

# Factors in high price of food



OF late, Malaysians have been complaining about the exorbitant price of food, which is the most important component of their household expenditure.

Why is food so expensive in Malaysia? The main reason is our low food production. Out of the eight million hectares of agricultural land available, six million are planted with oil palm and one million with rubber. Less than one million hectares or just 12% of agricultural land is used for food production. This has resulted in Malaysian consumers depending on imported food.

In 2017, Malaysia imported RM51.3bil worth of agricultural and food products, an increase of 32% from RM38.9bil in 2013. Malaysia is only 22% self-sufficient in beef and 39% on ikan kembong.

Prices of imported food are strongly influenced by global factors, including monopolistic practices and climate conditions in the producing countries.

The Federation of Malaysian Consumers Association (Fomca) has long advocated for a market review on the local food supply chain.

We have continuously said that one of the key factors behind the high price of food is the monopolistic practice along the various parts of the food supply chain. The recent report on the market review of key food items by the Malaysia Competition Commission (MyCC) confirms that one of the key reasons for high food prices is distortion and manipulation in the food

supply chain. For example, in the fish supply chain, middlemen are known to hoard fish when prices are low, thus limiting supply and forcing the price to increase. There is also opaqueness in price determination along the supply chain.

MyCC has suggested the establishment of a new wholesale market system to promote competition through greater transparency, and removal of market inefficiencies. These market distortions need to be addressed.

The government has two powerful legislation to act against price manipulators – the Price Control and Anti-Profiteering Act 2011 and the Competition Act 2010. These leg-

islation are powerful instruments to detect price manipulation practices and profiteering and, more importantly, to take strong action against the manipulators and profiteers.

These offenders have been identified by the study. The question now is what will be done about them. If the monopolistic and market manipulation continues with no further action, then the MyCC report would end up as just an academic exercise with no impact on consumers.

Fomca is therefore urging the authorities to act decisively to liberalise the market along the food supply chain through the effective enforcement of current laws to eliminate profiteering and market manipulation. The role of MyCC and the Domestic Trade and Consumer Affairs Ministry should not be just to identify the problems but also to use the provisions in the Acts to eliminate the illegal and unethical practices that are causing devastating negative effects on Malaysian consumers, especially the poor.

In the bigger picture to reduce food prices, the government needs to give greater priority to production and enhance food security so that we can be more self-sufficient in essential agricultural products.

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