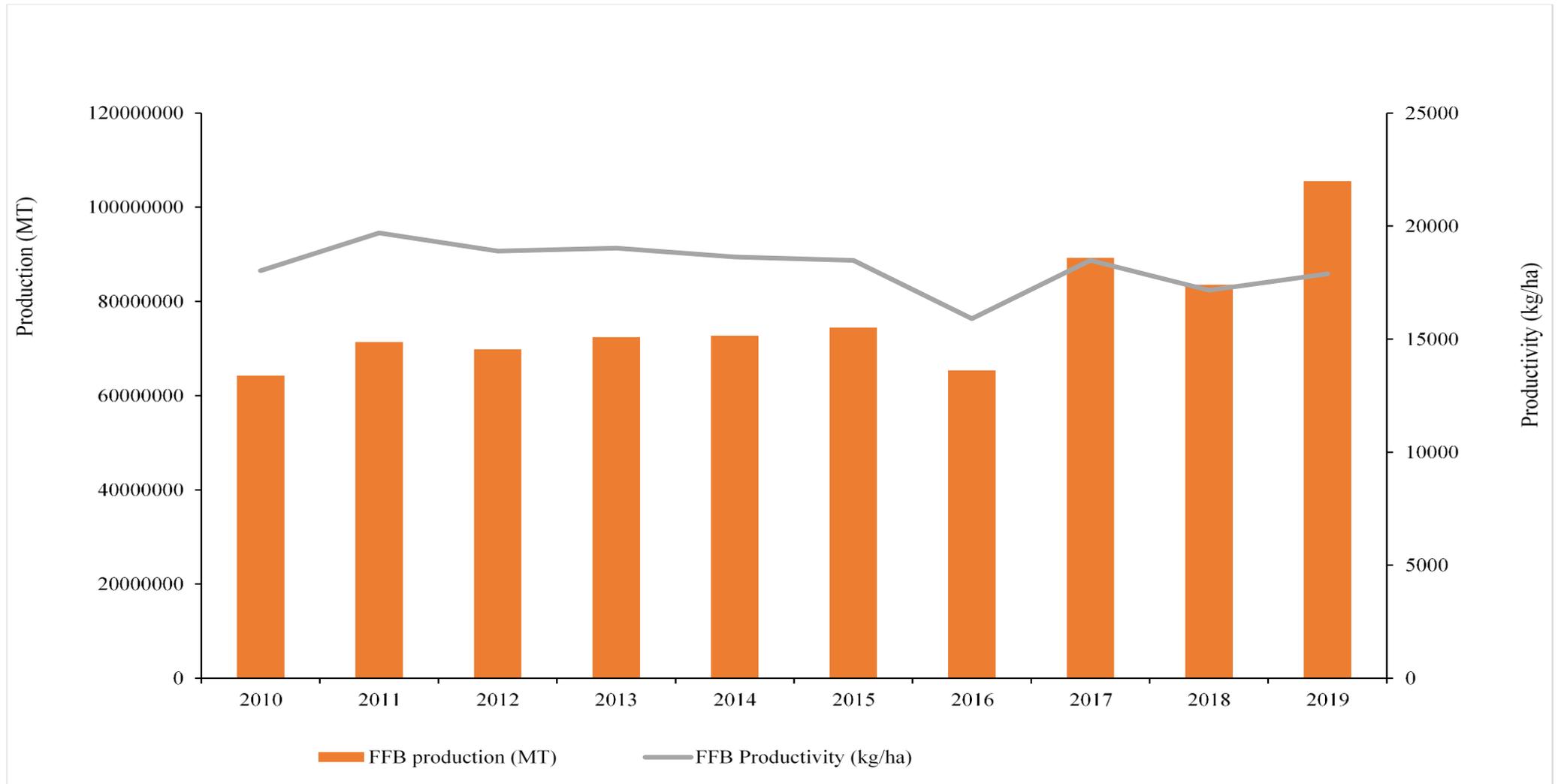


Figure 7: The Production and Productivity of FFB in Malaysia, 2010-2019



2. Agricultural Sector and it's Transformation in Malaysia at Glance contd.

Table 5: Planted Area of Main Crops by Type of Holdings in Malaysia, 2016

Crops	Estate*		Independent Smallholders		Total
	Size	%	Size	%	Size
Rubber	77.4	7.8	919.7	92.2	997.1
Oil palm	4,804	83.7	933.9	16.3	5,737.9
Coconut	4.6	5.4	80	94.6	84.6
Cocoa	0.9	5.2	16.5	94.8	17.4
Paddy	0	0.0	700.2	100.0	700.2
Total	4,886.9	64.8	2,650.3	35.2	7,537.2

Note: * including various government schemes

Source: Malaysia, 2016.



2. Agricultural Sector and it's Transformation in Malaysia at Glance contd.

Table 1: The Distribution of Oil Palm Planted Area in Malaysia by Category, 1980-2017 ('000 Hectares) and Percentage Shares (%)

Category	1980		1990		1995		2000		2005		2010		2015		2016		2017	
	Area	%	Area	%														
Private Estates	558	52	912	45	1,255	49	2,024	60	2,413	60	2,935	60	3,442	61	3,508	61	3,543	61
Government Schemes																		
FELDA	317	30	608	30	675	27	598	18	654	16	706	15	733	13	706	12	705	12
FELCRA	19	2	119	6	132	5	154	4	161	4	163	3	169	3	173	3	169	3
RISDA	21	2	33	2	42	2	37	1	80	2	79	2	56	1	71	1	66	1
State Schemes	86	8	175	9	194	8	242	7	318	8	321	7	338	6	344	6	347	6
Smallholders	70	6	184	9	242	10	321	10	425	10	651	13	902	16	933	16	980	17
Total	1,070	100	2,030	100	2,540	100	3,377	100	4,051	100	4,854	100	5,642	100	5,737	100	5,811	100

Source: Malaysian Palm Oil Board (MPOB), Malaysian Oil Palm Statistics, various issues

- Estates comprise 60 percent of oil palm lands, and smallholders control the other 40 percent



3. Channel of Covid-19 Pandemic Transmissions on Palm Oil Industry: A Theoretical View contd.

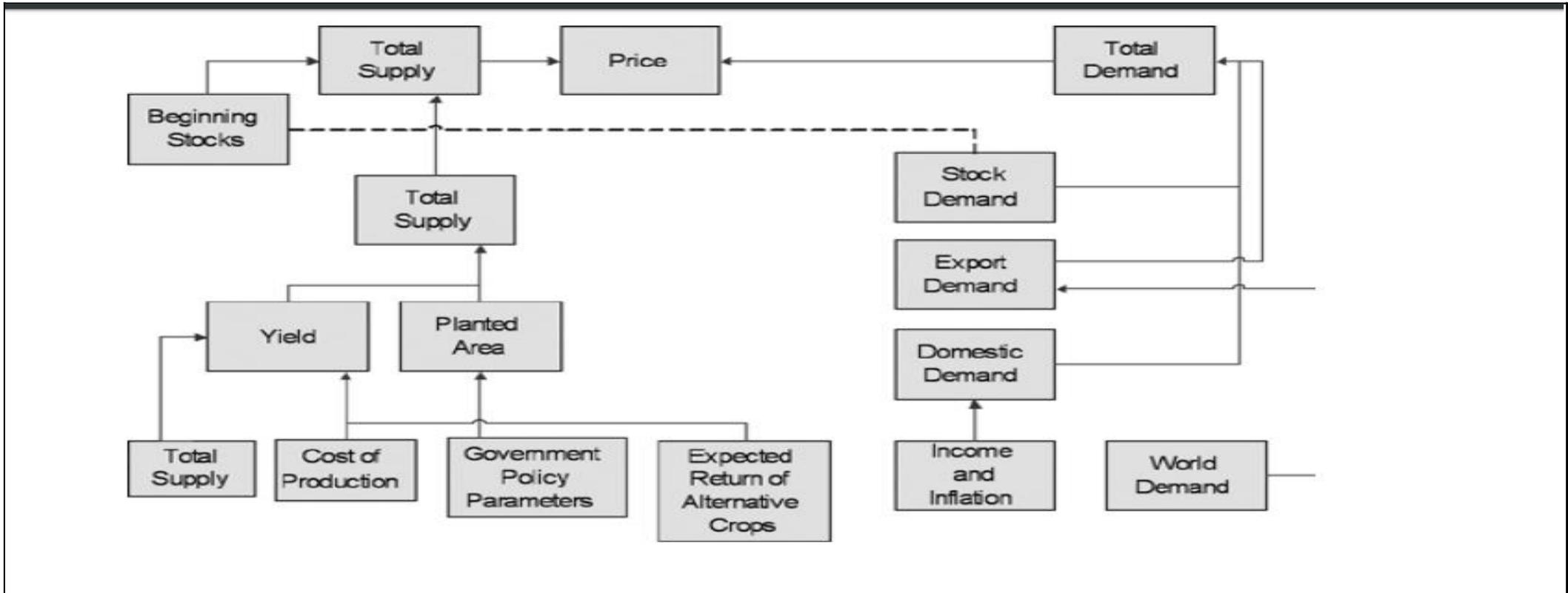
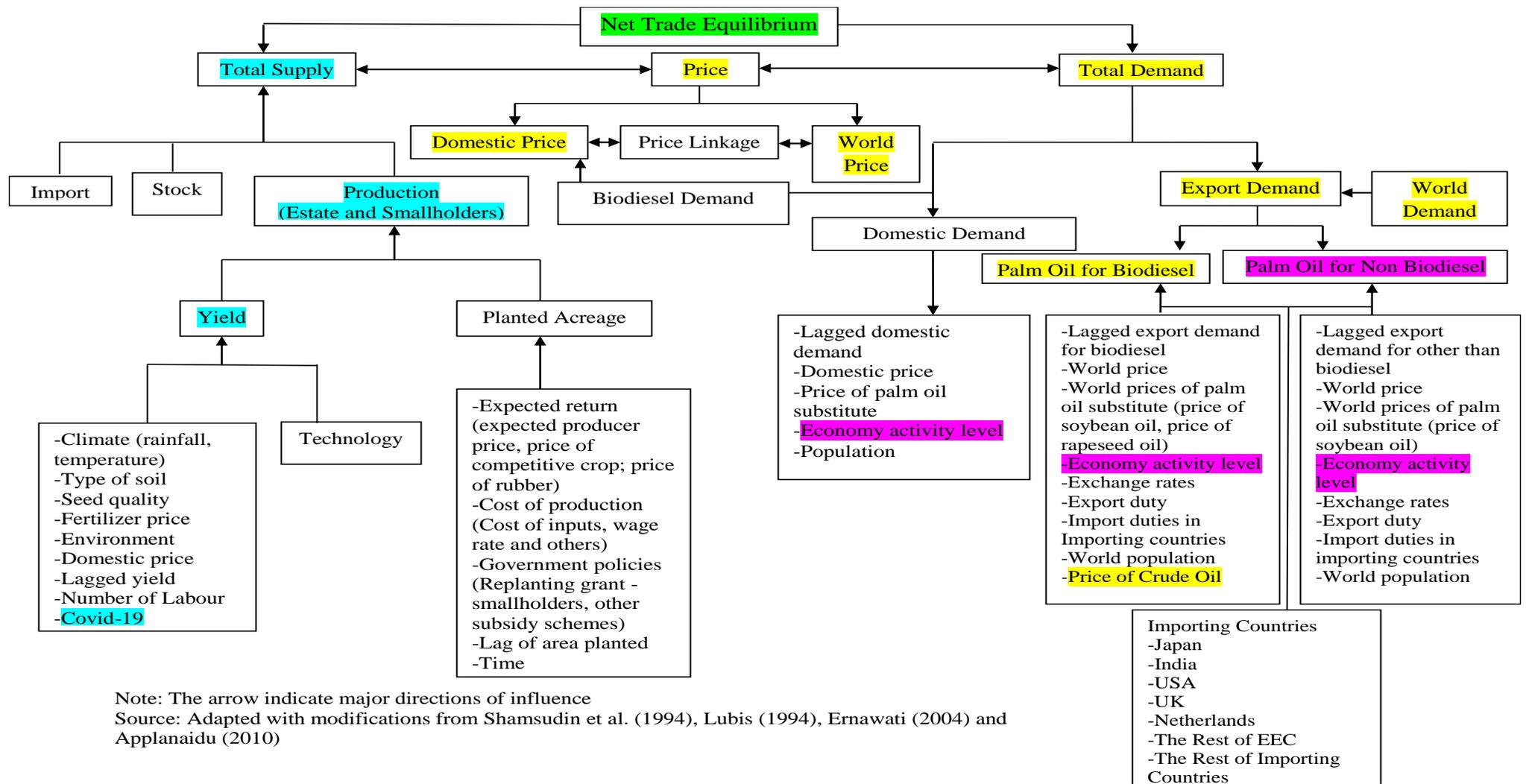


Figure 10: General Structure of a Crop Model

Source: Mad Nasir et al. (1993)



4. Channel of Covid-19 Pandemic Transmissions on Palm Oil Industry: A Theoretical View





4. Channel of Covid-19 Pandemic Transmissions on Palm Oil Industry: Moving Forward with Future Strategies and New Norms



1. Impact on SS, DD, Stock and Price

SS decrease, however at the same time the decrease in DD is more than the decrease in SS.

- Stock will increase-CPO price drops
- Trade disrupted

Demand (Esp. Export Demand) decrease:

-Decrease in GDP, Domestic DD & Export DD decrease-World Demand decrease-World Stock Increase-World Price Decrease-Export DD supposedly will increase if the economy is recovering

The decrease in price need to overcome urgently as it will impact the income of SH, farmers etc.

Future Strategies

Decrease the Stock:

- Increase Refinery Capacities
- Increase Biodiesel Mandate

Increase the Export DD:

- New market at SEA
- Focus at the countries are recovering from Covid-19 esp. China.

- Increase Biodiesel Mandate

Overcome the demand problem first then P will stabilise.



4. Channel of Covid-19 Pandemic Transmissions on Palm Oil Industry: Moving Forward with Future Strategies



2. Impact on Labour

Labour shortage

Future Strategies

Labour Reallocation Strategy

Encourage local youths

Application of Industry 4.0

Encourage Drones, Automation, Digitalization, Precise Farming etc.

Sensors linked to computing systems through communications networks, we can track productivity by palm, rather than by plot or estate.

Visualise estate management being conducted from a control centre with much less direct human involvement.

Not only in plantation but also in milling, refining and oleochemical processes as well as transportation that will improve productivity, safety and quality.



4. Channel of Covid-19 Pandemic Transmissions on Palm Oil Industry: Moving Forward with Future Strategies



3. Impact on MSPO & RSPO

Impact on the RSPO and MSPO implementation

Importance of Biodiversity

Future Strategies

Strictly adapt GAP, RSPO and MSPO

Crops integration in the estates.

Enhanced the crops integration in the estates (livestock e.g. poultry, goat, sheeps. Cattle; Herbs, bees, aqualculture).
Enhanced the biodiversity.



4. Short Terms Impacts of Covid-19 on Palm Oil Industry and Moving Forward with Future Strategies



4. Impact on Previous SOPs

Various changes which revolve around health, food safety and environment.

New SOPs

Virtual Meetings

Future Strategies

Strictly Obey to new SOPs.

-screen employees daily, thoroughly clean common areas and frequently use hand sanitisers throughout the working day

-staggered session for a maximum of 25 workers per session

-More virtual meetings

-Speed up the internet access



5. Conclusions

1. Smallholders/Farmers/Planters

Change mindset from farming is a production to **farming is a sustainable agribusiness.**

2. SS Chain

Should not think the supply chain(from inputs to marketing) as a linear value chain but as a **Ecosystem Thinking** where it has a **Circular Value Chain.**





5. Conclusions

3. Products/Services

We have to produce products and services with **high efficiency, low ecological footprint, embrace Agriculture 4.0** (reduce the resource intensive, high waste emission).

4. Government

G acts as an enabler and supported by **academia-industry-government** (service learning) and there is a interconnectivity collaboration not heavily dependent on the government---empower the next generation of Agri graduates.---innovative ideas.





THANK YOU!

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