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APCAS/08/12
June 2008

Agenda Item 10a

ASIA AND PACIFIC COMMISSION ON AGRICULTURAL STATISTICS TWENTY-SECOND SESSION

Kuching, Malaysia, 9-13 June 2008

Market Price Watch and FAMA's Role in Malaysian Agricultural Marketing

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Paper Synopsis

The rising food price is a global phenomenon and has become a main concern for governments worldwide.

FAMA's Market Intelligence Division (MID) has developed a production, demand and most importantly for this meet, price information monitoring system, the Supply-Demand Virtual Information (SDVI) system. The system is essentially an application of state-of-the-art ICT in acquiring and disseminating data and reports. The program involves data collection, compilation, analysis, reporting and finally dissemination.

This paper highlights the price monitoring mechanism and its potential benefit, not only to FAMA but to the whole agriculture sector.

FAMA

The Federal Agricultural Marketing Authority (FAMA) is an agency under the Ministry of Agriculture and Agro-based Industry. Set up as a statutory body in 1965, FAMA is responsible in the supervision, coordination, regulation and improvement of the marketing of agricultural products, which include fruits and vegetables, for domestic, export and import markets.

As the Government's marketing arm for agricultural products, FAMA organizes marketing activities, set targets and product standards, monitor performance, develop marketing strategies and tools as well as initiate innovative programs to promote Malaysian agricultural products

FAMA's Core Thrusts

1. Supply Chain Management

The matching of supply and demand plays a crucial factor in determining the success of any produce/product. A major obstacle on the local farm-to-consumer scene is the lack of integration & linkages in production, processing & marketing. This is especially true for fresh produce of fruits and vegetables. FAMA's role with regard to SCM will be to advise producers with the planning of production based solely on demand, be it commodity type, quantity and/or schedule.

2. Market Information

FAMA has substantial market information along the agricultural supply chain, in the form of statistics and records. This is made possible through the application of state-of-the-art information and communication technologies in acquiring as well as dissemination of information and/or data.

Prior to this, issues often faced with regard to agricultural information was first of all, the lack of it. This is most true with regard to external data as such information was deemed less critical in management decision making. Secondly, most information was 'solely owned' by the agency that does the collection. Inevitably, duplication of data collecting activities does occur even within a Ministry. As a consequence, data recorded for a particular product for a common objective may differ between agencies due to a non-existent coordinated system. To add to the woe, agencies' computerization and networking facilities and capabilities are at differing stages. Last but not least, poor dissemination or rather the lack of it occurs due to the 'sole proprietor' mentality among agencies. Fortunately, with the realization of the importance of data and records for short term and long term planning, this mentality is slowly but surely being eradicated.

3. Promotion & National Branding

Promotion and branding are important activities in a marketing process because it helps a product to be known and accepted by consumers. Both marketing strategies are a must to be successful in today's market where local and imported products compete to attract a more sophisticated buyer.

Hence, FAMA organizes these services particularly for local agriculture produce producer and marketer to help them gain a market share in domestic and international markets. Attention is

given to efforts developing agriculture produce and food products exporter and entrepreneur and developing Malaysia's Best and OleMas and/or AgroMas brands.

4. Capacity Building

The focal group under capacity building for the purpose of this paper is the producers or farmers. The main objective of programs under this subject is to increase the understanding on quality importance with the aim to increase Malaysia's agriculture produce competitiveness. It is to encourage the production of safe and high quality products in line with local and international consumer demand. Ultimately, it is to embed a business mindset to the farmers.

MARKET INFORMATION SYSTEM

FAMA's Market Information System is being run and maintained by the Market Intelligence Division (MID). This Division is entrusted with providing relevant information for FAMA's stakeholders, mainly farmers, towards a market-driven production. This would be accomplished through the continuous and intensive monitoring of supply, demand and price of related produce.

FAMA's market information system is an extensive program consisting of data collection, compilation, analysis, reporting and dissemination to fulfill the needs of different target groups. In order to achieve this objective, the above mentioned activities would cover the subject matter on demand and consumption, supply, marketing and price collection.

Data collection into this information system is performed online via the SDVI, fed electronically to the database at headquarter where statisticians and economists manipulate, analyze and report findings. Findings are disseminated also online through the SDVI in addition to fixed outputs in tabulation and graphical formats.

To date, the system has over 62,000 respondents from all over the country. Of these, more than 70% are individual farmers. However, due to budget and subsequently staffing constraints, the MID has planned and tested a new approach whereby so called informers will take the place of enumerators. These informers are essentially farmers where farm data collection is concerned. The approach has also been applied in price collection at the wholesale level and is seen as a feasible method for future operations. For the purpose of this paper, the mechanism applied in price collection for fresh produce will be thoroughly discussed.

Price Collection OF Fresh Agricultural Produce

FAMA was established in 1965 and since the day it was established, price collection on agricultural produce is its core activity up to this day. As far as agriculture is concerned, FAMA is the sole Government agency carrying out comprehensive price collection which covers the producer (farm gate), wholesale and retail categories.

The principal objective of this program is to continuously access and assess current situations of selected agricultural commodities at farm, wholesale and retail levels. In addition, the factors effecting the price movement is also recorded. A major output from this activity is the Price Early Warning system which has been accepted as a practical means of providing up-to-date and additionally predictive information for the whole country. While the graphical display is interactive, the representation is easily understood as it draws on the traffic lighting concept.

Scope of Activities

As mentioned earlier, this program covers price collection from farm, wholesale and retail levels. Other than price, essential information collected includes market information which is information recorded pertaining supply, factors that brought about in price movement and other information deemed necessary such as weather data.

A total of 237 commodities is listed for price collection. Of the total, the price for 46 items is collected twice a week for the daily category while the rest is collected once a week for the weekly category. Price collection for the daily category comprises 23 items for vegetables, 13 for fruits and 10 for livestock. As for the weekly category, price is collected for 72 vegetables, 53 fruits, 11 livestock, 40 flowers and ornamental plants, and 15 fresh water fish.

Data collection for farm price is carried out in major production areas of each state based on crop types. Meanwhile, data for wholesale and retail levels is collected from major wholesale markets and public markets for retail price in each state which may be seen as representative for each state.

For each commodity at every level, enumerators are required to collect at least three respondents so as to determine the maximum, minimum and mean price for a particular commodity at a particular market for each market level.

With the development and application of the SDVI, data is electronically transmitted to headquarter whereby operators will look out for discrepancies and incomplete information. When any occur, the info will be relayed to the transmitting state for immediate rectifications. A tabular and graphical summary report is made available to the general public online via FAMA's information portal at <http://www.famaxchange.org> or <http://sdvi.fama.net.my>.

Benefits of the SDVI

To address the purpose of this meet, the first of numerous benefits to be highlighted would be the information relayed through the reports on estimates and forecasts of product price. With such information made available through the EWS, it essentially provides a guideline for decision making with regard to price setting either by market players or even the relevant authorities.

Apart from price information, the system's other vital information disclosed include the production and demand for agricultural produce and subsequently, information on market opportunities. With the interconnecting information and data, the system evidently allows the implementation of a Traceability System within the SCM.

ISSUES AND CHALLENGES

Being the developer of the entire system and especially the sole agency put in control of price collection for agriculture produce, FAMA has had to bear the development as well as system maintenance cost in its entirety. The main proportion of the costs is for data collection where it involves a large number of enumerators.

Another challenging fact is to promote the use of the system. As it is relatively a new system, more promotional activities need to be carried out in the form of roadshows. More aggressive promotion should be geared towards the sharing of data between agencies so as to cover every aspect of supply and demand.

RISING FOOD PRICE

The global rising food price phenomenon is a cause for concern to governments of late. This is solely because the occurrence is affecting the majority of the world's population and more significantly the poor or less fortunate. It is well documented that the current crisis is not only caused by escalating price of crude oil and their direct impact on the cost of food production, processing as well as distribution but also the shortage of food due to exponential population growth and natural disasters.