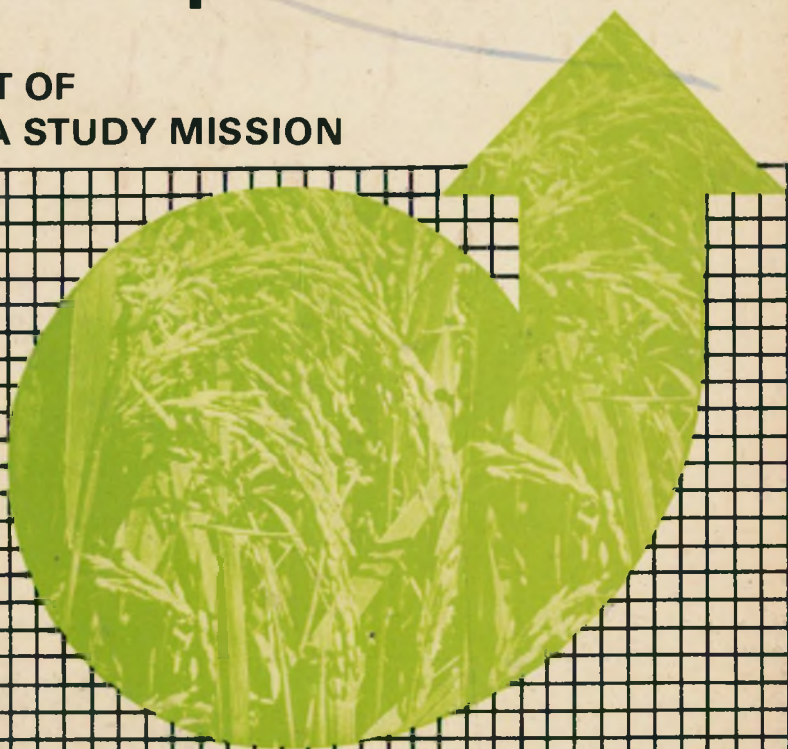


MALAYSIA

# Perspective and Project planning for Agricultural Cooperative sector

REPORT OF  
THE ICA STUDY MISSION



J M RANA  
STEN DAHL

INTERNATIONAL COOPERATIVE ALLIANCE  
REGIONAL OFFICE, NEW DELHI.

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# **Perspective and Project Planning for Agricultural Cooperative Sector**

**MALAYSIA**

**Report of the ICA Study Mission**

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## PREFACE

The ICA Regional Office was restructured in 1985 after which it embarked on a new cooperative development policy and programmes. Under the present cooperative development policy the specialised Sub-Committees are expected to play an important role in identifying the needs and priorities of member movements and assist the RO in formulating its work programme which would answer these needs. The new development policy also envisages assisting member organisations in formulating the development programmes, in making attempts to create a favourable environment for cooperative development, and in making progress towards self-reliance of cooperative movements. Keeping in view the above development policy, the ICA Specialised Sub-Committee for Agriculture for South-East Asia recommended that the ICA RO should assist the member movements to carry out perspective plans for the agricultural cooperative sector in selected countries. The first such country taken up for Perspective Planning was Malaysia in collaboration with ANGKASA, the ICA member organisation in Malaysia. The study was carried out in April 1986 by Messrs J.M. Rana, Regional Development Officer and Head, Development Coordination Unit, and Sten Dahl, Cooperative Development Adviser in the ICA Regional Office.

We have pleasure in making available the results of this study through this publication to a wider audience to facilitate inter-change of information and ideas. We hope the member movements will find this report useful.

New Delhi  
10.8.87

G.K. Sharma  
ICA Regional Director for S-E Asia



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## ACRONYMS

ANGKASA	Angkatan Kerjasama Kebangsaan Malaysia Ltd. (National Union of Cooperatives, Malaysia)
CDB	Cooperative Data Bank
CUM	Cooperative Union of Malaysia
DID	Department of Irrigation and Drainage
FAMA	Farmers Agricultural Marketing Authority
FELCRA	Federal Land Consolidation and Rehabilitation Authority
FELDA	Federal Land Development Authority
FO	Farmers Organisation
FOA	Farmers Organisation Authority
IADP	Integrated Agricultural Development Project
ICA	International Cooperative Alliance
KEJORA	Johor Tenggara Development Authority
KETENGAH	Terengganu Tengah Regional Development Authority
MES	Management and Evaluation System
MIS	Management and Information System
NAP	National Agricultural Policy
NCDP	National Cooperative Development Policy
NEP	New Economic Policy
NLFCS	National Land Finance Cooperative Society Ltd.
OPP	Outline Perspective Plan
PM	Peninsular Malaysia
PRMB/LPN	Paddy and Rice Marketing Board
RISDA	Rubber Industry Smallholders Development Authority
SAU	Small Agricultural Unit

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## I. INTRODUCTION

1. The 20th meeting of the ICA Specialised Sub-Committee for Agriculture for South-East Asia held in Kuala Lumpur, Malaysia, in July 1985, recommended that the ICA Regional Office should assist the member movements to carry out *Perspective Planning for the Agricultural Co-operative Sector* in selected countries during the year July 1985 — June 1986. The Malaysian Member on the Sub-Committee had expressed interest in the Study. Later on, ANGKASA, the member organisation of the ICA in Malaysia sent a background position paper to the ICA Regional Office and made a request for the Study. Accordingly the ICA Study Mission comprising Mr. J.M. Rana, Regional Development Officer and Head, Development Coordination Unit, and Mr. Sten Dahl, Cooperative Development Adviser in the ICA Regional Office for South-East Asia visited Malaysia for two weeks from 14th to 25th April 1986. The Mission was assisted by Mr. Abdul Halim bin Haji Abdullah, Education Officer of ANGKASA. Mr. Mohd. Radzi bin Abdul Hamid, Assistant Director (Development), Farmers' Organisation Authority (FOA) also accompanied the Mission during study visits in rural areas.

### **Organisational Responsibility**

2. The Study Mission was of an exploratory nature. It was carried out by the Study Team members in close collaboration and with the assistance of ANGKASA, the ICA member organisation in Malaysia.

### **Terms of Reference**

3. A meeting of the members of the Study Mission with the various representatives from the agricultural sector was held on 14th April 1986 under the Chairmanship of Tan Sri Hassan b. Mohd. Wahab, Deputy President of ANGKASA. During this meeting, the Mission members explained the background of the Mission, the draft Terms of Reference and the support needed from the member organisations which were set out in a memo sent to ANGKASA in advance. The terms of reference were decided upon at the meeting. It was suggested at the meeting that the Study Mission should pay special attention to the needs of small paddy farmers and suggest ways in which genuine

agricultural cooperatives can be developed, keeping in view the overall objectives of the agricultural cooperatives, viz. to raise the income levels and standards of farmers.

4. The Terms of Reference agreed at the meeting are as follows:
  - i. to identify the problems and needs of small farmers and farmers' cooperatives in the context of the existing cooperative structure as well as past agricultural and cooperative development trends and with special reference to paddy;
  - ii. to make recommendations for agricultural cooperative development within the next 10—15 years with special reference to small farmers and paddy, in the context of the National Development Plan;
  - iii. to make recommendations for the development of genuine agricultural cooperatives; and
  - iv. to suggest specific areas in which cooperative development projects may be formulated.

### **Methodology**

5. The following methods were employed by the Study Mission:
  - i. All possible secondary data were collected from the materials produced by the ICA, FOA, ANGKASA, Government of Malaysia, and the various organisations in Malaysia visited by the Study Mission;
  - ii. Discussions were held with the senior officers of the member organisations Agricultural Sub-Committee of ANGKASA, Economic Planning Unit, Ministry of Agriculture; Farmers' Organisation Authority and other specially established boards in the agricultural field, University Professors and the Faculty Members of the Cooperative College of Malaysia;
  - iii. Field visits were made to selected rural areas, farmers' organisations and agro-based cooperatives for making a first hand study; and
  - iv. Based on the data collected, the Study Mission has prepared a report outlining the economic situation in Peninsular Malaysia, development trends in the agricultural sector and agricultural cooperatives and conclusions and recommendations in accordance with the terms of reference. Preliminary conclusions and recommendations for the Study Mission were presented at a representative meeting

held by ANGKASA on 24th April 1986. There was general agreement to the preliminary conclusions and recommendations presented at this meeting and some views were expressed which have been taken into account in writing the report. The representatives of various organisations visited by the Study Mission had participated in the above representative meeting.

### **Work Programme of the Study Mission**

6. A detailed programme of work\* for the Study Mission was formulated by ANGKASA keeping in view the terms of reference. During the first week the Study Mission had meetings and visits in Kuala Lumpur as follows:

Meeting with Deputy President, General Manager and Education Officer of ANGKASA;

Planning meeting with representatives of the Agricultural Cooperative Sector including Chairman of the ICA Regional Council and Members of the ICA Sub-Committee for Agriculture for South-East Asia;

Vice President (Planning & Development), Cooperative Union of Malaysia (CUM) and Managing Director of National Land Finance Cooperative Society (NLFC) and Chief Executives of ICA member organisations;

Director, Training and Communication, Farmers' Organisation Authority (FOA);

Director-General, Cooperative Development Department; Director and officers of Planning and Policy Division, Ministry of Agriculture;

Head, Agriculture Division, Economic Planning Unit, Prime Minister's Department;

Divisional Manager, Planning and Development, Agricultural Bank of Malaysia;

Director, Planning, Farmers' Agricultural Marketing Authority (FAMA);

Director, Planning and Development, Paddy and Rice Marketing Board (PRMB);

Dean, Faculty of Economics and Administration, University of Malaysia;

Head, Department of Economics, Faculty of Resource

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See Annex--1 for the detailed programme

Economics and Agri Business. Agricultural University, Malaysia;

- Professor, Extension Education Centre, Agricultural University, Malaysia; and
- Director and Faculty Members, Cooperative College of Malaysia.

7. During the second week, a three-day field visit programme was carried out. It included visits to Farmers' Organisations (FOs), Agro-based Cooperatives, a women's multipurpose agri-based cooperative, Farmers Group Meeting, Farm Mechanisation Centre, Mini Paddy Estate, and rice milling facilities of an FO and the Paddy and Rice Marketing Board. The field visits were carried out in the States of Kedah, Perak and Selangor.

8. Considerable published and mimeographed material was also collected and referred to. A complete list of the material referred is given in Annex-2. Two main documents regarded as most important by the Mission were: (i) "Fifth Malaysia Plan 1986 - 1990"; and (ii) "National Agricultural Policy", since it was the endeavour of the Mission to formulate its recommendations in the context of the Five Year Plan and the framework of Government's Long-term Agricultural Policy.

### **Limitations**

- i. The study is confined to Peninsular Malaysia; Sabah and Sarawak are not covered.
- ii. The Study Mission did not visit the farmers and their organisations in the land settlement areas and areas covered by RISDA.
- iii. The study principally deals with the small farm sector. Some observations on the situation in land settlement areas are made on the basis of the discussions and the material collected by the Mission. Estate farming is not covered by the study. Also fisheries and forestry are excluded from the scope of the study.
- iv. The Study Mission had only two weeks' time in Malaysia and a large task at hand.

### **Expectations**

9. It is expected that ANGKASA, the national cooperative organisation in Malaysia, will play a major role, on a continuing basis, in the follow-up and implementation of the conclusions and recommendations of the Study Mission Report and in mobilising the

internal resources for the purpose. The ICA on its part will assist in the follow-up of the report, wherever possible.

## **Acknowledgements**

10. The Study Mission would like to express its sincere thanks to ANGKASA, which provided all the needed assistance for the Study Mission. It secured the concurrence and support of the national Government, ministries and departments concerned with agricultural cooperative development for the work of the Mission. A very useful programme of visits and discussions with various government departments, authorities and agricultural cooperatives was also drawn up by ANGKASA.

11. The Study Mission would also like to express its sincere thanks to the other ICA member-organisations, i.e. Cooperative Union of Malaysia (CUM) and National Land Finance Cooperative Society (NLFCS) which provided valuable support.

12.1 The Study Mission would also like to thank the various senior officers of the Government of Malaysia in the various ministries and authorities as well as those of ICA member organisations, all of whom helped the Mission with their valuable advice and information.

12.2 The Mission would like to express especially its high appreciation and thanks for the valuable collaboration and assistance rendered by the following cooperators and officers:

- i. Tan Sri Hassan b. Mohd. Abdul Wahab, Deputy President, ANGKASA,
- ii. Mr. Syed Abdulla, General Manager, ANGKASA,
- iii. Mr. Abdul Halim, Education Officer, ANGKASA,
- iv. Mr. Mohd. Radzi, Assistant Director, (Development), Farmers' Organisation Authority, and
- v. Mr. R. Mathimugan, Vice-Chairman, Cooperative Union of Malaysia and Chairman, ICA Regional Council for S.E. Asia.

12.3 The Mission would like to express its thanks to the I.L.O. SWISS Cooperative Project-Indonesia, and to its Chief Technical Advisor, Dr. Daman Prakash, for offering comments on the Report.

**Responsibility for views**

13. The views expressed in the report are the views of the Study Mission and not necessarily those of the ICA.



## II. MALAYSIAN ECONOMY—OVERALL PICTURE

14. Malaysia consists of Peninsular Malaysia, Sabah and Sarawak. Peninsular Malaysia (PM) has a land of 13.04 million hectares and a population of 12.9 million. The population of the entire country is 15.7 million and the land area is 81.7 million acres. The annual growth rate of the population in the country has been 2.6 per cent in recent years. According to the Fifth Malaysian Plan (1986—90) the population in Malaysia consisted of the following ethnic groups in 1985.

**Table 1: Ethnic Groups in Malaysia**

Ethnic	Peninsular Malaysia Whole of Malaysia			
	Million	Percentage	Million	Percentage
1. Malay & other Bhumiputera	7.3	56.5	9.5	60.0
2. Chinese	4.2	32.8	4.8	31.0
3. Indian	1.3	10.1	1.3	8.4
4. Others	0.08	0.6	0.1	0.6
Total	12.88	100.0	15.7	100.0

15. Malaysia has made rapid economic progress since the Peninsular Malaysia achieved independence in August 1957. It is a country with a relatively small population and rich natural resources. The economy of Malaysia grew at an annual rate of 6.5 per cent during 1965—70 (First Five Year Plan) and at the rate of 8 per cent during the seventies. Its growth rate slowed down in the eighties and was 5.8 per cent per annum during 1981—85. The slow down of the economy during the eighties was on account of the downturn of the world economic environment and the weakening of major commodity prices.

16. The per capita income during 1985 was M\$4609. It has one of the highest per capita income levels in Asia. Asian countries which had higher income levels than Malaysia in 1983 were Brunei, Japan, Hong Kong and Singapore.

17. The main sectors of the economy are agriculture, mining and quarrying, manufacturing, construction and services. The following table shows their contribution to the gross national product for the year 1984\*.

**Table 2: Shares of various sectors to GNP**

Agriculture	:	20.47%
Mining & quarrying	:	10.64%
Manufacturing	:	20.61%
Construction	:	5.28%
Services	:	43.00%
<hr/>		
Total	:	100.00

18. The Malaysian economy is heavily export-oriented. The main export products are: crude petroleum, palm oil, sawlogs and timber, rubber, LNG, tin, cocoa, copper, paper and manufactured goods. The relative share of the manufactured goods in the export trade has been increasing over the years, and it now stands at 32%. Minerals account for 28.1%, Agriculture for 19.3% and forestry for 9.7% of the total export\*\*.

19. As regards imports, the position was as follows in 1985.

— Consumer goods:		21.42%
— Investment goods comprising machinery & metal products	:	31.12%
— Manufacturing and intermediate goods		47.46%
<hr/>		
Total		100.00

\* For details see Annexe-3.

US\$ 1 : M\$ 2.50

\*\* For details see Annexe-4.

20. The relatively unsatisfactory performance of the export sector coupled with continuing high rates of imports resulted in an adverse trade balance. However, Malaysia was a net importer of capital and hence the overall balance of payments position recorded an accumulated surplus of MS1,759 million.

21. The Malaysian economy has undergone a great transformation since August 1957 when the nation achieved independence. In 1957 Malaysia was a supplier of raw materials viz. rubber, tin, etc. and an importer of food and other manufactured goods. Today it has a diversified economy and its manufacturing and service sectors have become considerably more important than agriculture. Nevertheless it is by and large an open economy and the world economic situation has considerable impact on it. The adverse trade balance had led the government to reassess its policies and priorities. The Malaysia Fifth Plan—1986—90, emphasises the need to increase agricultural sector's contribution to the economy through improved export performance of agricultural products and import substitution of agriculture-based consumption goods. The Plan calls for enhanced agricultural productivity both in the estate sector and the small farm sector.

### III. AGRICULTURAL SECTOR

22. The agricultural sector in Malaysia can be broadly divided into three categories - (i) an efficient and well organised estate sector, (ii) relatively un-organised small farm sector\*, and (iii) the new land under the land development schemes.

23. Agriculture continues to be the single largest and the most important sector of the Malaysian economy. In 1982 it accounted for about 23% of the total output, 40% of employment and 35% of the export earnings. In 1985 the share of agriculture in the total output was 20 per cent. The agricultural sector also provides raw-materials to the manufacturing sector and market for the manufactured goods.

24. Since the attainment of independence, agricultural sector too has made considerable progress. The contribution of the agricultural sector to the total output increased from about M\$ 646 million in 1960 to about M\$ 6926 million in 1982, i.e. more than tenfold increase.

25. As noted earlier, manufacturing and service sectors have grown significantly and the share of the agriculture to total output declined from 59% in 1950 to 38% in 1960 and 20% in 1985. Economic growth implies a declining share of the agricultural sector in the economy. It may be noted that in highly industrialised countries the share of agriculture ranges from six to ten per cent. However, there are certain aspects of the agricultural economy which need to be attended to.

26. First, it is important that agricultural productivity should continue to rise if agriculture is to make its due contribution to the national economy, and to raise farmers' income. Incomes in rural areas are lower than those in urban areas. As will be explained later, agricultural productivity of food crops and also tree crops in the small farm sector needs to be increased. Secondly, the

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\* The National Agricultural Policy Document refers to it as "*Non-organised Small Farm Sub-sector.*"

agricultural sector has an important role in providing employment. Thirdly, some agricultural commodities such as oil palm and rubber make a significant contribution to export earnings. Fourthly, the staple food of the people in Malaysia is rice and hence is a strategic commodity from the point of political as well as economic stability. Finally, agriculture also should make a contribution to produce commodities which would help raise nutritional levels of people. These commodities are meat, fish, poultry, eggs, dairy products, fruits and vegetables. The country cannot depend beyond certain limits on imported agricultural commodities.

27. The major crops in Malaysia are rubber, oil palm, cocoa, paddy and coconuts. 93.8% of the total cultivated area (3.46 million hectares) are devoted to these crops. The rest of the cultivated area, namely, 215,000 hectares (6.2%) is devoted to production of 35 minor crops. Among the minor crops the important ones are sugarcane, coffee, tea, pepper and other miscellaneous crops\*. Details regarding various crops are given in the Table at the end of this chapter (Table-3).

28. During the recent years there has been slight decrease in the area under rubber. Some of these areas have been converted to oil palm. Additional area also has been devoted to oil palm, coconut and cocoa. Since 1975 areas under paddy and sugarcane have come down leading to the problem of idle land.

29. The agro-climatic condition of Malaysia favours the cultivation of tree crops such as rubber and oil palm rather than of annual crops. Estate farming which was developed by the British continues to prevail today in respect of the tree crops and they contribute the maximum to total agricultural production in the country. Food and other minor crops are principally grown by the small holders. Agriculture in this small farm sector has been mainly of a subsistence style. Efforts have been made during the Five Year Plans to change this situation.

30. Much of the increases in agricultural production in the past has been due to expansion in the cultivated area. Various land development schemes such as FELDA, FELCRA, KETENGAH and KEJORA have opened up approximately 735,000 hectares of new land for agriculture between 1971 and 1980. The extent of new

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\* Mohd. Tamin, b. Yeop, Aminuddin b Yusoff and Ian Swee Lian, "A Special Report on Agricultural Land Use in Peninsular Malaysia," MARDI, 1982, page. 7

available arable land is around 2 million hectares. Thus in future the possibility of increasing production through bringing new land under cultivation remains limited. Hence, further increase in production will have to be sought through enhancing agricultural productivity through systematic and efficient management of water resources, application of scientific agricultural technology and institutional development.

31. The opening up of new land has made significant contribution to increasing agricultural production. In addition, it has also made an important contribution to relieving the land hunger of the rural population and in relieving the poverty in the rural areas. The contribution made by FELDA and various State land development schemes have been most imaginative and dynamic in the national development programmes. The massive addition to land holdings of the peasantry has definitely increased the collective wealth of the rural people and the average income per rural family.

**Table 3: Agricultural Production, 1980—1985**

<i>CROP</i>	<i>1980</i>		<i>1985</i>	
	<i>Production (000 tons)</i>	<i>Hectares (in thousand)</i>	<i>Production (000 tons)</i>	<i>Hectares (in thousand)</i>
Rubber	1,530.0	2,004.7	1,450.0	1,959.0
Crude palm oil	2,759.9	1,023.3	4,130.0	1,464.9
Palm kernel oil	223.3		501.9	
Sawlogs	27,916.0		31,340.0	
Sawn timber	6,238.0		5,500.0	
Cocoa	36.5	123.8	103.0	258.9
Paddy	2,040.2	735.2	1,931.2	775.2
Copra	787.5		250.0	
Pepper	31.6	12.7	19.0	10.0
Pineapple	185.3	12.2	147.0	10.2
Fisheries	743.7		697.1	
Beef	17.2		19.1	
Mutton	0.8		0.8	
Poultry	125.6		154.4	
Eggs	2,534.7		3,460.9	
Pork	135.9		158.8	
Milk	8,254.0		28,925.0	

*Source: Fifth Malaysia Plan, 1986—1990*

## IV. SMALL HOLDERS' FARMING SUB-SECTOR

32. The Study Mission was particularly concerned with the small holders sub-sector. In the opinion of the Study Mission cooperatives have an important contribution to make to this sector. It has been pointed out earlier that although the small holders sub-sector contributes a small percentage to agricultural production, it provides employment to 40 per cent of the population in Malaysia and thus has an important responsibility for the welfare of a large number of people.

33. Generally the size of land holdings of the farmers in the small sector is on an average 3-5 acres. Productivity of these farms is low, both in comparison with the estate sector in Malaysia and also in comparison with the small holders in some of the Asian countries, as shown in the Tables given at the end of this chapter (Table Nos. 4-6). This comparison indicates that there is considerable potential for increasing agricultural productivity. The low productivity reflects itself in low incomes and low living standards of farm families.

34. The National Agricultural Policy expresses concern in this regard and with high incidence of poverty in the rural sector especially in the small farm sub-sector. It is estimated that as much as 86 per cent of the total poor are rural households.

35. Two concepts of poverty are used in discussions of the subject: (a) absolute poverty, and (b) relative poverty. The absolute poverty concept defines a poor household as one which is unable to obtain the minimum necessities to maintain physical efficiency i.e. calories required for this purpose. Relative poverty concept, on the other hand, is associated with the prevailing level of inequality or distribution of incomes.

36. The international criteria for absolute poverty is approximately 2,200 calories per head per day. By this standard Malaysia is above the poverty indicator, the average daily per capita calorie intake being 2,610\*. In Malaysia the concern is with "relative poverty".

37. In measuring the level of poverty in a country, poverty line income is used as an indicator. Households which have an income below the poverty line are considered as poor households (households below the poverty line). The mid-term review of the Fourth Malaysia Plan mentions that the incidence of poverty in Peninsular Malaysia was 30.3 per cent in 1983\*\*\*. It increased slightly from 29 per cent in 1980 to 30.3 per cent in 1983 due to global economic recession and its impact on Malaysia. The total number of poor households were estimated at 483,000 in 1984, according to the Fifth Malaysia Plan.

38. Before we move to causes of low productivity, low income and living standards in the small farming sub-sector, it will be pertinent to point out some main features of agricultural land use. Detailed data concerning population, land use, various crops grown, their production levels and acreage covered for the last 12 years were studied by us. The main conclusions based on this study and the MARDI Report quoted below are as follows\*\*\*:

- (a) New and potential arable land in Peninsular Malaysia is rather limited. Hence considerable emphasis in the future should be given to increasing agricultural productivity, particularly in the small farming sub-sector and new land developed by FELDA and other agencies;
- (b) Relatively low attention has been given to food crop production with the exception of rice which is a strategic commodity. This implies that production of livestock, dairying, fruits and vegetables should be given increased attention. Agricultural production in the small farming sub-sector needs to be diversified. The standard of living in

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\* Source: World Development Report 1981 quoted by S.C. Dube in *Development Perspective for 1980* published by the United Nations Asian and Pacific Development Centre, Kuala Lumpur.

\*\* There is some controversy regarding poverty line income. We have tried to find poverty line income in various sources but have been unsuccessful. Jomo in his paper "New Medicine for an Old Illness": commenting on aspects of the mid-term review of the Fourth Malaysia Plan, states that the "poverty line remains an official secret.... The sensitivity of the poverty rate to definition was highlighted when a Cabinet Minister announced a poverty rate of 42.8% for 1983 according to a SERU (the Prime Minister's Department-Socio Economic Research Unit) Study employing a poverty line of M\$ 384 monthly income per household." *Malaysia's New Economic Policies—Evaluations of the Mid-Term Review of the Fourth Malaysian Plan*, page 83, published by Malaysia Economic Association.

\*\*\* A Special Report on Agricultural Land Use in Peninsular Malaysia. MARDI. 1982.



Malaysia has been rising over the years and a larger population of 70 million is envisaged. On account of these factors, it should be expected that the demand for livestock products, dairy products and fruits and vegetables would be increasing;

- (c) About 82% of the cultivated area is occupied by export crops, such as rubber, oil palms, cocoa and coconuts. Productivity of the small farm holders who are producing these commodities needs to be substantially raised. We have mentioned earlier that productivity of these crops on small farms is lower compared to that on the estates;
- (d) About 12% of the cultivated area is under rice. The remaining 6% is under approximately 35 minor crops;
- (e) Past practices in crop cultivation have not attempted to rate the suitability of soil in terms of individual crop growth requirements. About 15% of the crops of all types are cultivated on soils unfavourable to their growth; and
- (f) Idle land due to non-cultivation of farm crops has grown.

### **Rice Production**

39. Although rice occupies only 12 per cent of the total cultivated land in Peninsular Malaysia, it occupies an important position in the socio-political framework of the country. It is responsible for 20 per cent of the total employment. Peninsular Malaysia is heavily dependent on this single staple crop.

40. Since independence, Malaysia has attempted to reduce its dependence on imports and adopted a policy of substantial self-sufficiency in rice production, even if the cost of production of rice is higher in Malaysia than other rice producing countries. The government adopted a four-pronged programme to increase rice production: (i) heavy infrastructure investment, (ii) intervention in input and output prices, (iii) research and agricultural extension, and (iv) institution building in the form of FOs, LPN and FAMA. The objectives of the policy were as follows:

- (a) to increase the welfare of Malay rice farmers; and
- (b) to reduce the risks attendant on overdependence on imports.

41. The impact of the above programmes has been a remarkable increase in the self-sufficiency ratio from 56 per cent in 1955-56 to 76.5 per cent in 1985. We are informed that the self-sufficiency ratio of 80—85 per cent aimed at in the 5th Plan has been reduced to 65 per

cent on account of the balance of trade position. The present policy is to concentrate rice production in the rice bowl areas and release other land for production of more remunerative crops.

42. On account of the input subsidies, guaranteed prices for paddy, increased productivity and availability of off-farm employment, paddy producing areas have experienced significant reduction in poverty.

43. Paddy farms are of small size. Hence government plans to promote estatised rice farming or mini rice estates.

### **Problems of small holders farming**

44. The main problems of this sub-sector mentioned by the National Agricultural Policy are: (i) Uneconomic size of holdings, (ii) Low productivity, (iii) Traditional methods of production, and (iv) Inadequate access to assistance and support services.

45. As will be pointed out later, 50 per cent of the small holders are not covered by the Farmers Organisations and Agri-based cooperatives. A substantial proportion of these farmers outside the above framework would be dependent on the private trader whose methods are highly exploitative. Also there is considerable need and scope of enhancing the services of the institutional framework for the small farmers as also stated by the NAP.

### **Need for integrated approaches**

46. The Study Mission emphasises the need for increased food production and diversification of agriculture, keeping in view the changing economic and social situation in Malaysia. The provision of adequate support to farmers such as extension of credit, inputs supply and marketing would be required. Farmers also need further support in terms of infrastructure and price policies.

47. If farmers' incomes are to be substantially increased it is not adequate to increase productivity and production alone. It is equally important to add value to the commodities produced by farmers and sell them at remunerative prices.

48. The above scenario indicates increased efforts in increasing production of food crops, diversification of agriculture, increase in infra-structure support to farmers, development of agro-based industries, both in regard to inputs and processing of commodities

produced by farmers and effective marketing.

**Table 4: Yield of oil palm, rubber and cocoa under estates and small holdings (Kg/Ha)**

<b>Crops</b>	<b>Estates</b>	<b>Smallholdings</b>
Rubber (latex)	1,425	1,103
Oil palm (ffb)	15,870	12,020
Cocoa (dry beans)	620	400

Sources: Oil palm, cocoa, coconut and tea statistics, Department of Statistics, Kuala Lumpur.  
Rubber Statistics Handbook, Department of Statistics, Kuala Lumpur.

Quoted from Pentai Maju SDN Bhd, *Malaysia Agricultural Directory and Index*, 1986, page 49.

Table 5: Rice Paddy: Yield

Average Annual Growth Rate

Country	1975	1982	1983	1984	1985	1975-85	1981-85
<b>DEVELOPING COUNTRIES</b>							
1. <b>Bangladesh</b>	1853	2014	2062	2242	1973	1.4 %	1.3%
2. Bhutan	2000	2017	2000	2001	2000	0.0 %	-2 %
3. Burma	1831	3150	3067	3122	3128	6.6 %	1.1 %
4. <b>China</b>	3531	4889	5097	5366	5300	4.8 %	5.1 %
5. Dem. Kampuchea	1429	833	969	1159	1086	-2.8 %	8.3 %
6. <b>DPR. Korea</b>	5949	6173	6341	6506	6667	1.1 %	2.2 %
7. Fiji	2254	2125	1901	2016	2000	-7 %	-1.2 %
8. <b>India</b>	1858	1850	2185	2178	2250	2.3 %	4.5 %
9. <b>Indonesia</b>	2630	3736	3871	3921	3977	4.7 %	3.1 %
10. Laos	1338	1477	1494	2167	2333	5.6 %	13.0 %
11. <b>MALAYSIA</b>	2661	2674	2674	2659	2807	.4 %	-2.8 %
12. Maldives	-	-	-	-	-	-	-
13. Mongolia	-	-	-	-	-	-	-
14. Nepal	2074	1449	2066	2067	2084	.4 %	4.7 %
15. <b>Pakistan</b>	2296	2612	2507	2571	2586	1.3 %	-3 %
16. Papua New Guinea	2900	2200	2000	2000	2000	-4.4 %	-6.4 %
17. <b>Philippines</b>	1721	2362	2386	2470	2491	3.7 %	2.7 %
18. <b>Rep. of Korea</b>	5324	6151	6193	6475	6371	.6 %	2.3 %
19. Samoa, W.	-	-	-	-	-	-	-
20. <b>Sri Lanka</b>	1933	2890	3192	2725	2889	4.7 %	1.2 %
21. <b>Thailand</b>	1831	1893	2080	1990	1997	1.4 %	1.0 %
22. Tonga	-	-	-	-	-	-	-
23. Vanuatu	-	-	-	-	-	-	-
24. Vietnam	2133	2482	2630	2751	2632	3.1 %	4.6 %
AVERAGE	2465	3000	3180	3286	3258	3.3 %	3.7 %
<b>DEVELOPED COUNTRIES</b>							
25. Australia	5135	6943	6459	5311	6811	2.0 %	-3.2 %
26. <b>Japan</b>	6186	5688	5701	6414	6266	.2 %	3.4 %
27. New Zealand	-	-	-	-	-	-	-
AVERAGE	6157	5763	5728	6360	6294	.3 %	3.1%
<b>ASIA-PACIFIC AVERAGE</b>							
AVERAGE	2548	3052	3227	3343	3315	3.1 %	3.7 %
<b>REST OF WORLD</b>							
AVERAGE	2330	2495	2389	2484	2593	1.4 %	1.4 %
<b>WORLD</b>							
AVERAGE	2525	2989	3142	3252	3241	3.0 %	3.6 %

Source: FAO of the UN, Regional Office for Asia and the Pacific, **Selected Indicators of Food and Agriculture Development In Asia Pacific Region, 1975-85**, page 10.

Table 6: Cereals Yield

Country	Average Annual Growth Rate						
	1975	1982	1983	1984	1985	1975-85	1981-85
<b>DEVELOPING COUNTRIES</b>							
1. <b>Bangladesh</b>	1832	1998	2059	2239	1983	1.5 %	1.6%
2. <b>Bhutan</b>	1424	1423	1409	1408	1407	-0 %	-2 %
3. <b>Bunia</b>	1739	2955	2911	2943	2956	6.6 %	1.4 %
4. <b>China</b>	2494	3466	3727	3941	3875	5.2 %	6.0 %
5. <b>Dem. Kampuchea</b>	1416	846	994	1180	1109	-2.5 %	8.5 %
6. <b>DPR. Korea</b>	3563	3986	4093	4237	4333	1.7 %	2.5 %
7. <b>Fiji</b>	2255	2056	1906	2267	2258	0.0 %	1.6 %
8. <b>India</b>	1261	1346	1567	1561	1615	2.7 %	4.4 %
9. <b>Indonesia</b>	2301	3330	3326	3408	3512	4.7 %	3.3 %
10. <b>Laos</b>	1344	1462	1481	2114	2272	5.3 %	12.5 %
11. <b>Malaysia</b>	2641	2657	2648	2636	2781	.4 %	-2.9 %
12. <b>Maldives</b>	882	776	783	784	789	-9 %	.7 %
13. <b>Mongolia</b>	1114	1043	1388	950	1008	2.4 %	8.7 %
14. <b>Nepal</b>	1790	1382	1745	1721	1727	-1 %	2.5 %
15. <b>Pakistan</b>	1391	1637	1675	1561	1617	1.6 %	-1.1 %
16. <b>Papua New Guinea</b>	1888	1216	1415	1415	1467	-1.9 %	-2.5 %
17. <b>Philippines</b>	1306	1705	1689	1729	1743	2.9 %	1.7 %
18. <b>Rep. of Korea</b>	4085	5221	5336	5514	5652	2.2 %	3.1 %
19. <b>Samoa, W.</b>	-	-	-	-	-	-	-
20. <b>Sri Lanka</b>	1755	2757	3063	2622	2778	5.2 %	1.2 %
21. <b>Thailand</b>	1890	1923	2088	2052	2116	1.6 %	2.0 %
22. <b>Tonga</b>	-	-	-	-	-	-	-
23. <b>Vanuatu</b>	500	520	520	520	509	.4 %	-4 %
24. <b>Vietnam</b>	2075	2394	2535	2649	2536	3.0 %	4.4 %
<b>AVERAGE</b>	1880	2336	2520	2603	2589	3.7 %	4.4 %
<b>DEVELOPED COUNTRIES</b>							
25. <b>Australia</b>	1414	876	1634	1613	1413	.8 %	6.5 %
26. <b>Japan</b>	5933	5308	5300	5957	5804	-3 %	3.4 %
27. <b>New Zealand</b>	3219	4536	4530	5198	4981	3.7 %	3.8 %
<b>AVERAGE</b>	2290	1527	2107	2218	2033	-9 %	4.8%
<b>ASIA-PACIFIC AVERAGE</b>							
	1903	2281	2490	2577	2550	3.4 %	4.4 %
<b>REST OF WORLD</b>							
	1924	2387	2173	2431	2524	1.9 %	2.2 %
<b>WORLD</b>							
	1916	2345	2304	2490	2535	2.5 %	3.1 %

Source: FAO of the UN, Regional Office for Asia and the Pacific, **Selected Indicators of Food and Agriculture Development In Asia Pacific Region, 1975-85**, page 23.

## V. FARMER'S ORGANISATIONS AND AGRI-BASED COOPERATIVES

49. The Cooperative Societies Act was enacted in 1922. It was envisaged that the State would mainly play a promotional, supervisory and guidance role vis-a-vis cooperatives. Cooperatives were established both in urban and rural areas and their number steadily increased. Thrift and loan societies in urban areas, agricultural cooperatives, fishery cooperatives, housing cooperatives and a nation-wide insurance cooperative society were the significant types of cooperatives. Secondary cooperative organisations such as the Cooperative Union of Malaysia and the Cooperative Central Bank were also established. The ANGKASA which is the national cooperative organisation of Malaysia was established in 1972.

50. Agricultural cooperatives had basically a credit orientation for a long-time. They also played some role in the supply of agricultural inputs, as marketing channels for farmers' produce and in paddy processing. The government was anxious for speedier agricultural development after the attainment of independence. The experience of Taiwan which was studied by Government Policy-Makers influenced them to introduce Farmers' Associations in the country from 1958. Farmers Associations were to undertake mainly agricultural extension activities and act in a role secondary to agricultural cooperatives.

51. In 1967 the Farmers Association Act was passed for the purpose of forming Farmers Associations (FOs) which could undertake multipurpose commercial activities. Farmers Associations were also granted legal exemption from profit tax, stamp duty relevant sections of trade union laws and company acts to put them on par with cooperative societies. Under the 1967 Act, the single purpose farmers associations were converted into multipurpose farmers associations

\*-The Mission has drawn considerably for this Chapter on two documents:

(i) Present Status of Agricultural Cooperative Movement prepared by Agricultural Section of ANGKASA, 1985, and (ii) FAO: RAPA Forthcoming Report on Present Status of Agricultural Cooperatives in Asia and the Pacific, FAO, Bangkok 1985.

The source of all data in the above two documents and in this Chapter is the FOA.

whose functions were to provide credit, input supplies, transportation, extension services and marketing facilities. Thus there came about two types of organisations functioning in rural areas, namely, Farmers Cooperative Societies and Farmers Associations. The presence of these two types of organisations within the same locality caused confusion among farmers and serious conflicts and rivalries. In view of this, two new Acts were enacted, viz. (i) Act No. 109 Farmers Organisation Act, 1973 and Act No. 110 Farmers Organisation Authority (FAO) Act, 1973.

52. The FOA was vested with power to amalgamate agro-based cooperative society and the farmers association into one organisation known as Farmers Organisation (FO). The FOA had more or less the same powers and responsibilities as the Registrar and Director General of Cooperatives in respect of farmers organisations. The Cooperative Department thereafter did not have any power and responsibility vis-a-vis cooperatives in rural areas. No agricultural cooperatives were to be promoted. The Department of Agriculture which earlier had the authority over the farmers associations also did not have any authority vis-a-vis farmers organisations from 1973.

53. The major responsibilities of the FOA are as follows:

- (a) to promote, stimulate, facilitate and undertake economic and social development of Farmers Organisations;
- (b) to register, control and supervise Farmers Organisations and to provide for matters related thereto;
- (c) to plan and undertake agricultural development within a declared Farmers Development Area; and
- (d) to control and coordinate the performance of the aforesaid activities.

54. Farmers Organisations (FOs) were to be established in selected priority areas based on the concept of area development where concentrated agricultural development was to be promoted. Each FO was to cover approximately 5,000 to 10,000 acres and provide essential agricultural and economic services to 1,000 to 2,500 farm families in the area. The Area Farmers Organisation (FO) is composed of Small Agricultural Units (SAU) and agro-based cooperative societies as unit members. Each unit member sends its representative to the general assembly which elects seven out of eleven members on the board of directors. Four members are appointed by the Minister for Agriculture.

55. A SAU comprises about 30 members. It elects one Chief and five Committee Members. Normally all activities of the FO are channelled through SAU Committee.

56 The FOA assigns to the FO management staff generally consisting of a General Manager and five officers. These officers perform duties in the fields of accounting, credit, agri-business and farmers development.

57. In 1973 there were 66 Farmers Organisations and 882 agro-based cooperatives both of which were functioning separately and independently. The number increased to 176 farmers organisations by 1982. The agro-based cooperatives numbering 707 were functioning as units of these FOs.

58. The membership of the above organisations increased from 82,740 in 1973 to 222,865 in 1982.

59. A farmers organisation is expected to carry out the following services required by the members:

- (a) Agricultural extension service;
- (b) Credit facilities and services;
- (c) Supply services;
- (d) Mechanisation services;
- (e) Warehousing facilities;
- (f) Processing facilities;
- (g) Transportation facilities; and
- (h) Marketing facilities.

60. Compared to the above, FOs have generally provided the following main services, viz. provision of credit, supply of agricultural inputs, supply of consumer goods, marketing of agricultural produce and extension services. We are presenting below detailed information on these activities. Data regarding the share of the FOs of the total needs of farmers in these various areas were not available to us.

### **Supply of credit**

61. The following table shows the amount of credit provided by the FOs from 1975 to 1982:



**Table 7: Total amount of Credit**

Year	No. of FOs	Amount (Million M\$)
1975	120	2.38
1976	132	5.03
1977	117	3.32
1978	140	6.42
1979	147	5.24
1980	141	5.53
1981	138	5.80
1982	125	6.37

62. The average amount of loan given by the FOs increased from M\$28,376 in 1977 to M\$50,960 in 1982. However, 45% of the FOs advanced loan amounts of less than M\$20,000 per year. The source of funds for the FOs are their own capital, funds received from FOA and loans from the Agricultural Bank of Malaysia. FOA advances loans for purchase of agricultural inputs and marketing activities. Some loans are given for implementing crop production projects.

63. The number of FOs engaged in credit business is declining from 1979 on account of the interest free loans being advanced by the Agricultural Bank of Malaysia for poverty eradication projects and the Paddy Fertilizer Subsidy Scheme.

### **Supply of agricultural inputs**

64. This is an important activity of the FOs. The table below indicates the sales value of agricultural inputs supplied by FOs. The number of FOs engaged in supply of agricultural inputs and the average value of sales has been showing an increasing trend. The fertiliser subsidy scheme presently undertaken by the government has affected fertiliser sales by the FOs.

**Table 8: Sales value and average sales value of agricultural inputs by FOs**

Year	No. of FOs involved	Total Sales (\$ million)	Average sales value
1973	76	6.89	81,500
1974	80	9.32	116,500
1975	97	5.90	60,800
1976	126	7.11	56,500
1977	127	7.01	55,100
1978	142	8.78	61,800
1979	152	10.15	66,800
1980	151	13.86	91,700
1981	157	11.05	70,300
1982	168	11.54	68,600

65. The following table gives various types of agricultural inputs and the sales value of each of them for the selected years between 1973 and 1982.

**Table 9: Sales Value of Various Agricultural Inputs**

Type of Input	1973	1976	1979	1982
Seedlings	347,527	90,771	869,182	613,846
Seeds	468,483	272,655	412,180	341,830
Fertilizer	4,316,768	4,479,115	3,829,405	4,088,398
Agricultural chemicals	546,818	890,665	1,917,104	2,715,902
Sprayers	74,755	91,760	169,876	247,987
Animal Feed	—	—	2,198,011	281,219
Others	171,051	275,008	498,293	671,976
<b>Total</b>	<b>6,194,619</b>	<b>7,119,546</b>	<b>10,154,792</b>	<b>11,536,472</b>

### Marketing activities

66. The following tables give data regarding marketing activities of the farmers.

**Table 10: Average and Total Value of Produce Marketed by Farmers Cooperatives: 1976—1982**

Year	1976	1979	1982
Number of Cooperatives	80	105	75
Total Value (M\$)	4.36 million	14.19 million	17.14 million
Average Value (M\$)	54,500	135,000	228,500

**Table 11: Value of Commodities Marketed by FOs; 1973—1982**

Commodities	1973	1976	1979	1982
Rubber	1,176,034	734,253	3,237,504	1,922,014
Coconuts	3,367	37,035	591,064	633,115
Rice	553,997	473,509	3,724,589	6,198,217
Cocoa	29,084,	252,168	387,510	548,912
Coffee	—	—	3,395	508,869
Palm Oil	—	371,013	935,913	2,301,486
Pineapples	2,789	—	641,127	50,385
Peanuts	218,760	820,788	986,664	574,696
Tapioca	154,591	15,173	124,908	—
Bananas	32,014	39,250	127,718	119,377
Watermelons	4,306	8,032	66,829	16,386
Maize	25,583	6,199	38,253	12,546
Tobacco	52,782	671,672	1,247,493	3,003,105
Ginger	—	2,150	81,734	2,130
Vegetables	5,034	10,843	231,222	439,038
Poultry and eggs	14,677	850,270	1,748,727	803,306
Others	194,185	70,464	145,107	8,485
	2,467,204	2,364,414	14,191,909	17,142,067

67. The value of agricultural goods marketed increased by more than four times from M\$4.36 million in 1976 to 17.14 million in 1982. The main commodities marketed by the FOs are rice, tobacco, palm oil and rubber. Other commodities of some importance marketed by the FOs are poultry and eggs, coconuts, peanuts, cocoa, coffee and vegetables.

68. The number of FOs involved in rubber marketing was six in 1982. Four FOs were involved in marketing of palm oil.

69. Data is not available with regard to the share of FOs' marketing to total trade in agricultural produce.

## **Processing**

70. The contribution of FOs in processing has been limited. It is the agro-based cooperative societies who have mainly undertaken rice milling activities. Paddy milling has declined from 120,000 metric tons in 1976 to 92,326 metric tons in 1983. The Paddy and Rice Marketing Board (LPN) is now recognising agro-based cooperatives as rice milling cooperatives in order to enable them to retain their business.

71. 15 FOs were involved in tobacco curing and they accounted for 23% of the total curers in the country. FOs have been able to fulfil about 83% of the quotas of tobacco curing allotted to them.

## **Extension services and training**

72. Extension services of the FOs have been confined to advisory service and consultation with the farmers. Farmer members approach FO personnel for advice regarding problems faced by them. Meetings of the SAUs are important channels for communication between the members and the FO personnel. However, it appears that the FOA has not emphasised this aspect in FO work programmes in view of the fact that agricultural extension is the responsibility of the Department of Agriculture.

73. During the recent years farmer's training has been started more systematically and intensively with the appointment of regional training officers. During the years 1982-83, 379 sessions were conducted compared to less than 50 per year earlier. The FOA training policy has the following two objectives:

- (a) to offer training in cooperative management and organisation to leaders of FOs and agro-based cooperatives in order to equip them to be leaders who are responsible, disciplined and progressive; and
- (b) to offer general information and education to members or prospective members of FOs in order to achieve more meaningful membership.

74. The training sessions are mostly for members of the FO board of directors, SAU leaders and other members who show potential to be leaders in their community. Generally training sessions involve two or three days' lectures as well as some brain storming sessions. External Instructors are employed to contribute materials for seminars and discussions. Most of the courses were confined to

management and accounting procedures. The planning of the courses and course designing was done by the FOA on the advice of the FO General Managers.

### Agro-based cooperatives

75. Agro-based cooperatives function as units of FOs. The data regarding them are given in the following table.

**Table 12: Agro-based cooperatives—1984**

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1.1.	No. of agro-based	:	874
1.2	Registered	:	499
1.3.	Un-registered	:	375
2.1.	No. of coops. in category 'A' (active)	:	289
2.2.	No. of coops. in category 'B' (semi-active)	:	316
2.3.	No. of coops. in category, 'C' (non-active)	:	269
3.	Coops. undertaking M.P. activities	:	163
4.	Cooperatives having rice mills	:	58
5.	Coops. engaged in rubber marketing	:	3
6.	Cooperatives having plantations	:	3
7.	Cooperatives having livestock activities	:	1

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76. The number of agro-based cooperatives have declined over the years on account of the government policy to dismantle inactive ones and asking their members to join farmers organisations and not registering any more agro-based cooperatives.

77. The data for 1983 of agro-based cooperatives are as follows:

Number:	701
Membership:	98,562
Share-capital:	M\$ 11 million
Assets:	M\$ 40.6 million
Liabilities:	M\$ 24 million

78. In 1981, for which data is available, agro-based cooperatives supplied agricultural inputs valued at M\$435,000 and consumer goods valued at M\$5.6 million.

## Financial performance of FOs

79. In 1982, 108 FOs (71%) obtained a net profit amounting to M\$4.6 million. The number of FOs making loss was 49, representing 29 per cent of the FOs. Their losses were to the tune of M\$710,000, at an average of M\$14,400 per FO.

80. The number of FOs making a surplus of over M\$60,000 is 29. Only one FO has made a loss exceeding M\$60,000.

81. The average assets of the FOs have been steadily increasing from 1976 onwards. The average asset of FO in 1982 was M\$364,000.

## Some Observations

82. To sum up, farmers organisations have increased both in number and in membership since 1976. Their financial position and the services rendered by them also steadily increased. The major activities carried out by them include supply of credit, agricultural inputs, marketing of agricultural produce and farmers training and extension activities. The involvement of FOs and agro-based cooperatives in production of agricultural inputs and agro-processing is rather limited.

83. The FOs are supported to a great extent by the government. While the number of board members on the board of directors nominated by the government are only four, actual management of FOs is carried out by officers appointed by the Farmers Organisation Authority. Members involvement in decision-making and resources allocation appears to be limited. It appears that generally the farmers believe that FOs are government agencies. Mr. Z. Yahya who carried out case studies of FOs in two projects remarks that there was no known evidence that farmers participate in the decisions pertaining to the selection of positions or participants for FO sponsored training programmes. This is likely to foster passive attitude among farmers and they in turn may regard the farmers organisations as agents through which they can request government grants.

84. Similar conclusions are arrived at by Messrs. Bahari Y. Saidin, Tumiran S. and Abu Hassan of the Agricultural University of Malaysia in their study of farmers organisations in MUDA Agricultural Scheme. The main conclusions are presented below:

- i. In 1984, 53% of the farm families were members of the Farmers Organisations;

- ii. There was considerable increase in the share capital of the FOs between 1969 and 1984, from M\$ 11,000 to M\$ 4.5 million;
- iii. 92% of the farmer members perceived that FOs were government agencies; 97% perceived that they were centres for obtaining credit facilities;
- iv. The farmers were not clear on the FO concept and how it was organised and administered. They felt that the government was responsible for the success of the FOs;
- v. More than 4/5 of the members indicated that they need the following services:
  - a. Improved seeds,
  - b. Timely supply of fertilisers,
  - c. Tractors for ploughing,
  - d. Credit facilities,
  - e. Marketing services,
  - f. Transportation, and
  - g. Harvesting machinery.

This implies that the farmer's expectations of the FOs were not fully fulfilled.

- vi. The government subsidises, at an average of M\$50,000, the administrative expenses of each FO annually; and
- vii. Small interest groups should be formed in order to increase farmers' participation in FOs.

85. In the opinion of the Study Mission, the FOs cannot be considered full-fledged cooperatives since one of the basic principles of Cooperation viz. democratic management, is not practised by them.

## **VI. FOs AND AGRI—BASED COOPERATIVES VISITED BY THE MISSION**

86. We are describing below the activities of the FOs and agri-based cooperatives visited by us. The description is detailed in respect of the first FO. In respect of other FOs, only salient aspects and new features are mentioned in order to avoid repetition. The FO structure and government assistance programmes for them are uniform.

87. Our main impressions and views on the basis of the field study are set out below:

- (i) The FOs were housed in buildings which were very good from the point of view of office facilities;
- (ii) The general managers and other senior staff presented the information and their views systematically. Generally speaking, they appeared competent. However, they seemed to need training in cooperative concept and principles;
- (iii) Each FO has collected basic information on agriculture in its area of operations and kept up-to-date statistics about its operations. The information was also kept on large-sized moveable charts;
- (iv) Agro-based cooperatives had all elected members on the board of directors. They appeared to us full-fledged cooperatives. Their performance too was quite good. We formed the impression out of our visits to a limited number of agro-based cooperatives and the FOs that if the former's area of operations had been enlarged and they were given the same level of assistance as the FOs, they would have performed equally well, possibly better. In fact agro-based cooperatives had developed rice-milling facilities and were managing them reasonably well. Farmers have definitely a feeling of identification and participation in their cooperatives as against the FOs which are viewed as government agencies;
- (v) We gained the impression that the farmers did not have full time employment. Development of agro-processing, and agricultural projects such as poultry or dairying, subsidiary small scale industries, and aqua-culture could help farmers find more work and increased incomes; and



- (vi) While the mini paddy estate visited by us had substantially increased farmers' incomes through better farm management, the role of the farmers had changed from managers of their farms to mere workers. The mini paddy estate had all the characteristics of a collective farm. Judging by the experience of other countries, we are not sure if the experiment will succeed in the long run. If the estates will be run through the labour of landless people and farmers with marginal lands, there is the danger that the small farm owners will become rentiers earning good incomes but having no worthwhile work. The possible social consequences of such a development appear disturbing to us.

### FO in Sik District, Kedah State

88. The FO was registered in August 1976. It covers the entire district. The following is the information regarding agriculture in the District:

Forest reserve	:	109,815	hectares
Swampy area	:	10,522	..
Land in agri. use	:	30,488	..
Land opened up by FELDA/FELCRA	:	7284	..

The main crops grown were rubber, paddy and fruits.

Data regarding the FO are as follows as on February 1986:

Members	:	2001 (31% of the farmers in the area are members).
Small Agricultural Units (SAUs)	:	33
Agro-based cooperatives	:	4 (functioning as SAUs of the FO)
Assets	:	M\$ 295, 731
Accounts receivable	:	M\$ 166, 538

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FELDA: Federal Land Development Authority.

FELCRA: Federal Land Consolidation and Rehabilitation Authority.

Staff	:	22 (15 assigned by FOA; 7 persons employed by FO-of whom 1 was salesman, 1 clerk and 5 were labourers).
Board members	:	11 (7 elected; 4 appointed by the Minister. 5 out of 7 elected board members are government servants).
Activities	:	(a) Distribution of fertilisers and other inputs. (b) Marketing of rice and rubber under group farming scheme. (c) Land management-rubber and oil palm (46 hectares), (d) Small contract work from DID and IADP. (e) Renting out farm machinery (two old tractors and 1 old truck). (f) Operating poultry projects, and (g) Developing idle land.

89. The SAU has 30 members. Each SAU has one Chief and five committee members. All activities of the FO are channelled through SAUs. No accounts are maintained by the SAU committee. It also appeared to us that the commissions paid by the FO are given to the Chief and not to the SAU, which is a rather disturbing factor—quite the opposite of cooperative method of operation.

90. The Group Farming Project (GFP) is mainly for marketing of Paddy, 564 farmers cultivating 1,228 acres have joined the project. The price of paddy is:

M\$46.30 for 100 kgs of short grain, and  
 M\$49.54 for 100 kgs of long grain.

A subsidy of M\$ 16.54 for 100 kgs of paddy is given by the Paddy and Rice Marketing Board (LPN). All except three GFP farmers sell paddy through the FO. On account of this, 90 percent of the loans advanced last year were recovered by the FO. Farmer

DID:— Department of Drainage and Irrigation

IADP:—Integrated Agricultural Development Provsnm

members who have not joined the GPI generally do not sell their paddy through the FO.

91. The FO has group projects for broilers with 3-4 farmers in each project.

92. The FO has social activities in the form of prizes for members' children passing certain educational examinations, financial assistance in case of miscarriage by the wife of a member and death benefits in respect of deaths of a member, his wife, son or daughter.

93. On the loans receivable side in respect of agricultural inputs supplied to members during the last 4-5 years (excepting the last year) 80 per cent of the advances are overdue. The reason given by the management are: lack of proper records leading to disputes, project failures and some farmers not paying because they believe it is government money.

94. The FO has marketing problems in respect of maize, groundnuts and watermelon. It also has a cash flow problem. The members and the FO are adversely affected because of the fall in prices. The FO suffered losses during the last three years especially in credit business, rubber nursery, rubber marketing and tractors' renting. There is also competition from the local buyers who acquire hold over the farmers' produce because of the loans advanced by them.

95. In regard to capital formation, all the FOs have an important problem. Interest on share capital is limited to a maximum of 10 per cent under the law. On the other hand, the National Trust Fund (PNB) offers 18 per cent interest on capital invested in it. Hence it is very unattractive for members to invest more than the minimum needed in shares of the FO.

96. The FO has received assistance from the FOA, LPN and the Agricultural Bank. The FO gets the benefits of the subsidised fertiliser scheme, low interest loans from the Agricultural Bank and the FOA and the price guarantee scheme for paddy. A large number of staff are employed and paid for by the FOA.

**Syarikat Kerjasama Serbaguna Kabu Ibu (Mother's Coop. Society), District Kubang Pasu, Timur, Kedah State**

97. This is a women's multipurpose cooperative society. It was registered in 1967 under the Cooperative Societies Act 1948. It is now supervised and controlled by the FOA.

98. The society has 412—all women—members. The board of directors comprises 12 women members. The society has six projects as follows, each of which was running at a profit.

- Shop premises which are rented out,
- Rice marketing,
- Tobacco curing,
- A restaurant and a cafeteria at the university,
- Rubber planting and marketing, and
- Marketing river sand.

99. The society is giving cash loans to members for paddy planting, house repairing and education of children. Loans advanced in 1984 for the above purposes to 26 members were M\$21,963. The society had accumulated overdues of M\$30,000 by 1985.

100. The society is operating 45 acres of rubber plantation.

101. The society buys rice from LPN, packs and sells in to FELDA settlers and Sunday shops. Its sales per month were 120 tons in 1984.

102. The society has 32 employees, all paid for by it.

103. The society has been making profits in most of its operations. On an overall basis, it has made profits since 1982 onwards.

104. The activities of this cooperative has won it First position Awards for Peninsular Malaysia on Farmers' Day for all the years from 1975 to 1983 excepting 1980 and 1981 when it secured second positions.

**FO, Selama, Kedah State**

105. This FO was established in October 1978. It covers three mukims (counties) with an area of 139 square kilometers. This FO area is surrounded by rubber and oil palm estates.

Farm families in the area	:	3028
Membership	:	420 (20.7%)
Share capital	:	M\$13,770 (average M\$32.78 per member).

106. The main crops in the area are oil palm, rubber, fruits and paddy. This FO is not coming up with worthwhile projects. Hence other farmers are not coming forward to join. Possible projects are (a) converting idle paddy land to oil palm, and (b) Layer hen project.

### **Agro-based Cooperative, Mukim Sungai Batu, Kedah State**

107. This cooperative, registered in 1962 as an unlimited liability thrift and loan society, was converted into a (limited liability) multipurpose cooperative in 1967. Fifty per cent of the farmers in the area are members. Members own land ranging 1—30 hectares. Some of them tap own rubber and work as labourers for oil palm harvesting.

108. Fifty per cent of the people living in this Mukim are landless.

109. The FO is planning to go into a goat breeding project. It is slow in formulating projects. A challenge before it is to increase its assets.

110. It has a Women's Group with 40 members. They carry out maintenance work such as manuring and weeding on oil palm and cassava. There is no educational or other special programmes for women.

111. It planted cassava (tapioca) from 1973 to 1980. Then it converted its land to oil palm which is being managed as an estate. It has made the payment of its first instalment of the loan taken from the Agricultural Bank one year ahead of time. (Total loan taken M\$800,000—Repayment of instalment: M\$220,000).

### **FO, Bandar Baharu, Kedah State**

112. This FO, registered in 1976, has 800 members and share capital of M\$123,000. Its activities are as follows:

- Sale of agricultural inputs including fertilisers,
- Sale of diesel and lubrication oil,

- Transportation services (owns two trucks),
- Milling and marketing of paddy, and
- Savings from members.

113. It is operating a rice mill with two tons per hour capacity. It also has a tailoring project.

114. Milling is done on own account and for the LPN. It sold rice worth M\$1,000,000 in 1985.

### **FO, Sungai Marik, Labu Kupong, Perak State**

115. Registered in 1974, covers an area of 94.4 sq. kms. About 50 per cent farm families are members. Members number 1912, of which 142 are women.

116. The main crops grown in the area are: paddy, oil palm, coconut, rubber and fruits. The size of the paddy farm is three hectares.

117. The FO has three agro-based cooperatives as units. The rice mills owned by these cooperatives have become ineffective because of the competition of LPN mills and because the price subsidy scheme is not channelled through cooperatives.

118. Among the needs mentioned were the education of committee members and members in savings, agricultural techniques and cooperative principles.

#### **SAU meeting**

119. We attended a SAU meeting of the above FO which lasted for about one and a half hours. The Unit members met in well ventilated building, with chairs and tables. Microphone and blackboard facilities were available. Most of the members were middle aged and elderly. Only a few were young.

120. 29 members were present. The Chairman of the meeting was the SAU Chief who is one of the board members.

121. The income standard of the attending members appeared good. The members had come to the meeting using 17 motor cycles and 4 bicycles.

122. The discussion was lively. FO staff members were present to advise and to reply to questions. The suggestions made at the meeting were that the name of the SAU should be changed, that the farm mechanisation centre should supply adequate combine harvester facilities, that the FO should undertake seed multiplication of MR 84 variety of paddy, that the SAU Committee should try to enroll more members, that the mini estate should be expanded and that attempts be made to retain the General Manager of the FO who was being transferred.

### **Farm Mechanisation Centre, Cenderong Balai**

123. The above centre has 20 tractors. It serves 8 FOs and helps their members in land preparation, tilling and harvesting.

### **Mini Estate of FO, Tanjong Karang, Selangor State**

124. We studied and visited the Mini Paddy Estate operations of this FO. In 1984 second season, there were 90 participants and 315 acres in the estate. In 1986 the number of participants were 285 and the acreage in the estate was 1048.

125. Individual plots are kept. No land consolidation has been undertaken yet.

126. The FO manages the mini paddy estate for the farmers, according to the paddy planting schedule and as per the recommendations of the Directorate of Agriculture regarding farm management practices. Two crops are taken in a year.

127. The FO General Manager (GM) manages the mini paddy estate project with the help of the Assistant General manager. An Advisory Body consisting of 11 members has been constituted to advise the Project Manager on technical aspects. The GM is the Chairman and the Assistant GM is the Secretary of the Advisory Committee. Members are from Agricultural Department, MARDI, Agricultural Bank, LPN, Drainage and Irrigation Department (DID), Mechanisation Centre, North West Selangor IADP Project and include SAU Chief and Kempong Chief.

128. The FO provides machinery for land preparation, ploughing and harvesting. Labour is provided by farmer members. Outside labour is hired, if needed. Farmers are encouraged to do spraying, weeding etc. The farmer is given the net income i.e. the difference between the sale proceeds and expenditure.

129. The results of two years 1984 and 1985 have been encouraging. Production has substantially increased. Income from a three acre plot was M\$600 per year. This has now increased to M\$3,400 net per year, according to the General Manager of the Project.



## VII NATIONAL AGRICULTURAL POLICY

### Introduction

130. A National Agricultural Policy (NAP) has been formulated by the government to ensure a balanced and sustained growth of the agricultural sector. It sets out the guidelines for agricultural development upto the year 2000, and the broad strategies to be adopted for the purpose. The NAP recognised the lack of coordinated approach in agricultural development and hence a comprehensive policy has been formulated with a view “to unify and direct the efforts of the *people* and the government in the desired development direction”.\*

### Policy objective

131. The objective of the NAP is to maximise farm income by raising productivity through the efficient utilisation of resources, to alleviate the high incidence of rural poverty and improve the quality of life of rural people. The NAP seeks to expand production of traditional and potential export crops, food and industrial crops and rice.

### Strategies

132. The following four strategies are outlined:

(i) *New Land Development*

New land development will be intensified.

Promotion of early settler participation is emphasised.

(ii) *In Situ Development*

In Situ Development consists of development programmes designed to increase productivity by upgrading the basic infrastructural facilities such as drainage and irrigation, in existing settled areas.

The problems of small farmers are identified as: uneconomic holdings, low-return crops, traditional

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\*Preface to the National Agricultural Policy Document by the Chairman, Cabinet Committee on Agriculture.

methods of production and inadequate access to assistance and support services. These problems result into low productivity and low incomes in the small farm sub-sector.

To overcome the above problems, the NAP envisages formulation of several programmes such as land consolidation, organised farming with centralised management, and development of idle lands.

We have noted earlier that there are limits to new land development and that future increases in production will have to be sought through increased productivity. This approach emphasises the need to motivate and train farmers for enhanced production and to organise them for the purpose. In the opinion of the Study Mission, the Farmers' Cooperatives have a great role to play in this regard.

(iii) *Agricultural Support Services*

Support services and programmes will be intensified through an integrated approach in the delivery of these services.

Credit facilities will be expanded. Extension services will be strengthened to provide a more effective transfer of technology from research stations to farmers and to change their outlook to enhance their receptivity to new technology.

An efficient marketing system will be developed. These programmes will include development of marketing channels, *promotion of farmers' participation in the marketing of their own crops*, upgrading of physical infrastructure, development of storage and processing facilities and product promotion at both the domestic and international levels.

(iv) *Social and Institutional Development*

The NAP seeks the social and institutional development with a view to bringing about attitudinal changes, receptivity to innovations and active participation of farmers in the development process. Efforts will be made to develop the spirit of self-help and group efforts among farmers through training and development of effective farmers' institutions.

## Guidelines for Specific Commodities—Food Production

### *Rice*

133. 80 to 85 per cent of the national requirements are sought to be met through domestic production. We were informed that this ratio is brought down to 65.

### *Meat and dairy*

134. Production of beef by small farmers and well-managed cattle ranches is envisaged. In the case of dairy products, the major part of the demand will be met by imports, while maintaining the local production of fresh milk.

### *Poultry, fish, vegetable and fruits*

135. The production of the above commodities will be encouraged to meet the increasing domestic demand. Attempts will be made for export of fish and fruits.

### *Industrial crops*

136. Production of palm oil, rubber, cocoa, coconut, tobacco and floriculture will be encouraged both to meet domestic demand as well as exports, especially of rubber, palm oil and cocoa.

### *Agro-based industries*

137. Agro-based industries will be encouraged for the purpose of adding value to agricultural commodities and providing off-farm employment and incomes to the rural community. Recycling of agricultural waste for use as feeds and fertilisers and production of bio-gas will also be emphasised.

### *Study Mission's Conclusion*

138. The Study Mission is of the opinion that agricultural cooperatives can make a tremendous contribution to the realisation of the goals of the MAP. There are several areas such as provisions of support services, social and institutional development and the development of agro-industries where great scope exists for agricultural cooperatives.

139. There is considerable scope for development of cooperatives in New Land Development Areas in view of the emphasis of NAP on Settler Participation.

## VIII. FIFTH MALAYSIA PLAN: SOME RELEVANT ASPECTS

140. The Malaysia Plan is formulated to further the aim of New Economic Policy (NEP) initiated in 1971. These aims were to eradicate poverty and to restructure society to eliminate the identification of race with economic function and geographical location. National unity and social justice are the two over-riding goals of NEP. The Outline Perspective Plan (OPP), 1971—90 was formulated to give effect to NEP and to realise NEP aims. The Fifth Malaysia Plan is the last phase of the OPP.

141. The National Agricultural policy outlined earlier has been incorporated in the Fifth Plan.

142. The role of the public sector in the economy in the past saw a shift from that of a traditional provider of services to one of direct participation in commerce, industry, agriculture and building up of infra-structure. The Fifth Malaysia Plan envisages a greater role for the private sector. A policy of privatisation has been enunciated.

143. The NEP and the OPP have made a significant contribution to improving the economic and social conditions of the Bhumiputeras from 1971 to 1985. A consequence of a great deal of government support schemes and incentives has been a growing tendency which inadvertently led to **a prevalence of the subsidy mentality\* among Malaysians to be over-dependent on government assistance and support.** Hence the the Fifth Plan states that greater emphasis will be placed on **developing selfreliance among the rural people, and development of appropriate skills.** The private sector will be expected to provide the leading role and dynamism in the economy due to resource constraints experienced by the public sector.

144. The Fifth Plan further states in this regard as follows (page 316):

*“Modernising and commercialising the smallholder subsector.*

This will be effected through the present approaches of new land

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\*Fifth Malaysia Plan, page 9.

development, in Situ development, provision of support services, and social and institutional development, but with the necessary reorientation in emphasis and content. Some of these, which have been mentioned in the NAP and subsequently implemented during the Fourth Plan period, will be refined during the Fifth Plan Period. Major emphasis will be given to human resources development, particularly through training, extension, and **the further development of various rural institutions, including cooperatives, in order to stimulate creativeness, self-reliance, and entrepreneurship**".

145. The Study Mission sees in the above policies a great potential for agricultural cooperatives, since they foster self-reliance and mobilise the private initiatives, resources and abilities of the farmers and other rural people.

The allocation for the Fifth Plan along with estimated expenditure for 1981–85 (4th Plan) are given in the following table.

**Table 13**  
**Malaysia: Public Development Expenditure for Agriculture and**  
**Rural Development Programmes<sup>1</sup>, 1980-90**  
(M\$ million)

Programme	Fourth Plan allocation, 1981-85	Estimated expenditure, 1981-85	Fifth Plan allocation, 1986-90
Land and regional development	3,148.84	3,039.90	4,418.97
New land development	2,218.61	2,218.23	2,878.24
Regional development	930.23	821.67	1,540.73
In situ development	2,859.44	2,801.89	5,094.44
Integrated agricultural development projects	505.62	476.66	1,560.11
Drainage and irrigation	1,451.26	1,424.64	337.44
Replanting	398.61	396.64	1,909.97
Rehabilitation	503.95	503.95	1,286.92
Forestry	20.96	20.94	264.22
Fisheries	301.48	301.48	263.35
Livestock	135.46	135.46	185.23
Support services	1,111.60	1,082.18	1,273.35
Input subsidy for padi	430.16	430.16	505.95
Agricultural credit, processing and machinery	606.27	576.85	743.27
Extension and other services	75.17	75.17	24.13
Other programmes of MOA	310.42	289.49	300.39
<b>Total</b>	<b>7,888.20</b>	<b>7,671.34</b>	<b>11,799.95</b>

Notes:

1. Figures do not cover some rural development programmes such as water supply, roads, and health services. The respective figures are reflected in the relevant chapters.
2. Under the Fifth Plan, the public sector has been redefined to include the non-financial public enterprises (NEPEs) which previously were treated as belonging to the private sector.

## IX. FUTURE PERSPECTIVES: CONCLUSIONS AND RECOMMENDATIONS

In this Chapter the Study Mission outlines the conclusions and recommendations based on its study of the FOs and agricultural cooperatives and of the agricultural sector. The Mission has also studied the socio-economic setting, past and present development trends and the policies of the Malaysian Government as set out in the National Economic Policy, the National Agricultural Policy and the 5th Malaysian Plan. Its conclusions and recommendations take the form of indicating future perspectives for agricultural cooperatives for the next 10 to 15 years i.e. the Year 2000. In pursuance of its terms of reference, the Study Mission has also suggested certain areas in which projects may be developed in the context of the goals visualised by the Mission as one of building a voluntary and genuine cooperative movement which can play a vigorous role in improving the social and economic conditions of the farmers and make an important contribution to national development.

### **Recommendation 1: Formulation of National Cooperative Development Policy**

The Study Mission is of the opinion that agricultural cooperatives would be able to make their full contribution to agricultural development, to the improvement of social and economic conditions of the small farmers and to the national economy as a whole, if they are organised and operated on the basis of cooperative principles and **a genuine concept of the Cooperative**. It has been noted earlier in the report that FOs are not fullfledged cooperatives. A part of their Boards is nominated and member involvement and participation in decision-making in the FOs is limited. A very large number of farmer members of the FOs regard them as government organisations. **The Study Mission, therefore, strongly recommends that ANGKASA formulates a National Cooperative Development Policy (NCDP) based on cooperative principles and cooperative methods of work.** Such a policy will be an essential complement to the National Agricultural Policy and the National Economic Policy both of which emphasise promotion of farmers' participation in development

programmes. ANGKASA should get the Policy endorsed by its membership and the national government.

### **Policy objective**

The objective of the National Cooperative Development Policy would be to promote genuine cooperative organisations which would be organised and operated on the basis of self-help and democratic decision-making for the purpose of making a significant contribution in alleviating rural poverty. The NCDP would thus aim at making a significant contribution to the goals of the NAP and the NEP.

### **Recommendation 2: Recognition of Cooperative Movement as a Separate Sector of the National Economy.**

The 5th Malaysia Plan allocates greater role to the private sector and the Government of Malaysia has formulated a Policy of Privatising the Economy. At the same time the Plan emphasises the need to develop the spirit of self-reliance and initiative on the part of the people and people's participation in development programmes. It is the belief of the Study Mission that the cooperative movement is best equipped to achieve these objectives. A cooperative is of the people, by the people and for the people. Based on democratic decision-making, enterprises based on cooperative concept and methods would generate the spirit of self-help for the promotion of collective and group well-being. The private enterprise seeks profits and not necessarily improvement of the conditions of the people it professes to serve. Hence the private industry is not the best instrument to alleviate rural poverty; on the contrary its activities may enhance relative rural poverty. Keeping in view the ideological character of the Cooperative Movement and its commitment to improve the lot of its members, who usually are the weak and the underprivileged, **the Mission recommends that the government should assign the cooperative movement a vital role in rural development working side by side with the government and its specialised agencies, and that the government should recognise the cooperative movement as a separate sector of the economy.** There would thus be three sectors viz. the State, private and the Cooperative. **The Mission further recommends that ANGKASA should secure such recognition so that cooperatives could perform**



**their due role in the national economy.** It is suggested that in future the National Plan document should review the performance of the cooperative movement, outline in some detail the contributions to be made by the movement and allocate required resources. It may be mentioned that the 5th Malaysia Plan makes only passing references to cooperatives.

**It is suggested that ANGKASA should constitute a small group to prepare a Draft National Cooperative Development Policy for consideration and adoption first, by its Board of Directors and, later by the National Cooperative Congress.** If required, the ICA Development Coordination Unit of the ICA Regional Office could be requested to assist in the above task. In view of the rapid changes taking place in the national economy and the serious concern of the Government to alleviate rural poverty, it is suggested that **the above task be completed expeditiously, possibly in a period of one or two months.**

### **Recommendation 3: Coordinating Role of ANGKASA**

There are a large number of government bodies, i.e. ministries, departments and specially established agencies which are involved either directly or indirectly with land and agricultural development and with the livelihood of the farmers. The same situation, possibly to lesser extent, obtains in respect of promotion and development of FOs and agricultural cooperatives as well.

A number of organisations are concerned with FOs such as FOA, RISDA (Rubber Industry Smallholders Development Authority), FELDA and FAMA, each of which have independent authority. Thus agricultural cooperative movement is, in a sense, fragmented. **In view of this the Study Mission recommends that ANGKASA which is the national body of all cooperative organisations in the country should play a coordinating role not only vis-a-vis its members constituents but also vis-a-vis various governmental ministries and authorities concerned with farmers and farmers cooperatives.** The formulation of a National Agricultural Policy is expected to bring about a coordinated approach in agricultural development. **The formulation of a National Cooperative Development Policy will similarly bring about a coordinated approach in regard to agricultural cooperative development and it should be the endeavour of ANGKASA to ensure its implementation and monitor progress.**

#### **Recommendation 4: Establishment of a Cooperative Development Council**

In the opinion of the Study Mission, ANGKASA as the national cooperative organisation in the country has the responsibility to promote and plan the development of the cooperative movement in collaboration with the government. In order that this task is effectively performed, **the Study Mission recommends that a Cooperative Development Council be constituted by ANGKASA with representatives from the cooperative movement and the concerned government ministries and departments.** It would be the task of the Cooperative Development Council to formulate plans and programmes for cooperative development in consonance with the national objectives and cooperative ideology. It is further suggested that **a Cooperative Planning and Development Section** be established in ANGKASA to provide the leadership of ANGKASA with necessary information, data, material and views on cooperative development planning and implementation.

#### **Recommendation 5: Cooperative Data Bank; Monitoring and Evaluation; and Management Information System**

In order that ANGKASA and its proposed Cooperative Planning and Development Section can play the necessary role in planning for cooperative development, it is essential that the Section collects necessary statistics and data with regard to FOs, agro-based cooperatives, farmers and agricultural situation and monitors progress. **Hence the Mission recommends the establishment of a Cooperative Data Bank (CDB) by ANGKASA.** The Data Bank will enable ANGKASA to equip itself with the knowledge of the existing agricultural and cooperative situation and enable it to monitor progress. As the old adage says "Knowledge is power". By thus equipping itself, ANGKASA would acquire the necessary capacity for planning Cooperative Development programmes and influencing government policies vis-a-vis cooperative development.

Two essential and additional needs for sound development planning and plan implementation are the establishment of Monitoring and Evaluation System (MES) and the Management and Information System (MIS). The Mission recommends that ANGKASA establishes both these systems in conjunction with the

Cooperative Data Bank. The Management Information System would enable ANGKASA to provide its affiliated organisations with scientific management counselling with a view to enhancing their management and operational performance to high standards, standards with which they can function effectively in a free competitive environment. The establishment of Monitoring and Evaluation System would enable ANGKASA: (a) to periodically monitor and evaluate progress of all affiliated organisations as well as planned programmes and projects, (b) issue early warning signals, and (c) help take timely corrective actions, with a view to achieving efficient plan implementation. Monitoring and Evaluation System will also enable ANGKASA and its affiliated organisations to plan better for the next planning period.

The Mission recommends that ANGKASA acquire the needed computer facilities to establish the Cooperative Data Bank, the MES and MIS. Installation of computer facilities will greatly enhance the speedy flow of data and efficiency of the Cooperative System.

The Development Coordination Unit of the ICA Regional Office (DCU) has prepared a separate paper on the Cooperative Data Bank, the MES and MIS. The DCU shall be glad to supply this paper and assist ANGKASA in the above tasks, if required. It is further suggested that ANGKASA formulates a Project for the smooth establishment of the CDB, MES and MIS.

The above recommendations would give effect to ANGKASA's role as a national cooperative body and especially its objectives "to give advice, guidance and assistance to its member organisations in the running, management, accounting, auditing, liquidation and legal matters of their societies" and "to assist and cooperate with the government in promoting the cooperative movement in Malaysia".

A review of the EOs, agro-based cooperatives in the country and a study made by the Mission of these organisations during their field visits have led the Study Mission to believe that these organisations have made an important contribution to agricultural development and to improving the conditions of farmers who have joined as members. The FOs and the agro-based cooperatives have received very valuable support from the Farmers' Organisation Authority, Rice and Paddy Marketing Board (LPN), and the Agricultural Bank of Malaysia. FELDA and RISDA have also provided valuable support to FOs/Farmers Cooperatives in their respective areas.

As noted earlier, the government policies of new land development and In Situ Development under the National Agricultural Policy have provided the necessary framework for development of farmers and farmers organisations. The Study Mission is of the opinion that the support of the government and the various agencies mentioned above has been of invaluable help in the promotion and growth of FOs, agri-based cooperatives and the improvement of the farmers' social and economic conditions.

### **Recommendation 6: Progressive Democratisation and Self-Management**

While recognising the significant contributions which the government and the government agencies made to the development of FOs and agri-based cooperatives, the Study Mission has come to the conclusion that **the time has come to loosen the regulatory, controlling and management functions of the various agencies especially the Farmers Organisation Authority.** It was mentioned earlier in the report that the FOs are managed by the General Manager and other personnel deputed by the FOA. Farmers' involvement in and identification with the FOs are rather minimal. In fact further progress in the activities of the FOs would be most unlikely unless member participation in FOs management is enhanced. The Fifth Malaysia Plan expresses serious concern with regard to the growth of farmers' mentality of excessively depending on the government and government subsidies. It is in this context that **the National Agricultural Policy and the Fifth Plan emphasise the necessity of appropriate social and institutional development and the development of "the motivation and spirit of self-help and group efforts among farmers through training and development of effective farmers institutions\***

**8.4 If the above policy is to be sincerely implemented, the Study Mission recommends that the management of FOs should be democratised progressively. Step should also be devised to enhance members' participation.** As a first step the FOA could have fully elected boards in FOs which would come in excellent and very good management category. Steps should be simultaneously taken to raise the operational efficiency of other FOs to the above categories and then they should be given the freedom to manage their own affairs.

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\* National Agricultural Policy, page 8.

**The Study Mission recommends that the FOA should adopt a policy of converting 70-80 percent of FOs into fullfledged cooperatives by the Year 2000.** The next 12—14 years is an adequate period in which this target can be realised. A fullfledged cooperative is defined by the Study Mission as one which is managed by a completely elected board of directors and whose General Manager is appointed and works under the direction and authority of the board of directors. It is further suggested that the same policy be followed by FELDA, RISDA and other agencies which promote, organise and develop farmers groups organisations.

**It is further suggested that the FOA together with ANGKASA establish criteria for the classification of FOs and agri-based cooperatives. For example, the classification may be as follows:**

Classifications	Meaning	Performance Ranking
A:	Excellent	81-100
B:	Very Good	61-80
C:	Good	41-60
D:	Satisfactory; needing considerable management guidance and support	21-40
E:	Hopelessly sick should be merged with another cooperative, or dissolved	0-20

The criteria for the categorisation of the FOs/ cooperatives may be:

- (i) Self-help and mutual help spirit of members-exhibited through small members' groups, group projects team spirit etc.
- (ii) Member participation as exhibited through attendance in general body meetings, contribution to members capital such as share capital, deposits and revolving fund; members' patronage of the cooperative business e.g. purchasing or selling through cooperatives; repayment of loans; coverage of eligible households and members.

- (iii) Performance of the elected Board of Directors in formulating Policy, reviewing cooperative performance, initiating new project and in member relations and member services; dependance on government for direct management; and social benefits such as members' education and cultural activities.
- (iv) Business Performance: economic services rendered to members and contributions made to improving members' economy. Indicators such as market share of the cooperatives: increases in members' income effected; impact on the rural poor.
- (v) Financial Performance: use of indicators such as members' capital to total capital; efficiency of capital employed; input-output relationship; surplus generated as percentage of total capital and per member.

It is further suggested that FOs to whom full democracy is allowed be called an **Area Farmer's Cooperative** and **not a Farmers Organisation** to distinguish the former as a full-fledged cooperative. In our opinion the change in nomenclature is of tremendous significance, since it would distinguish a member-controlled organisation from the one which is not so controlled. It would also signify the direction to which FOs have to move to qualify as Area Farmers' Cooperative.

## **Recommendation 7: Structural Reorganisation of FOs**

An FO is established on the concept of area development and it is expected to cover about 5,000—10,000 acres and provide services to 1,000—2,000 farm families in the area. The structure of the FO comprises small agricultural units (SAU) which are of two types; viz. (i) a SAU comprising about 30 members and undertaking member activities and (ii) an Agro-based cooperative which is regarded as an SAU. The agrobased cooperative functions as an economic unit and has undertaken rice milling and supply of consumer articles in addition to other functions of the FO. The FOs themselves have generally not ventured into processing or broadened the range of member services. Keeping in view the important work carried out by agro-based cooperatives as SAU's the Study Mission recommends **that the structural unit through which the FO should reach out to the members should be an agro-based cooperative**. Such a structure would have the merit of uniformity. Further, it would enable the farmers to participate actively in a unit which is smaller and closer to them. Member democracy could be better activated in the smaller unit. Activities which require operation on scale larger than that of an

agro-based cooperative should be carried out by the FO. The same considerations should apply if a scale larger than that provided by the FO is required. For example, if a viable processing unit requires the area and membership larger than that of a single FO, several FOs together should establish a Regional Cooperative Processing Society. **Such structural concepts are necessary in order to make FO business activities more effective and to grasp the opportunities available in processing and marketing through further regional collaboration.**

The necessity of involvement and participation of members in the FOs have been emphasised earlier. The small agricultural units have made an important contribution in this regard. The Study Mission was impressed by the participation of farmers in one of the SAU visited by them. This concept of members' groups within the agro-based cooperatives as a unit of FO needs to be vigorously pushed to promote member involvement and member participation. **The Study Mission recommends that small member groups based on neighbourhood, commodity and such other identical interests be vigorously promoted; such an approach implies also the formation of women's as well as youth groups.** The function of these groups especially commodity groups would be to take steps, in conjunction with the management of the SAU/Agro-based cooperatives, to promote agricultural production and other economic activities. The groups can also be a vehicle for channelling farm extension and other adult education activities to the members.

## **Recommendation 8: Member Participation**

Group projects can also be undertaken by the members' groups which could be of various types such as a poultry project or a selfstudy project or a community service improvement project. **Vigorous participation of members through such group activities would generate genuine spirit of self-reliance and team work so essential for the growth of cooperative organisations.** A two-way communication between the members' groups on the one hand and the SAU/Agro-based cooperatives and the area farmers cooperatives on the other should be established in order to ensure that the cooperative management functions so as to satisfy the needs and aspirations of the members and to solve the problems of the members in their day to day activities. On the members side, the member groups would ensure that they provide the patronage and the financial support needed to make their cooperative a vigorous and

dynamic organisation. There is a great deal to learn in this regard from the agricultural cooperatives of Japan and the Republic of Korea. **The Study Mission recommends that the participants nominated by the ANGKASA to the ICA Training Course for Agricultural Cooperative Management in South-East Asia, a part of which would be carried out in Japan, should learn the concepts, techniques and skills of organising and operating such member groups during their training period under the above Course. These personnel on their return home should be utilised to promote members groups and members participation in agricultural cooperatives in the country.**

### **Recommendation 9: Training of Board Members and Managers**

The next important strategy for implementing the policy towards the growth of fullledged cooperatives is to provide training to the board members, general managers and senior staff of all FOs and agrobased cooperatives in cooperative principles and the structure of cooperative organisations. The Study Mission gained the impression that the board members and the employed staff did not have the needed understanding of the cooperative concept and the cooperative principles. This is a basic task which needs to be quickly attended to. It is recommended that the services of the Cooperative College of Malaysia be utilised for this important task. The Cooperative College of Malaysia is fully equipped to discharge this responsibility effectively and efficiently. It has a well qualified faculty, excellent lecture halls and group room facilities, a well equipped library and residential hostel facilities.

The Cooperative College of Malaysia functioning at the national level will not be able to cater to the training needs of personnel spread all over the country. A decentralised Regional approach would also be necessary to accomplish the huge task in this vital area of manpower development.

### **Recommendation 10: Bring 80—90% families in Cooperative fold by 2000 AD**

Next the Study Mission would like to turn to operational questions of FOs. The Study Mission observed during their field visits that about 30—50 per cent of the farmers in the area of operation of the FOs have joined these organisations. While no definite statistics could be collected we were informed that broadly



speaking about 50 per cent of the farm families are members of the FOs. This situation implies two things. First farmers who are outside the fold of FO activities get services directly from some of the state agencies such as the Agricultural Bank of Malaysia, LPN, Directorate of Agriculture, etc. From the point of view of government, providing services directly to individual farmers is a costlier operation compared to rendering such services through farmers' cooperatives. Secondly it implies that a proportion of the remaining 50 per cent of the farm families still depend on the private traders for the supply of agricultural inputs and the marketing of output. The private middleman system is, to say the least, highly exploitative and detrimental to the members' interests. On both the above counts the **Study Mission strongly recommends that the FOA, the Department of Agriculture and the ANGKASA together launch well designed and vigorous membership campaigns so as to bring 80 to 90 per cent of eligible farm families within the cooperative fold by the year 2000.** It is further suggested that the above bodies carry out studies to find out the exact proportion of non-members and the reasons for their not joining the FOs/Agro-based cooperatives. They could then design membership increase campaigns based on the results of the studies.

### **Recommendation 11: Carry out Evaluation of FOs**

The principal activities of the FOs are marketing of farmers' produce, supply of agricultural inputs, provision of agricultural credit and farmers' training. Generally speaking the rate of growth of the turn-over of the FOs have been satisfactory. The marketing activities and credit activities have shown significant increases between 1975 and 1982. The growth rate in agricultural inputs supply, however, was lower than those of the other two activities. The farmers training activities have shown a significant increase during the last 4-5 years. The Study Mission was impressed by the operations of the FOs visited by them during the field visits. However, it should be mentioned that the Study Mission was not in a position to get information regarding the contribution made by the FOs to the total volume of agricultural loans and agricultural inputs bought by the farmers; nor was information available in regard to the proportion of farmers' goods marketed as proportion of the total goods sold by them. Under the circumstances it is not possible to comment on the market share of FOs as a whole and thus the extent of impact made by them on the farmers' economy. According to the Agricultural Bank of Malaysia, informal sources of credit still play an important role in

catering for the credit needs of small farmers\*. The interest rates charged by the informal sources of credit are around 40 per cent per annum and above. Further, judging by the remarks in the Fifth Malaysia Plan and the National Agricultural Policy, it appears that the FOs have to considerably step up their performance in all the three fields mentioned above. **Hence the Mission recommends that an evaluation of the FO performance be carried out for the purpose of enhancing their effectiveness.**

### **Recommendation 12: Future Thrust should be Agro-Industries and Marketing**

The FOs have also to make an important contribution in raising agricultural productivity by promoting the use of fertilisers, improved seeds, improved machinery and other agricultural inputs and also increase the volume of inputs supply. In regard to marketing also the FOs role is very crucial. **In fact the Study Mission is of the opinion that the main thrust of FOs activities in the future should be on marketing of agricultural produce.**

**Development of storage and warehousing, transportation and packaging facilities are other associated activities which must be developed.**

**The next thrust of FOs activity in our opinion should be agro-industries for the purpose of adding value to the farmers' produce and an effective marketing of value added produce.** Hence the Study Mission strongly recommends that the FOs should explore, wherever possible, all avenues of establishing agro-industries and finding more remunerative markets for farmers' produce including export markets. An integrated and effective cooperative federal set-up needs to be built up whereby FOs would be effectively supported in their various activities through the state level and national level cooperative organisations. Effective liaison should be maintained by the secondary and tertiary bodies with the State agencies for the purpose of effectively serving the FOs and the farmers..

The proposed Planning and Development Section of ANGKASA should identify areas, geographically and commoditywise, in which

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\* **Agricultural Credit Policies and Programmes**—paper Presented by Agricultural Bank of Malaysia at the 5th General Assembly of the Asian and Pacific Regional Credit Association held in December 1984, Bangkok, page 6.

agro-industrial opportunities exist. It should carry out on its own or through consultants feasibility studies and formulate agro-processing/agro-industry projects to promote agricultural growth and members' development.

### **Recommendation 13: Direct action towards Improving living conditions of Farmers**

A three pronged effort is needed to enhance the incomes and living standards of the farm families: (i) to increase production; (ii) to develop agro-industries and marketing; and (iii) to directly influence farmers living conditions. We have dealt with (i) and (ii) earlier. In regard to (iii), farmers' cooperatives should help farmers in home budgeting, education with regard to nutrition and balanced diets as well as other activities which would improve the quality of life of farm families. **The Study Mission is of the opinion that women and youth have not been systematically approached by the FOs. These two groups should be effectively serviced by the farmers' cooperatives to achieve the second objective. In fact there is a third aspect, namely, Social Development to which FOs should direct their efforts in future.** Social development areas would be in regard to improving the environment, developing energy sources based on agricultural wastes and other community development activities. It is only through such activities that agricultural cooperatives can attract deep involvement of the members, an aspect which we have already referred to earlier.

### **Recommendation 14: Contribution to diversification of agriculture**

The long-term National Agricultural Policy and the Fifth Malaysia Plan have emphasised the great need for diversifying agriculture. Small farmers have to develop production of meat, dairy products, aqua-culture, production of fruits and vegetables and floriculture. Consistent with the agro-economic and climatic conditions in the country, **FOs should formulate projects in the various fields and thereby make a contribution for the development of agricultural economy as also to national development. ANGKASA should actively assist the FOs and agro-based cooperatives in promoting diversification of agriculture.**

### **Recommendation 15: Identification of Areas for Projects**

The Study Mission is also expected to suggest areas in which

projects could be developed for the agricultural cooperative sector. Our recommendations in this are as follows:

The representative meetings which have been referred to earlier have suggested that ANGKASA should **develop a model fullfledged agricultural cooperative.**

It was also suggested to the Study Mission that **a project be developed for the young sons of estate worker members of the National Land Finance Cooperative Society (NLFCS).** The NLFCS made a request that the ICA RO should assist it to carry out a feasibility study of such a project.

**The Study Mission endorses both the above ideas. The following other areas are suggested for development of agricultural cooperative projects:**

- Development of data bank by ANGKASA along with the establishment of a Management Information as well as Monitoring and Evaluation Systems;
- Project to enhance member participation and democratic control in cooperative;
- Women projects to generate supplementary incomes for the farm families and for the education of women;
- Projects to develop specific agro-industries in various areas;
- Projects for diversification of agriculture;
- Projects to enhance participation of youth in agricultural cooperatives;
- Project to strengthen ANGKASA to serve its affiliates most effectively; and
- Project to strengthen all apex cooperative bodies and their links with the primary cooperative structure.

## Summing Up

The Cooperative Movement should actively encourage self-reliance amongst members, both individually and through group development; it implies reducing dependence on the government, a mentality about which the Fifth Malaysia Plan has expressed great concern. The development of self-reliance by agricultural cooperatives implies that they increase their capital from members, that they increase their capability to manage their affairs and that they create an institutional network which is integrated both horizontally and vertically. For this purpose long and sustained

efforts in regard to internal resource mobilisation, education programmes for the rural leadership, education of members and training of staff are called for. These are areas of vital importance to the agricultural cooperative movement. **ANGKASA, as the national cooperative body should take a leading role in mobilising the collaboration of all relevant agencies at the national, state and the areas levels in order to ensure that these tasks are effectively performed.** The future of the agricultural cooperative movement would be built on the strength of these efforts. **In view of the importance of these matters, the Study Mission strongly recommends that ANGKASA develop intensive member education and leadership training programmes that would spearhead the progress of the agricultural cooperatives towards increased democratic management and self-reliance by the year 2000.**

In making the above recommendations, the Study Mission has attempted to suggest a Policy Framework for future cooperative development in order to secure a genuine and businesswise strong Agricultural Cooperative Movement. Specific recommendations have also been made to suggest priority areas of development and steps to be taken to realise in practice the development policies and priorities. The Mission is of the opinion that Government and the Cooperative Movement should work together to actualise the vision of a strong people's cooperative movement which would make its due contribution to uplifting the conditions of the rural poor and to national development. It is the sincere hope of the Mission that ANGKASA, the ICA national member organisation in Malaysia, will consider carefully the Mission's Report and formulate an Action plan for implementing those recommendations that would be accepted by it.

**PROGRAMME OF MEETINGS AND VISITS  
FOR THE STUDY MISSION IN MALAYSIA**

Saturday 12.4.1986		Arrival
Sunday 13.4.1986		Preparatory Work.
Monday 14.4.1986	9.30 a.m.	YBH Tan Sri Dato Ir. Hj. Mohd. Hassan, Dy. President, Mr. Syed Abdulla, General Manager and Mr. Abdul Halim Education Officer, Angaksa. Meeting with Representatives of the Agricultural Sector.
	3.30 p.m.	Visit to Agriculture Expo-Changkat Pavilion.
Tuesday 15.4.1986	9.30 a.m.	Mr. Mohd. Safian, Director, Farmers Organisation Authority.
	2.30 p.m.	Mr. Mohd. Noor, Director General and Officers of Cooperative Development Department.
Wednesday 16.4.1986	9.30 a.m.	Messers. Isa and Rodza, Officers, Planning and Policy Division, Ministry of Agriculture.
	2.30 p.m.	Professor Mukhtar Tamin, Dean, Faculty of Economics and Administration, University of Malaya.

Thursday 17.4.1986	9.30 a.m.	Dr. Roslan A. Ghaffer, Head, Dept. of Economics, Faculty of Resource Economics and Agribusiness, Agricultural University, and Dr. Bahari Yatim, Professor, Extension Education Centre, University Pertanian (Agricultural University), Malaysia.
	2.30 p.m	Dr. Nik Ibrahim bin Muhammad, Head of Agriculture Planning Unit, Economic Planning Unit, Prime Minister's Department.
Friday 18.4.1986	9.00 a.m.	Mr. C. Mahendren, Director, Corporate Planning, Farmers Agricultural Marketing Authority, (FAMA).
	10.00 a.m.	Mr. Ulf Bergstrom, ICA Coop. Trade Project.
	11.00 a.m.	Mr. R. Mathimugan, Chairman of Regional Council, and Vice President (Planning and Development), Cooperative Union of Malaysia.
	3.00 p.m.	YBH Tan Sri Dato Ir. Hj. Mohd. Hassan Abd. Wahab, Mr. Mathimugan and Mr. Somasundaram, Managing Director, National Cooperative Land Finance Society.
Saturday 19.4.1986	9.00 a.m.	Mr. Abdul Rahman Ramli, Divisional Manager, Planning and Development, Bank Pertanian Malaysia (Bank for Agriculture).
	11.00 a.m.	Mr. Ahmed, Director, Planning and Development, Paddy and Rice Marketing Board (LPN).
Sunday 20.4.1986		Travel to Alor Star, Kedah

Monday 21.4.1986	9.30 a.m.	Field visit to PPK Mukim, Sik, Kedah (F.O).
	3.00 p.m.	Koperasi Kubang Pasu Kaum Ibu, Jitra, Kedah (Women's Multi-purpose Agro-based Cooperative).
Tuesday 22.4.1986	9.30 a.m.	Visit PPK, Selama Kedah and Koperasi Serbaguna Mukim Batu, Kedah (F.O. and Agro-based Cooperative).
	3.30 p.m.	Visit PPK Bandar Baru Kedah (F.O.).
Wednesday 23.4.1986	9.30 a.m.	Visit PPK Sungai Manik & Labu Kubong Perak (F.O.).
	3.30 p.m.	Visit PPK Tanjong Karang (F.O.) and Padi-Mini Estate project.
Thursday 24.4.1986	9.30 a.m.	Preparation of draft findings, conclusions and recommendations.
	2.30 p.m.	Hj. A. Ghazi, Director & Faculty Members, Cooperative College, Malaysia.
Friday 25.4.1986	9.00 a.m.	Concluding meeting to report on findings, conclusion and recommendations.
Saturday 26.4.1986		Open
Sunday 27.4.1986		Leave Kuala Lumpur.



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# TABLES

Table 14

**MALAYSIA: GROSS DOMESTIC PRODUCT BY INDUSTRY OF ORIGIN\*, 1980-85**  
(M\$ million in 1978 prices)

Industry	Average annual growth rate (%)												
	1980	1981	1982	1983	1984	1985	1981	1982	1983	1984	1985	1981-85	Fourth Plan
<b>Primary</b>	14,676	14,973	15,992	16,639	17,669	18,052	2.0	6.8	4.0	6.2	2.2	4.2	4.8
Agriculture, forestry, livestock, and fishing	10,189	10,684	11,375	11,302	11,623	12,046	4.9	6.5	-0.6	2.8	3.6	3.4	4.2
Mining and quarrying	4,487	4,289	4,617	5,337	6,046	6,006	-4.4	7.6	15.6	13.3	-0.7	6.0	7.7
<b>Secondary</b>	10,998	11,710	12,292	13,355	14,691	14,405	6.5	5.0	8.6	10.0	-1.9	5.5	7.2
Manufacturing	8,932	9,343	9,694	10,488	11,703	11,357	4.6	3.8	8.2	11.6	-3.0	4.9	6.0
Construction	2,066	2,367	2,598	2,867	2,988	3,048	14.6	9.8	10.4	4.2	2.0	8.1	11.6
<b>Tertiary</b>	17,836	19,897	21,208	22,610	24,419	26,138	11.6	6.6	6.6	8.0	7.0	7.9	7.7
Electricity, gas, and water	640	689	721	798	890	988	7.7	4.6	10.7	11.5	11.0	9.1	9.0
Transport, storage, and communications	2,542	2,847	2,984	3,138	3,464	3,805	12.0	4.8	5.2	10.4	9.8	8.4	11.8
Wholesale and retail trade, hotels and restaurants	5,383	5,694	6,104	6,583	7,107	7,551	5.8	7.2	7.8	8.0	6.2	7.0	6.2
Finance, insurance, real estate, and business services	3,687	3,953	4,231	4,570	4,892	5,212	7.2	7.0	8.0	7.0	6.5	7.2	7.8
Government services	4,563	5,649	6,027	6,328	6,817	7,270	23.8	6.7	5.0	7.7	6.6	9.8	7.2

Other services	1,021	1,065	1,141	1,193	1,249	1,312	4.3	7.1	4.6	4.7	5.0	5.1	4.9
Less: Imputed bank service charges	854	877	1,152	1,397	1,595	1,675	--	--	--	--	--	--	--
Plus: Import duties	2,046	2,087	2,116	2,429	2,522	2,424	--	--	--	--	--	--	--
Gross Domestic Product at purchaser's value	44,701	47,790	50,456	53,636	57,706	59,344	6.9	5.6	6.3	7.6	2.8	5.8	6.4

Source: Department of Statistics, Preliminary National Accounts Statistics of Malaysia, 1978-1984, September, 1985.

Note\*: Figures for 1985 are estimates

Table 15

## MALAYSIA: COMMODITY EXPORTS, 1980-85

Commodity	1980	1981	1982	1983	1984	1985	Average annual growth rate (%)				Fourth Plan		
							1981	1982	1983	1984		1985	1981-86
<b>Crude petroleum</b>													
Volume ('000 tonnes)	11,226.9	10,143.6	11,973.9	14,224.0	16,497.4	17,025.0	9.7	18.0	18.8	16.0	3.2	8.7	8.3
Unit value (\$ tonne)	597.6	682.4	642.6	553.4	529.6	526.9	14.2	5.8	13.9	-4.3	0.5	2.5	2.5
Value (\$ million)	6,709.1	6,921.4	7,694.2	7,871.0	8,737.4	8,970.0	3.2	11.2	2.3	11.0	2.7	6.0	5.5
<b>Palm oil</b>													
Volume ('000 tonnes)	2,136.2	2,361.1	2,700.0	2,912.9	2,959.4	3,188.0	10.5	14.4	7.9	1.6	7.7	8.3	9.4
Unit value (\$/tonne)	1,177.5	1,154.2	983.7	1,022.0	1,531.1	1,237.0	2.0	14.8	3.9	49.8	19.2	1.0	0.3
Value (\$ million)	2,515.3	2,725.2	2,656.1	2,976.9	4,531.1	3,944.0	8.3	2.5	12.1	52.2	13.0	9.4	9.0
<b>Rubber</b>													
Volume ('000 tonnes)	1,525.7	1,485.3	1,378.1	1,563.0	1,590.6	1,495.0	-2.6	7.2	13.4	1.8	6.0	0.4	1.0
Unit value (cts./kg.)	302.7	250.0	192.7	234.4	230.8	191.6	17.4	22.9	21.6	-1.5	17.0	8.7	-0.5
Value (\$ million)	4,618.0	3,713.1	2,655.1	3,663.6	3,671.5	2,864.0	-19.6	28.5	38.0	0.2	22.6	9.1	0.4
<b>Sawlogs</b>													
Volume ('000 cu.m.)	15,117.0	15,886.1	19,270.0	18,657.9	16,877.6	18,781.0	5.0	21.5	3.2	-9.5	11.3	4.4	2.7
Unit value (\$/cu.m.)	173.1	155.9	175.3	149.7	165.3	142.0	9.9	12.4	-14.6	10.4	-14.1	-3.9	0.6
Value (\$ million)	2,616.2	2,472.8	3,378.2	2,792.2	2,790.0	2,667.0	-5.5	36.6	-17.3	-0.1	4.4	0.4	3.3

<b>LNG</b>													
Volume ('000 tonnes)													
Unit value (\$/tonne)	1,830.0	3,700.0	4,500.0					102.2	21.6				
Value (\$ million)	454.3	479.6	515.3					5.6	7.4				
	831.3	1,774.7	2,319.0					113.5	30.7				
<b>Tin</b>													
Volume ('000 tonnes)	69.5	66.4	48.6	57.1	39.6	54.5	-4.5	-26.8	17.5	-30.6	37.6	-4.7	6.0
Unit value (\$/tonne)	36,049.0	32,182.0	30,543.0	30,070.0	29,351.0	29,240.0	-10.7	-5.1	-1.5	-2.4	-0.4	-4.1	-3.3
Value (\$ million)	2,505.3	2,138.1	1,483.9	1,718.2	1,162.3	1,595.0	14.7	30.6	15.8	-32.4	37.2	8.6	9.1
<b>Sawn timber</b>													
Volume ('000 cu.m.)	2,999.9	2,691.3	2,942.1	3,288.8	2,700.4	2,577.0	-10.3	9.3	11.8	-17.9	-4.6	3.0	1.5
Unit value (\$/cu.m.)	392.8	360.6	351.8	371.2	368.1	395.8	-8.2	-2.4	5.5	-0.8	7.5	0.2	1.6
Value (\$ million)	1,178.3	970.4	1,304.9	1,220.7	993.9	1,020.0	-17.6	6.6	18.0	-18.6	2.6	-2.8	3.1
<b>Cocoa</b>													
Volume ('000 kg)	30,640.4	42,237.0	57,614.4	57,268.5	66,133.0	78,000.0	37.8	36.4	0.6	15.5	17.9	20.5	20.7
Unit value (\$/kg)	5.3	4.1	3.4	4.0	5.1	5.05	-22.6	-17.1	17.6	27.5	-1.0	1.0	3.2
Value (\$ million)	161.9	171.5	198.1	228.6	338.1	394.0	5.9	15.5	15.4	47.9	16.5	19.5	16.9
<b>Copper</b>													
Volume ('000 tonnes)	107.4	129.3	121.1	121.9	125.9	126.2	20.4	-6.3	0.7	3.3	0.2	3.3	2.2
Unit value (\$/tonnes)	1,650.6	1,294.0	1,258.1	1,334.2	1,124.5	1,119.0	-21.6	-2.8	6.0	15.7	-0.5	-7.5	-1.5
Value (\$ million)	177.3	167.3	152.3	162.6	141.6	141.0	5.6	-9.0	6.8	12.9	-0.4	-4.5	0.8
<b>Pepper</b>													
Volume ('000 tonnes)	31.7	28.9	25.2	23.5	16.6	18.6	8.8	-12.8	6.7	29.4	12.0	-10.1	-2.5
Unit value (\$/tonne)	3,395.4	2,838.1	2,628.8	3,330.9	4,783.2	7,457.0	16.4	7.4	26.7	43.6	55.9	17.0	1.8
Value (\$ million)	107.7	81.9	66.3	78.3	79.4	139.0	-24.0	-19.0	18.1	1.4	75.1	5.2	-0.8





## FACT SHEET

BASIC INDICATORS:		1970	1975	1980	1983	1984	1985
<b>I. Population (Thousand persons)</b>							
1.1	Total population	10,863	12,307	13,870	14,863	15,204	15,311
1.2	Total Agricultural Population	5,920	6,242	6,497	6,614	6,652	
1.3	Economically active—total	3,668	4,167	4,716	5,090	5,219	
1.4	Economically active in Agriculture.	2,036	2,153	2,253	2,313	2,332	
1.5	Economically active in %	(55.5%)	(51.7%)	(47.8%)	(45.4%)	(44.7%)	
<b>2. Land (1000 Ha)</b>							
		1974-76	1979	1981	1983	1984	1985
2.1	Total area	32,975	32,975	32,975	32,975		
2.2	Land area	32,855	32,855	32,855	32,855		
2.3	Arable & Permanently Cropped	4,199	4,300-F	4,335-F	4,340-F		
2.3.1	Arable land	969	995-F	1,020-F	1,020-F		
2.3.2	Permanent crops	3,230	3,305-F	3,315-F	3,320-F		
2.4	Permanent pasture	27	27*	27*	27-F		
2.5	Forest and woodlands	23,573	22,630*	22,150*	21,670-F		
2.6	Other land	5,056	5,898	6,343	6,818		
3.	Irrigation (1000 Ha)	307	319	330	334-F		

Source: FAO production Year Book 1984; F = FAO Estimates, I = ICA Estimates, \* = Unofficial figure

## PRODUCTION INDICES (1974-76 = 100)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
<b>4. Food production</b>												
4.1 Total	90.29	97.01	99.04	103.95	106.61	102.85	118.41	120.93	130.91	135.89	128.08	138.92
4.2 Per caput	94.92	99.47	99.06	101.47	101.58	95.69	107.58	107.32	113.50	115.13	106.07	112.47
<b>5. Agricultural production</b>												
5.1 Total	91.92	97.50	98.35	104.15	106.05	103.12	115.58	116.57	124.17	128.35	122.74	130.43
5.2 Per caput	96.54	99.97	98.36	101.66	101.05	95.94	105.01	103.45	107.65	108.74	101.65	105.55
<b>6. Crops production</b>												
6.1 Total	92.56	98.18	98.09	103.74	105.19	100.06	116.84	115.71	125.11	130.22	125.23	133.21
6.2 Gross per caput	97.29	100.66	98.09	101.25	100.22	93.58	106.14	102.67	108.46	110.32	103.69	107.83
<b>7. Livestock production</b>												
7.1 Total	86.91	93.76	100.41	105.83	106.13	110.74	111.52	120.62	121.88	127.04	128.76	131.70
7.2 Gross per caput	91.40	96.18	100.46	103.34	101.16	103.06	101.37	107.09	105.71	107.67	106.67	106.67
<b>8. Cereals production</b>												
8.1 Total	97.48	103.28	98.29	98.42	93.51	73.75	102.97	88.39	106.97	90.08	89.62	86.57
8.2 Gross per caput	102.38	105.81	98.21	95.98	89.01	68.56	93.46	78.37	92.67	76.25	74.15	70.02

Production		1974-76	1982	1983	1984
1.	Cereals:				
	9.1.1 Area harvested in 1000 Ha	753	693	694	674
	9.1.2 Yield in (Kg/Ha)	2,724	2,657	2,648	2,636
	9.1.3 Production in 1000 MT	2,050	1,841	1,838	1,777
2.	Rice paddy:				
	9.2.1 Area harvested in 1000 Ha	741	635	680-F	660-F
	9.2.2 Yield in (Kg/Ha)	2,738	2,674	2,674	2,659
	9.2.3 Production in 1000 MT	2,029	1,832	1,818	1,755
3.	Maize:				
	9.3.1 Area (1000 Ha)	12	8	14	14
	9.3.2 Yield (Kg/Ha)	1,820	1,125	1,429	1,571
	9.3.3 Production (1000 MT)	21	9	20	22
4.	Roots and Tubers:				
	9.4.1 Area (1000 Ha)	50	49-F	51-F	51-F
	9.4.2 Yield (Kg/Ha)	10,506	10,142	10,039	10,039
	9.4.3 Production (1000 MT)	521	501-F	513-F	512-F
5.	Sweet Potatoes:				
	9.5.1 Area (1000 Ha)	3	3-F	3-F	3-F
	9.5.2 Yield (Kg/Ha)	22,911	16,471	16,774	16,667
	9.5.3 Production (1000 MT)	75	56-F	52-F	50-F
6.	Cassava:				
	9.6.1 Area (1000 Ha)	23	27-F	30-F	30-F
	9.6.2 Yield (Kg/Ha)	12,247	12,407	11,933	12,000
	9.6.3 Production (1000 MT)	347	335-F	358-F	360-F

	1974-76	1982	1983
7. Soyabeans:			
9.7.1 Area (1000 Ha)			
9.7.2 Yield (Kg/ Ha)			
9.7.3 Production (1000 MT)	1,429	1,500	1,500
8. Groundnuts in shell:			
9.8.1 Area (1000 Ha)	7	6-F	6-F
9.8.2 Yield (Kg/ Ha)	3,314	3,500	3,500
9.8.3 Production (1000 MT)	23	21-F	21-F
	1,630	1,617-*	1,642-*
	223	206	208
	249.8	909.9	837
9.9 Coconut Production (1000 MT)	1190	3,510.7	3,010.0
9.10 Copra Production (1000 MT)	435	500-F	487-F
9.11 Palm Kernals (1000 MT)	853	882	880
9.12 Palm oil (1000 MT)			
9.13 Vegetables + melons (1000 MT)			
9.14 Fruits excluding melons (1000 MT)			
9.15 Tree nuts (1000 MT)			
9.16 Cabbages:			
9.16.1 Area (1000 Ha)			
9.16.2 Yield (Kg/ Ha)			
9.16.3 Production (1000 MT)	10,752	11,111	11,020
9.17 Tomatoes:	4	5-F	5-F
9.17.1 Area (1000 Ha)			
9.17.2 Yield (Kg/ Ha)	5	7-F	6-F
9.17.3 Production (1000 MT)	5,000	4,925	4,833
9.18 Pumpkins, Squash, Gourds:	27	33-F	29-F
9.18.1 Area (1000 Ha)			
9.18.2 Yield (Kg/ Ha)	3,000	3,000	3,143

9.19	9.18.3 Production (1000 MT)	1	1-F	1-F
	Cucumbers:			
	9.19.1 Area (1000 Ha)	1	1-F	1-F
	9.19.2 Yield (Kg/Ha)	1,995	2,000	2,000
	9.19.3 Production (1000 MT)	1	2-F	2-F
9.20	Water Melons:			
	9.20.1 Area (1000 Ha)	3	5-F	5-F
	9.20.2 Yield (Kg/Ha)	5,056	6,000	6,800
	9.20.3 Production (1000 MT)	14	34-F	30-F
9.21	Sugarcane:			
	9.21.1 Area (1000 Ha)	21	20	21
	9.21.2 Yield (Kg/Ha)	35,373	45,485	48,780
	9.21.3 Production (1000 MT)	757	900-F	1,000-F
9.22	Sugar (centrifugal, Raw) (1000 MT)	19	6-*	6-F
9.23	Apples (1000 MT)	103	130	130-F
9.24	Oranges (1000 MT)	9	9-F	9-F
9.25	Lemons, Limes (1000 MT)		1-F	2-F
9.26	Grape fruit and pomelo (1000 MT)		2-F	1-F
9.27	Citrus fruits NES (1000 MT)	5	7-F	6-F
9.28	Mangoes (1000 MT)	10	23-F	23-F
9.29	Pineapples (1000 MT)	213	188	183
9.30	Bananas (1000 MT)	435	440-F	450-F
9.31	Papayas (1000 MT)	4	10-F	6-F
9.32	Cashew Nuts (MT)	600		
9.33	Coffee Green:			
	9.33.1 Area (1000 Ha)	9	10	10

	1974-76	1982	1983	1984
9.33.2 Yield (Kg/Ha)	736	888	954	
9.33.3 Production (1000 MT)	7	9	10	
9.34 Cocoa Beans:				
9.34.1 Area (1000 Ha)	30	89	120*	160*
9.34.2 Yield (Kg/Ha)	440	685	617	581
9.34.3 Production (1000 MT)	13	61	74	93
9.35 Tea:				
9.35.1 Area (1000 Ha)	3	3-F	3-F	3-F
9.35.2 Yield (Kg/Ha)	956	1,250	1,360	1,400
9.35.3 Production (1000 MT)	3	4-F	3-F	4-F
9.36 Tobacco leaves:				
9.36.1 Area (1000 Ha)	11	13	11	10
9.36.2 Yield (Kg/Ha)	659	676	772	600
9.36.3 Production (1000 MT)	7	9	9	6
9.37 Natural Rubber (1000 MT)	1,556	1,517	1,562	1,497*

## ANIMAL PRODUCTION

	1974-76	1982	1983	1984
1. Beef and Veal:				
1.1 Slaughtered Heads (1000)	64	101*	100-F	103-F
1.2 Carcass weight (Kg/Animal)	113	113	113	113
1.3 Production (1000 MT)	7	11-F	11-F	12-F
2. Buffalo meat:				
2.1 Slaughtered (1000 Heads)	46	38-F	38-F	35-F
2.2 Carcass weight (Kg/Animal)	181	181	181	181
2.3 Production (1000 MT)	8	7-F	7-F	6-F
3. Mutton and lamb:				
3.1 Slaughtered (1000 Heads)	28	9-F	9-F	9-F
3.2 Carcass weight (Kg/Animal)	16	16	16	16
3.3 Production (1000 MT)				
4. Goat meat:				
4.1 Slaughtered (1000 Heads)	92	65-F	69-F	65-F
4.2 Carcass weight (Kg/Animal)	9	9	9	9
4.3 Production (1000 MT)	1	1-F	1-F	1-F
5. Pig meat:				
5.1 Slaughtered (1000 Heads)	1,257	1,500-F	1,480-F	1,490-F
5.2 Carcass weight (Kg/Animal)	50	50	50	50
5.3 Production (1000 MT)	63	75-F	74-F	74-F
6. Poultry meat (1000 MT)	111	143-F	143-F	152-F
7. Beef and buffalo meat indigenous (1000 MT)	15	15-F	14-F	14-F
7.2 Sheep and goat indigenous (1000 MT)	1	1-F	1-F	1-F
7.3 Pig meat indigenous (1000 MT)	63	78-F	78-F	79-F

	1974-76	1982	1983	1984
8. Cow milk, whole, fresh:				
8.1 Milk animals (1000 Heads)	33	47-F	48-F	47-F
8.2 Yield (Kg/Animal)	600	600	680	680
8.3 Production (1000 MT)	23	32-F	33-F	32-F
9. Buffalo milk (1000 MT)	3	3-F	3-F	3-F
10. Evaporated condensed milk (MT)	90,832	127,330	121,000-F	123,000-F
11. Hen eggs (MT)	109,367	131,300-F	130,800-F	133,800-F
12. Wool, greasy (MT)	46	68-F	68-F	68-F
13. Wool, Scoured (MT)	26	37-F	37-F	39-F
14. Cattle and buffalo hides, Fresh (MT)	3,213	3,844-F	3,830-F	3,800-F
15. Sheep chins, Fresh (MT)	83	25-F	27-F	27-F
16. Goat shines Fresh (MT)	184	130-F	138-F	130-F
<b>LIVESTOCK</b>				
	1974-76	1982	1983	1984
1. Horses (1000)	5	5-F	5-F	5-F
2. Mules (1000)	4	4	4	4
3. Asses (1000)	20	10	10-F	10-F
4. Cattle (1000)	425	565*	570-F	575-F
5. Buffaloes (1000)	286	251*	260-F	255-F
6. Pigs (1000)	1,343	2,010	2,000-F	2,000-F
7. Sheep (1000)	46	68-F	68-F	69-F
8. Goats (1000)	352	335-F	340-F	335-F
9. Chicken (million)	43	53-F	55-F	55-F



FOOD SUPPLY (world total)		1964-66	1969-71	1974-76	1980-82
1.	Calories per caput/day-number (provisional)	(2,413)	(2,488)	(2,522)	(2,652)
1.1	Grand total	2,274	2,417	2,500	2,636
1.2	Vegetables	2,017	2,149	2,202	2,288
1.3	Animal products	257	268	298	348
2.	Protein per caput/day-grams (provisional)	(64.1)	(65.5)	(66.3)	(68.9)
2.1	Grand total	48.0	49.9	54.5	61.5
2.2	Vegetable products	32.9	33.4	31.3	36.5 (45.6)
2.3	Animal products	15.1	16.5	23.2	25.0 (23.3)
3.	Fat per caput/day-grams (provisional)	(53.7)	(56.5)	(57.7)	(62.9)
3.1	Grand total	44.2	46.6	49.8	55.3
3.2	Vegetable products	27.2	29.0	31.4	34.9 (31.3)
3.3	Animal products	17.0	17.6	18.4	20.4 (31.6)
4.	Calcium per caput/day-milligrams (prov.)	(461)	(463)	(463)	(465)
4.1	Grand total	269	278	254	331
4.2	Vegetable products	145	154	111	159 (222)
4.3	Animal products	124	124	142	172 (243)
5.	Iron per caput/day-milligrams (prov.)	(15.5)	(15.7)	(15.6)	(16.0)
5.1	Grand total	12.1	13.2	12.4	13.6
5.2	Vegetable products	10.0	10.4	9.6	10.6 (13.3)
5.3	Animal products	2.2	2.8	2.8	3.0 (2.6)

(Figures in brackets are world total)

MEANS OF PRODUCTION						
	1974-76	1981	1982	1983	1984	
1. Tractors Agric. Total (Number) in use						
2. Harvesters-Treshers (Number) in use	5,522	8,009	7,974			8,000-F
3. Milking machines (Number) in use						
PRICES						
	1979	1980	1981	1982	1983	1984
1. Rubber:						
(a) KL FOB (Ringgits / 1000 Kg)	2,794	3,124	2,573	2,011	2,465	2,270
(b) IN US\$/MT	1,277	1,436	1,119	861	1,062	969
2. Timber D.R. Meerauti GMS. Selected:						
(a) and better FOD Ringgits / Ton, 50 cm. ft.	897	790	692	735	782	757
(b) In US\$/HT	289	256	212	222	237	228