

AGROFOOD PRODUCTIVE: TRANSFORMATION IN THE MALAYSIAN POULTRY INDUSTRY

| 7 NOVEMBER 2020 | 11.00AM – 1.00PM | ZOOM WEBINAR |


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**AGROFOOD PRODUCTIVE:
TRANSFORMATION
IN THE MALAYSIAN POULTRY INDUSTRY**

7 NOVEMBER 2020 (SATURDAY) | 11.00 A.M - 1.00 P.M

MODERATOR
MR TERRY TAN
PRESIDENT FLFAM

SPEAKER
DATUK JEFFREY NG
SR. ADVISOR AND
FORMER PRESIDENT OF FLFAM

SPEAKER
MR TEH WEE CHYE
MANAGING DIRECTOR
MALAYAN FLOUR MILLS

SPEAKER
DR SHAUFIQUE F. SIDIQUE
HEAD OF LABORATORY
INSTITUTE OF AGRICULTURE AND
FOOD SECURITY UPNM

OBJECTIVE

- To provide the participants the background of the poultry industry, and how it has evolved from a backyard industry to the most advanced livestock industry in the country.
- To deliver the factors that enabled the industry to provide a valuable and affordable protein source to consumers, making poultry meat and eggs a national food security.

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Moderator: Mr. Terry Tan, President, FLFAM

Panel 1: Datuk Jeffrey Ng, General Manager, Chop Cheong Bee Sdn Bhd

Panel 2: Mr Teh Wee Chye, Managing Director, Malayan Flour Mills Bhd

Panel 3: Prof Madya Dr Shaufique Fahmi Ahmad Sidique, Head of Laboratory, Institute of Tropical Agriculture and Food Security, Universiti Putra Malaysia

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EXECUTIVE SUMMARY

This session focuses on the landscape of Malaysian Broiler industry by providing insights on the whole supply chain and the situation at respective phases. It also highlights on the future potential of the industry and the recommendations for both government and industry players. The goal of this session is to shed some lights on the background of the poultry industry and its journey from a small industry to one of the most advanced in the country. It also aims to aid industry players in providing quality and affordable protein source to the consumers by delivering knowledge on the industry.

A. OPENING REMARKS

- Poultry industry is a dynamic industry. Changes from farmers are needed to keep up with requirement and demands.
- As key player in the supply- demand of protein source in the country, is it imperative for poultry industry players to be updated with the latest knowledge to maximise profits and protect the national food security.
- The objectives of this session are
 - To provide the participants the background of the poultry industry, and how it has evolved from a backyard industry to the most advanced livestock industry in the country.
 - To deliver the factors that enabled the industry to provide a valuable and affordable protein source to consumers, making poultry meat and eggs a national food security.

B. PAPER PRESENTATION

Panel 1: **Datuk Jeffrey Ng, General Manager, Chop Cheong Bee Sdn Bhd**

Key highlight of the presentation

- Focuses on poultry supply chain in Malaysia. Define the supply chain in more details to understand the whole structure of the supply chain.
- Malaysia is producing surplus of poultry supply bringing export value of RM584 million for 2018.
- Poultry industry involves the earlier stage of sourcing raw materials for poultry feed and parents/ grandparents' stock for the poultries. Subsequently, poultries are bred and grown before being farmed and processed. The supply chain ends at marketing to consumers through retailers, restaurants/ eateries and F&B outlets in various poultry products (processed/ whole chicken).
- Integrated industry players have the capacity for end to end involvement from Feed mills phase to marketing of poultry in various products. Non- integrated players involved in selected phases throughout the supply chain.

- Malaysian Broiler industry involves multiple layers of process with various players. The end products consist of whole chicken sold at retail or processed end-products sold at retail or restaurants for both domestic and international markets with majority sold as processed end-products. Malaysian poultry industry involves multiple layers of process with various players (integrators & non-integrators). The end products consist of whole chicken sold at retail or processed end-products sold at retail or restaurants for both domestic and international markets with majority sold as processed end-products.
- Throughout the supply chain, breeding and growing stage is competitive and has stabilized over the years. The number of players at this stage is relatively limited. Processing, and Distribution & Retail involves more layers and players consisting of both integrators and non-integrators players. Pricing is not competitive due to the complexity of supply chain at this stage.

Key challenges

- There are many operators in the industry ensuring competitive price. However, there are lagging in adoption to new system (open house system to close house system) by some players.
- Fluctuation of poultry price due to weather, feed supply and Day-Old-Chick (DOC) qualities and diseases.
- Lack of buffer stock to regulate and stabilize the supply into market.
- Too many layers of industry players throughout the supply chain increase prices due to profit margin imposed by each player impacting final retail price which does not reflect the actual cost of producing poultry products.
- Some of the retail poultry does not meet the specification set by the regulatory bodies. Not just some retailers do not meet the specification, the quality is so low e.g. in the aspect of hygiene and safety.
- Controlled ceiling price for poultry (eggs & dressed chicken) create adverse impact on retail price. Retailers tend to sell poultry at ceiling price throughout the year to make up for losses during excess of supply period.
- Anti-Profiteering Act is not suitable to be enforced on poultry industry which already has slim margin and exposed to various factors impacting cost. This limits the capability of farmers to invest and improve their system to adopt the latest standards in the industry.

Recommendation

- To look into a mechanism to ensure buffer stocks are available to balance out the supply demand equilibrium.

- To study the complexity of the Distribution and Retails which involves multiple layer of players (wholesalers & resellers) to ensure final price on consumers is accurately reflecting the cost of producing poultry products.
- Regulatory bodies to enforce similar standards on all industry players to ensure consumers are protected and being sold products with the right specifications.
- The mechanism of ceiling price and Anti- Profiteering Act needs to be fine-tuned and right ceiling price needs to be identified by government agencies. Consumers need to be educated on the right pricing for poultry products.

Panel 2: Mr Teh Wee Chye, Managing Director, Malayan Flour Mills Bhd

Key highlight of the presentation

- Poultry industry has grown after the shift from providing adequate carbohydrate to consumers to supplying affordable protein. Poultry is 9 times cheaper than local beef.
- Malaysia has enjoyed among the cheapest price of poultry in the SEA region due to effective government policy, service and infrastructure that allows for cheaper production cost- import of feedstock, apart from other supports by related government institutions.
- Shift of industry practice and integrators helped improved competitiveness and productivity of poultry. The industry has consistently adopted new technologies and standards and adds value of poultry by processing poultry into various end products.

Key challenges

- The need to ensure our broiler industry grows sustainably and remains competitive in the wake of declining demand growth rate for domestic market. How do we ensure that the industry can grow sustainably in the future?

Recommendation

- Intervention from the government to ensure effective policy being enforced. The industry players and government agencies need to work closer to convey the issues and explore new solutions and direction to ensure protein supply is at affordable price.
- Expansion of production capacity to achieve economies of scale. Introduction of automation to improve competitiveness and facilitating the process for all industry players to be able to adapt to this requirement.

- Exploring bigger market international especially in the halal food industry. To shift focus to neighbouring countries or middle east countries in tandem with our Halal standards instead of heavy reliance to domestic market.

Panel 3: Prof Madya Dr Shaufique Fahmi Ahmad Sidique, Head of Laboratory, Institute of Tropical Agriculture and Food Security, Universiti Putra Malaysia

Key highlight of the presentation

- Consumption of poultry in Malaysian household has stabilized into necessity from luxuries it used to be several decades back seeing price fluctuation is the most stable compared to other source of protein.
- Growth trend in Malaysian market demand has decreased year on year with less margin from previous decades. Industry players have reacted to this demand trend by increasing value added element and lesser reliance on international raw material for feed production, made possible through technological advancement in broiler industry.

Key challenges

- n/a

Recommendation

- For the industry to grow, it must go into more value adding activities by processing poultries into various products.

C. PANEL DISCUSSION

- Datuk Jeffry Ng mentions that standard chicken is defined as whole chicken with head and feet, liver and gizzard. Super chicken has been cleaned from all those by KPDNHEP standards.
- Datuk Jeffry Ng also mentions that local players add value of imports of raw materials/ feedstock and can produce broiler at a very low price. Government supports in marketing broiler overseas could help expand the demand in the international market.
- Datuk Jeffry Ng & Mr. Teh Wee Chye agree that poultry industry should migrate to closed house system to protect live stocks from being exposed to climate that may hinder growth. They noted that farmers are reluctant to migrate due to the uncertainty in the market coupled from the slowing and stabilizing domestic market demand. Lack of funding limits the capacity for exodus

to this system by all farmers. Dr. Shaufique remarked that closed house system is more efficient, using less resources. This also helps mitigate adverse impact to the environment.

- Dr. Shaufique retorts that increased production are needed to further grow. However, the opportunity for further sustainable growth lies in international market.
- Dr. Shaufique says that poultry consumption is still increasing but at a reduced rate than previous years. GDP is unlikely to increased drastically hence consumption growth rate most likely will remain almost the same.
- Mr. Teh Wee Chye mentions that to cope with IR4.0, farmers need to migrate to closed house system before moving to climate control system and other cutting-edge technologies. Datuk Jeffry Ng says that it depends on players to adopt new technologies. However, infrastructure needs to be in place to facilitate adoption of new technologies. Data is critical is critical to improve effectiveness and efficiency. Telco companies needs to ensure connectivity to farms. On top of this, he encourages farmers to do precision farming which does not rely on connectivity. The moderator added that the industry is ready and 5G will further accelerate the process. In the wake of COVID19, this is even more needed.
- Dr. Shaufique mentions that traceability of production is possible through good data analytics. Datuk Jeffry Ng adds that the Department of Veterinary Services also did data verification by registering farms and perform certification by visiting farms to ensure the safety of products.
- Mr. Teh Wee Chye remarks that this webinar is another effort to reach out to policymakers to understand the challenges in this industry and mentions that more dialogues are needed to identify the potential and challenges in this industry.
- Datuk Jeffry Ng says that Malaysian poultry industry has always been independent with relatively less incentive by government. However, FLFAM has requested for tax relief for migration to closed house system previously during his tenure.
- Datuk Jeffry Ng also adds that consumer needs to be educated on value of poultry being sold; It should be affordable without sacrificing the standards.
- Dr. Shaufique notes that farming margin is very slim with more margin can be made by being integrated players. The moderator agrees on this saying that the industry is very dynamic, but the potential for further growth is always there.
- In terms of renewable energy in poultry industry, Datuk Jeffry Ng remarks that solar energy is being implemented at farms. It is a pilot project to monitor the potential. Biogas has failed so far; more studies are needed to identify the root cause and solutions.
- Datuk Jeffry Ng says that the government needs to relook into the structure and ceiling price mechanism to ensure fairness to everyone; farmers, middlemen, retailers and consumers.

- Datuk Jeffry Ng advise that poultry industry is dynamic with actual cost varying subject to various factors. Anti-profiteering act enforcement on this industry is a hurdle that erodes margin which is already slim.
- The moderator notifies the audience that further questions will be addressed in the upcoming webinar or posted in the website.

D. SUMMARY OF THE SESSION

Malaysian poultry industry has undergone various transformation from the aspect of operations practices, demands and supply, and the standards and governance stipulated by the government making it the most affordable staple source of protein in the country. The industry has achieved efficiency in the earlier phase of the supply chain with pockets of potential enhancement in the downstream phase i.e. processing, distribution and retails phase. Demand in the domestic market has stabilized with demand growth rate decreasing in tandem with the country's GDP per capita. However, the potential for sustainable future growth of poultry industry lies in the international market in particular the halal global market. The government needs to work closely with industry players to protect the interest of both consumers and industry players.