CHAPTER 3

Sustainability is the Foundation for Growth
CHAPTER 3
Empower Rural Participation and Enhance Agriculture Yield

The vision for agriculture is to promote Sabah as the centre of excellence and trade for agriculture products in Asia by 2025. This will include multiplying the current agriculture GDP by four times to RM17 billion, an average compounded growth of 8% per annum and reducing Sabah’s net food import by 60%.

Palm oil will be the main driver of this growth in terms of yield enhancement. In addition, SDC will focus on diversifying into high-value agriculture products such as horticulture, health-related nature products and jatropha. Rubber will be promoted for latex and as feedstock for wood-based industry.

In positioning itself as a centre of excellence, Sabah will continuously build on R&D to provide high yielding planting materials, best practices in planting methods and sustainable practices for environmental conservation. Sabah will also position itself as a trade centre for agriculture products by taking advantage of its geographical location.

Agriculture is seen as an important means of assisting the rural population to come out of poverty. The Sabah State Government is already actively looking into land zoning programmes and the provision of supporting infrastructure to enable efficient operations for rural farmers. To complement this, the SDC will look into programmes to organise farmers in boosting productivity for food-based agriculture through the provision of high quality planting materials, enhanced planting methods and scale increase via clustering.

Current Situation

Agriculture is the second highest contributor behind services, contributing 28% to GDP or RM4.1 billion\textsuperscript{12} as of 2005. The growth of agriculture GDP has been at a rate of 6% from 2001-2005 which is slightly higher than Malaysia’s agriculture growth rate of 5% per annum over the same period.

\textsuperscript{12} Department of Statistics, Sabah
Figure 3.1: Agriculture Share of GDP

Sabah Gross Domestic Product by Industry, 2005

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>28%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13%</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>7%</td>
</tr>
<tr>
<td>Forestry and Logging</td>
<td>5%</td>
</tr>
<tr>
<td>Fishery</td>
<td>10%</td>
</tr>
<tr>
<td>Livestock, Cocoa, Rubber, Others</td>
<td>2%</td>
</tr>
<tr>
<td>Services</td>
<td>47%</td>
</tr>
</tbody>
</table>

100% = RM15.1 billion

Figure 3.2: Breakdown of Gross Domestic Product (GDP) for Sabah, 2001-2005

(At Constant 1987 Prices)

Gross Domestic Product (GDP) for Sabah, 2001-2005

<table>
<thead>
<tr>
<th>Sector</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>46%</td>
<td>45%</td>
<td>44%</td>
<td>46%</td>
<td>47%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>27%</td>
<td>26%</td>
<td>26%</td>
<td>26%</td>
<td>28%</td>
</tr>
<tr>
<td>Manufacturing, Forestry &amp; Logging</td>
<td>11%</td>
<td>12%</td>
<td>13%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>13%</td>
<td>12%</td>
<td>12%</td>
<td>10%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Total GDP Value (RM Million) 12,242 13,007 13,759 14,345 15,073

Value for Agriculture (RM Million) 3,280 3,375 3,592 3,766 4,164

Source: Yearbook of Statistics 2006, Department of Statistics Malaysia, Sabah
Exports of agriculture for 2005 were valued at over RM9 billion\(^\text{13}\). Palm oil is the largest agriculture export with earnings accounting for about 91% of the total agriculture export revenue and 33% of total Sabah exports. Other major agriculture exports include rubber, coconut and cocoa, making up a combined value of over RM540 million.

**Figure 3.3: Sabah Agriculture Exports 2005**

<table>
<thead>
<tr>
<th>Value (RM Million)</th>
<th>Palm Oil</th>
<th>Cocoa</th>
<th>Coconut</th>
<th>Rubber</th>
<th>Fishery and Aquaculture</th>
<th>Other Agriculture</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,310</td>
<td>129</td>
<td>132</td>
<td>283</td>
<td>199</td>
<td>67</td>
<td>9,123</td>
</tr>
</tbody>
</table>

Source: Yearbook of Statistics 2006, Department of Statistics Malaysia, Sabah

Up to 376,000 or 33% of all employed persons in Sabah are involved in agriculture; it the second largest contributor in terms of employment across all industries in Sabah after services.

In terms of land, a total of 2.1 million\(^\text{14}\) hectares has been identified as suitable land for agriculture, of which 1.4 million hectares have already been developed. Remaining land suitable for agriculture in Sabah should be mapped out in a structured format to enable sizable contiguous land to be used for crop clusters.

\(^\text{13}\) Department of Statistics, Sabah

\(^\text{14}\) Department of Agriculture, Sabah
**Figure 3.4: Land Suitable for Crop Agriculture 2006**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>'000 hectares</th>
<th>Total land = 2,100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suitable land for crop agriculture</td>
<td>1,400</td>
<td></td>
</tr>
<tr>
<td>Non-suitable land</td>
<td>71.8%</td>
<td>430 Forest reserve</td>
</tr>
<tr>
<td>29.2%</td>
<td>270 Available land</td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Agriculture, Sabah

**Figure 3.5: Developed Agriculture Land Usage by Crop 2005**

<table>
<thead>
<tr>
<th>'000 hectares</th>
<th>Oil palm</th>
<th>1,231</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubber</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Paddy</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Coconut</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Cocoa</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Agriculture, Sabah
Agriculture is spread across all regions of Sabah. The Eastern Sub-Region mainly grows industrial crops such as oil palm, rubber and cocoa, and hosts the major fishery and aquaculture sites. The Central Sub-Region’s focus is on cultivation of rice, herbs, vegetables, fruits, Specialty Natural Products (SNP) and livestock farming. Agriculture activities in the Western Sub-Region include livestock, fisheries, rice, fruits, cocoa and coconut.

Figure 3.6: Industrial Crops Distribution and Total Hectarage by District

Leading Agriculture Sub-Sectors

i) Oil Palm

Oil palm is currently the leading agriculture crop for Sabah. The economic contribution of oil palm translates into GDP contribution of almost RM3.4 billion in 2005, with a CAGR of 9% from 1998-2005.
Suitable local conditions and good management of plantations in Sabah have been the main catalyst for high yields. As shown in Table 3.1, Sabah currently produces the highest average yields in Malaysia.
Oil palm currently takes up 1,231,584 hectares or almost 90% of all state agriculture land, and is mostly concentrated in the palm oil belt stretching from Sandakan to Lahad Datu. This places Sabah as the single largest contributor to the Malaysian palm oil industry with 29.8% of all Malaysian oil palm plantations being located here. Sabah produced 5.4 million metric tonnes\textsuperscript{15} of CPO in 2006 which is equivalent to 30% of the national CPO production.

Despite the large production of CPO, currently there are minimal palm oil downstream activities in the state. A quantum needs to be set with regard to CPO reserved for demand of local downstream players which will emanate from the recently launched Palm Oil Industrial Cluster (POIC). The POIC is aimed at capturing value-added downstream activities such as oleo-chemicals and speciality fats (see Manufacturing chapter for further details).

\textsuperscript{15} MPOB Book of Statistics 2006

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\textbf{Table 3.1: FFB and CPO Average Yields in Sabah vs. Malaysia’s Average (2000-2006)}

<table>
<thead>
<tr>
<th>Average Yield</th>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia FFB</td>
<td></td>
<td>18.33</td>
<td>19.14</td>
<td>17.97</td>
<td>18.99</td>
<td>18.60</td>
<td>18.88</td>
<td>19.60</td>
</tr>
<tr>
<td>Sabah CPO</td>
<td></td>
<td>3.91</td>
<td>4.33</td>
<td>4.45</td>
<td>4.56</td>
<td>4.56</td>
<td>4.91</td>
<td>4.88</td>
</tr>
<tr>
<td>Malaysia CPO</td>
<td></td>
<td>3.46</td>
<td>3.66</td>
<td>3.59</td>
<td>3.75</td>
<td>3.73</td>
<td>3.80</td>
<td>3.93</td>
</tr>
</tbody>
</table>

Source: Malaysian Palm Oil Board (MPOB)

Oil palm, a significant contributor to Sabah’s agriculture sector.
ii) **Other Industrial Crops**

The other important industrial crops are rubber, coconut and cocoa which contribute a total value of RM545 million to Sabah’s exports, with rubber contributing RM284 million. Sabah contributes to more than 50% of Malaysia’s cocoa production.

Currently over 66,000 hectares of land is planted with rubber, with 90% undertaken by smallholders who are mainly located in the Western and Central Sub-Regions of the state. Coconut is planted over 18,600 hectares, while cocoa takes up 14,100 hectares.

iii) **Fishery and Aquaculture**

The fisheries and aquaculture industry in Sabah is predominantly private sector driven. In 2005, fisheries contributed to 10% of agriculture’s GDP with a value of RM411 million. Deep sea fishing is still under-developed and therefore has tremendous potential.

The SDC will emphasise aquaculture.
The main activity in the fisheries sector comprises both prawn trawling and aquaculture. Fresh frozen prawn is the major fishery product exported from Sabah, contributing around RM200 million to the state’s export earnings annually. Other key exports include tiger prawns of which over 3,000 metric tonnes of product valued at RM100 million is exported. There are currently 2,073 ponds in Sabah involving 82 operators, with Tawau being the leading area with over 2,000 metric tonnes of produce. Other areas include Semporna, Lahad Datu and Sandakan.

The state has designated the Aquaculture Industrial Zone (AIZ) around the areas of Sandakan, Lahad Datu, Tawau, Beaufort and Kuala Penyu, where 63,000 hectares of land are suitable for key aquaculture activities. Seaweed cultivation in particular is a recent high growth focus area, mainly around Semporna, Kota Belud and Tuaran. It currently
iv) Other Crops

Horticulture products such as fruits and vegetables, herbs and SNP are currently planted over approximately 23,000 hectares of land across Sabah. Smallholder planting is concentrated in areas such as Ranau, Kudat, Penampang, Lahad Datu, Keningau, Papar and Tambunan. The combined export value of other crops stands at RM67 million as of 2005 with a GDP growth of 4% per annum from 1998-2005.

Vegetables and fruits planted include corn, tapioca, ginger, durian, bananas, langsat and pineapple. SNP including kacip fatimah, hempedu bumi, cengkhih, cinnamon, pala, mengkudu, vanilla and roselle are concentrated in the Papar, Beaufort and Keningau areas, which are in close proximity to the Sabah Agro-Industrial Precinct (SAIP) in Kimanis.

In terms of food production, paddy and livestock are important crops that can help Sabah reduce its food deficit of RM900 million. Paddy production’s self-sufficiency is only at 34% and it is a crop that provides vital income to rural farmers. Paddy is planted at over 40,000 hectares of land in areas such as Papar, Tuaran, Kota Belud, Tambunan and Kota Marudu.
v) Poultry and Livestock

As of 2005, production of poultry eggs and pork is self-sufficient while poultry meat and dairy milk is 98% self-sufficient. Beef was only produced at a 20% self-sufficiency level as of 2005 and has been declining at a CAGR of -9% from 1995 to 2005. Per capita consumption of beef, however, is 2.8 kg, with a CAGR of 6% over the same period.

Livestock farmers in Sabah currently produce cattle, buffalo, poultry, swine and dairy products. The farms are mainly located around Kota Belud, Kinarut, Keningau, Sandakan and Tawau. Cattle meat will be geared for export as Sabah has been declared free of Foot and Mouth Disease by the World Organisation for Animal Health. In addition, due to the significant size of oil palm plantations in Sabah, integrated livestock farming should be given due consideration.

Sabah’s Key Strengths in Agriculture

i) Suitable Natural Conditions

Sabah has large tracts of land with suitable weather and land conditions for agriculture. Sabah’s oil palm plantations have the highest average yields in the country. Suitable land conditions have also allowed diversity in the crops being planted – industrial crops such as rubber and cocoa, as well as other agricultural crops such as fruits, vegetables, herbs and SNP.

ii) Natural Supply of Marine Life

Sabah has the longest coastline in all of Malaysia with more than three quarters of its boundaries surrounded by sea totalling over 4,300 km in length. The state is rich in marine products as the shallow water along coastal lines allows for easy sunlight penetration for photosynthesis to occur resulting in vast population of phytoplankton. The marine ecosystem is divided into the estuarine and oceanic zones; the estuarine zone represents less than 10% of total oceanic area but contains 90% of all marine life.
iii) Livestock Free of Foot and Mouth Disease
Sabah is one of only two states in Malaysia to have been officially declared as being free of foot and mouth disease, which enables the export of Sabah livestock products.

iv) Strategic Location as Access Point to Key Markets
Sabah is strategically located near high growth markets such as China and Taiwan. There is potential for companies operating out of the SDC to boost export of fresh and downstream agriculture products to these markets.

3.3 Key Challenges and Issues Faced in Agriculture

A large portion of agriculture land in Sabah is cultivated by palm oil companies, harvesting the best yields in Malaysia due to favourable conditions and planting practices. However, the potential yield is not fully met yet due to gaps in planting and harvesting methods.

Smallholders in particular require basic assistance with development of good agriculture practices, application of appropriate technology, achievement of economies of scale, marketing and distribution.

i) Poor Application of Good Agricultural Practices and Technology by Smallholders
The State Government provides assistance to farmers via incentives, subsidies, technology transfer, tools and training. Despite some progress being made, there is still room for farmers to improve their skills and techniques which will result in higher yields and quality of produce as required by major buyers such as supermarkets and hypermarkets. Smallholders in general have not consistently applied Good Agricultural Practices (GAP).

ii) Lack of Scale, Marketing and Distribution
Small-scale farming currently being conducted, such as paddy, livestock, fruits, vegetables, SNP and herb cultivation, have resulted in high production cost, inconsistent quality of output, low yield and hence low income for farmers.

The issue of lack of scale and the inability to provide a constant and large supply of produce that meets quality standards in turn results in marketing challenges. Fruits, vegetables and livestock farmers currently do not have the capability to directly access large markets as they are unable to meet continuous demand. They sell their produce at local markets or through middlemen which limits the price they could get for their produce.

iii) Diminishing Availability of Agriculture Land
Sabah needs to focus on technology to further improve yields as suitable land for
Agriculture plays a major role in the economic development of Sabah. Strategies to enhance the performance of the sector will focus specifically on three main areas:

- Accelerate growth of high-value products for export
- Enhance quality and productivity for food-based agriculture
- Strengthen Sabah’s lead as the palm oil centre of excellence

To support these strategies, the Government (Federal and State) will intensify efforts in R&D, mechanisation, and GAP application to enhance quality and productivity. The Sandakan Education Hub will also anchor a cluster of government R&D and training centres for this purpose. Among others, the Centre of Excellence for Tropical Biodiversity will be located here.

There will also be stations and collection centres located around Sabah to guide farmers (especially smallholders) on planting materials, fertilisers, mechanised tools and demonstration of GAP.

### 3.4.1 Accelerate Growth of High-Value Products for Export

One of the initial focus areas for agriculture is accelerating the growth of high-value and high-potential agriculture products. Incentives and lowering costs of farming will be the key levers in attracting participation of agropreneurs and SMEs to develop aquaculture, deep sea fishing, non-timber forest products and horticulture.

The global aquaculture market is currently worth an estimated USD75 billion with an annual growth rate of 8.8% since 1971. Sabah currently exports prawns, high-value fish and key aquaculture products such as seaweed to affluent markets such as Japan, Taiwan and China.

Other key sub-sectors would include horticulture which had a global market value of USD80 billion in 2004 and includes floriculture in which Sabah currently is a high producer of products such as orchids. Other products would also comprise herbs and SNP which has a global market value of USD60 billion and a growth rate of up to 30% per annum, and new products such as jatropha, kenaf, roselle and vanilla are being considered.
Jatropha has the potential to be an alternative source of bio-fuel, which is an attractive value proposition given the high price of fossil fuel and bio-fuel feedstock from food items such as oil palm and sugar cane. The plant can be harvested in less than a year and withstand prolonged draughts, rendering it suitable for planting in areas with high incidence of poverty, low rainfall and poor irrigation access such as the Bengkoka Peninsula, Kota Marudu, Keningau and Tenom within the Central Sub-Region. Extracts from jatropha fruits also may be used in the cosmetic and pharmaceutical industries.

3.4.2 Enhance Quality and Productivity for Food-Based Agriculture

Another key focus for agriculture will be to elevate the quality and productivity levels of food-based agriculture sub-sectors. The objectives include reducing the deficit of food for Sabah which currently stands at RM900 million, enhancing the income of rural farmers, while generating income via exports to Peninsula Malaysia and neighbouring countries.

Under the 2nd Sabah Agriculture Policy, the State Government in particular has set key targets with regards to increasing the self-sufficiency levels for production of paddy from 30% to 60% and cattle from 23% to 30% by 2010. For paddy, the State has identified Kota Belud as the ‘jelapang padi’ area for the state, with a paddy seed production and R&D centre being developed there. The State has also recently introduced Permanent Food Production Zones in Tawau, Kinabatangan, Papar and Beaufort with incentives for farmers to plant specific crops such as papaya, pineapple, avocado, mango and banana.

Livestock farming in Sabah will be a key focus for food production as the industry has great potential due to suitable climate conditions and as a result of being officially declared free of Foot and Mouth Disease by the World Organisation for Animal Health. Other key crops for production are paddy, fruits and vegetables.

Ensuring GAP is applied by smallholders will be a key factor in ensuring high yields are obtained per hectare of land. This is especially crucial for smallholders where the extra increase in production will translate into an increase in earnings via minimal wastage and improved quality of produce that meet sale and export quality assurance standards.

Good agriculture practices play a vital role in enhancing quality of products.
Oil palm is Sabah’s highest yielding per hectare crop and has tremendous value in generating high-value jobs in downstream activities. The suitability of soil and conditions in Sabah has contributed to Sabah achieving the highest yields in the country. Focus will therefore be on further improving productivity and enhancing yields via technological advancements and enhanced R&D in biotechnology and agronomy practices.

Promoting and enforcing sustainable palm oil and food traceability are necessary to ensure continuous access to markets in developed countries. Therefore, the process for certification and enforcement needs to be strengthened once standards are published by the Roundtable on Sustainable Palm Oil.

**Programmes**

To achieve the objectives of increased agricultural growth and improvement of rural incomes, the broad strategies will be cascaded and implemented via a number of programmes.

A three-phase approach will be adopted:
The Agri-Excel Outreach Programme provides a platform for knowledge and assistance to be disseminated to smallholders. The programme will involve setting up various centres in key areas of agriculture in Sabah where smallholders can have access to:

- Training in good agricultural practices
- Demonstration plots for adoption of technologies
- Advisory services
- Purchase of subsidised resources (fertiliser and mechanised tools)

In addition to agencies already providing micro-finance across Malaysia, a new micro finance scheme targeted specifically for Sabah and focused on agriculture will be set up. The main issue at present is that due to a lack of communications access, rural farmers are not aware of such funds. These funds need to be customised, packaged and brought to the villages so that the farmers can understand the terms and obligations involved.

Other supporting initiatives of this programme will include relocation of rural farmers and smallholders based on re-zoned areas. These areas will be determined by matching land suitability to focus crops such as paddy, rubber, cocoa, fruits and vegetables. A total of 10,000 households are expected to be involved in this project. The relocation process which will mainly involve intra-district movement of smallholders and rural farmers will allow for easier access to resources and production of crops with scalability.

The Agri-Excel Outreach programme is aimed at producing a critical mass of rural entrepreneurs who are enabled through education, training, awareness-building and micro-finance. This programme is expected to have a tangible impact on poverty alleviation. The Bengkoka Rubber Resettlement Scheme along the agropolitan model offers a good example of a resettlement model which can be supported by the Agri-Excel Outreach programme. Another related programme is the Jelapang Padi programme which involves 7,000 families at Kota Marudu-Kota Belud districts and the proposed SLDB Keningau-Tenom Jatropha Scheme.

Private sector involvement is crucial to the growth of the agriculture industry. The agri-business accelerator programme is designed to attract SMEs and agropreneurs to undertake promoted agricultural activities in the SDC. This programme will also encourage the growth and development of agri-business SMEs with participation of local farmers via joint ventures or contract farming to ensure constant income.
SAIP, which is being developed in Kimanis, will be an integrated agrotech cluster to support agro-based SMEs and start-ups with components such as:

- Incubator centre
- Herbal farm
- Knowledge park
- SME park
- Commercial and residential zones

The Agri-Business Accelerator Programme will seek to encourage and support participants via incentives, funding and demarcated land for crop clusters. Approval of applications for the incentives will be based on a transparent and comprehensive set of factors which include the economic viability of the proposed projects and the agriculture and entrepreneurial experience of the applicants.

The programme’s incentives include:

- Start-up funding grants
- Loans for purchase of technology
- Grants for technology transfer application
- Leasing of deep sea vessels, key machinery and facilities
- Fiscal incentives
- Business advisory and marketing support
- Incubator facilities to serve as test-bed for new technologies adopted

Development initiatives of potential high-growth sub-sectors include:

i) Aquaculture

- Development of the National Marine Aquaculture Centre for specific research in aquaculture and promotion of sustainable techniques among local fishermen
  - Development of incubator with pilot plant facilities to encourage entrepreneurs to adopt technologies
  - The research centre will align itself with Universiti Malaysia Sabah and have strategic links with the Department of Fisheries as well as world-renowned marine biology and aquaculture institutions
- Import of breeding technology for ornamental fish, prawns, oysters and lobsters
- Development of key collection and processing centres
ii) Fishery

- Ensuring licencing for deep sea fishing companies are transparent and based on a set criteria
- Setting-up of a deep sea vessel leasing company equipped with sufficient number of vessels for various types of deep sea fishing operations to be leased to licenced companies
- Enhancement of infrastructure to support both coastal and deep sea fishing at current key landing jetties and ports in Papar, Kudat, Kunak and Sandakan. This includes facilities such as cold storage room, work platform, office building, CIQ facilitiy, health facility, traffic control office, electricity and water supply, communication, and diesel supply

iii) Livestock

- Enhancement of the Nabawan and East Coast livestock clusters with development of common facilities such as abattoirs, storage facilities and feedlot centres
- Development of the Keningau Integrated Livestock Centre which will focus on improvement and multiplication of livestock and improvement of feeding management for meat and dairy
- Development of incubator and pilot projects to serve as test-beds for new products and technologies adopted by entrepreneurs, such as bird’s nest, ostrich and deer farming and processing
- Usage of surrounding land to cultivate corn to reduce the reliance on imported feed

iv) Horticulture

- Development of shared infrastructure for the cluster areas, including roads, water supply, electricity and sanitation
- Provision of hydroponic/aeroponic systems, organic farming, precision farming, agrobio R&D support and construction of green houses which include watering systems, temperature and humidity control systems, lighting, pots and soil
- Development of incubator with pilot plant to support new product development on a trial basis, such as virgin coconut oil, vanilla production and roselle based products
v) Non-Timber Forest Products

- Development of shared infrastructure for the cluster areas including roads, water supply, electricity and sanitation
- Development of plant extraction factories, spray drying facilities and the Sabah Herbs Trading Centre
- Bio-prospecting and product development through the Sabah Bio-X network (see Chapter 7)

3.5.3 Modernised Collection, Packaging and Distribution Centres

Collection, packaging and distribution centres are to be located in smallholder concentrated areas, at livestock and food crop clusters established by SMEs and near the Permanent Food Production Parks. A dedicated Halal Park linked to the Labuan Halal and Distribution Hub will be set up at a suitable location within the SME Agro-Food Zone to provide easy access to Halal certification, processes, technology and advisory services. The idea behind the collection, packaging and distribution centres is to enable producers to meet the scale and quality expected by buyers such as processing centres and hypermarkets. This will also enable better pricing for smallholders and agropreneurs since the centres eliminate the middlemen and are regulated by government.

These collection centres with proper storage and quality control facilities, access to Halal certification services and a cold-chain network need to have infrastructure support such as roads, water, power and telecommunication. This will ensure that the quality and freshness of produce will not be compromised thereby enabling premium prices to be obtained.

Connectivity of these collection centres will be vital to ensure that products can reach packaging and processing plants which will be located in areas such as the Kota Kinabalu Industrial Park (KKIP) and the SAIP in Kimanis. Transport vehicles to collect produce from smallholder farms and deliver produce to target markets will also be made available for leasing.

It is proposed that the pricing of products is monitored on a daily basis by the Ministry of Agriculture and Food Industry and FAMA to ensure that smallholders will be paid in accordance with suitable market prices indexed to a minimum price. Setting a minimum price on various types of produce will protect the interests of the smallholders. Management of centres will be open to business owners or SMEs. Operators selected will be in charge of marketing the produce collected at centres to key markets.
Sabah has 29.8% of Malaysia’s planted oil palm and the highest crude palm oil (CPO) yield. To retain this lead and enable these companies to be more cost efficient and reap higher yields, the focus needs to be on R&D as well as developing human capital in plantation management and agronomy practices.

The Sandakan Education Hub will be the centre for collation and dissemination of palm oil knowledge base, working closely with MPOB’s palm oil training centre (PLASMA). The centre’s faculty will work with the Malaysian Palm oil Association (MPOA) to understand the needs of plantation owners and plantation managers. Palm oil plantation companies will also be asked to assist in practical training and allow their staff to go on sabbatical for further studies. Training will also be done overseas via an Agriculture Education Scholarship Fund for students to study required practices in renowned institutions worldwide.

The Sandakan Palm Biotech R&D Centre will be established to focus on increasing palm oil knowledge of planting materials, seed production, palm nutrition and estate mechanisation. The centre will partner with renowned agriculture and biotechnology research centres worldwide, and employ leading local and foreign scientists. A strong pool of international researchers from The Royal Society and Kew Gardens will already be in situ via the Centre of Excellence for Tropical Biodiversity Research.

Palm oil processing facilities.