

' International Seminar on Economics and Marketing
of Tropical and Subtropical Fruits '

THE POTENTIAL OF MALAYSIAN FRUITS IN MEETING GLOBAL DEMAND

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16 July 2007

Agenda

- Introduction
- Issues
- Potential Market
- Market Strategies
- Conclusion



Introduction

THE GOVERNMENT'S ASPIRATIONS FOR THE AGRICULTURAL SECTOR

- Develop the Agriculture Sector as the 3rd engine of growth.
- To be a prominent player in food production by the year 2010
- Net exporter of food by 2010
- Agriculture is a Business

Agriculture sector nation's third engine of growth

AGRICULTURE, once dubbed the "sunset sector", is now the third growth engine after the manufacturing and services sector and expected to grow 2 per cent in 2004.

This agriculture sector accounts for 9 per cent of Malaysia's gross domestic product (GDP). Assem

services and healthcare.

The main role of the agriculture sector is to engender the spin-off effects through higher rural income, which will help lift the living standards of the rural population, reduce the rural-urban income gap and diminish development dispa

Overall, Malaysia's economic growth will continue to trend upwards with the private sector as the main growth driver, reinforced by accelerating exports.

Growth pillars moving forward include the manufacturing

Towards a modern agriculture sector

STAR 02/09/2006 KEM. PERTANIAN

AS expected, the agriculture sector is one of the major beneficiaries in Budget 2007 with an allocation of RM3.6bil.

Industry players contacted by StarBiz said the focus on increasing the productivity and efficiency in agriculture-based production and expansion of marketing capacities was mostly an expansion of the Ninth Malaysia Plan (9MP).

Khazanah Nasional Bhd's wholly owned subsidiary **Malaysian Agro Food Corp Bhd (MAFC)** chief executive officer Azizi Meor Ngah said Malaysia was seriously moving into a modern, commercial and competitive agriculture sector.

He said the establishment of an RM200mil agriculture fund financed jointly by Khazanah, the government and the private sector augured well for the development of the Northern Economic Corridor covering Kedah, Perlis, Seberang

Prai and northern Perak, which had huge potential for commercial agriculture, agro-based and high technology industries.

He said MAFC, which started operation four months ago, initially would coordinate the distribution aspect by providing an efficient supply chain management for commercialisation of agriculture crops like vegetables from producers.

"We will be looking at the commercial distribution of fruits in the near term," he added.

Under Budget 2007, a substantial part of the agriculture allocation would be to increase the Fund for Food by RM300mil to RM1.9bil to finance food production, RM20mil for a Non-Food Agriculture credit scheme for floriculture and kenal, RM92mil for aquaculture projects and RM111mil for livestock projects with an RM40mil allocation for the



Azizi Meor Ngah

beef valley project in Negri Sembilan. Bank Negara is also establishing another agriculture fund of RM200mil for investment in integrated agriculture and livestock projects.

On the Northern Corridor, Azizi believed high impact agriculture projects were currently being mapped out with prominent government-linked companies (GLCs) in the plantation sector to assist in the development.

Prime Minister Datuk Seri Abdullah Ahmad Badawi said in his Budget speech that plantation conglomerate Sime Darby Bhd would lead new projects in the Northern Corridor including a growth cluster, mainly for commercialised agriculture, high tech industries and tourism.

Golden Hope Plantations Bhd group chief executive Datuk Sabri Ahmad said: "As a GLC, we are in full support of the Northern Corridor initiatives to assist in developing cluster areas."

He said Golden Hope would likely lend its expertise on fruit cultivation culled from its



successful pink guava cultivation and downstream operation in guava juice canning both for the domestic and export markets. Golden Hope is also active in the production of coconut-based products.

Referring to the RM500mil biodiesel fund by Bank Pembangunan Bhd, Sabri said: "This fund can assist biodiesel players especially in their R&D work for production of high quality Malaysian standard biodiesel."

On the move to encourage overseas investment, former **Malaysian Palm Oil Association** chief executive M.R. Chandran said: "This will further encourage local plantation companies to seek oil palm plantations abroad."

To date, a majority of local plantation groups were investing in Indonesia due to the scarcity of cultivation land in Malaysia, he added.

MALAYSIA:FOOD BALANCE SHEET 2006

| PARTICULAR | VEGETABLES | FRUIT | FLOWER |
|--|------------------|------------------|---------------|
| Supply (SS)* | | | |
| - Local Supply (MT) | 642,796 | 1,873,092 | 153,385,242** |
| - Import (MT) | 265,808 | 47,973 | 2,954,839 |
| - Total Supply (MT) | 908,604 | 1,921,065 | NA |
| Demand (DD)* | | | |
| - Local Demand (MT) | 1,007,979 | 1,524,770 | NA |
| - Eksport (MT) | 76,094 | 209,583 | 72,699 |
| - Total Demand (MT) | 1,084,073 | 1,734,353 | NA |
| Shortage/Surplus (SS - DD) | -175,469 | 186,712 | NA |
| No. of farmer for selected commodity** (people) | 31,911 | 107,827 | NA |
| Total no. of farmer** (orang) | 40,920 | 162,463 | NA |

Vegetables (15 commodities): Chinese Mustard, Long Bean, French Bean, Tomato, Cabbage Chilli, Okra, Pumpkin, Ginger, Chinese Kale, Engled Angled Loofah, Cucumber, Water Comvolvulus, Brinjal and Kacang Botol

Fruits (15 commodities): Pineapple, Watermelon, Starfruit, Papaya, Guava, Manggo, Durian, Rambutan, Sappodilla, Duku Langsat, Mangosteen, Jackfruit, Banana, Honey Dew

CAPITA CONSUMPTION OF FRUITS AND VEGETABLES IN MALAYSIA FOR 2004-2010

| Commodities | Capita Consumption (Kg) | | | | |
|-------------------|---------------------------|-------|-------|-------|-------|
| | 2004 | 2005 | 2006 | 2007 | 2010 |
| Vegetables | 40.40 | 41.25 | 42.03 | 42.83 | 45.76 |
| Fruits | 43.10 | 44.01 | 44.84 | 45.69 | 48.82 |

Source : FAMA

To move from net importer to net exporters by 2010....



| RM Billion | 2000 | 2006 | 2010 (target/ forecast) |
|--------------------------|------|------|----------------------------|
| Export | 6.4 | 10.7 | 15.5 |
| Import | 11.4 | 19 | 14.3 |
| BOT | -5 | -8.3 | +1.2 |
| Population (Millions) | 23.5 | 24.8 | 28.9 |

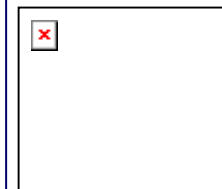
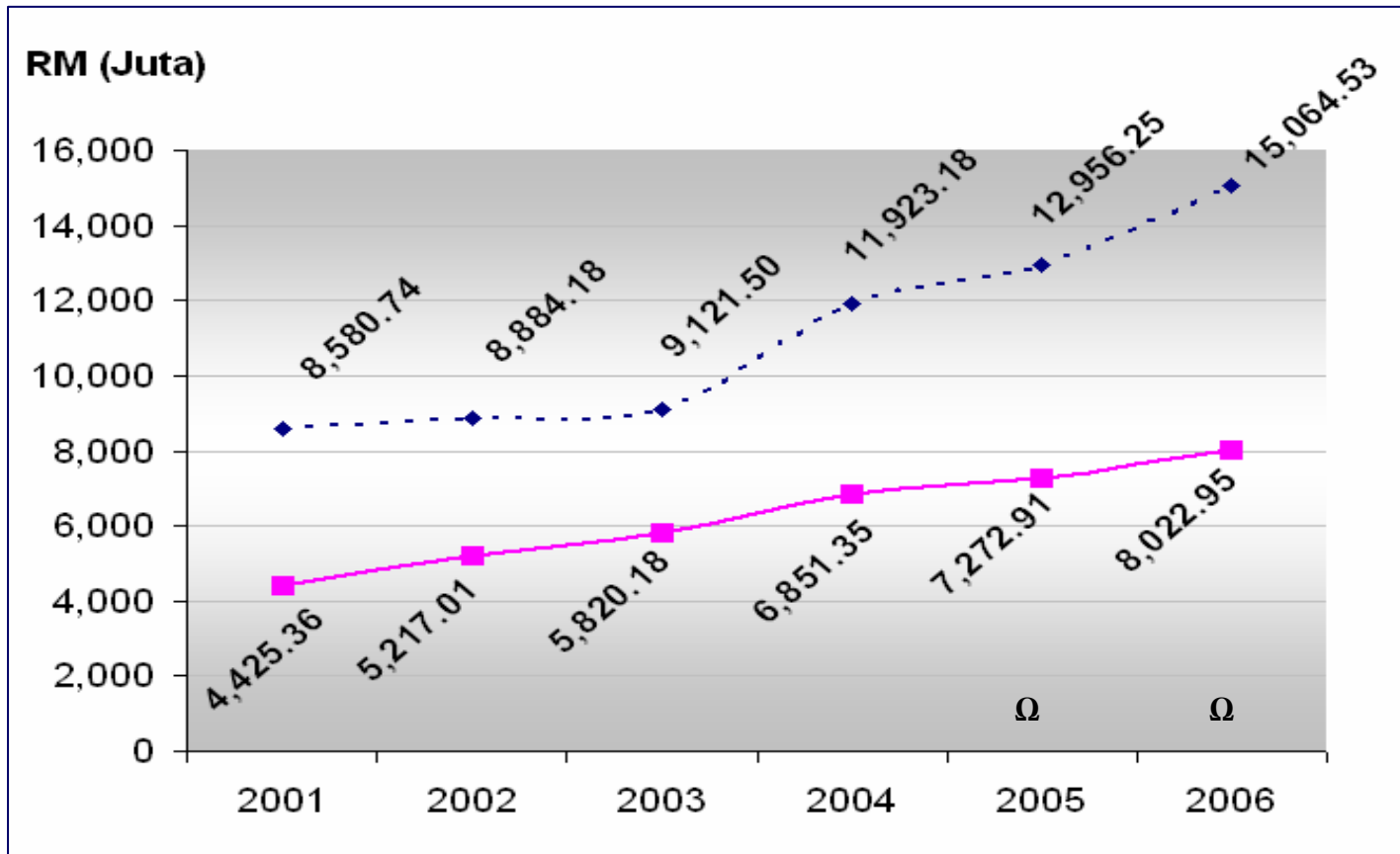
BALANCE OF TRADE PLAN (2005 -2010) OF HORTICULTURAL CROPS

...ambitious plan to reduce deficit in food import bill to net exporter by the year 2010

| Commodity | | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------|------------|-------|-------|-------|-------|-------|-------|
| Fruits | Production | 1,587 | 1,746 | 1,920 | 2,112 | 2,323 | 2,556 |
| | Value | 211 | 317 | 463 | 666 | 952 | 1,353 |
| Vegetables | Production | 771 | 833 | 900 | 972 | 1,047 | 1,133 |
| | Value | 96 | 134 | 173 | 215 | 263 | 319 |
| TOTAL | Production | 2,358 | 2,579 | 2,820 | 3,084 | 3,370 | 3,689 |
| | Value | 308 | 451 | 636 | 881 | 1,215 | 1,672 |

Production – ‘000 ton ; Value – RM’ Mil

IMPORT AND EXPORT VALUES OF SEVEN AGRICULTURAL PRODUCE, 2001-2006



Seven (7) types of agriculture produce comprise cereals and cereal preparations, vegetables, fruits, sugar, sugar preparations and honey, coffee, cocoa, tea and its products; animal feeds, other food and its preparations

Source: Ministry of Agriculture and Agro-Based Industry (Jan, 2007)

Ω = Provisional Data



Issues

Issue 1

HIGH COST PRODUCER

- ❑ Imported inputs
- ❑ Imported labour
- ❑ Competition of Land use
- ❑ Small scale
- ❑ Low technology

Issue 2

Inconsistency of Supply

- ❑ Small farm
- ❑ Scattered farm
- ❑ Small commercial farmers
- ❑ Suitable varieties

Issue 3 :

PRODUCT PRESENTATION AND DEVELOPMENT

- ❑ Little product differentiation
 - Products marketed as commodities
- ❑ Use of traditional packaging standards
- ❑ Minimum grading and labeling practices
- ❑ Minimal value adding and product development.

Issue 4

MARKET ACCESS

- Tariff & Non Tariff Barrier
- Farm accreditation
- Traceability
- Packaging & Labeling

Issue 5

Food Safety and Quality Standards

- i) More demanding consumers
 - Changing lifestyle and consumer preferences
- ii) Farmers slow in adopting Good Agricultural Practices (GAP) or the Skim Akreditasi Ladang Malaysia (SALM)
- iii) International markets require compliance to food safety standards like EUREPGAP and traceability





Market Potential

FRESH FRUITS, VEGETABLES AND FLOWERS EXPORT , 2003-2005



| Product / Year | Export Value (RM million) | | |
|-------------------|---------------------------|-------|-------|
| | 2003 | 2004 | 2005 |
| Fruits | 314.0 | 283.9 | 280.3 |
| Vegetables | 127.6 | 103.4 | 121.1 |
| Flowers | 101.1 | 132.3 | 148.9 |

EKSPORT DESTINATION (fresh & processed)



| PRODUCTS | 2003 | 2004 | 2005 |
|-----------------------------------|-------|-------|--------|
| A. Fruits (RM Million) | | | |
| Singapura | 186.0 | 192.8 | 202.9 |
| Hong Kong | 98.2 | 83.7 | 95.2 |
| Indonesia | 10.3 | 17.2 | 19.3 |
| Thailand | 50.4 | 54.4 | 68.6 |
| Netherlands | 23.0 | 22.0 | 24.0 |
| B. Vegetables (RM Million) | | | |
| Singapura | 163.2 | 146.3 | 134.3 |
| Indonesia | 51.6 | 78.7 | 84.6 |
| Netherlands | 0.7 | 0.6 | 0.7 |
| Brunei | 4.2 | 2.5 | 2.5 |
| UAE | 1.9 | 3.2 | 3.7 |
| C. Flowers (RM Million) | | | |
| Jepun | 49.7 | 84.4 | 94.2 |
| Singapura | 44.7 | 38.4 | 52.0 |
| Thailand | 1.5 | 1.3 | 2.1 |
| UAE | 1.1 | 0.8 | 1.1 |
| Hong Kong | 1.0 | 0.8 | (0.00) |

Malaysia Fruits Export Vs World

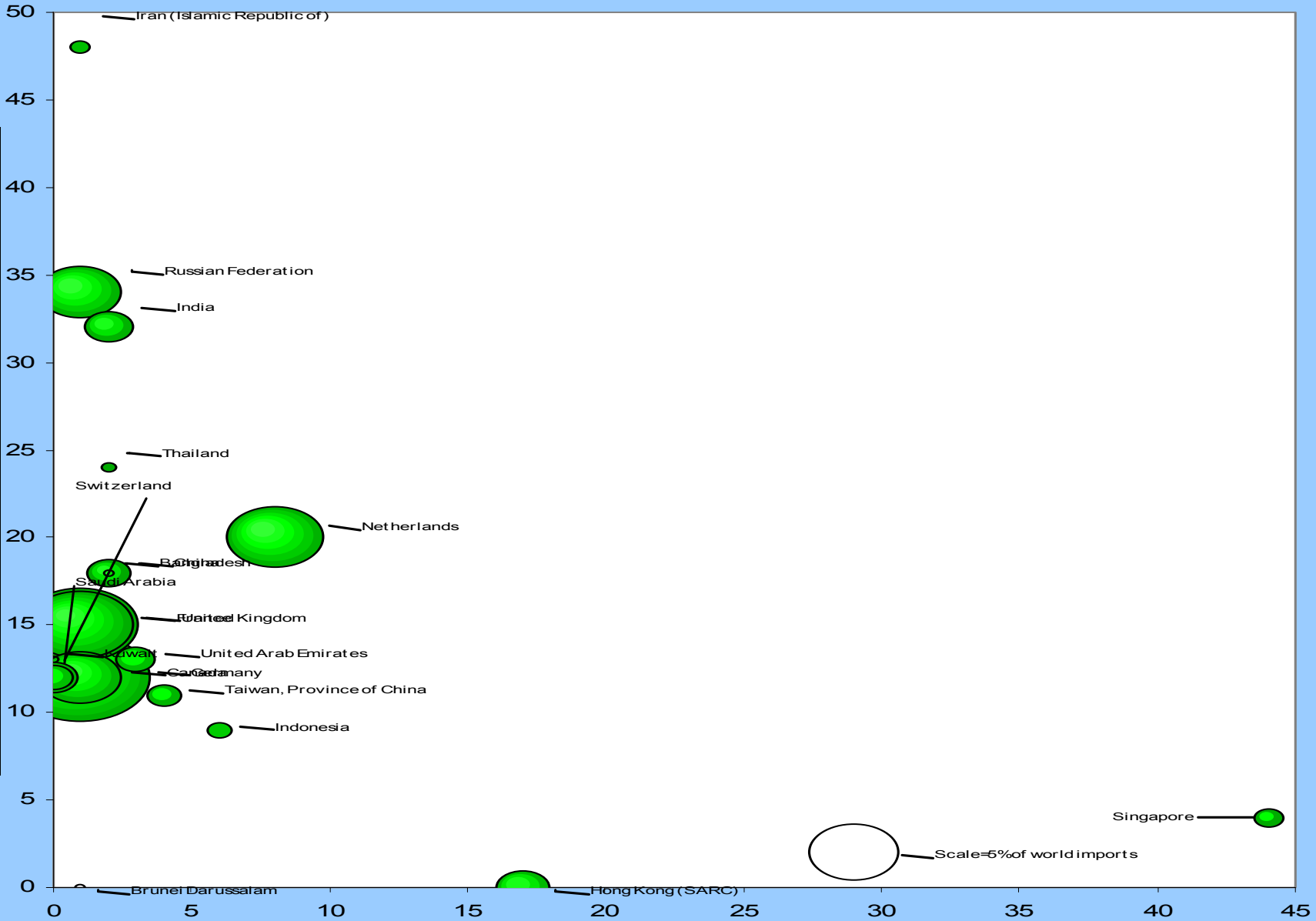
| Malaysia's Fruit Exports (US\$1000) | | | | | | Growth | |
|-------------------------------------|--------------|---------------|---------------|---------------|---------------|--------|-------|
| | 1985 | 1990 | 1995 | 2000 | 2004 | 85-94 | 95-04 |
| World | 7,606,682.21 | 13,818,849.00 | 19,657,841.78 | 18,488,305.78 | 27,266,595.10 | 9.23 | 3.64 |
| Malaysia | 5,253.00 | 15,720.00 | 27,095.00 | 36,038.00 | 36,153.00 | 18.50 | 3.20 |
| Market share (%) | 0.07 | 0.11 | 0.14 | 0.19 | 0.13 | | |

Selected Fruit Type Market Share, Malaysia

| Year/Fruit Type | 1985 | 1990 | 1995 | 2000 | 2004 |
|------------------------------|-------|-------|-------|-------|-------|
| Bananas | 0.15 | 0.17 | 0.19 | 0.20 | 0.11 |
| Guavas, mangoes, mangosteens | 0.38 | 0.14 | 0.12 | 0.36 | 0.23 |
| Papayas | 17.63 | 22.46 | 20.32 | 16.63 | 10.89 |
| Pineapples | 0.68 | 0.74 | 0.88 | 0.62 | 0.21 |
| Watermelons | 1.73 | 3.85 | 5.67 | 4.71 | 2.03 |

Prospects for market diversification for a product exported by Malaysia in 2005
Product : 08 Edible fruit, nuts, peel of citrus fruit, melons

Annual growth of partner countries imports from the world between 2001-2005, %

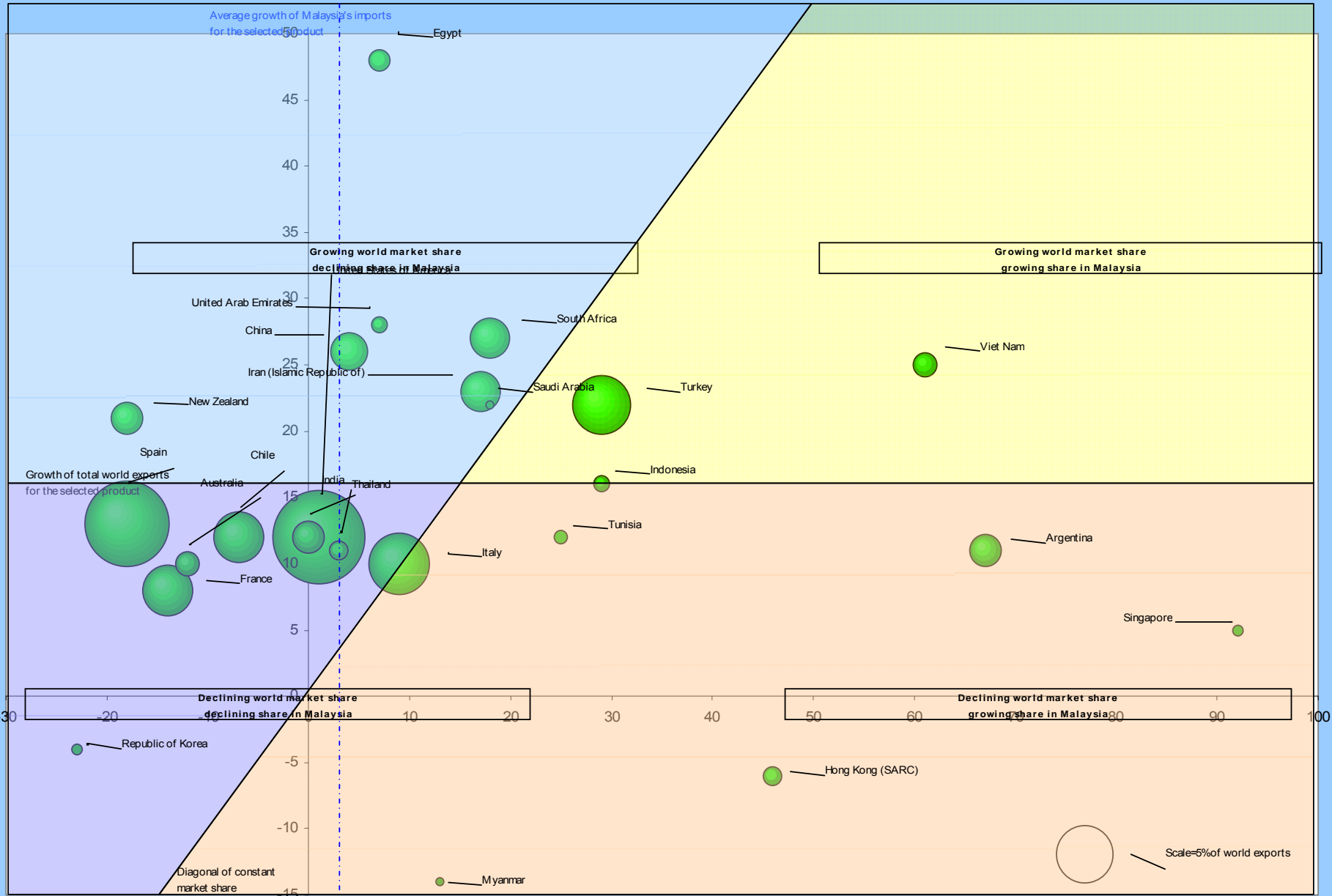


Share of partner countries in Malaysia's exports, 2005, %

Scale=5% of world imports

Competitiveness of suppliers to Malaysia for the selected import product in 2005
Product : 08 Edible fruit, nuts, peel of citrus fruit, melons

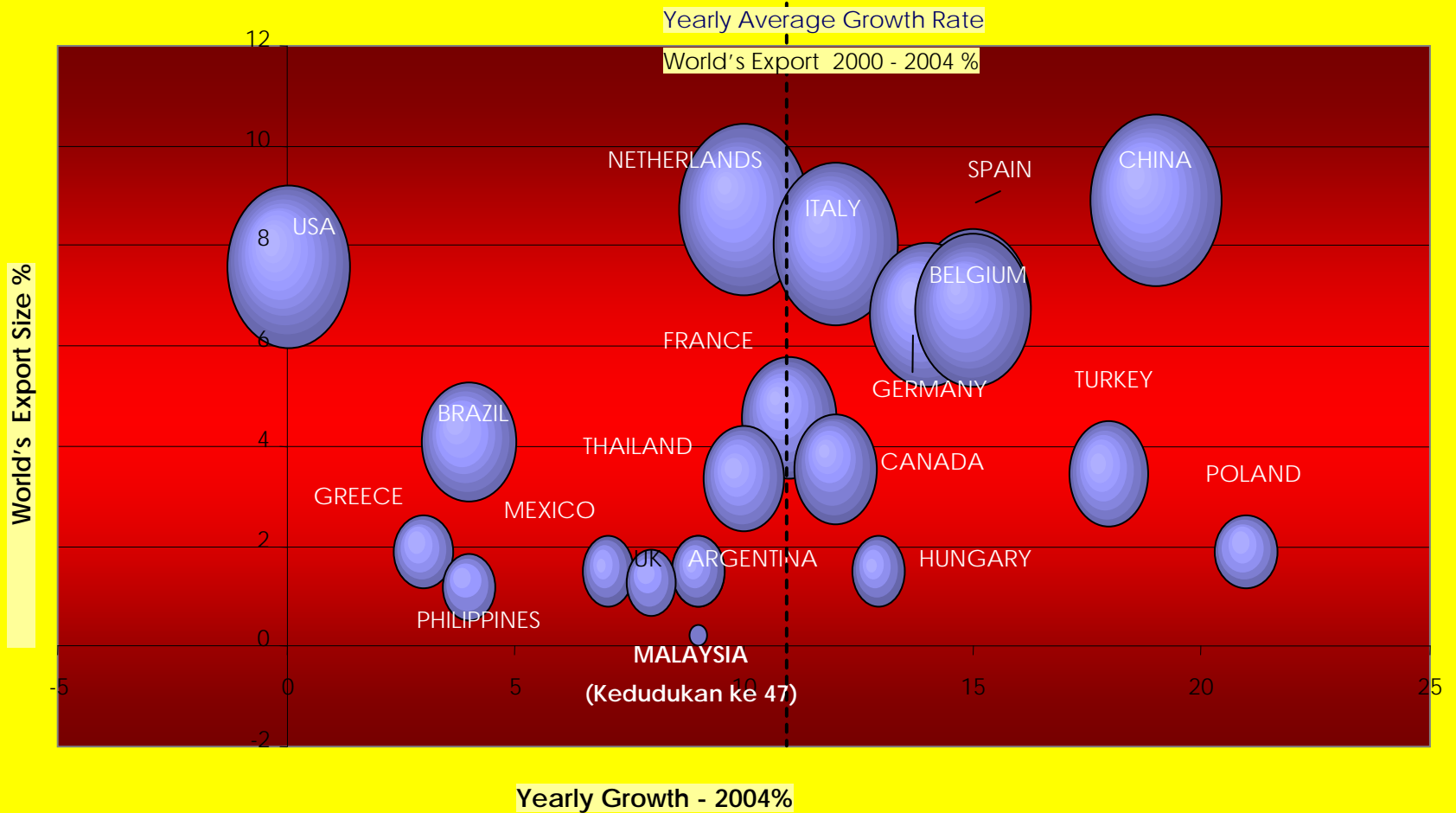
Annual growth of partner countries exports to the world between 2001-2005, %



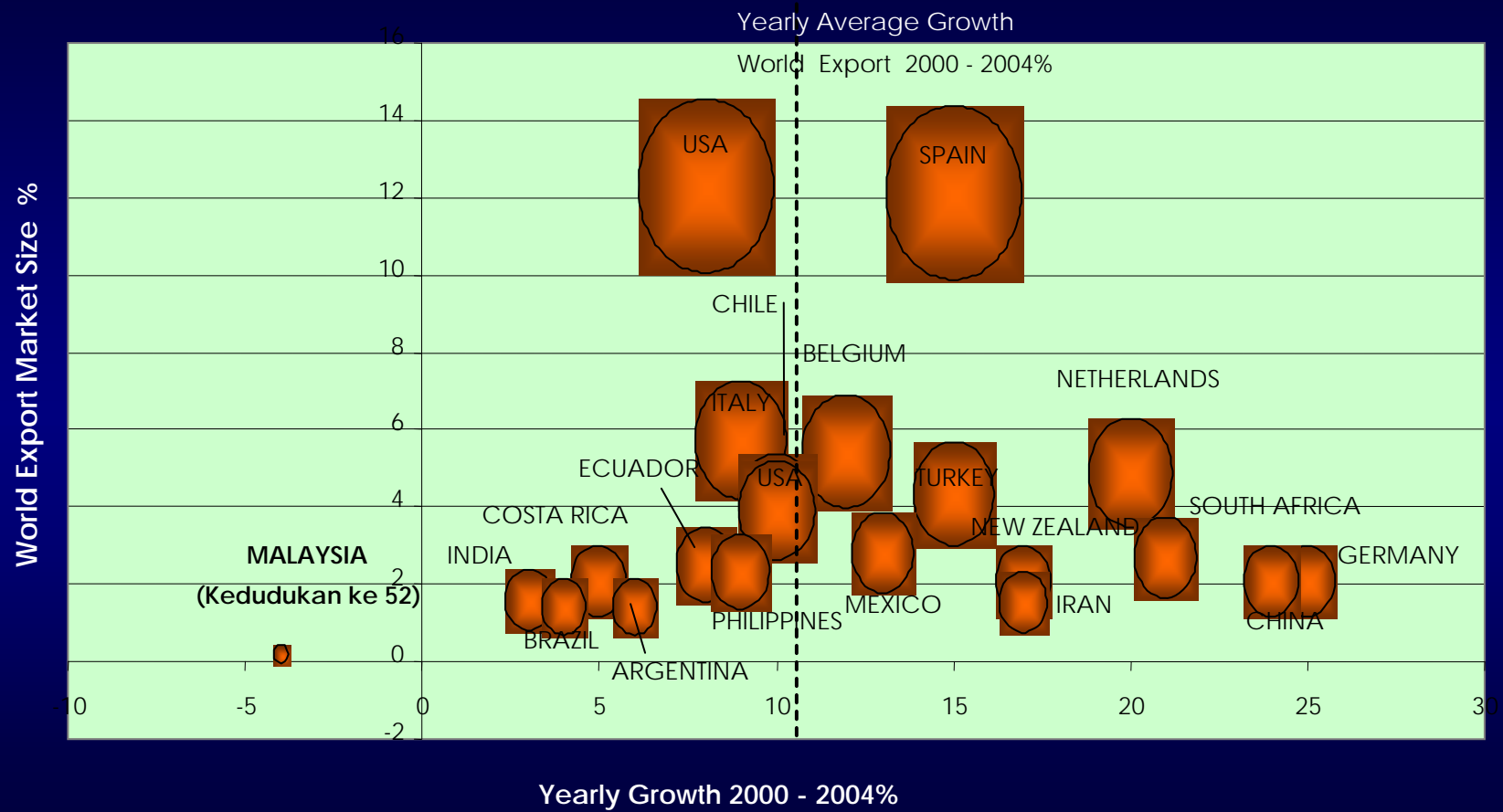
Annual growth of Malaysia's imports from the partner countries between 2001-2005, %



World's Main Exporting Countries in Processed Products Based on Fruits and Vegetables , 2004



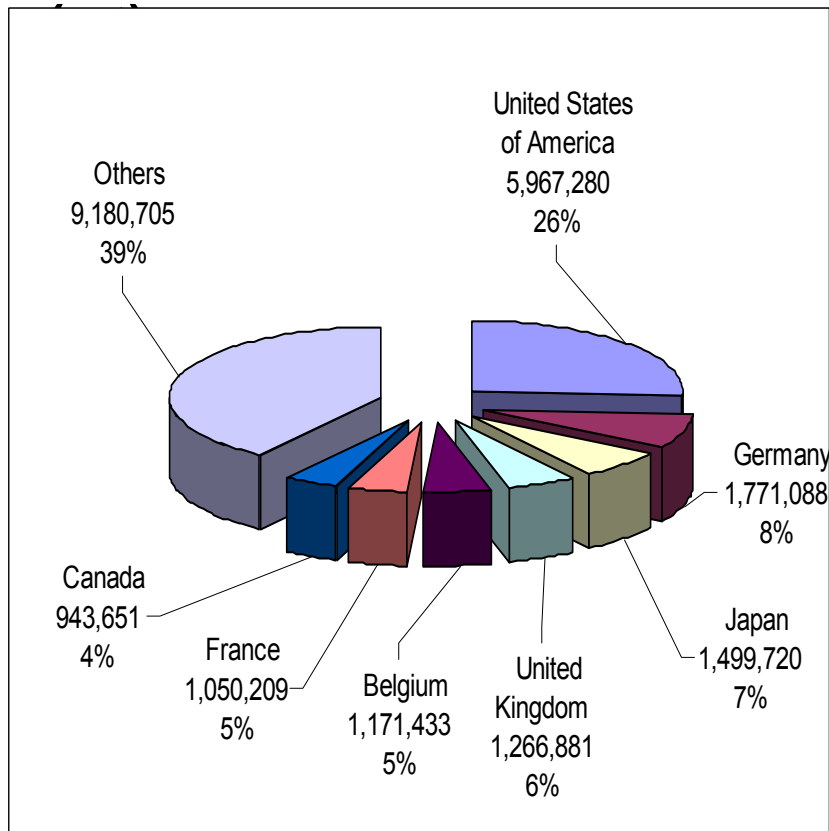
Top 20 World Exporting Countries 2004



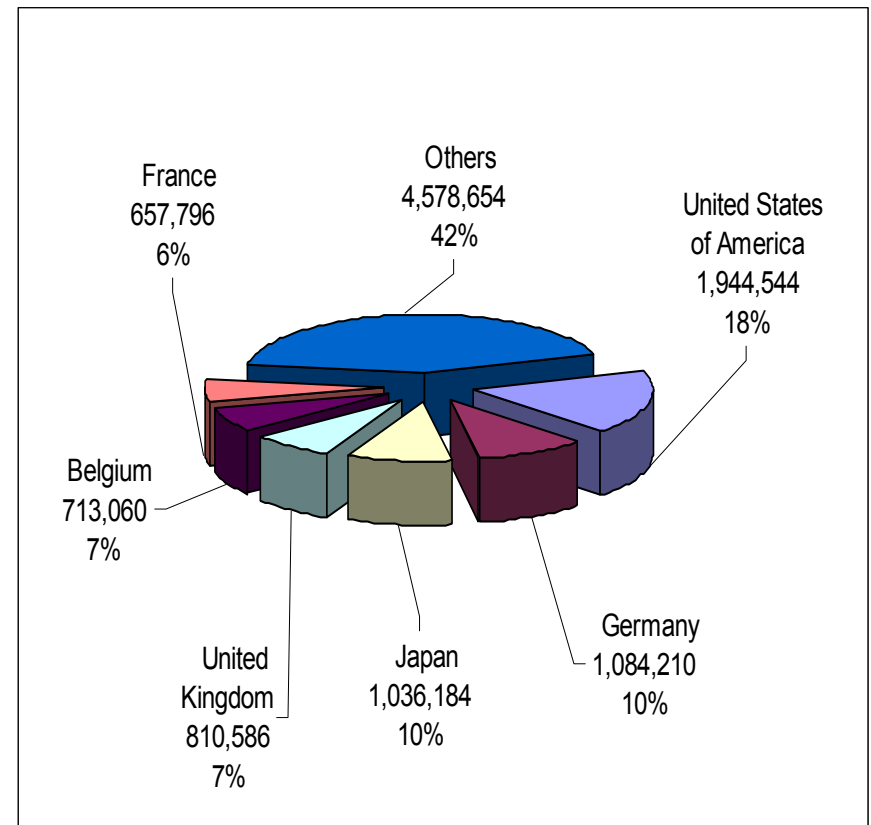


IMPORT OF FRESH TROPICAL FRUITS : Major Countries 1998 - 2002

Import Quantity



Import Value (US\$000)



Focus Fruits



Existing

- ❑ Starfruits
- ❑ Papaya
- ❑ Pineapples
- ❑ Melon
- ❑ Banana
- ❑ Mangoes
- ❑ Rambutan
- ❑ Mangosteen
- ❑ Durian
- ❑ Guava

New

- ❑ Dragon Fruits
- ❑ Pomelo
- ❑ Jackfruits
- ❑ Sallaca
- ❑ Longan
- ❑ Pulasan
- ❑ Dokong

Focus Markets



Traditional

- ❏ Singapore
- ❏ Hong Kong
- ❏ Saudi Arabia
- ❏ UAE
- ❏ Brunei
- ❏ EU - Netherlands

New

- ❏ China
- ❏ Canada
- ❏ Turkey
- ❏ Pakistan
- ❏ India
- ❏ CIS - Poland



Strategies

a. Improve Productivity

- ❑ Modern farming - mechanize , new technology,
- ❑ Cluster Farming - all facilities in one area
- ❑ Precise farming - variety, time, quantities
- ❑ Less wastage - post harvest handling , logistic



b. Market Access

- ❑ FTA's , Bilateral/Trilateral
- ❑ Farm accreditation - GAP, EUREPGAP
- ❑ SPS - One Stop Treatment Centre , PRA
- ❑ Packaging , Labeling & Grading
- ❑ Agriculture Attaché (7)



c. Promotion

- Trade Fairs, Trade Mission, Buss Matching
- In-Store Promotion
- Branding - Malaysia's Best
- Promotional material - pamphlets, leaflet
- Articles in magazine, journal



- **Promotional Programs**

International Trade Fairs

- 2005 - 15 promotions
- Fruit Logistica Berlin
- Gulf Food Dubai



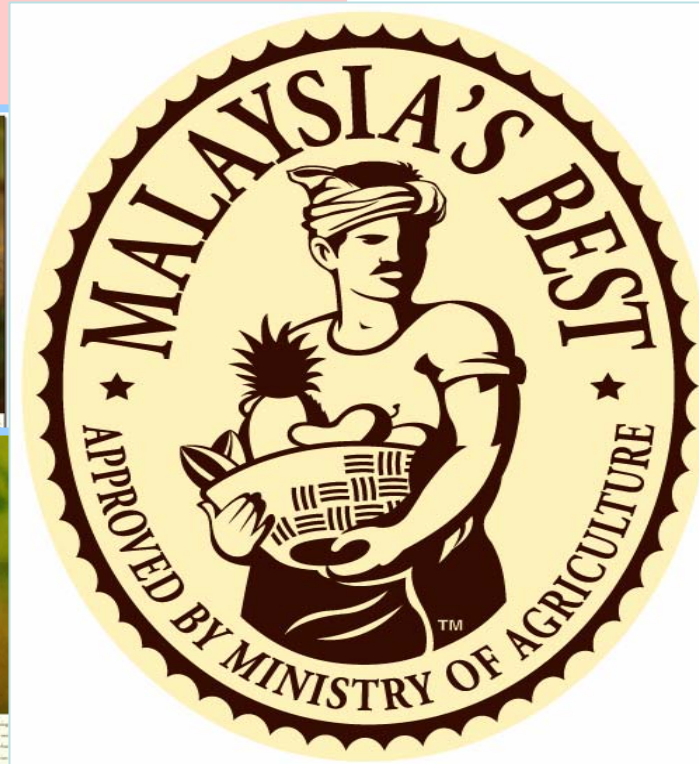
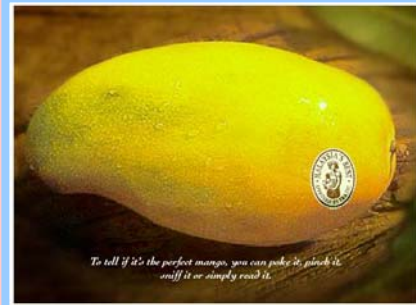
- Product promotion
- exposure to private sector
- market testing

IN-STORE PROMOTION



Promotional Programs

v. Branding



'Malaysia's Best'
seal of quality
and safety

- Starfruits
- Papaya
- Mango
- Watermelon
- Pineapples
- Pithaya
- Pomelo
- Banana



- **Promotional Programs**

Investment Mission (AMIM)

- Attract foreign investors
- Networking



d. New Products

- ❑ Minimally processed products
- ❑ New varieties - Pithaya, pomelo
- ❑ Frozen, chilled
- ❑ Processed - chips, freeze dried, dried



e.Improve Quality

- ❏ Improve product presentation through grading, packaging and labeling
- ❏ Encourage farmers to adopt the ' Good Agriculture Practice' (GAP) Scheme
- ❏ Use facilities in Centers Of Excellence to improve quality
- ❏ Require farmers' compliance to the Grading, Packaging and Labeling Regulation .
- ❏ Encourage farmers' participation in contract farming



f. Intensify Market Research & Intelligence

- ❑ Conduct market studies to identify and understand the world market status of horticultural produce.
- ❑ Monitoring, reporting and dissemination of real time information on market situations and prices



g. Regional Approach



- ❑ Common interest, products, season, market

Challenges

- ❑ Spirit of ASEAN
- ❑ Share of market and production information
- ❑ TF Net as a medium of communication
- ❑ Exchange of expert (production, technical)
- ❑ Regional market access initiatives

h. Formation of Business Council Among TF Net Members



- Follow-up by the business people
- Active participation by private sector in regional business meeting
- Share of market information among members



Conclusion

Conclusion



- ❑ Vast potential for Malaysian tropical fruits to cater global demand for exotic segment.
- ❑ The success lies on the ability to produce at cost competitive, high quality, comply to international accreditation, innovative product and market access.



Thank You

“ Terima Kasih “