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# NATIONAL LAND FINANCE CO-OPERATIVE SOCIETY LTD.

**The 1st ICA/Japan Training Course for  
"Fostering Leaders to Reinforce Business  
Development of Agricultural  
Co-operatives in FY 2014"**

**23 July - 2014 16 August 2014**

**ICA, Tokyo, Japan**

*Prepared by:*

*M. Chandra Segaran*

*Malaysia*

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**MALAYSIA**

**M.Chandra Segaran**

**Administrative Supervisor**

**National Land Finance Co-operative Society Limited**

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## Basic Information of Country



- **Total Land Area:** 329.847sq Km
- **Cultivated Area:** 7.870.000 Ha
- **Ave.Farm management area** 418,067 Ha
- **Population (2012):** 29.24 million
- **Farming Population** 4.76 Million
- **Capital:** Kuala Lumpur
- **Main Languages:** Bahasa Malaysia (official), English, Chinese (including dialects), Tamil
- **Religions:** Islam 60.4%, Buddhist 19.2%, Christian 9.1%, Hindu 6.3%, Confucianism, Taoism, other Chinese religions 2.6%, other or unknown 1.5%, none 0.8%
- **Currency:** Ringgit
- **GDP (2012):** US\$305 billion
- **GDP per capital (2012):** US\$10,432
- **GDP growth (2012):** 5.6%
- **GDP contribution by sector (2012):**
- **Agriculture 11.5%, Industry 40.2%, Services 48.3**



## Malaysian's Agriculture Sector



Agriculture is an important sector to the country's economic development. It was one of the highlighted issues by Malaysia's Prime Minister and he strongly believed that this industry can generate wealth and reduce poverty particularly among those from rural areas.

Based on statistics, agriculture industry generates approximately 12 percent to the national gross domestic product (GDP) and also reduce unemployment rate in Malaysia. The history of agriculture can be traced back to during British administration in Malaya. Several new commercial crops such as palm oil, cocoa and rubber were introduced. Since then, these crops became the main agricultural exports to global market. Other than the above mentioned crops, Malaysian farmers also produced other high quality fruits and vegetables for domestic market consumption such as durian, coconuts, bananas, pineapples and paddy. Generally, the agriculture sector in Malaysia can be divided into estate sub-sector and smallholders' sub-sector.

Estate sub-sector is highly commercialized and efficiently managed by the experts. Usually, it is owned by either private companies, public-listed corporate entities or even public land development agencies and Co-operative companies. These companies are only involved in the production of industrial crops such as coconut, rubber and oil palm. These three major crops are grown and produced for exports as it contributes to national GDP for the country.

On the other hand, smallholders' sub-sector is less commercialized. It is mainly for food crop production such as fruits and vegetables.



### Issues and challenges

The world's economic uncertainty has made agriculture an important sector to stabilize the economic conditions of Malaysia. In view of this, the government has launched a campaign to transform the agriculture sector in Malaysia with the Farmers' Organization Authority (FOs) as a catalyst in the transformation process. This would make agriculture projects more commercial oriented, using modern technologies and to be internationally competitive. However, structural changes in the economy have brought new issues and challenges in the agricultural sector as follows:

- a. **Slow transformation** process from small scale planting to the modern agriculture sector. There are two categories of farmers in Malaysia namely; the subsistence and the commercial farmers, where a majority of the subsistence farmers are older and very traditional in their work approach. On the other hand, the commercial farmers have a more modern and profit-oriented outlook. The small holder sector continues to experience problems of low productivity and uneconomic size of holdings while **labour shortages** and low commodity prices has further led to substantial idle agricultural land and abandoned holdings.



### Issues and challenges

#### **b. Better occupational prospects in the manufacturing sector**

Youths with better academic credentials, will search for better prospects in the manufacturing sector. The migration of youths from the rural areas to the cities is another problem, as it has considerably reduced the number of farm workers and increased the acreage of unutilized land.

#### **c Low penetration of information and communication technology to increase productivity. The Government is making many attempts to encourage the use of information technology at the FOs level. However, FOs do not have enough resources to be involved in this sector to enable them to improve their efficiency and effectiveness in agribusiness activities.**

## List of Five Major Agricultural Product in Malaysia

Product	Production in Volume (ton/year) 2012	Production in Value (US\$ Billion/Year) 2012	Recent Trends in Production
Rubber	92,280	2,876	Planted area Increase
Palm oil (FFB)	93,265,100	12,802	Planted area Increase
Paddy	2,750,400	772	Planted area Increase
Fishing	14,725	5,051	Marine fish landing increase
Livestock	93,265	4,104	Production of Beef Increase



# Policy for National Agriculture and Agricultural Cooperatives



## National Policy

### Green Book Strategy

Introduced by 2<sup>nd</sup> Prime Minister, Tun Abdul Razak Hussein on Dec 20, 1974 which is based on the concept of 'backyard farming'

As one of the strategies under Food Security Policy involving a total allocation of RM 4 billion to ensure adequate food supply and stable food prices

Emphasized more on greater involvement by the people in agriculture and vegetable farming for their own consumption while the rest will be sold to the public

Main objective is to maximize land development involving short-term crops, group farming, breeding of fresh water fish and enhancing the marketing of agricultural products beside increasing national food production and raising the people's income to reduce inflation

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## Policy for National Agriculture and Agricultural Cooperatives



• Was introduced in 1984 to modernized & revitalized the agriculture sector, to lessen poverty & raise efficiency  
• Focus on expansionary policy on export crop i.e. oil palm & cocoa

### Objectives:

• The maximization of income through optimal utilization of resources in the sector  
• Increase the food production for local market such as paddy, vegetables, fruits & poultry

### 1st NAP (1984-1991)

Main strategies involved (land development, In-situ development, support services)

#### Strategies:

- Government invested heavily on institutional building
- new land developments for oil palm & cocoa (by Felda, Risa, Felcra)
- in-situ development to resolve uneconomic farm size & low productivity among small holders (aimed to improve productivity in existing agricultural areas by providing infrastructure and other services)



# Policy for National Agriculture and Agricultural Cooperatives



- Was introduced in 1992
- It was undertaken as Malaysia's Vision 2020 which introduced in 1990
- This policy encouraged alternative use of agricultural land for higher value added activities
- It was market oriented, commercialized, efficient, competitive & dynamic

### Objectives:

- The maximization of income through optimal utilization of resources in the sector
- Increase the food production for local market such as paddy, vegetables, fruits & poultry

### Strategies:

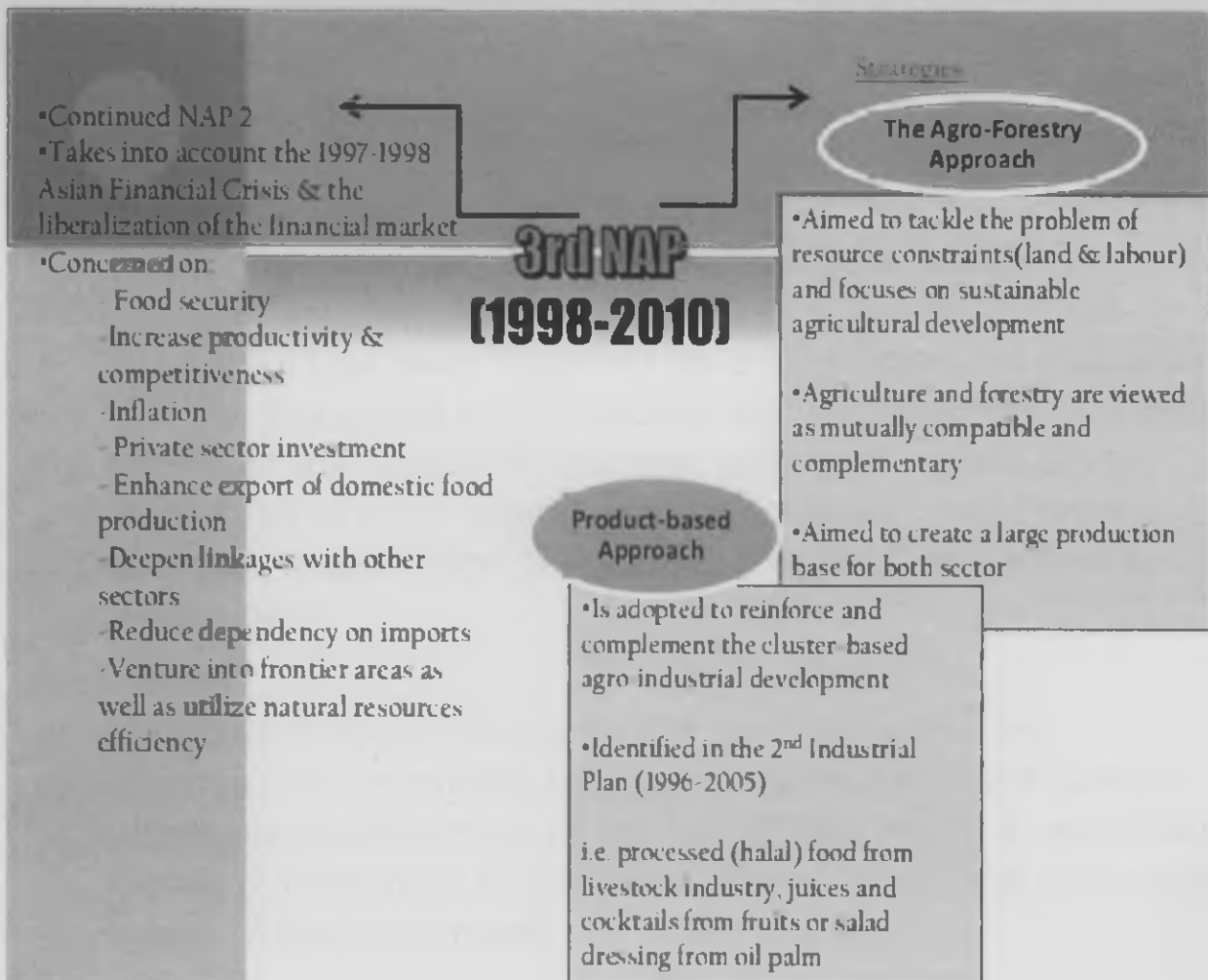
1. Optimization of resource utilization was encourage to diversify out of export crop cultivation into other activities
2. Acceleration of Agro-based industrial development which generate more off-farm opportunities for smallholder to earn additional income
3. Enhancement of R&D are needed to overcome the production process, labor and other constraint in the agriculture
4. Greater participation of private sector were needed in order to transform the agriculture sector into a competitive and efficient sector
5. Human resource development is a key strategies to achieve increased productivity and output of both labor and land

## 2nd NAP (1992-1997)

### Emphasis of NAP 2

- ◆ To further strengthen and enable agriculture sector to contribute substantially to the economic growth of the nation
- ◆ Increasing productivity, efficiency & competitiveness
- ◆ Increasing land areas for palm oil (plantation crop)
- ◆ Development of agro-based industry
- ◆ Acceleration the transformation of the sector into a dynamic and commercialized sector

# Policy for National Agriculture and Agricultural Cooperatives





### **History of Agricultural Cooperatives**

The British introduced the cooperative movement in Malaysia in 1922 as a means of tackling widespread indebtedness of rural farmers and government servants. Since then, the movement has been regarded as a benevolent institution to alleviate the social and economic status of the less privileged section of the Malaysian society. Initially all cooperatives, regardless of rural, urban, agro or fisheries' based were under the supervision of the Cooperatives Development Department.

However, in the 1970's, with the rapid growth of the cooperative movement and its manifestation in the general economic development of the nation, has made it necessary for the Government to introduce measures for the continued health of the movement.



**Agricultural-based cooperative organizations in Malaysia are of two categories** namely those registered under the Cooperative Act 1993 which replaced the Cooperative Ordinance 1948 and the Farmers Organization Act 1973 / Fishermen's Association Act 1973. The agricultural cooperatives that were registered under the Cooperative Act 1993 consisted of those cooperatives that falls under the jurisdiction of the Farmers' Organization Authority (FOA) and Fisheries Development Authority (FDA). The FOA was set up in 1973 to look after the agro-based cooperatives while the FDA took control of fishermen's cooperatives in 1974. There were other agriculture cooperatives that was under the Cooperative Department and these were in the land schemes managed by the Federal Land Development Authority (FELDA) and the Federal Land Rehabilitation And Reconsolidation Authority (FELCRA).

### Farmers Organization Authority (FOA)

It is a statutory body under the Ministry of Agriculture and Agro based Industry of Malaysia. It was established on the 14th of February 1973 and registered under the FOA Act 110, to look after the FOs and the Agro-based Cooperatives (ACs), which were merged together in 1973.

The functions of the FOA are to;

- a. To promote, stimulate, facilitate and undertake economic and social development of Farmers Organizations
- b. To register, control and supervise Farmers Organizations and to provide for matters related thereto;
- c. To control and coordinate the performance of the aforesaid activities.

### **b. Farmers Organizations**

The Farmers Organizations or FOs are historically made up of Farmers Associations and Agro-based Cooperatives serving the farmers in the rural areas. At the time, there were many agencies responsible for the economic and social welfare, but these agencies were governed by different ministries and departments. This had resulted in the overlapping of functions among the farmers' institutions. Thus, Act 109, The Farmers Organization Act 1973 was enacted to specifically reorganize the Farmers Associations and Agro-based Cooperatives. Agricultural Cooperatives in Malaysia

The Farmers Organization Act 109, 1973 is the summation of Farmers Associations Act, 1967 and the Cooperatives Act, 1945. Under this Act, Farmers Associations were to be dissolve and re-registered as Farmers Organizations while the Agro based Cooperatives were reorganized to become member units of the Farmers' Organizations. The FOs were established along the principles and aspiration of cooperatives, owned by farmers as members' and managed and governed by a selected board of directors to carry a wide range of economic and social activities.



## Participation of Farmers in Agricultural Cooperatives



### Types of co-operatives

Co-operatives can be grouped into different families according to the type of member and the sector. Depending on who the members are, each of whom owns at least one share, and the nature of the business, co-operatives can be defined as user co-operatives, co-operative banks, business co-operatives, worker co-operatives (or producer co-operatives), and lastly the European co-operative society.

Agriculture Cooperative are as follows:-

Type of Agricultural Cooperative	Number of the Cooperatives	Number of the Members	Number of the employees
Farmers Organization Cooperative	1502	165,355	5400
District Development Cooperative	1031	724,850	25,240
Fisheries Development Authority	51	10,000	1,000

## Participation of Farmers in Agricultural Cooperatives



### Membership

Co operative as an organization operates and are managed based on values and principles all co-operatives in Malaysia are based on values of self-help, self-responsibility, democracy, equity and solidarity. Following the statement of co-operative identity.

### Qualification for membership

In order to qualify for membership in a primary society, a person must—

- (a) be a citizen of Malaysia;
- (b) have attained the age of eighteen years or, in the case of a school co-operative society, have attained the age of twelve years; and
- (c) be resident or be employed or be in ownership of land within the area of operations of the primary society, or, in the case of a school co-operative society, be a registered student of the school.

## Main Business Activities



Type of Agricultural Cooperatives	Main Business
Farmers Organization Cooperative	Palm Oil, Rubber, Coconut, Cocoa and Rice
District Development Cooperative	Vegetables , Fruits & Livestock
Fisheries Development Authority	Fisheries products & Integrated Cage Farming

## MY ORGANISATION



### **NATIONAL LAND FINANCE CO-OPERATIVE SOCIETY LTD.**

**Type of Organization: Primary Co-Operative**

**Number of members: 55,009**

**Number of employees: 1,123**



**National Land Finance Co-Operative Society  
Limited**



**History  
of  
National finance Co operative  
Society Ltd.**

**National Land Finance Co-Operative Society  
Limited**

**Organizational Structure**



**Chairman**

**Tan Sri Dato' K. R. Somasundram**

**Managing Director/Secretary**

**Datuk B. Sahadevan**

**Vice Chairman**

**Dato' P. Balaram**

**Hon. Treasure**

**Mr. K. R. Paida Naidu**

**Chief Executive Officer**

**Dato' S. Kili Rathnaraj**

**Deputy Chief Executive Officer**

**En. N. Kathiresan**

**Directors**

**Tan Sri Dato' Prof Dr. T. Marimuthu**

**Dato' P. Vengadesan**

**Mr. N. Supramaniam**

**Dr. S. Kanagasabai**

**Dato S. Parasuraman,**


**Mr. V. Kesavan**

**Mr. S. Subramaniam**

**Mr. T. Muthuvel**

**Mr. V. Thamasegeran,**


**Mr. M. Pitcha**



**National Land Finance Co-Operative Society  
Limited**

**BUSINESS ACTIVITIES**

<b>BUSINESS</b>	<b>BUSINESS TURNOVER (US\$)</b>
Plantation (Oil Palm & Coconut)	13,094,228
Germinated Oil Palm seeds production	7,698
Coconut Industries (Coconut Shell)	1,911
Medical & Healthcare	41,792
Refinery Industries	235,507
Associated Company	66,903



**National Land Finance Co-Operative Society  
Limited**

**ISSUES AND CHALLENGES**

Oil palm is the most efficient crop production for our organization. Efforts to increase oil palm productivity by applying new technologies, coupled with sustainable approaches, are being implemented in the industry. Mechanization of field operation is an important aspect that we can improve workers productivity.

**Challenges** - Oil palm harvesting is still very much dependent on manual labour to carry out most of the operations, particularly in harvesting. The challenge is, to specifically develop machines for use in the oil palm plantation.





## ACTION PLAN

<b>Training Course</b>	Fostering Leaders to Reinforce Business Development of Agricultural Cooperatives
<b>Year</b>	2014
<b>Name/ Country</b>	M.Chandra Segaran Malaysia
<b>Position/ Organization</b>	Administrative Supervisor National Land Finance Co-operative Society Limited
<b>Title of Proposal</b>	Mechanization in Oil Palm Production.



### Target Group & Proposal

The palm oil industry has traditionally been a labor intensive sector, with the employment for field work that includes harvesting, fresh fruit bunch evacuation, maintenance and other **dependent on foreign labor**.

As such introduction of new techniques and methods to plantation companies and smallholders that could help increase productivity and cut down on labor cost.

To this end, National Land Finance Society Ltd (NLFCS) is encourage mechanization implementation in field operation and to boost workers productivity.

## ACTION PLAN



**Mechanical High lift scissor trailer were raised up for directly loading the bunches into the Bin.**

### **Mechanical Grabber for in field and Bin system for external Transport**

The harvested FFB must be quickly evacuated to the mill with as little damage to the FFB as possible. Oil palm plantations cover a wide variety of topography and ground conditions and hence requiring various systems to address specific needs. Conventional methods, including the wheelbarrow and animal drawn carts, are still being practiced in areas where heavy machines are not accessible.

Implementation of mechanical grabber for infield collection of fresh fruit bunches is strengthening of mechanization of transportation has contributed to greater efficiency productivity, and reduction in cost of operations.

## ACTION PLAN



**Hook lift haulage lorry proceed to load the bin onto the lorry.**

Fresh Fruit Bunches (FFB) external transportation technology is the major merchandisable field operation. Transportation of FFB from the field platform using hydraulic hook lift haulage lorry would improve the productivity and cost control.

## ACTION PLAN



### CONCLUSIONS

The key factor in a successful mechanization plan will be the sustainability over a given period. If planned and implemented correctly it has been proven that mechanization can be one of the possible solutions in plantation industry.

The main challenge for the agricultural sector is to be more competitive in the global marketplace in line with the country's commitment towards free trade under the AFTA and WTO.

Farmers Organizations are therefore, expected to reinforce their roles in transforming their members to become modern farmers with the help of new technologies to prepare themselves for the ever changing global scenario in food production and agriculture.



## References

- References:
- Agriculture Indicator Malaysia 2013
  - Ministry of Agriculture and Agro based Industries
  - Malaysian Palm Oil Board (MPOB)

### SPECIAL THANKS TO:

**Datuk B.Sahadevan PJN.,SSA.,PPT.,ANS., -  
The Managing Director/Secretary of National Land  
Finance Co-Operative Society Limited.**

**Mr.J.Jeyachandran AMP., - The General Manager,  
Estate Department of National Land Finance Co-  
Operative Society Limited.**

Thank You



## NATIONAL LAND FINANCE CO-OPERATIVE SOCIETY

The economic scenario of the post-Independence era in the 60's created a situation where unemployment and eviction from homes occurred when European-owned rubber estates were sold to locals who, in turn, fragmented and sold them for profit.

In an effort to rectify the problem as a result of fragmentation of estates, the Malaysian Indian Congress, spearheaded by Tun Dr. V. T. Sambanthan, and some concerned citizens, established the National Land Finance Co-operative Society to provide an opportunity for land ownership among estate workers.

Plantation workers were persuaded to buy shares in the co-operative at RM100 per share, payable in monthly instalment of RM10.00.

To date, the society has 69,369 members who range from estate workers, students to professionals with a capital of RM62 million in shares.

The society has implemented 18 benefit schemes for its members with the objectives to:

- *Improve the educational level of its members' children;*
- *Increase house ownership of members;*
- *Promote small scale entrepreneurs; and*
- *Provide financial aid to members.*

The operations of the National Land Finance Co-operative Society is supervised by a Board of Directors with an Executive Chairman, Tan Sir Dato' Dr. K. R. Somasundram. The ultimate authority is the Annual General Meeting of the delegates (held on the last Sunday of June), which elects the Board of Directors, empowering it to draw up long term and strategic planning to keep up with the rapid economic changes and development.

Realising the fact that it cannot solely depend on plantation sector (*Owning and operating plantations*) which is subject to fluctuating commodity prices, the Society moved on to strengthen its base by diversifying into:

- *Property development*
- *Manufacturing;*
- *Establishing and operating educational institutes;*
- *Trading and retail business for both domestic and export markets;*
- *Health and medical services;*



The Society's biggest role has been in property development where to date it has successfully set up two townships, one each in Negeri Sembilan and Selangor and seven housing estates in various parts of the country.

As a result of its investments in risk averse ventures, the society has been able to build a net tangible asset base of RM395.5 million as at end of 2001 while at the same time, ensuring that its members gained from its investment schemes.

To date, the society has:

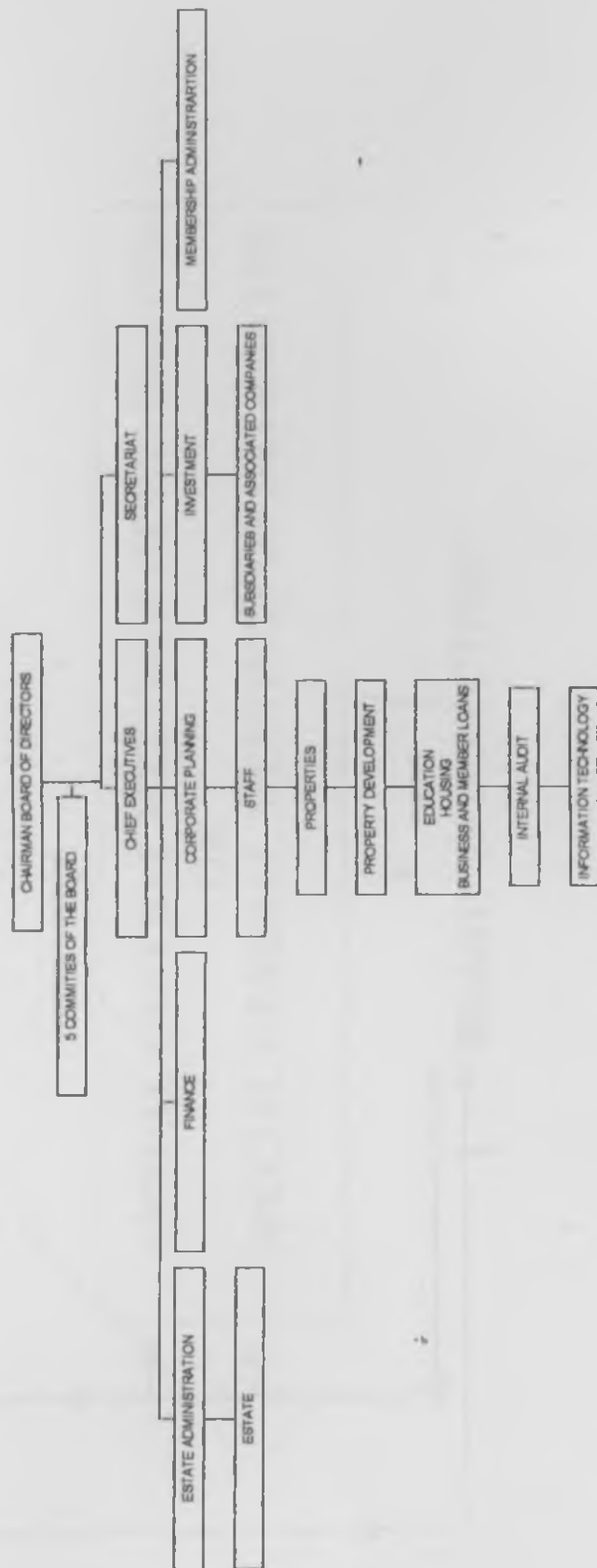
- *Paid out dividends totaling more than RM414 million to its members; and*
- *Allowed members to withdraw their bonus share capital, amounting to a total of RM31 million, to buy houses, support their children's education and to set up enterprises.*

For its role in creating employment for the members and to improve the socio-economic well being of the members, the society was awarded:

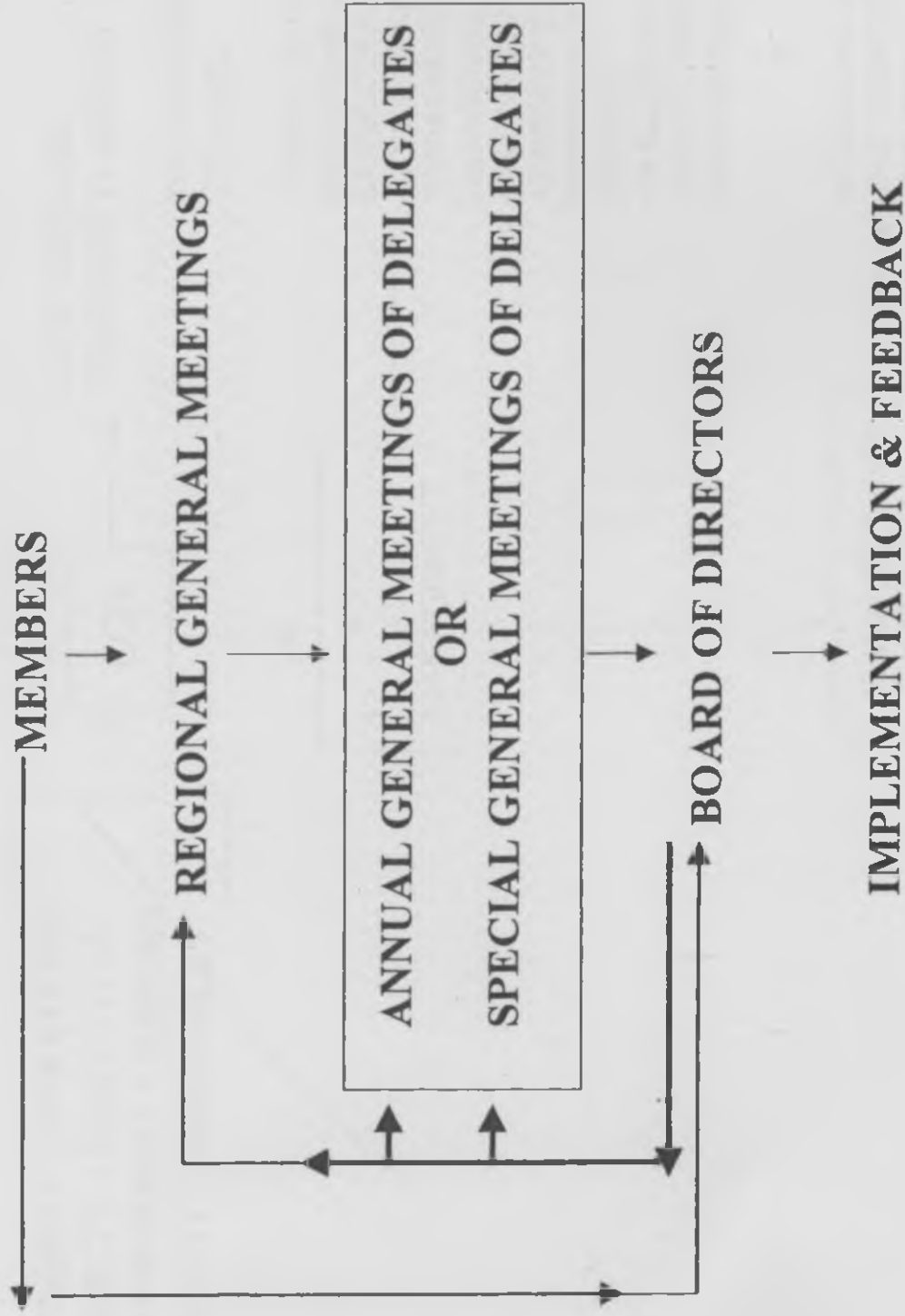
- *Quality Award for best Co-operative in the Federal Territory-1999*
- *Quality Award for best Housing Co-operative at National Level-2001*
- *Prime Minister's Quality Award Certificate for Sosio Economic Sector-2001.*
- *Prime Minister's Quality Award for Sosio Economic Sector-2002*

Now, the Society is gearing itself for greater challenges in the new millennium, namely the opportunities available in the information technology and developing niche markets in the growing borderless world.

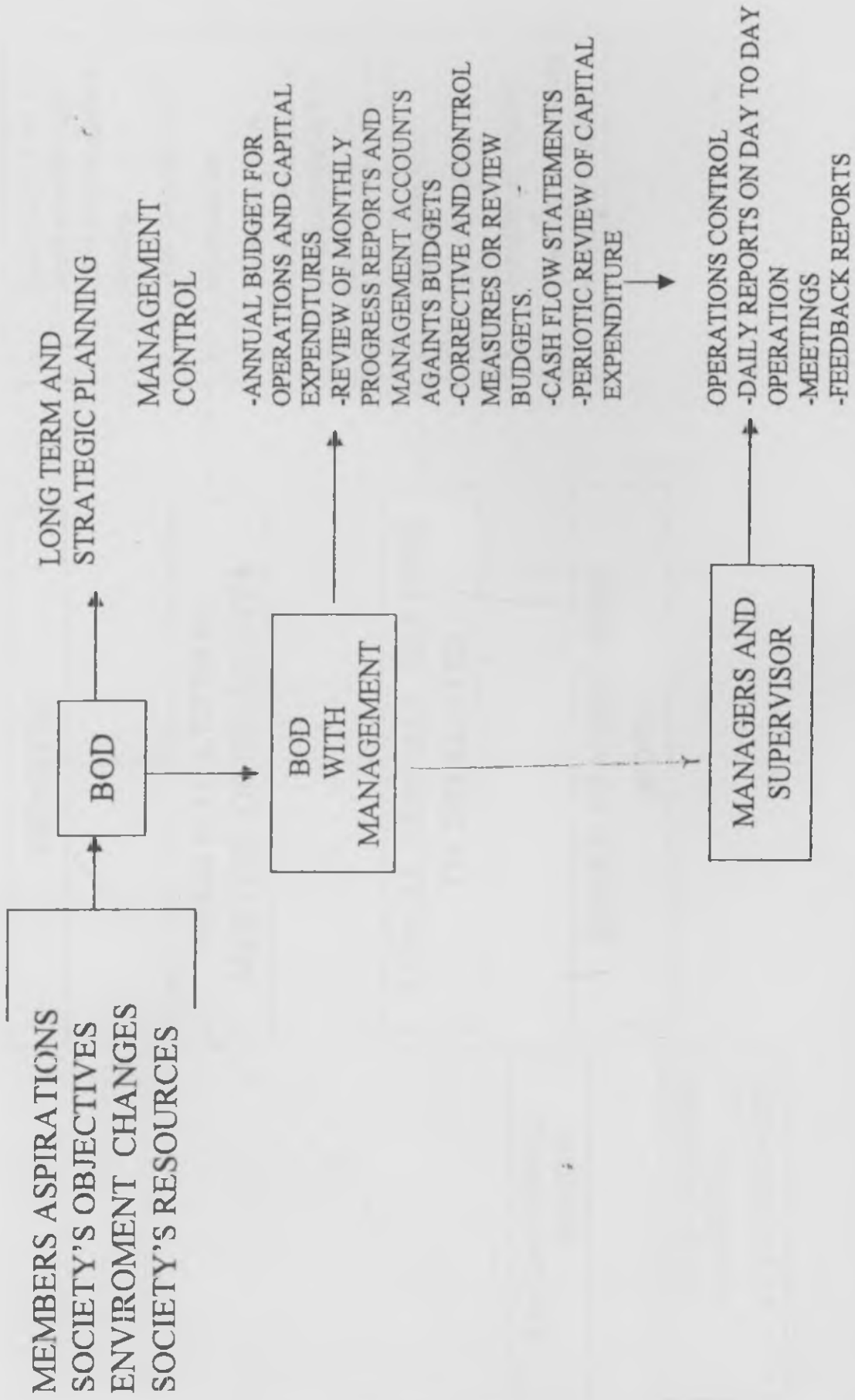
# INTERNAL MANAGEMENT STRUCTURE



# DECISION MAKING PROCESS



# PLANNING AND MANAGEMENT CONTROL



**Information flows are both ways- Top to bottom and Bottom to Top**

# ORGANISATION AND MANAGEMENT OF THE SOCIETY

