

## Addressing Rising Food Prices: Balancing Business Growth with Social Accountability

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Rising food prices is a concern not only to consumers but also to the economy as it is a component of the indices that make up the country's competitiveness, which has been on the decreasing trend. For the B40 and M40 income groups the rising cost of food compared to almost stagnant wages is burdensome since food comprises 24-29 % of their household expenditure. It is no surprise that PEMUDAH, a public-private sector collaborative arrangement formed a technical working group on food costs aimed at easing businesses in the supply chain and to translate savings into affordable food prices.

First to be addressed is the price of chicken which rose by 16% in a year to RM 8.90/kg in March 2022. Chicken is the main source of protein for Malaysians. In fact at 47.4 kg/person/year or 129 gm/person/day, we are the world's third largest consumer of chicken. The amount is equivalent to 23 gm protein per day, enough for 1 meal. In 2019 the B40 and M40 groups spent between 7-7.5% of their household expenditure on chicken. Hence rising chicken prices affect their affordability and consumption, leading to protein malnutrition issues.

Further, Malaysia is self sustaining in chicken. We even export live chicken and eggs to Singapore. Poultry is a thriving industry which has high potential for innovation and greater scope for export. The export potential must be enhanced to offset the rising prices of chicken in the long term.

A comprehensive analysis of the chicken supply chain highlights the forces, both global and local which act adversely or positively on all parts, from input to farm levels and the very complex off-farm players comprising wholesalers, slaughterhouses, food processors, F&B and retailers. Appropriately applied intervention strategies which keep the poultry industry competitive should also sustain the affordability of chicken.

At the input level, a tight supply has caused the rise in the prices of chicken feed comprising corn and soya bean. Exacerbated by the Russian-Ukraine conflict, a major region for the supply of the raw materials, including fertilizers, chicken feed prices have risen to exorbitant levels. Malaysia imports about 4 million tons of corn per year. This heavy reliance on imported feed has made the industry vulnerable. Since feed comprises 70 percent of the cost of production, the rise in chicken feed prices has to be urgently addressed. Input from science and a thoughtfully devised national plan and strategy for alternative protein and energy sources are innovations that will help not only the poultry but also other agro-based industries. Locally available materials such as black soldier fly larvae and de-shelled palm kernel cake have to be seriously trialed at industrial scale. Over capacity at feed mills will more likely make them readier to experiment and innovate for cheaper chicken feed.

Modern farming can also help in reducing costs including using less labour. Conversion to the close system of farming combined with the application of the Internet of Things technology have been proven to be cost effective. Farms should also be designed for export. Thailand may be a good model to emulate.

At the distribution level, the market structure is very complex. There are many layers of wholesalers including “middlemen” who do not add value but serve to increase costs. Digitalisation throughout the supply chain and close monitoring to prevent collusion can help reduce costs. Facilitating and increasing downstream activities can add revenue. There should also be greater adherence to hygienic standards at slaughterhouses.

Most importantly is the issue of governance. There are many agencies formulating and enforcing policies, laws and regulations at different parts of the supply chain. Well-intentioned government initiatives such as incentives, subsidies and stockpiling may help some parties but hurt others. For example, controlling the price of chicken through subsidies may actually hurt production. When unprofitability forces farms to close down, supply will be affected. Coupled to increasing demand such as during festivals, prices will skyrocket. Farmers do offer alternative ways of controlling the price. Enabling them to sell byproducts such as chicken feet, to ready markets like China can offset cost of production. What is needed is the will of relevant agencies to review policies and begin trade negotiation.

Making food prices affordable to the lower income groups and keeping the food industry competitive are not incompatible goals. Social and economic accountability can be achieved if all parties, government, private sector, academia, civil society and the media are brought together to synergistically collaborate for workable solutions. The National Strategic Plan for Chicken Production for example should be revisited and injected with fresh ideas by all parties.