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MEMORANDUM SUBMITTED TO
MEMBERS OF PARLIAMENT, POLITICAL PARTIES &
MALAYSIAN GOVERNMENT
AT MALAYSIA PARLIAMENT
17 MARCH 2022

“Farmers Are Not Lazy, They Are Oppressed”

SUMMARY OF RECOMMENDATIONS

1. A target of 100% self -sufficiency level (SSL) in every Malaysia Plan (RMK).
2. Stop the Large Scale Smart Paddy Field Project (Smart SBB). Support and increase individual farmer entrepreneurs, cooperatives, associations and local companies that are already working on many idle paddy fields or those not cultivated by the owners.
3. Abandon plans to accede to the UPOV 1991 Convention and for the enactment of the Seed Quality Bill. Empower instead the right of farmers to store, process, share and sell seeds non-commercially.
4. Agricultural input subsidies to be given directly to farmers in the form of 'coupons' through a mechanism or system mutually agreed between the government and farmers. Seed producer quotas to be eliminated and markets opened to encourage competition.
5. To reinstate the payment of cash handouts which was previously given to farmers while waiting for the paddy to be harvested.
6. A fixed paddy quality deduction through actual deduction based on quality with a limit of not more than 17% under the supervision of enforcement officers from the government.

7. Create three grades of paddy prices, namely different guaranteed minimum prices for paddy grades A, B and C.
8. Reinstatement of the infrastructure and maintenance budget that was cut in the previous budget and provision of a dynamic irrigation schedule to be set jointly by IADA, MADA, KADA and the Department of Agriculture so that the seed supply schedule does not conflict with the water supply schedule. An engineering and ICT network needs to be developed to ensure efficient and accurate water management.
9. Strengthen the field unit for disease and pest control as well as soil agronomic by hiring more officers in one area so that this unit functions better. Build ICT applications to facilitate rapid advisory and mitigation services.
10. Restructure the administration of agencies in the paddy and rice industry by re-establishing a government agency or entity, namely the National Paddy and Rice Board for policy, administration and database affairs and the control of paddy and rice as a national security commodity.
11. Cancel the BERNAS concession which gives sole importation rights and give LPN the responsibility to import rice and supply it to local wholesalers.
12. Prioritize local rice in the preparation of the national stockpile of rice and the use of local rice in all government tenders as well as ensuring the implementation of strict control measures on the entry of imported rice.
13. Establish a quota for the purchase of paddy by rice mills based on the break even capacity of their respective mills. The government should also encourage farmers to value-add by running small -scale factories.
14. The Federal Government to prohibit the conversion of paddy agricultural land to other land uses as is now seemingly done by state governments.

BACKGROUND OF THE ISSUE

This memorandum aims to raise the concerns of the farmers to the people's representatives, political parties and the Malaysian government, in order for the latter to understand the problems faced by the farmers. The farmers are disappointed with the accusations of ignorance against them and that they have failed to guarantee the country's food supply whilst in actual fact it is the lobbyists and vendors that continue to take advantage of and oppress the farmers. The truth is that generations of farmers have provided us with a wealth of and continuity in knowledge and experience in paddy farming, fully comprehending the paddy ecosystem.

Indeed, the government, especially the Ministry of Agriculture, pays more attention to the voices of corporate lobbyists and academicians, making big decisions without consulting farmers in any meaningful way. We farmers have been forced to accept whatever programmes the Ministry of Agriculture conducts as if farmers have no right to be heard. Often, meetings held with Pertubuhan Peladang Kawasan (PPK), NGOs and farmers in general are only in the form of briefings and question and answer sessions that do not change any decisions that have been determined in advance. Next, farmers' problems such as canal lock failure, poorly maintained infrastructure, seed supply that is expensive, of poor quality and not in accordance with schedule¹, unreasonable deductions, natural disasters, as well as pest and disease attacks, are ignored by the authorities as long as farmers do not make noise through viral videos, demonstrations or media statements. This attitude is unhealthy and reflects the careless attitude of the parties concerned.

Farmers and food security are often used as reasons for lobbyists and vendors to make a profit in the name of farmers. In fact, the majority of government-approved allocations such as seed quotas, pesticide subsidies, fertilizer subsidies and infrastructure projects for the paddy and rice industry are enjoyed by vendors.

An agency-centric input procurement system encourages rent-seeking among officers and executors. The rent-seeking index is high at 1.82. This means that, for every RM1 received by farmers, large companies such as BERNAS or NAFAS, producers, distributors and retailers will receive the same amount without having to face risk factors, incur costs or expend manpower as is borne by farmers. Farmers only receive one government allocation directly, namely the Paddy Price Subsidy Scheme in the form of an incentive of RM360 which is put into the farmers' account for every ton of paddy produced by farmers.

Unfortunately, Malaysia's failure to raise the country's self-sufficiency level (SSL) for rice and improve the living standards of farmers is placed on the heads of farmers as if it is the farmers who devour the entire government subsidy, without questioning the failure of vendors who supply agricultural inputs or the agencies supplying infrastructure and incorrect policies. Various suggestions and efforts have been made by farmers through the right channels such as Pertubuhan Peladang Kawasan (PPK), NAFAS and NGOs to improve the subsidy system and problems in the paddy and rice industry, but they do not get due attention and are often foiled by interested stakeholders.

Past unresolved issues in the paddy and rice industry have now been made fodder for corporate lobbyists and officials who conspire with these lobbyists to propose the acquisition of the paddy and rice industry in stages through the Large-Scale Smart Paddy Field (Smart SBB) project. Smart SBB is an effort towards control by

¹ According to the Auditor-General Report (2019) average delay in paddy seed supply is between 14 – 222 days.

² Fatimah Kari (2019). *Ahli akademik dedah masalah struktur dalam industri padi*
<https://www.freemalaysiatoday.com/category/bahasa/2018/12/08/ahli-akademik-dedah-masalah-struktur-dalam-industri-padi/>

large companies (19 leading companies), the majority of which are rice wholesalers and paddy mills in paddy cultivation activities in Malaysia. These paddy estates will create a total corporate monopoly in the paddy and rice sector which is a national security sector. Of course, sweet promises are made and carrots dangled at the paddy farmers to attract them to join the paddy estates but the fact is that it is the monopolization of the existing government subsidies and seed market, fertilizers, pesticides and machinery that the estate proponent companies seek.

The target set for this project which is to increase the self-sufficiency level (SSL) of rice to 75% and a production yield of 7 tons per hectare is too small and not worth the huge risk which can be brought on by this estate project. PeSAWAH has received a lot of feedback from farmers who have stated that the Smart SBB project is expected to have the following impact:

- I. Marginalize many young farmers as well as small local companies who are at present committed to renting many paddy fields that were previously uncultivated if the landlord is offered a higher rental payment by the company.
- II. Risk of entry of cheaper foreign labour.
- III. Existing operators of tractors and machinery lose customers.
- IV. Risk of lands being mortgaged due to contravention of the terms and conditions of the agreements, even if unwittingly.
- V. Paddy land is at risk of becoming infertile from widespread pesticide contamination and depletion of soil nutrients or land use is converted to other projects.

Malaysia cannot imitate the Large Field Model in Vietnam because of the very different production structure and rice market. In terms of production, Vietnam has many high-yielding rice seeds (more than 200 seeds compared to 38 in Malaysia), a more competitive paddy and rice market, no price controls (except support prices) and a comprehensive and intensive technical development and support system. Vietnam has been testing this model gradually since 2011 and has not implemented it at once on a large scale as in Malaysia³.

A motion has already been brought by the Kedah State delegates in the NAFAS annual general meeting on 25 November 2021 rejecting the implementation of estates by these corporate companies and the motion has been accepted unanimously by the delegates. We are still waiting for follow-up action from NAFAS on this matter.

Two years since the start of the Covid 19 pandemic, agricultural costs have risen sharply due to logistical and raw material disruptions. Prices of seeds, fertilizers, machinery spare parts and pesticides are all rising. Pesticide prices, for example, increased by 50% - 100%. There are many types of pests and weeds that can interfere with crop production. Farmers in Malaysia are accustomed to being taught

³ CGIAR (2017). *Assessing the Potential of Climate Smart Agriculture in Large Rice Field Models in Vietnam*
https://cgispace.cgiar.org/bitstream/handle/10568/89039/PIRCCA_WP211.pdf?sequence=5

to use pesticides as a solution to all pest and weed problems. Year after year, more pesticides specific to a particular type of pest or weed are needed by farmers and the dose to be used increases little by little. This is because the pests and weeds have become resistant to the pesticides used. If resistance to this particular pesticide develops from one generation of pest to the next, the product can no longer be used effectively thus reducing the options available for pest control. Eventually farmers will be bound and forced to use the only option available in the market despite having to incur greater costs.

In this case, the government provides subsidies to farmers through the Paddy Production Incentive Scheme (SIPP). The SIPP scheme does not provide the pesticide and fertilizer input directly to farmers but these are given instead to vendors and machinery operators. Farmers can only choose the type of pesticide or fertilizer to be used from a specific, limited list. This means, farmers are bound to limited choices. PeSAWAH urges that the method of subsidizing agricultural inputs through these vendors be abolished and replaced with a direct payment system to farmers so that farmers can choose a pest and weed control system that suits their fields including organic farming and if farmers do not need pest and weed control during the season, the money can be an added value for farmers.

The issue of BERNAS' monopoly and its cooperative companies in the rice market and rice mills has been raised by farmers for a long time. Unfair business practices and unhealthy competition have been strategically and systematically regulated by BERNAS and their partners which have enjoyed a monopoly of imported rice and managed rice price subsidies in Malaysia for more than 28 years. As a result, the number of rice mills is declining and imported rice of an indeterminate amount has disrupted the supply power of farmers in the form of high paddy quality deductions according to rice market trends, rather than 100% according to (fully based on) paddy quality. BERNAS' promises of social responsibility seems to be just empty slogans to obscure the eyes of the people when what is given priority is profit and loss alone. Having horizontally mastered the industry in the rice market, now BERNAS and its collaborators are actively planning to dominate the industry vertically through the SBB Smart Estate project.

It is clear that the BERNAS' import monopoly facilitates the strengthening of its market position through joint venture efforts with wholesalers and rice mills. Therefore, BERNAS controls two-thirds of the country's rice market⁴ proving that the country's rice market is highly centralized or concentrated or less competitive. The experience of other countries proves that such a structure results in zero entry of new entrepreneurs, farmers do not have the opportunity to venture into value-added activities and the development of paddy and rice-based products is sluggish. The same argument applies in the context of centralization of fertilizer and seed distribution by one agency. The effects of such a structure are:

⁴ Fatimah Mohamed Arshad, Bustanul Ariffin and Yeong Sheng Tey (2019). *Effectiveness of State Trading Enterprises in Achieving Food Security: The Evaluation of BERNAS in Achieving Food Security and Food Policy at the Crossroads: Wither Roles of BULOG?* Kuala Lumpur: Institute of Democracy and Economic Affairs or IDEAS, (Malaysia Agriculture report, 2019), 45pp.

- I. Restricts the entry of new entrepreneurs or start-ups;
- II. Disable the local input market;
- III. Closing off opportunities for farmers to be involved in the production and distribution of seeds;
- IV. Governance problems, especially rent-seeking behavior and corruption on large-scale or bulk input procurement; and
- V. Problems in distribution management such as delays, a single fertilizer formula for all soil types, etc.

Meanwhile, the Department of Agriculture is busy working with foreign agents, namely the secretariat of the International Union for the Protection of New Varieties of Plants (UPOV) to amend the Protection of New Plant Varieties Act 2004 to be in line with the UPOV 1991. UPOV 91 aims to strengthen the corporate monopoly of seeds as if the seeds were their absolute right whereas the existing Protection of New Plant Varieties Act 2004 is sufficient as it balances the rights of the company and the traditional rights of the farmers. Obviously, this will increase the price of seeds which at this point are already high even though the regulators state that the price of seeds is controlled at RM35 for a 20kg bag (in fact it does not happen). The increase in seed prices has caused more farmers to start adopting traditional farming practices, which is to save and process their own seeds. Some even share or sell it on a small scale. This practice to some extent helps farmers save costs and diversify the available seed options. At present, farmers are not barred from such practices whether the seeds used are traditional seeds that can be found around their area or commercial seeds purchased in stores. UPOV 1991 will deny these farmers' rights as well as further strengthen the monopoly of the seed industry in a number of ways including a longer period of monopoly rights and prohibiting the government from determining royalty limits. This law is not limited to rice seeds only but applies to all types of seeds.

Farmers handle rice seeds from sowing to harvest, their knowledge and experience has depth and should be empowered so that they can produce the best seeds from time to time with the help of researchers, as in Vietnam. Note that Malaysia has a wealth of various local rice seeds (hundreds) that have not been mustered, especially in Sabah and Sarawak. So UPOV has the potential to take advantage of these local seeds.

Not only that, the Seed Quality Bill is also being drafted by the Department of Agriculture so that every individual (farmer or non-farmer) is required to apply for a license to process seeds that are categorized as controlled. Controlled seeds are seeds derived from plant species or varieties that have a commercial value determined through regulations by a special board to be formed namely the Seed Quality Board. This means that all crop seeds are at risk of having their processing controlled through this law. To obtain a license, the applicant must pay a 'fee' in an amount to be determined, send a seed sample to an appointed laboratory for quality testing and comply with storage, packaging and labeling standards. Any individual who violates this law can be fined between RM100,000 to RM200,000 or imprisoned

for 3 to 5 years. Quality seeds are important to farmers and consumers. However, this Seed Quality Bill will have a greater impact than just quality control as it will also discriminate against the practices of small farmers as well as the general public and only support commercial seed producers.

RECOMMENDATIONS

PeSAWAH calls on members of parliament and the government to implement the following for the development of the country's paddy and rice industry as well as to ensure national security in the context of food security.

1. The target of 100% rice self-sufficiency level (SSL) in each Malaysia Plan (RMK) as the government's commitment to maintain the country's food security through the production of its own food supply without depending on foreign countries.
2. Abolishing the Large Scale Smart Paddy Field Project (Smart SBB), instead support and empower individual farmer entrepreneurs and local companies who are already working on many idle paddy fields or that are not cultivated by landlords. The concept of group farming to share capital and reduce costs through cooperatives (the minimum number of cooperative members is now only 20 people, which is a number that can be easily managed because it is not too large) or local associations are the best alternative to Smart SBB.

This will build the capacity of local farmers for the future. Typically companies or corporations are more profit-oriented. In the event of a loss, they will abandon production compared to farmers who will endure despite being challenged by production risks.

Seeking solution to all of the problems from corporate companies is not a wise move as it will only increase private monopoly in matters of national security in the context of food security. On the other hand, all issues such as the problem of seeds, fertilizers, pesticides and the paddy market that are claimed to be only resolvable through Smart SBB can be overcome one by one without involving this large-scale project.

3. Abolish plans to participate in the UPOV 91 Convention and the enactment of the Seed Quality Bill. To focus instead on empowering farmers' rights to save, process, share and sell seeds non-commercially. This empowerment can be implemented by recognizing the amount of paddy saved (not sent to the factory) to be used as seed in the calculation of the Paddy Price Subsidy Scheme. Currently, only paddy sent to the factory is given a paddy price incentive. Further, to stop the process of amending the Protection of New Plant Varieties Act 2004.
4. Agricultural input subsidies are given directly to farmers in the form of 'coupons' through a mechanism or system mutually agreed between the government and

farmers. Eliminate seed producer quotas and open markets to encourage competition. Seed producers can claim seed production subsidies through the amount of coupons they collect from farmers who buy seeds from them. The subsidy system for fertilizers, pesticides and other agricultural inputs also needs to be coordinated in a manner similar to the proposed seed system so that farmers have more choices and the price of agricultural inputs can be stabilized through competition.

5. To resume cash handout assistance that was previously received by the farmers while waiting for the paddy to be harvested. With this assistance, farmers can provide for their homes and families without having to go into debt while waiting for money from the sale of paddy in a period of about 6 months.
6. Determination of paddy quality deduction through actual deduction based on quality with a limit not exceeding 17% and the supervision of enforcement officers from the government. Farmers who feel cheated can raise complaints through a simple and effective tribunal mechanism such as a workers' tribunal.
7. Create three grades of paddy prices, namely different guaranteed minimum prices for paddy grades A, B and C. This will do justice to farmers who are diligent in caring for the paddy fields, i.e better quality paddy gets a better guaranteed minimum price.
8. To reinstate the infrastructure and maintenance budget that was cut in the previous national budget. To accelerate the construction of the drainage system (tersier drainage) and proper water control which has been delayed for so long and the setting of a dynamic irrigation schedule jointly by IADA, MADA, KADA and the Department of Agriculture so that there are no conflicts between the seed supply and water supply schedules that have occurred many times without corrective action. To form a network of engineering and ICT solutions to coordinate efficient and accurate water maintenance.
9. Strengthen the field unit for disease and pest control as well as soil agronomic by hiring more officers for each area so that this unit functions better. Officers need to be proactive in their duties by regularly going down to the field, and not act only when a complaint is received.
10. Restructure the administration of agencies in the paddy and rice industry by re-establishing a single entity, Lembaga Padi dan Beras Negara for policy, administration and control of paddy and rice as a national security commodity across each level of the paddy and rice industry chain to address the problem of lack of coordination, as well as enforcement at the seed, paddy and rice levels. Until now, there is no specific agency to monitor the performance of the paddy and rice industry other than a small unit, namely the Paddy and Rice Section under MAFI. BERNAS is a business corporation and not a government agency so its orientation is more towards business to enable them to perform some of the social functions assigned. Therefore, BERNAS does not have a far -sighted vision

of the future of this industry, let alone the well -being of farmers and their future.

11. Cancel the BERNAS concession as the sole importer and LPN be given the responsibility of importing rice and supplying to local wholesalers to control the quantity of rice, ensure price stability, create fair competition and safeguard the welfare of farmers and consumer rights as a social responsibility. In the long run the import market needs to be open to entrepreneurs for a competitive market.
12. Prioritize local rice in the preparation of the national stockpile of rice and utilize local rice in all government tenders as well as ensure strict control is implemented on the entry of imported rice. This is to create a permanent market for local rice that will benefit local farmers, wholesalers and manufacturers.
13. Establish paddy purchase quotas by rice mills based on the break-even capacity of their respective mills. When there is surplus paddy, then the factory can buy paddy in excess of the factory capacity. This is to ensure fair competition between small and large factories in obtaining paddy supply. In this way also high quality deductions on farmers can be controlled as brokers will not be able to exploit farmers by making unreasonable deductions and commission demands for the mills. The government should also encourage farmers to engage in value -added activities by establishing small -scale mills.
14. The Federal government should block the conversion of paddy agricultural land use to other statuses which is currently being done arbitrarily by the state government. This is to ensure the protection of the country's staple food production area for the future.

The support of members of parliament, political parties as well as the government's for this memorandum, is greatly appreciated and PeSAWAH is always ready to work with anyone to implement the recommendations.

Endorsed by,



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