

## The lowdown on high prices

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By Royce Tan

**KUALA LUMPUR:** Enough with the ridiculous price hikes of food. Even the Indian mackerel (ikan kembung), once known as the “poor man’s fish” and sold at around RM8 per kg a few years back, has soared to RM18 per kg.

Authorities will be going after unscrupulous industry players from the food sector that are taking advantage of a flawed procurement system that has resulted in the price hike of food items.

Spending on meat, fish, seafood and vegetables constituted a total of 48% of Malaysians’ household expenditure in 2016.

The existence of multiple intermediaries within the supply chain, market inefficiencies and the misuse of Approved Permits (APs) to import food items are among the reasons that prices of items such as beef, fish and vegetables have been on the rise over the years.

Multiple middlemen are involved within the supply chain of the fish sub-sector before it reaches the consumers.

From the time the fishermen have caught their fish, prices would have been increased by six times when the fish reach the market.

It is also learnt that as the supply may be intentionally controlled by creating more frozen fish, allowing players to withhold the supply in the market or artificially stabilise the prices during periods of excess supply.

These were among the findings in the market review on the food sector conducted by the Malaysia Competition Commission (MyCC) which focused on five sub-sectors – beef, Indian mackerel (ikan kembung), infant formula, mustard leaf (sawi) and round cabbage.

These items were selected as they have been identified to be major food items for Malaysian households and were known to be susceptible to market issues.

MyCC also said the low awareness of alternatives for Indian mackerel called for a dire need for active consumer education to be market and demand-driven and an integrated inclusive e-commerce policy to address the concern.

MyCC chief executive officer Iskandar Ismail said the misuse of APs for the importing of round cabbages from China was also detected, where there has been an additional layer of a third party importer in the supply chain.

He revealed that some importers who were unable to fulfil their AP quotas would sell or rent it openly. “There is a necessity for close monitoring of post-granted APs in ensuring availability of choice and competitive pricing of round cabbages in the market.

“While the AP applicants are required to adhere to the requirements set by the Agriculture Department in its application, the process needs to be more forthcoming,” he said.

Domestic Trade and Consumer Affairs Minister Datuk Seri Saifuddin Nasution Ismail, who launched the report yesterday, said it serves as a reminder to industry players that the government now knows the ins and outs of the market and will not hesitate to take action against those who profiteer at the expense of consumers.

“Further, by identifying market inefficiencies and potential anti-competitive conduct in the selected food sectors, it is hoped that relevant industry players will take proactive measures and work together to remedy those issues.

"If existing market players fail to remedy structural issues highlighted by this market review, it is hoped that this report will incentivise other enterprises to exploit existing weaknesses in the market by expanding into these industries," he said, adding that more competition will increase market efficiency, promote innovation and accelerate economic growth.

More importantly, competition is seen as a way to bring prices down.

Iskandar said the market will be more competitive by rectifying market inefficiencies and with this, more players are able to come in while existing players can still reap their profit at the same level as others.

"Becoming a dominant player or a monopoly is not wrong. Be as big as you want but once you abuse it, such as by refusing to supply or sell or by dumping the prices to kill off competition, then it is wrong.

"When the market is more competitive, there will be more players and the prices will go down," he said.

Among other findings include the over-reliance on imports where Malaysia is still a food net importer rather than a self-reliant sector.

Malaysia's food trade balance has been in deficit of about 4% per annum, primarily due to the heavy reliance on imported products such as animal feed, meat and meat products and vegetables to meet agrofood requirements.

The country's total import of food and live animals has increased significantly from RM38.9bil in 2013 to RM51.3bil in 2017.

Saifuddin said the country's inability to be self-sustaining in terms of food production means the nation will be at the mercy of importers.

Malaysia relies primarily on India and Australia.

In 2017, almost 80% of the beef in Malaysia was imported in the form of chilled, frozen and processed meat.

Malaysia's estimated beef self-sufficient ratio (SSR) last year was at 22%, which means that for every 10 consumers, the production of beef is only sufficient for two persons.

For the Indian mackerel, the SSR is also low at 39%.

Malaysia imported about 75, 000 tonnes of Indian mackerel last year.

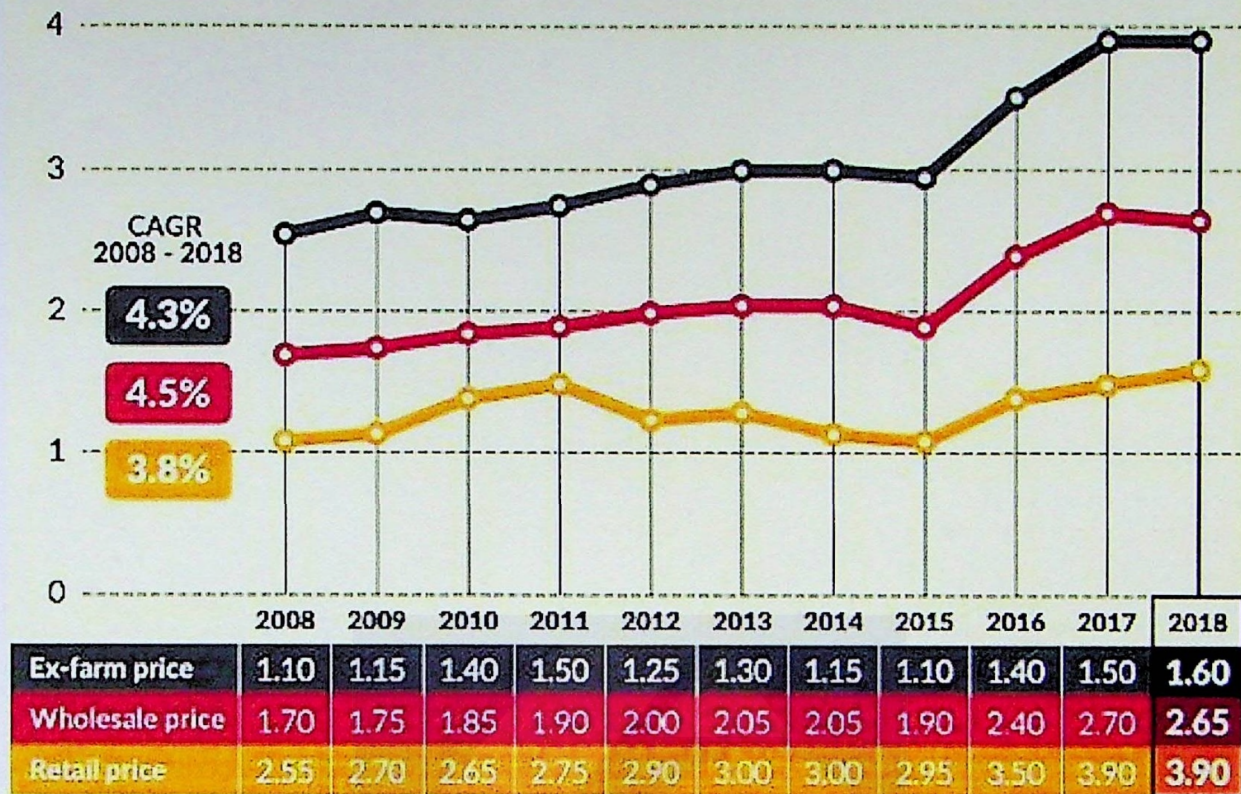
Thailand dominated 96% of fresh fish imports into the country while China is the top exporter of frozen Indian mackerel to Malaysia at 43%.

In the infant formula sub-sector, MyCC found that the market has a high barrier to entry and is currently dominated by a few multinational companies.

It proposed the creation of house brands and more local players in raising the competitiveness of that market.

## Price trend for round cabbage (2008 - 2018)

(RM/kg)



Source: Malaysia Competition Commission (MyCC) Note: Compounded annual growth rate (CAGR) ©The Star Graphics