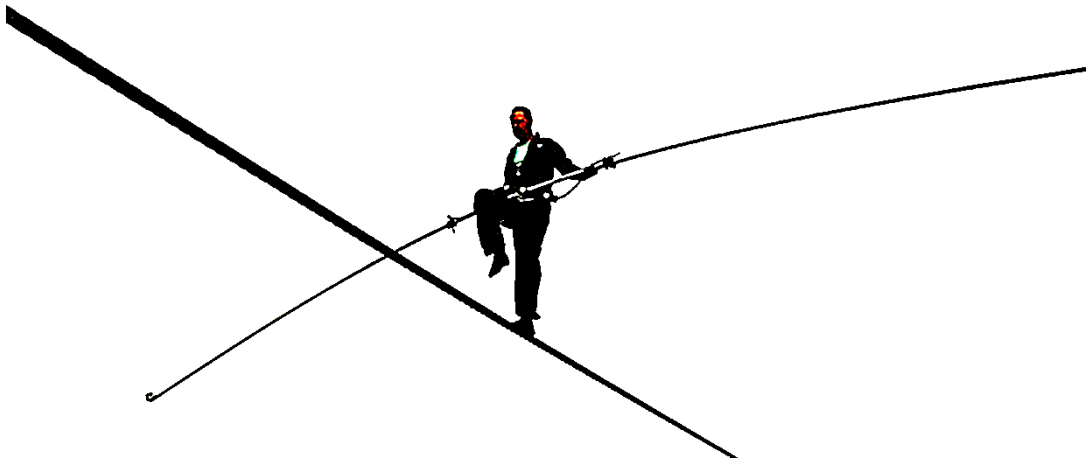
BERNAS

Walking the Tightrope: Perils and Rewards in Delivering Food Security to the Nation



By:
Salman Muhammad
Padiberas Nasional Berhad

Agenda

1. Introduction
2. Industry Objectives and Chronological Development
3. Protection and Interventions
4. Perils and Rewards as the Gatekeeper

BERNAS

1 **Introduction**

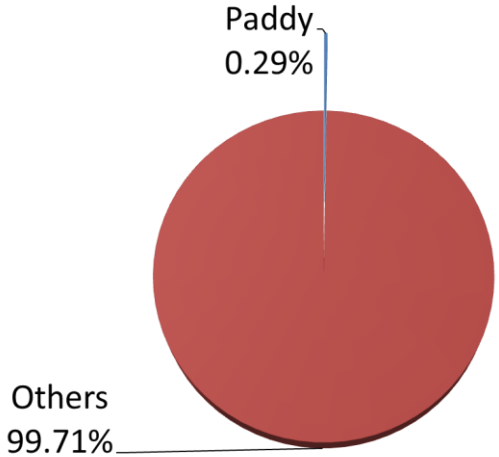
2 Industry Objectives and Chronological Development

3 Protection and Interventions

4 Perils and Rewards as the Gatekeeper

Rice industry is quite a strange creature…

Its contribution to GDP is small



2015

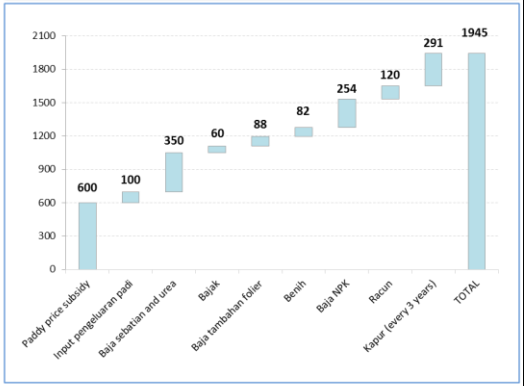
- GDP RM1,157 billion
- Paddy Production value RM3.4 billion
- Overall rice industry GDP: 0.6%

Yet a lot are spent to develop and maintain

Granary	Operating	Development*	Price Subsidy	Fert. Subsidy	Total
MADA	584	391	2,179	806	3,961
KADA	418	145	628	199	1,390
Kerian/Sg. Manik	63	564	568	200	1,396
PBLS	62	613	563	145	1,451
KETARA	60	748	107	35	993
Semerak Kemasin	100	1,482	65	21	1,663
IADP P. Pinang	20	1,273	215	61	1,568
Total	1,307	5,216	4,325	1,467	12,422

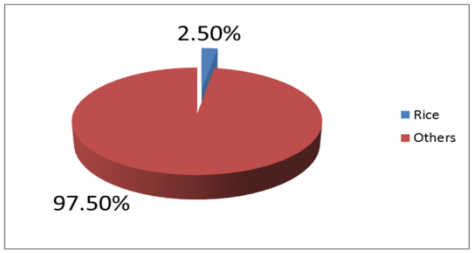
Government expenditure in 8 granaries RM12,422 million 1982-2000, according to Rice Industry Review 2004

Amount of Annual Subsidy *RM Mil*

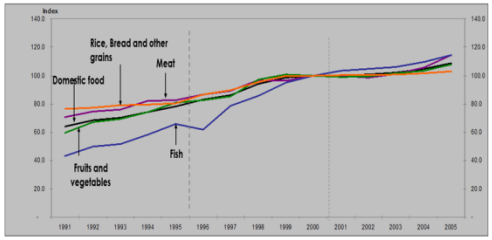


- RM2.2 billion subsidies spent in 2014 to sustain the industry
- Last year (2016) RM1.945 billion

It does not burn the pocket and its prices are most stable



Source : Department of Statistics, Malaysia (2006)



Household expenditure on rice

Most stable compared to other food items

Yet it creates a lot of noise

Price index of rice
(RM)

Type
Super tempatan Special 5 %
Siam Super
Fragrant rice
Super tempatan 15%
Super temtatan others
Basmati

Price index of actual market retailing and recommend retail price
(RM)

Type	Weight	Average market retail price	Recommended retail price
Super tempatan Special 5 %	10kg	15.95 to 21.90	22.00 to 28.8
Siam Super	10kg	17.90 to 23.90	2[illegible]
Fragrant rice	10kg	22.90 to 33.50	33.90 to 39.80
Super tempatan 15%	10kg	17.00 to 17.50	17.00 to 17.50
Super temtatan others	10kg	15.95 to 18.50	19.00 to 19.90
Basmati	10kg	34.50 to 38.50	39.00 to 55.00

Courtesy of Mydin Mohamed Holdings Bhd

1997-1998

2000-2002

2007-2008

2014…

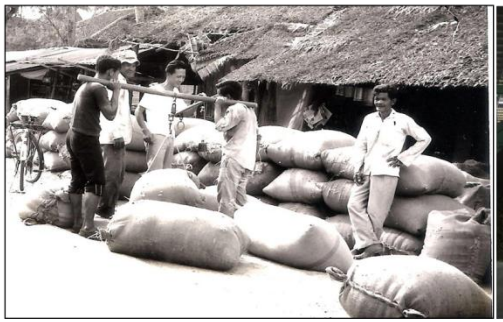
Price of rice on the rise

». The current world shortage will continue for some time« DR YEAH KIM LENG

It is also heavily regulated

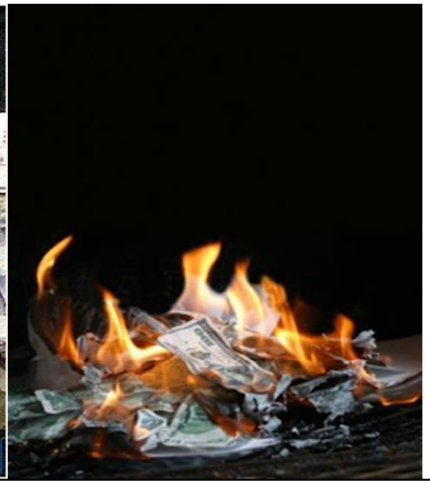
WARTA	TAJUK
P.U. (A) 317	Peraturan-Peraturan LPN (Menunjuk Gred Dan Harga), 1971
P.U. (A) 452	Peraturan-Peraturan LPN (Melesen Pembeli-Pembeli Padi), 1971
P.U. (A) 184	Peraturan-Peraturan LPN (Melesen Penjual-Penjual Borong Dan Runcit), 1973
P.U. (A) 245	Peraturan-Peraturan LPN (Sekatan Pemindahan Antara Negeri), 1973
P.U. (A) 257	Peraturan-Peraturan LPN (Sekatan Pemindahan Beras Negara) (Kuala Selangor dan Sabak Bernam), 1973
P.U. (A) 14	Perintah Beras (Kawalan Pemilikan Padi), 1974
P.U. (A) 15	Perintah Beras (Kawalan Pengilangan Padi), 1974
P.U. (A) 16	Perintah Beras (Kawalan Pemasaran Beras), 1974
P.U. (A) 156	Perintah Beras (Kawalan Harga), 1974
P.U. (A) 202	Peraturan-Peraturan LPN (Melesen Kilang-Kilang Padi), 1974
P.U. (A) 547	Perintah Beras (Kawalan Gred Dan Harga), 1992

And the only commodity whose market is guaranteed…



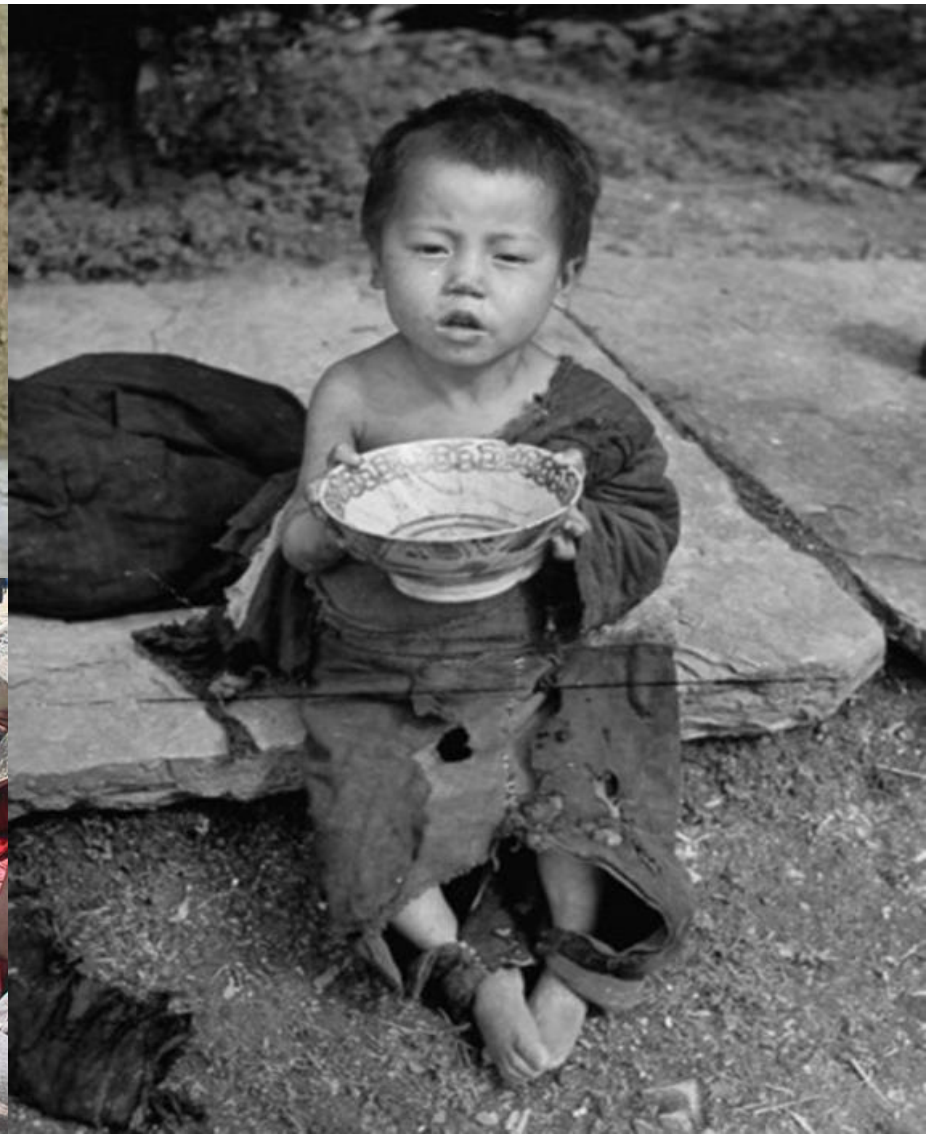
…through policy Buyer of Last Resort

So, why spend so much when it gives back so little?



Because it is staple food to about 32 million people in the country

We do not want rakyat to end up like this…



BERNAS

1 Introduction

2 **Industry Objectives and Chronological Development**

3 Protection and Interventions

4 Perils and Rewards as the Gatekeeper

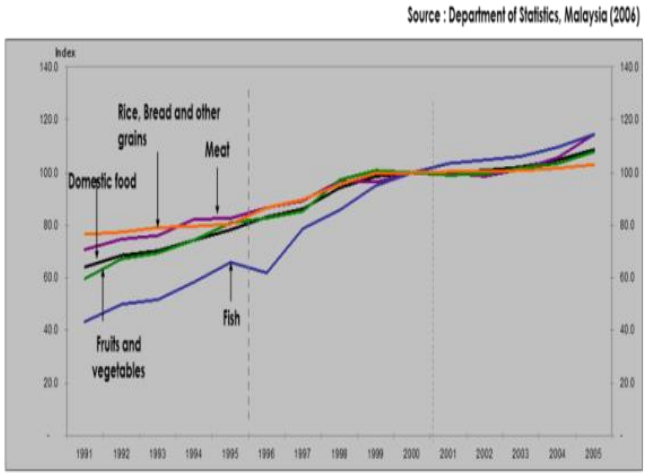
Malaysia's paddy and rice industry was formed for three main objectives,

1

Ensure food security to the nation

2

Ensure farm incomes and productivity to protect farmers' interest



3

Ensure supply of rice at fair and stable prices to safeguard consumers' welfare

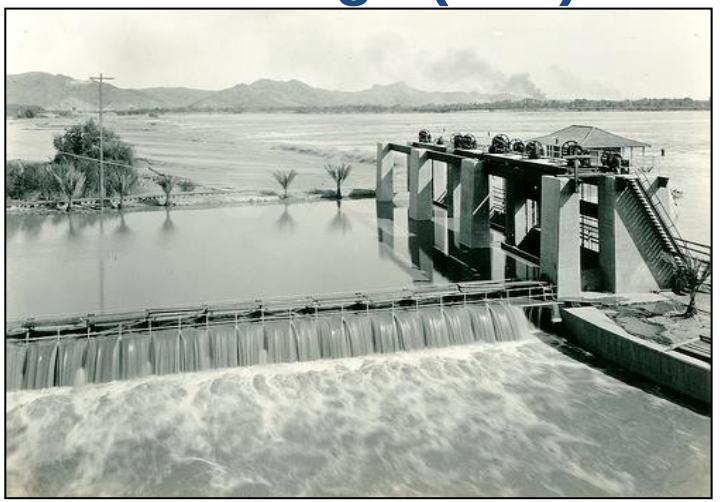
It started in 1930's, during colonial times, with the formation of…

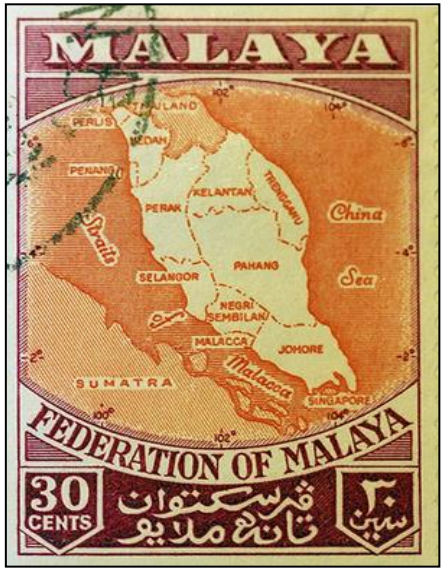
Rice Cultivation Committee 1930

1

Department of Irrigation and Drainage (DID) 1932

2



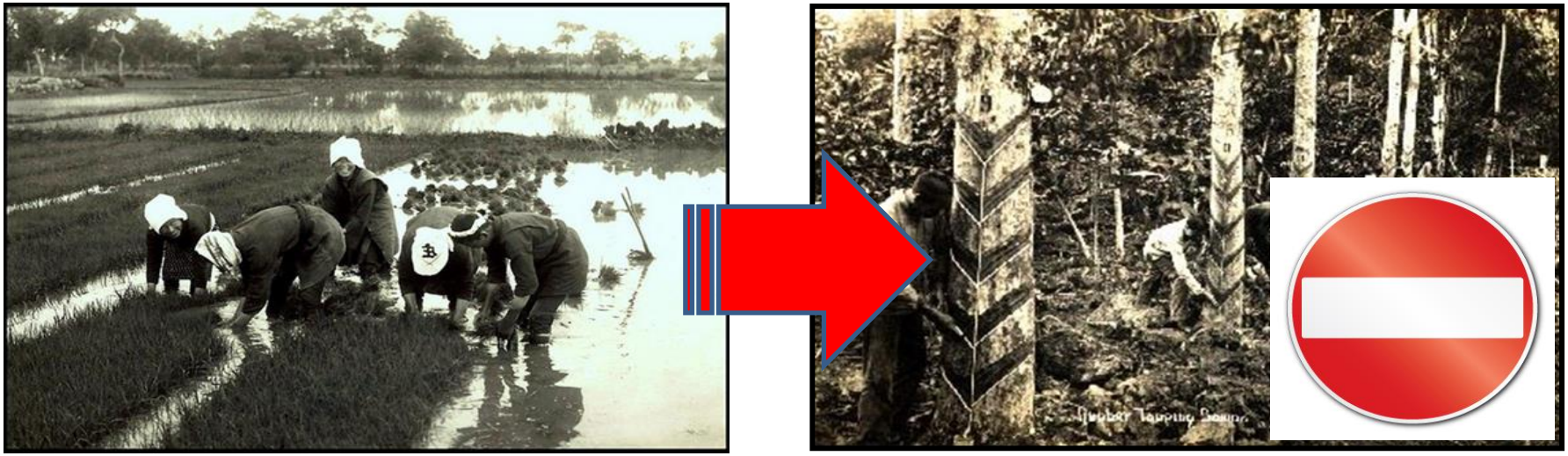


3

Rice Commission 1933

So important is paddy cultivation that as early as 1939, measures were taken to

1. Restrict labor movement out of paddy sector;
2. Prohibit conversion of the gazetted paddy land for other uses; and
3. Restrict transfer of land titles



After WWII, more measures taken to strengthen production and price stability

1

Stockpile Scheme 1949

2

Guaranteed Minimum Price (GMP) 1949

3

Fertilizer Subsidy 1952

After independence, massive infrastructure development embarked and support institutions established…

MADA and KADA projects were initiated (1961-1965)

PRMB to oversee the marketing of paddy (1967)

MARDI and BPM to undertake R&D and to provide credit to farmers, respectively (1969)

And the establishment of a dedicated institution to the industry in 1971, the National Paddy and Rice Board…

Practically carrying out industry objectives

Objectives of LPN...

a) To ensure fair and stable prices for farmers;

b) To ensure fair and stable prices for consumers;

c) To provide sufficient supply to meet all emergencies;

d) To recommend policies to promote the development of the paddy and rice industry; and

e) To store and maintain adequate supply of paddy and rice.

Endowed with great power

- Control prices, both farm-gate and border prices;
- Control over processing and marketing channels;
- Issuance of licenses to millers, wholesalers, retailers, importers and exporters;
- Sole importer of rice;
- Power to prohibit, regulate, or control the movement of paddy;

- Can directly participate in any sector of the paddy and rice;
- May purchase or rent properties and sell, lease, appoint agents, or establish other bodies it may deem fit for the purpose of carrying out its functions.

Riding on Malaysia Privatization, in 1994

BERNAS to retain all LPN's functions, except regulatory

BERNAS

Duties

- Ensure fair & stable price
- Ensure sufficient supply
- Ensure quality & standard

Social Obligations

- National stockpile (CONSUMERS)
- Buyer of last resort at GMP (FARMERS)
- Administer price subsidy payment (FARMERS)
- Bumiputera Millers Scheme ("SPB") (MILLERS)

Commercial*

- Paddy & rice trading
- Milling activities
- Distributive trade

Regulatory

- Licensing & enforcement
- Control & smuggling
- Control of prices & grades
- Control interstate movement
- Safeguard farmers & consumers' interests

- Import right has been extended until 10 Jan 2021

BERNAS

1 Introduction

2 Industry Objectives and Chronological Development

3 **Protection and Interventions**

4 Perils and Rewards as the Gatekeeper

Rice industry in Malaysia would be ideal when

1 Farmers get fair returns commensurate with their efforts

Farmers

2

Service Providers

3

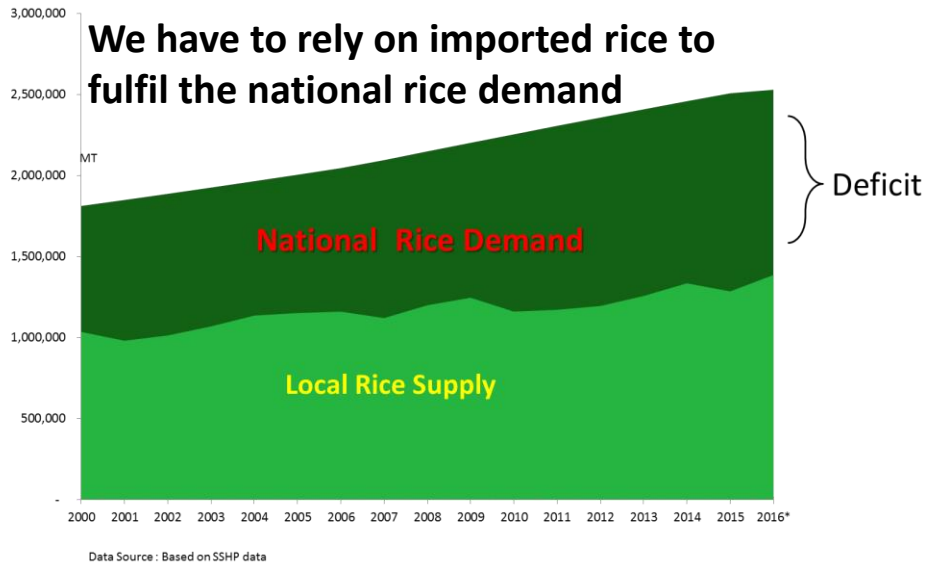
Millers

Post-harvest intermediaries get adequate margins to sustain their businesses.

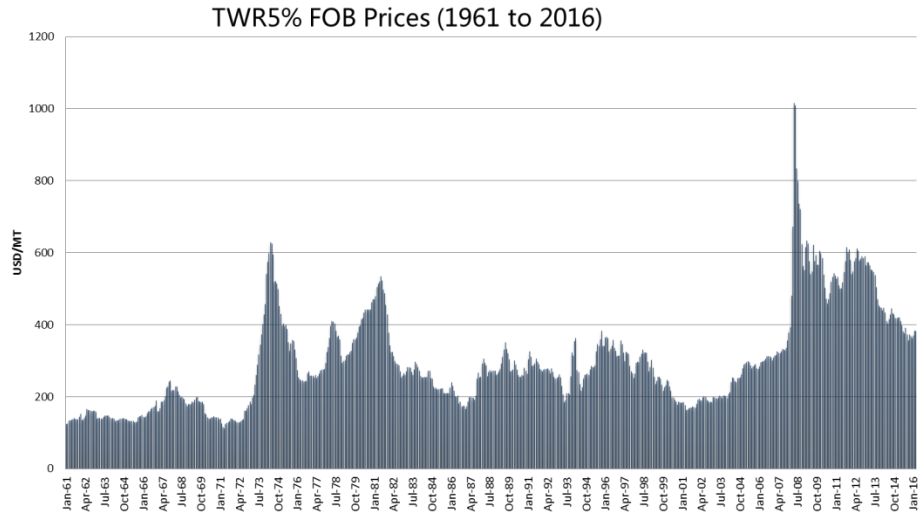
4

5 Rice available to consumers at desired quality at fair, stable and affordable prices

Being a deficit country…

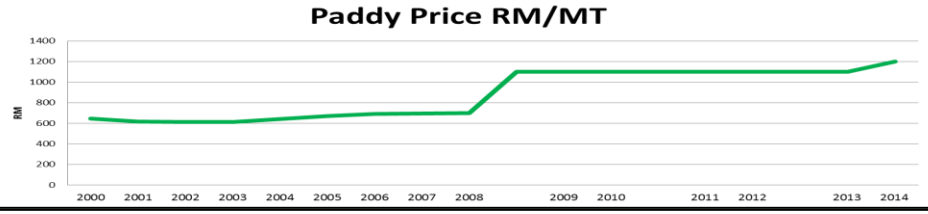


But international prices of rice can sometimes be very volatile…

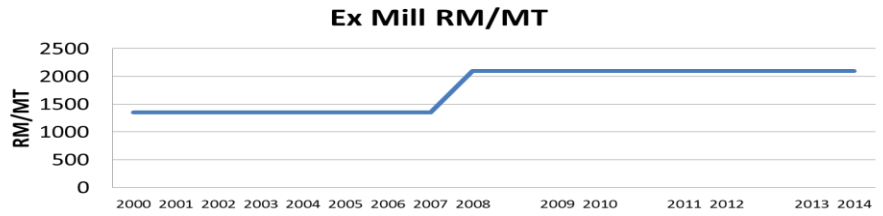


Strict SS/DD regime would put both farmers and consumers at risk

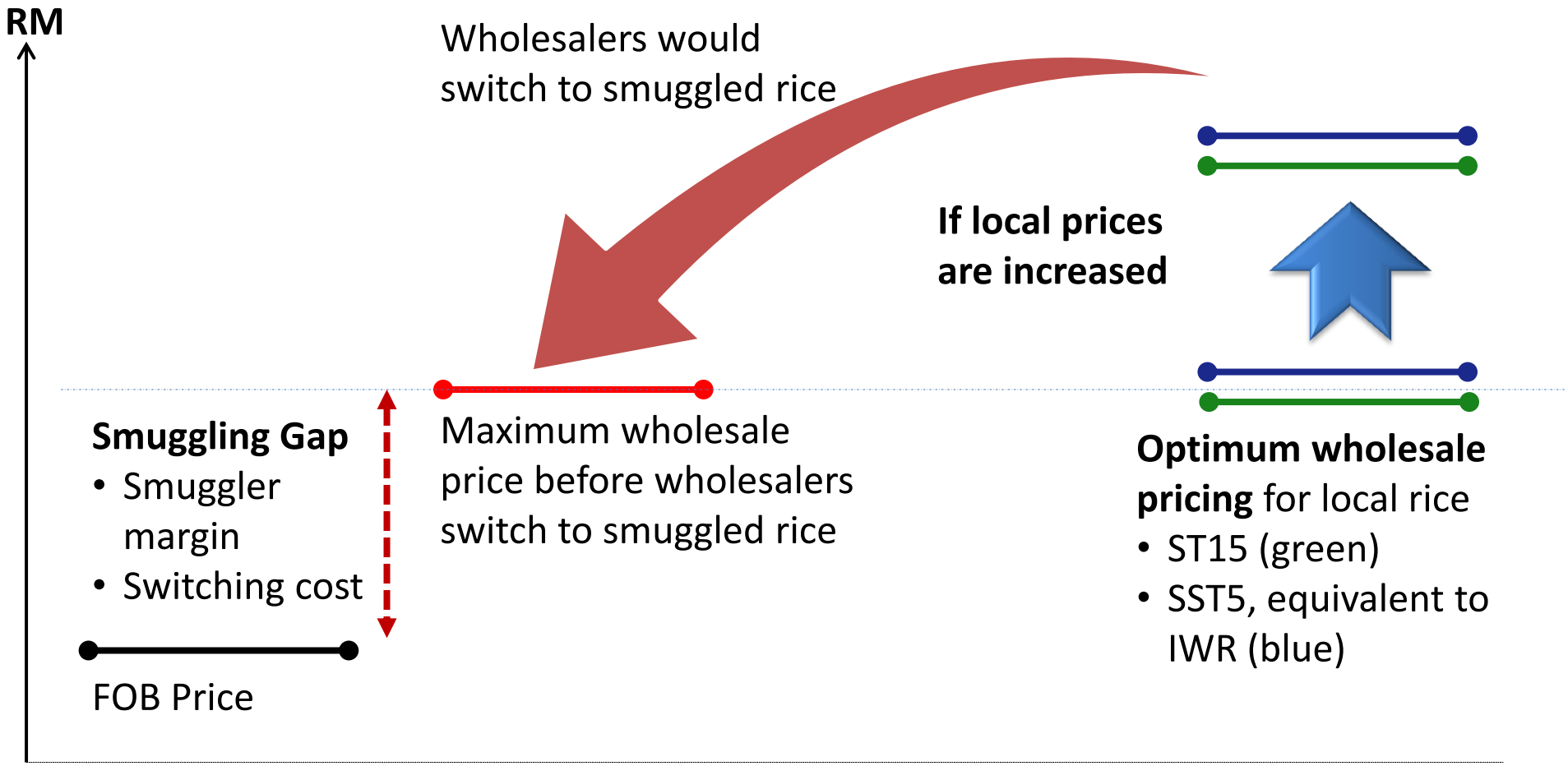
So to protect farmers, paddy prices are kept stable (or high)



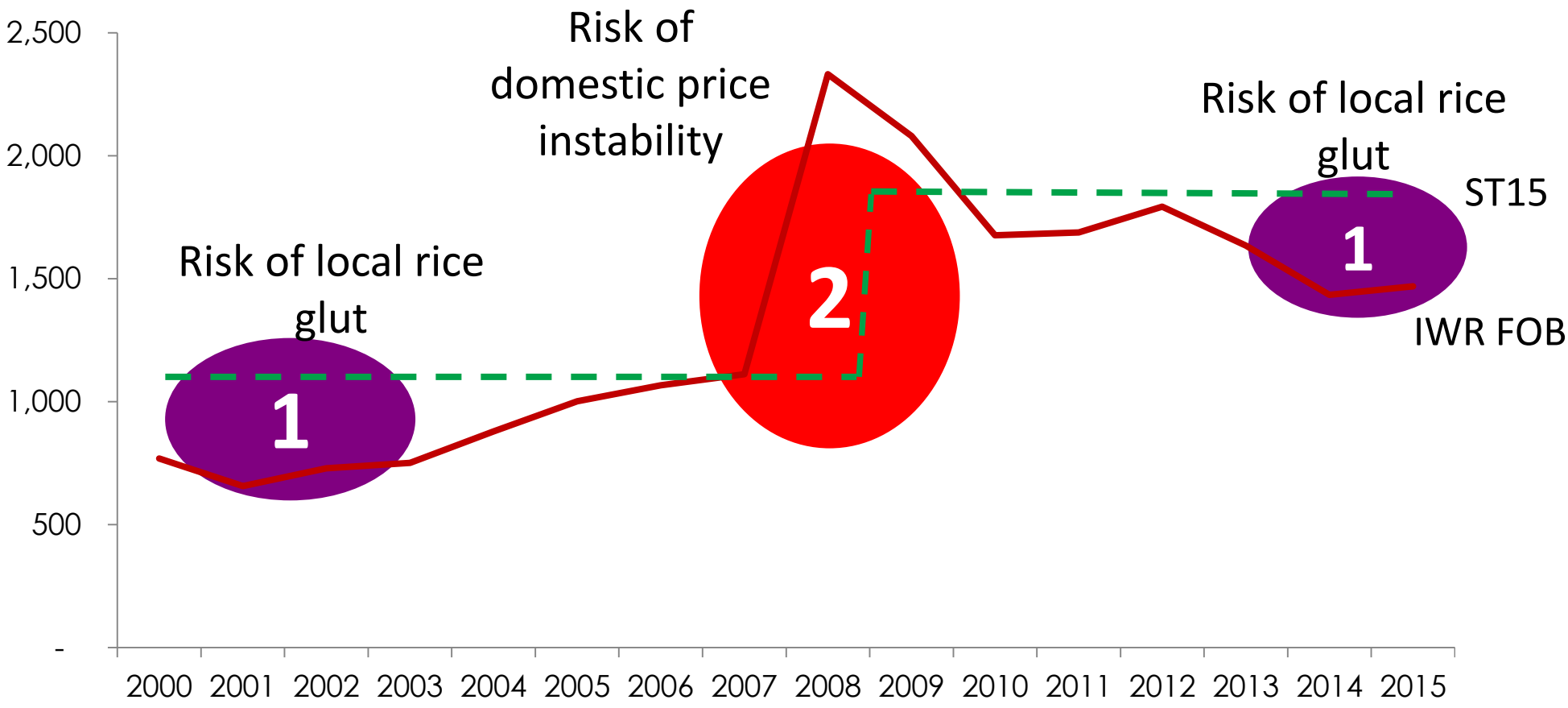
And to protect consumers, rice prices are kept stable (or low)



But the domestic market follows certain dynamics



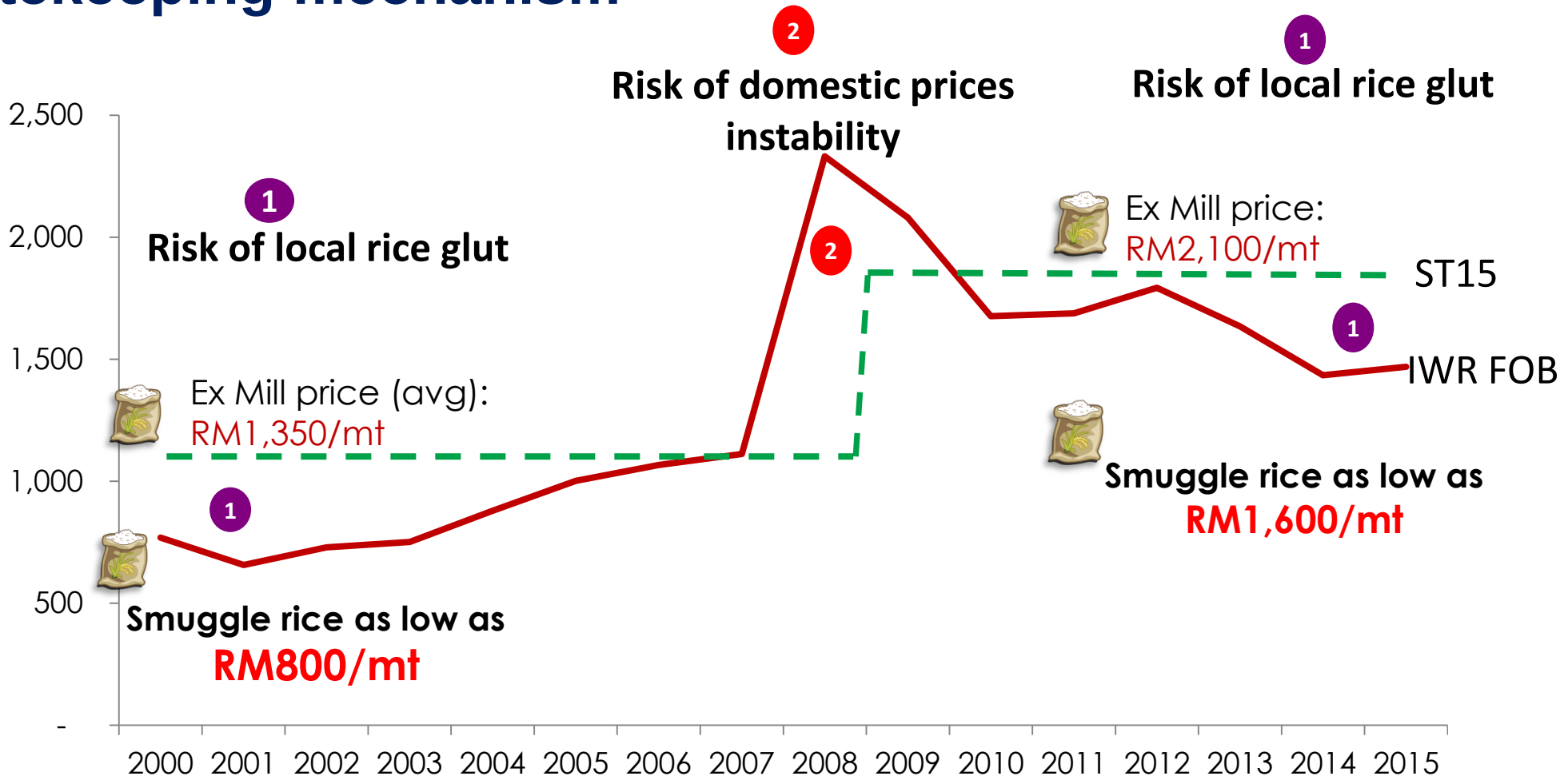
Consequently, we face the risks of local rice glut or domestic price instability



1 Market players avoid local rice, smuggling activities heighten

2 Reverse smuggling, focus on local rice

To preserve local rice and to protect consumer interest, market intervention is employed through gatekeeping mechanism



1 Gatekeeper need to play buyer of last resort role

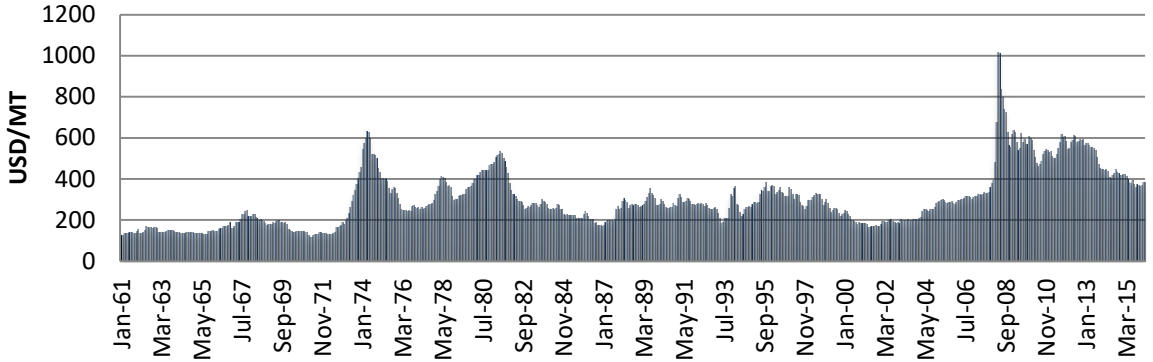
2 Gatekeeper needs to continue bringing rice and keep domestic prices stable

In short, since we want …

To protect farmers income

To protect consumers interest

Yet subjected to…



Interventions required to:

- Keep paddy price high
- Keep rice prices stable
- Ensure local rice always have market
- Ensure supply of rice always available and sufficient

Among the tools employed for protection and interventions

KERAJAAN MALAYSIA

7
- Policies & Acts
- Funding
- Infra
- Enforcement

Farmers

1 **Sufficient income**
- Subsidy (output & input)
- GMP & guaranteed market (BOLR)

Service Providers

2 **Sufficient margin**
- SPB & SUMK
- BOLR by BERNAS
- Competitive price

Millers

3

BERNAS

6 **Adequate income to continue performing Social Obligations**
- Gatekeeping role (import monopoly) to protect local rice from direct competition with imports
- Reasonable margin from import to perform required mandated duties:
  - ✓ Stockpile;
  - ✓ BOLR;
  - ✓ GMP;
  - ✓ SSHP;
  - ✓ SPB

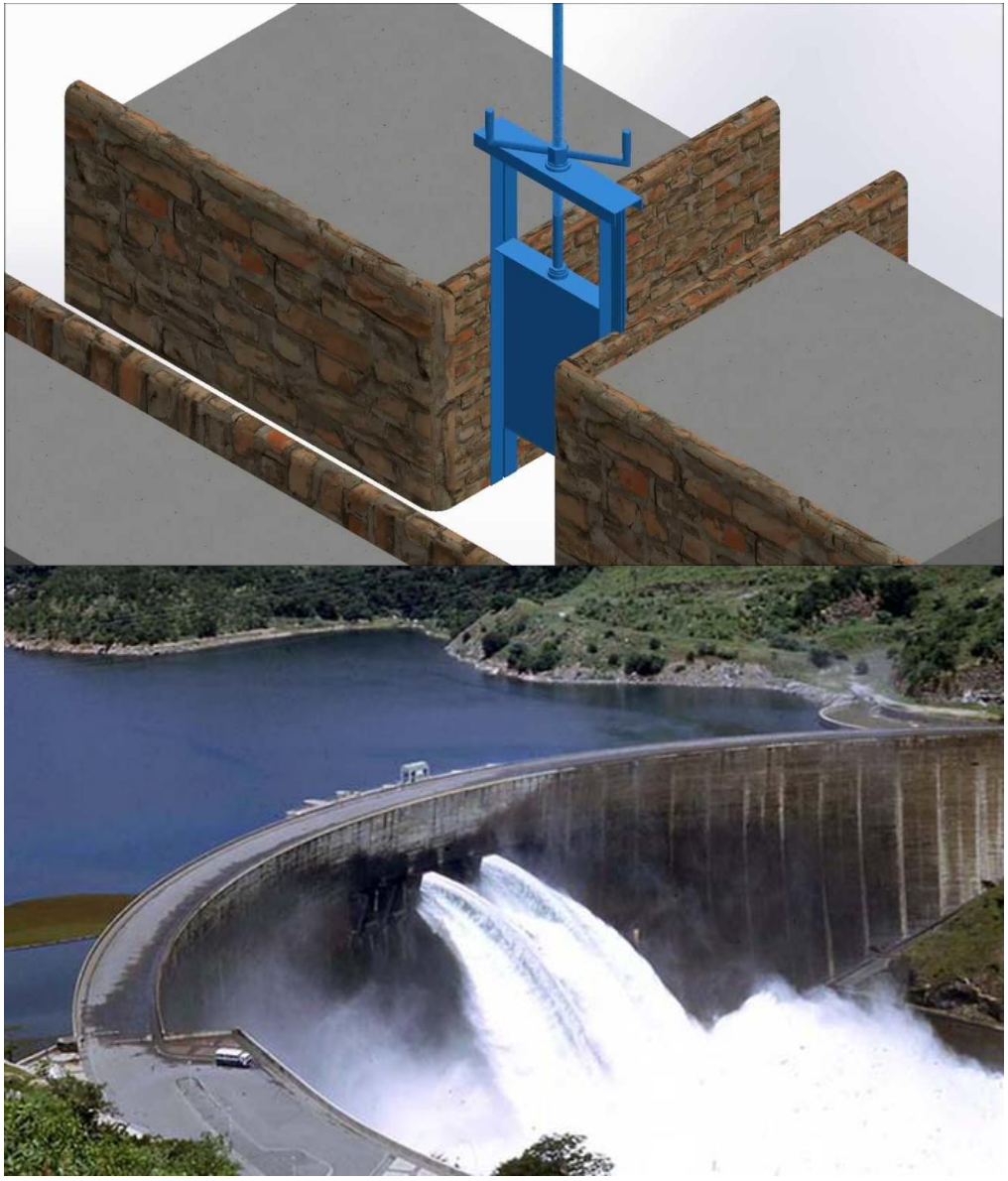
4

5

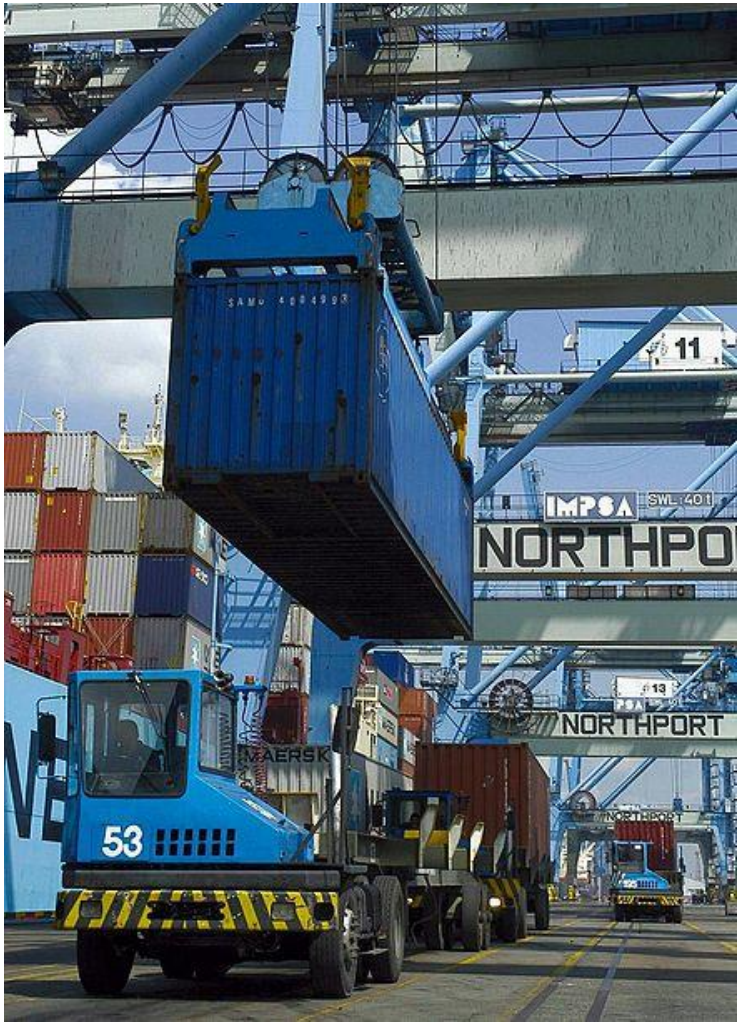
- Price ceiling and price control
- Variety of choice

Abbreviation: **SPB**= Skim Pusat Belian; **SUMK**=Skim Upah Mengering & Kisar; **KBB**= Kilang Beras BERNAS; **BOLR**= Buyer of Last Resort; **GMP**= Guranteed Minimum Price; **SSHP**= Skim Subsidi Harga Padi ;

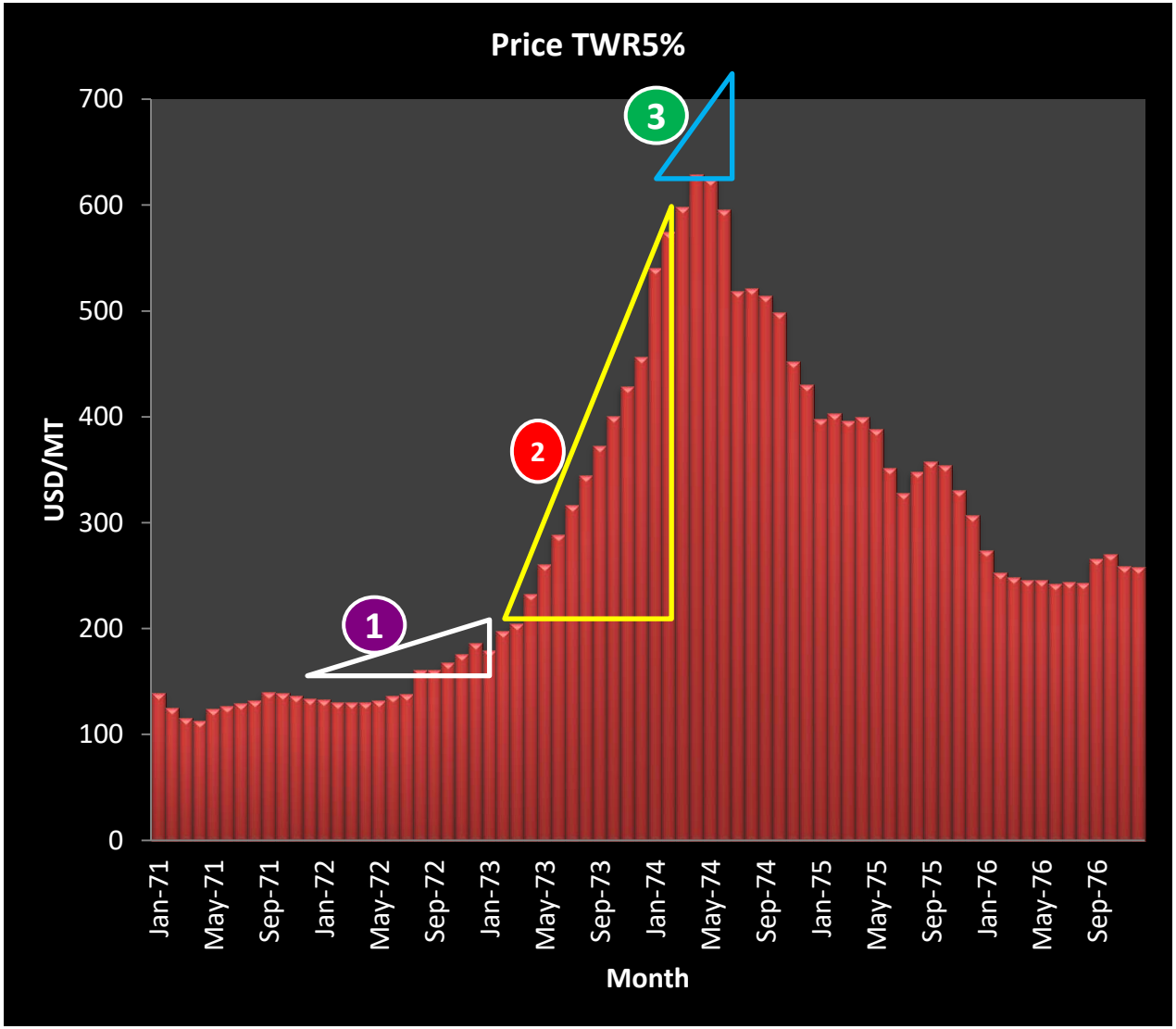
Of these tools, the most important one is gatekeeping mechanism



Made possible through single importer policy



Started in 1974, Single Importer Policy was established due to rice importers' failure to bring enough rice in 1973



1. TWR5% price firmed up in 1972. Jan to Dec increased by 40%

2. 1973
   - Price increased by 77% Jan-Jun. Importers failed to import. LPN brought in supply.
   - Jan – Dec price increased by 2 & 1/2 times.

3. Price peak at USD625/MT by May 1974. An increase of 3 & ½ times within a year and a half (Jan 73 to May 74)

Upon privatization, single importer policy was maintained, and gatekeeping role was handed to BERNAS

1971 **Formation of LPN**

1973 **World rice crisis**

- International price shot up causing serious shortage as private importers refuse to import.

1974 **LPN given sole importation right – single gatekeeper as mechanism to regulate supply and stabilise price.**

… When LPN was privatized in 1996 into BERNAS, it inherited LPN's roles under Successor Act and continue the legacy and duties of LPN.

Duties of LPN:

Duties to consumers:
- Reasonable and stable price
- Sufficient supply
- Quality and standard of rice maintained

Social Obligations:
- Buyer of Last Resort
- Skim Subsidi Harga Padi
- National stockpile

Regulatory functions

KERAJAAN MALAYSIA

Inherited by BERNAS:
- Duties to consumers
- Social Obligations

BERNAS

Duties	Social Obligations	Commercial*	Regulatory
• Ensure fair & stable price • Ensure sufficient supply • Ensure quality & standard	• National stockpile (CONSUMERS) • Buyer of last resort at GMP (FARMERS) • Administer price subsidy payment (FARMERS) • Bumiputera Millers Scheme ("SPB") (MILLERS)	• Paddy & rice trading • Milling activities • Distributive trade	• Licensing & enforcement • Control & smuggling • Control of prices & grades • Control interstate movement • Safeguard farmers & consumers' interests

• Import right has been extended until 10 Jan 2021

Despite privatization, the objectives along the chain remain essentially the same

1

Farmers

Service Providers

2

Millers

3

Farmers should get fair returns commensurate with their efforts

Post-harvest intermediaries should get adequate margins to sustain their businesses.

KERAJAAN MALAYSIA

7

Staple food should be secured

BERNAS

6

BERNAS should be able to perform Social Obligations on behalf of Govt.

4

5

Rice should be available to consumers at desired quality at fair, stable and affordable prices

Essentially, BERNAS assists the Government to achieve the industry objectives by

KERAJAAN MALAYSIA

Food security guaranteed

1

Farmers

2

Farmers' interest protected

Service Providers

Millers

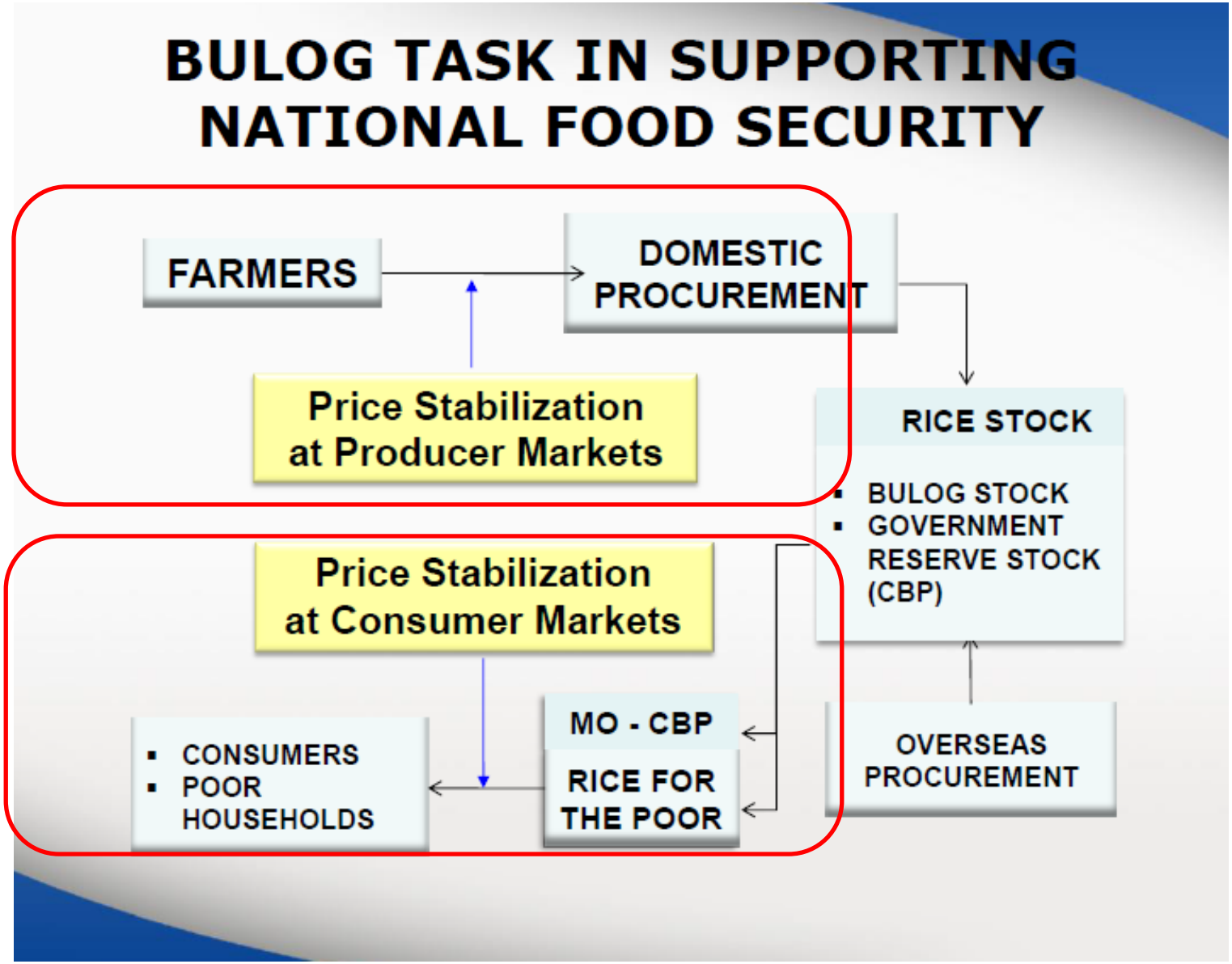
BERNAS

3

Consumers' well-being safeguarded

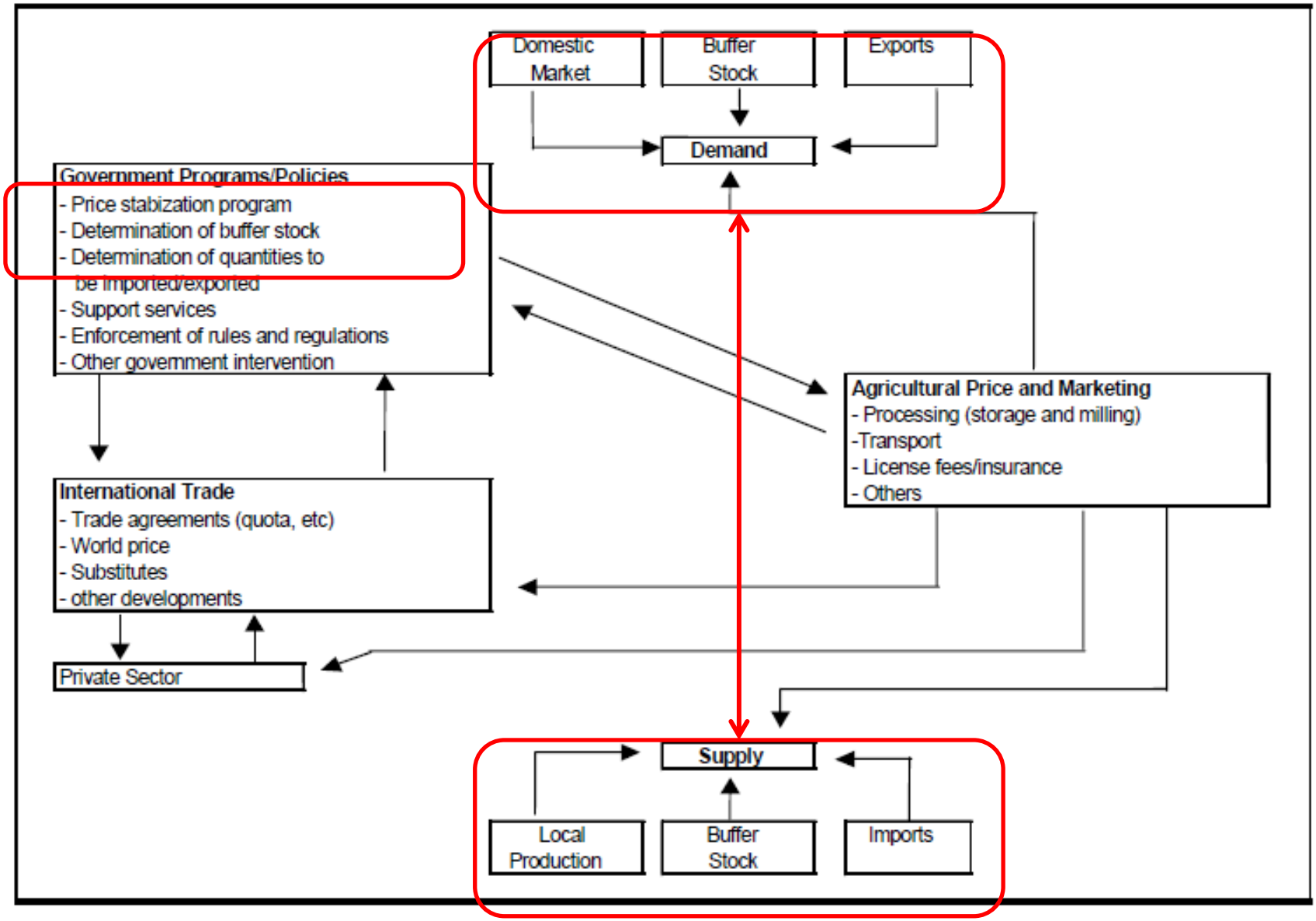
- Balancing farmers' interest and consumers' welfare, and
- Promoting market harmony and industry stability

Like what BULOG does for Indonesia



Source: Sutarto Alimoeso, Indonesian Rice Industry, paper presented at the 6th The Rice Trader World Rice Conference 18-20 November 2014 Phnom Penh, Cambodia

And NFA for the Philippines



Source: Caesar B. Cororaton, "Philippine Rice and Rural Poverty" an Impact analysis of Market Reform Using CGE", International Food Policy Research Institute , MTID Discussion Paper No. 96, 2006

The three share many similarities

1 Farmers' income support/subsidy

2 Subsidy to consumers

3 State trading

4 Tariff/import duty/quantitative restriction

Philippine

Description of policy	
Production policy	
Price support 1	
Input subsidy	
Consumer policy	
Food subsidy for rice price 2	
Import policy	
State trading 3	
Import duty 4	
Quantitative restrictions	
Minimum access volume	The Philippines' minimum access volume for rice is 350,000 tons annually at reduced tariffs equal to 40%.

Malaysia

Description of policy	
Production policy	
Minimum support price 1	BERNAS buys paddy at a minimum support price of $246.42 per
Machinery subsidy	
Consumer policy	
Food subsidy for rice price inc 2	
Import policy	
Import duty 4	
State trading 3	
	to a minimum fee of Ph
	Importation of rice in duty-free importation is 350,000 tons.

Indonesia

Description of policy	
Production policy	
Fertilizer subsidy 1	Farmers managing less than 0.5 ha of land receive only 40% of the subsidy. The total amount of organic fertilizer subsidy allocation is 835,000 tons (IDR 584,500 million).
Price support	$0.59 per kilogram for rice; $0.39 per kilogram for dry paddy.
Food subsidy for rice price increase 2	Bulog sells subsidized rice to poor families at $0.177 per kilogram. The market price for medium rice is $0.813 per kilogram.
Import policy	
State trading 3	Bulog purchases grain for price stabilization, delivers rice to the poor via the Raskin program, and manages food stocks.
Tariff 4	The import duty on rice is $50 per ton.

Source: Tobias A, Molina I, Valera HG, Mottaleb KA, Mohanty S. 2012. Handbook on rice policy for Asia. Los Baños (Philippines): International Rice Research Institute

33

In fact most Asian countries share similar characteristics, such as Nepal

Table 3. Rice sector polices in Nepal, 2011.

Policy	Description of policy
Production policy	
Price support	As of March 2011, the guaranteed price of rice was $0.42 per kilogram at an exchange rate of NPR 73.43 = US$1.
Input subsidy	Subsidized fertilizers are provided for farmers with landholdings of 0.75 hectare (hilly area) up to 4 hectares (wetland or *terai*).
Consumer policy	
Food subsidy for rice p[illegible]crease	The government provides a subsidy of NPR 300 per sack for Japanese rice and NPR 250 per sack for Sona Masuri rice.
Import policy	
Import tariff	Duty-free
State trading	The Nepal Food Corporation buys rice in the international market and is also in charge of the distribution of rice to food-deficit areas in the country.

1. Farmers' income support/subsidy
2. Subsidy to consumers
3. State trading
4. Tariff/import duty/quantitative restriction

Source: Tobias A, Molina I, Valera HG, Mottaleb KA, Mohanty S. 2012. Handbook on rice policy for Asia. Los Baños (Philippines): International Rice Research Institute

China

Table 6. Rice sector policies in China, 2011.

Policy	Description
Production policy	
Machinery subsidy	Provision of 30% discount on agricultural machinery purchased, with a maximum subsidy ranging from $7,720 to $30,879.
Input subsidy	Farmers growing superior rice varieties receive subsidies from $22 to $33 per hectare.
Price support	The price support for paddy for early indica varieties is $0.31 per kilogram, $0.35 per kilogram for intermediate-late indica varieties, and $0.39 per kilogram for japonica varieties.
Export policy	
State trading	State-owned companies will be granted 50% of the rice-trading permits.
Tariff rate quota	The grain tariff rate quota for rice is 5.3 million tons and the private share and enterprise share are 50% each. The TRQ within TRQ is 1% and TRQ out of TRQ is 65%.

1. Farmers' income support/subsidy
2. Subsidy to consumers
3. State trading
4. Tariff/import duty/quantitative restriction

Source: Tobias A, Molina I, Valera HG, Mottaleb KA, Mohanty S. 2012. Handbook on rice policy for Asia. Los Baños (Philippines): International Rice Research Institute

Japan

Table 7. Rice sector policies in Japan, 2011.

Policy	Description of policy
Production policy	
Direct income suppo[rt]	[A]lso known as the Income Compensation System for Farmers, this policy provides subsidies to support farmers whose main agricultural products are rice, oats, or soybeans.
Import policy	
Tariff rate quota	[M]inimum market access is 682,000 tons a year. The Staple Food Departme[nt] of the MAFF manages imports of rice within the TRQ through periodic OMA tenders and through SBS tenders.
Import tariff	[i]mposes a 778% tariff on rice imports.
State trading	[T]he Food Department within Japan's MAFF has the exclusive right to impor[t] rice within the TRQ.

1 Farmers' income support/subsidy

2 Subsidy to consumers

3 State trading

4 Tariff/import duty/quantitative restriction

Source: Tobias A, Molina I, Valera HG, Mottaleb KA, Mohanty S. 2012. Handbook on rice policy for Asia. Los Baños (Philippines): International Rice Research Institute

South Korea

Table 8. Rice sector policies in South Korea, 2011.

Policy	Description
Stock policy	
Public stocks	Starting in March 2011, 150,000 tons of rice were released from government reserves to control increases in domestic prices.
Production policy	
Price support	The government supports farmers through the direct purchase of domestic milled rice under the PSSE. The government paid rice farmers an average price of $1.54 per kilogram based on grade.
Direct income support	Eligible farmers receive an area direct payment of $608 per hectare. Farmers not participating in the rice reduction program receive support of $2,600 per hectare.
Area limit	The rice reduction plan will continue until 2012, with paddy plantings cut by 40,000 hectares. The government aims to reduce rice production by 200,000 tons annually.
Import policy	
Minimum access commitment	South Korea allowed rice imports of only 347,658 tons for 2011. The rice import quota is set to grow by about 20,000 tons per year to 408,700 tons by 2020.
State trading	The Korea Agro-Fishery Trade Corporation manages the purchase and sale of imported rice. Rice shipments are sold through the public distribution system.

1. Farmers' income support/subsidy
2. Subsidy to consumers
3. State trading
4. Tariff/import duty/quantitative restriction

Source: Tobias A, Molina I, Valera HG, Mottaleb KA, Mohanty S. 2012. Handbook on rice policy for Asia. Los Baños (Philippines): International Rice Research Institute

Even exporting countries share many similarities, such as Vietnam

Table 17. Rice sector policies in Vietnam, 2011.

Policy	Description of policy
Consumption policy	
Price support	The price support for paddy is VND 5,000 per kilogram ($0.24 per kilogram).
Production policy	
Public stocks	To keep the price of rice stable, VFA bought 1 million tons of rice from fa s to prevent rice importers from haggling during the harvest season.
Export policy	
Minimum export pric	The MEPs are $465–475 per ton for 5% broken rice and $425–435 per ton for 25% broken rice.
State trading	VFA is the country's state-owned enterprise. It does processing and trac f ood and agricultural products, especially rice.

1 Farmers' income support/subsidy

2 Subsidy to consumers

3 State trading

4 Tariff/import duty/quantitative restriction

Source: Tobias A, Molina I, Valera HG, Mottaleb KA, Mohanty S. 2012. Handbook on rice policy for Asia. Los Baños (Philippines): International Rice Research Institute

And India

Table 2. Rice sector policies in India, 2011.

Policy	Description
Stock policy	
Public stocks	Approval of one million metric tons of rice to be sold through open market operations.
Production policy	
Minimum support price	The minimum support price of common paddy is $0.21 per kilogram, and $0.22 per kilogram for grade A paddy.
Irrigation and electricity subsidy	Irrigation and electricity are supplied directly to farmers at prices below production costs. Consumption is unmetered for many agricultural users and is based on the horsepower rating of the water pump.
Machinery subsidy	Provision of a 50% subsidy for pump sets, seed drills, rotavators, knapsack sprayers, power weeders and rice transplanters. Power tillers are distributed at a 25% subsidy, subject to a maximum of INR 45,000.
Fertilizer subsidy	Also called NBS. This subsidy was implemented to give farmers incentives to use a better mix of nutrients and is based on the scheme that fixes a subsidy on nutrient nitrogen (N), phosphorus (P), potassium (K), and sulfur (S) contents.
Seed subsidy	Production of hybrid rice seed amounting to a subsidy of INR 2,000 per quintal or 50% of the cost.
Consumer policy	
Food subsidy for rice price increase	Under the TPDS scheme, BPL families are eligible for 35 kilograms of rice subsidy every month at $0.04 per kilogram; while 15 kg of monthly rice subsidy are allotted at $0.18 per kilogram for APL families; AAY category card holders are eligible for 35 kilograms of rice subsidy every month at $0.09 per kilogram.
Export policy	
State trading	Rice is sold to importing countries through state-to-state agencies.
Minimum export price	The MEPs are $900–1,200 per ton for basmati rice; $400 per ton for nonbasmati rice (9 November 2011); $370–380 per ton for 25% broken rice (21 December 2011); and $600 per ton for Sona Masuri, Ponni Samba, and Matta rice varieties (13 August 2011).
Export ban	The export ban was lifted in September 2011 for premium nonbasmati rice (Sona Masuri, Ponni Samba, and Matta varieties). Private-sector companies can export 2 million tons from own stocks through an OGL. The government will monitor the flow of shipments and review export decisions once the 2 million tons of rice exports mark is reached.
Import policy	
Tariff	Although there has not been any import of rice, the government of [illegible]

1. Farmers' income support/subsidy
2. Subsidy to consumers
3. State trading
4. Tariff/import duty/quantitative restriction

Source: Tobias A, Molina I, Valera HG, Mottaleb KA, Mohanty S. 2012. Handbook on rice policy for Asia. Los Baños (Philippines): International Rice Research Institute

1 Introduction

2 Industry Objectives and Chronological Development

3 Protection and Interventions

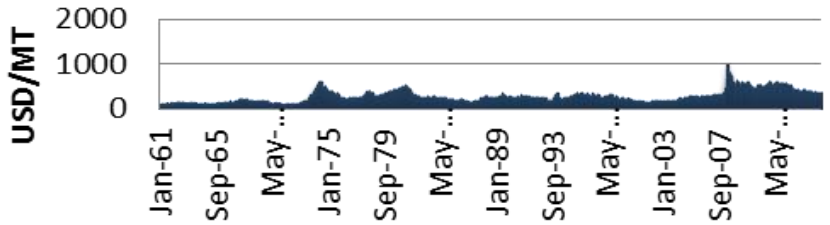
4 **Perils and Rewards as the Gatekeeper**

Single importer policy made LPN, and then BERNAS, a State Trading Enterprise (STE). As a successor company, BERNAS is to…

To protect farmers income

To protect consumers interest

Yet subjected to…



Interventions required to:

- Keep paddy price high
- Keep rice prices stable
- Ensure local rice always have market
- Ensure supply of rice always available and sufficient

- Play gatekeeping role
- Perform social functions
- Maintain industry stability through market mechanism

STE is not unique to Malaysia

Table 18. Rice policies for rice-producing countries in Asia, 2011.

Policy tool	South Asia					East Asia					Southeast Asia									
	Bangla-desh	India	Nepal	Sri Lanka	Paki-stan	China	Hong Kong	Japan	South Korea	Taiwan	Brunei Darus-salam	Cam-bodia	Indone-sia	Lao PDR	Malay-sia	Myanmar	Singa-pore	Philip-pines	Thai-land	Viet-nam
Trade policy																				
Minimum export price (per ton)		√			√														√	√
Minimum import access commitment								√	√	√								√		
Quantitative restrictions																		√		
Import tariffs						√		√				√	√		√			√		√
Tariff rate quota				√		√		√		√										
Export ban/export license		√								√				√		√				
Export tax																√				
Import license							√				√						√			
State trading		√	√		√	√		√	√			√	√	√	√			√		√
Public stocks		√							√	√							√		√	√

- Most countries in Asia have STEs
- Countries without STE generally without domestic production, such as Singapore, Hong Kong and Brunei
- But private STE is uniquely Malaysian

As the Nation's STE, BERNAS has to perform delicate balancing acts of conflicting interests from numerous stakeholders …

The task is delicate and perilous, like walking a tightrope

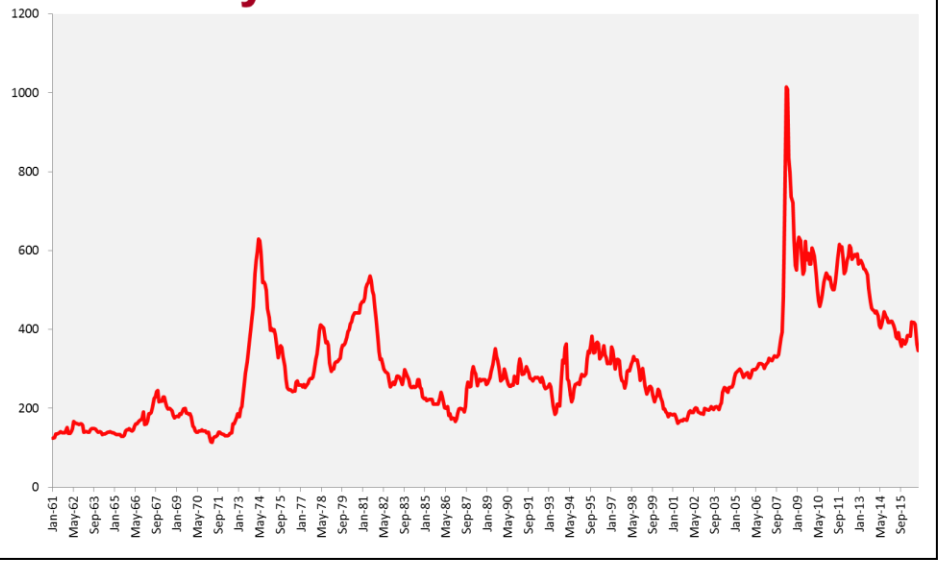
If these interests are well balanced,

Then the industry will be calm and harmonious

If not balance,

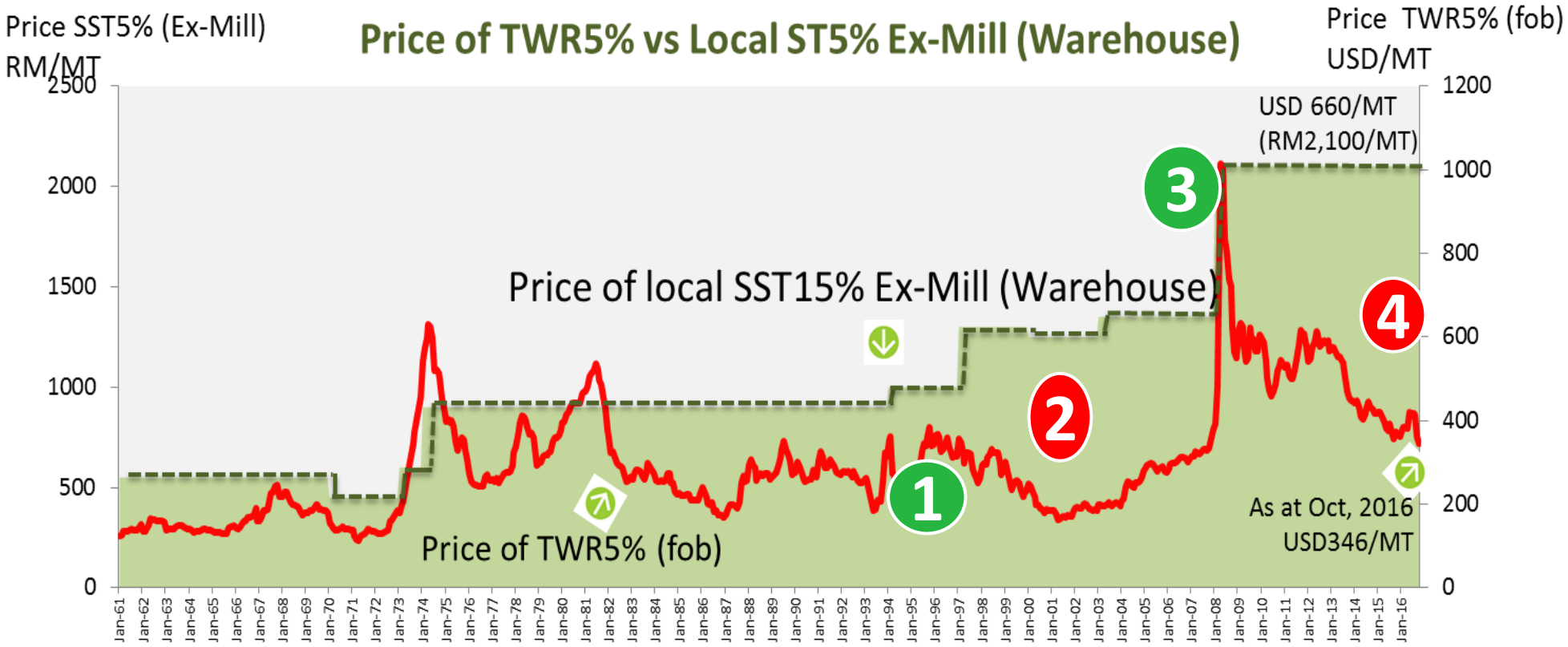
Then the industry will be stormy

Because international price constantly fluctuates



The gatekeeper is always in permanent white water

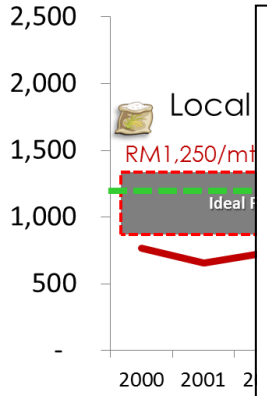
Since BERNAS privatization, rice industry has been tested four times…



1. Turbulent due to Regional Financial Crisis 1997-1998
2. Market glut due to huge wave of smuggling 2000-2002
3. Storm due to World Food Crisis 2007-2008
4. Market glut due to huge wave of smuggling 2014 to present

The perils of being the Gatekeeper are numerous, such as rice smuggling menace

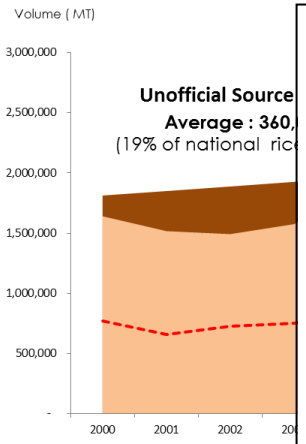
Rice smuggling is a cyclical menace – hit twice since privatization



- Occurs when t
  domestic (loca
- Become a mer

1. Rice smugglin
   - Gap between F
     RM650/MT
   - Imports reduce
     650k (1998)

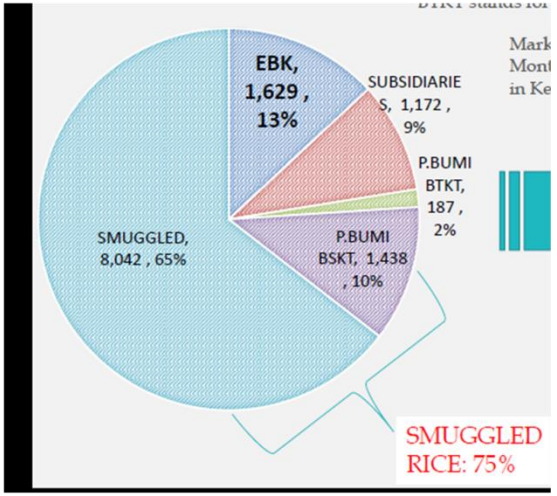
Estimated as high as 14% consumption in 2016



Note : National Rice Demand estim

1. Estimate for 2016 a
   total national consu
2. Direct impact to loc
   rice market glut. BE
   share increase fron
   (2015) because pri
   buying

Kelantan is practically under siege…

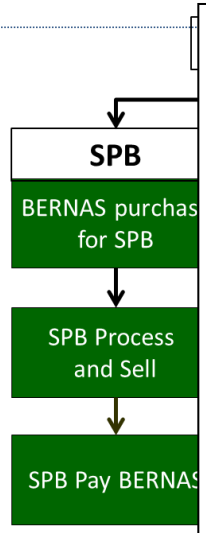


Smuggled Rice 75%

1. Kelantan market is controlled by smuggled rice, estimated at 75%
2. 65% as smuggled brands (Beras Seludup Kampit Seludup)
3. 10% packed as domestic brands (Beras Seludup Kampit Tempatan)
4. Situation would have been worse without BERNAS first line of defense program with EBK (BERNAS subsidiary)

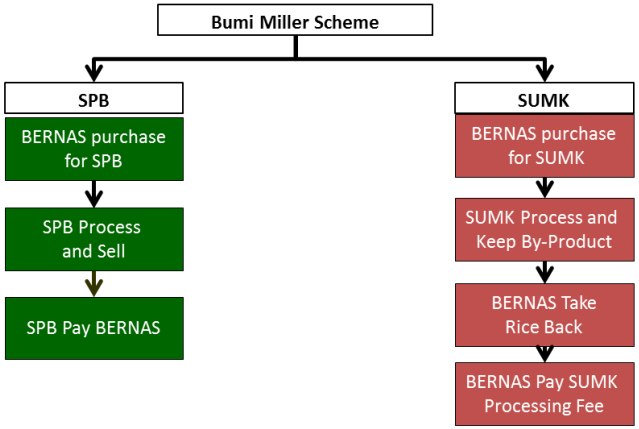
The risk of unpaid debt by Skim Pengilangan Bumiputera

Skim Pengilangan Bumi is the LPN's legacy that BERNAS has to shoulder



- BERNAS to advar
paddy and SPB t
Rice belong to SF
- Applicable to goo
outstanding debt)

Some errant millers treat the scheme as if it is within their right not to pay back their loans

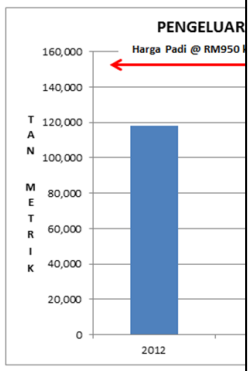


1. Instead of paying or giving back rice to BERNAS, unethical mills sell their good quality rice and use the proceeds for other business venture.
2. Leaving poor quality rice to BERNAS, this often lead to disputes between BERNAS and the millers.
3. Generally the ones making the most noise are those having the most issue with their debts.
4. Since privatization, BERNAS has provided working capital of RM3.71 billion and bears RM81 million in terms of loan interest, while the cost of managing is RM77 million.
5. BERNAS took over RM40.4 million debt from LPN upon privatization. To date, there are 57 bumi mills under this program with outstanding debt of RM96 million.
6. Of 57 mills, 27 are without outstanding debt (current debt only at RM16 mil: 16.7%). Remaining 30 still owe BERNAS RM80 mil (83.3%), 8 of which having on going court cases.

The high cost of playing the role as the Buyer of Last Resort (BOLR)

Paddy price standardization at RM1,200/MT, implemented in 2014, has caused many mills, especially in Kelantan, to cease operation

Paddy Pr



1. Production increa price standardiza 2015 compared
2. High price and q to private millers mills ceased ope have to purchase produced in Kela

BERNAS cost of BOLR dramatically increases – Kelantan alone about RM34 Mil annually

Negeri	Harga Padi (RM/MT)	Kadar Pemutuan Tawaran
Perlis	1,050	17% - 18%
Kedah	1,050	17% - 18%
Pulau Pinang	1,050	17% - 18%
Perak	1,100	17% - 18%
Selangor	1,200	17% - 18%
Pahang	1,050	18% - 19%
Kelantan	980	23% - 24%
Terengganu	980	23% - 24%

Kelantan and Terengganu are worst in terms of quality

Bil	Tahun	Pengeluaran Padi (MT)		Purata Pemutuan
		Berat Kasar	Berat Tawaran	
1	2013	121,649	96,763	20.46%
2	2014	172,538	129,833	24.75%
3	2015	196,938	149,296	24.19%

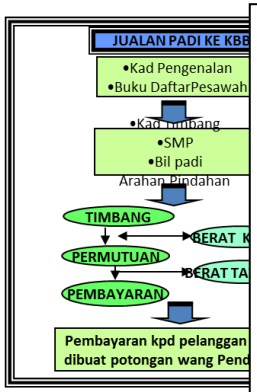
- Quality worsens since 2013
- El nino and farmers' practice are two main causes
- Chalky rice (biji berkapur) as high as 40% in Tumpat and between 8-12% in other areas

	Harga Terdahulu (RM1,000/MT)	Harga Baru (RM1,200/MT)
Kadar Perolehan Beras (GRR)	57%	60%
Kos Padi	1,754	2,000
(+) Kos Pemprosesan*	250	250
(-) Jualan Hasil Sampingan	130	130
JUMLAH KOS BERAS	1,874	2,120
HARGA JUALAN BERAS	2,100	2,100
MARGIN KEUNTUNGAN	226	-20

1. Kelantan rice was saleable while Government Subsidized Rice (GSR) was around, because ex-mill (wholesale ST15 price) was only RM1,350/MT
2. No wholesaler would buy Kelantan rice at recommended wholesale ST15 price (RM2,100/MT) due to quality issues, especially high chalky content
3. Even at recommended price, Kelantan mills still make a loss
4. BERNAS is forced to sell Kelantan rice at RM1,750/MT and suffers a loss around RM17 million a season

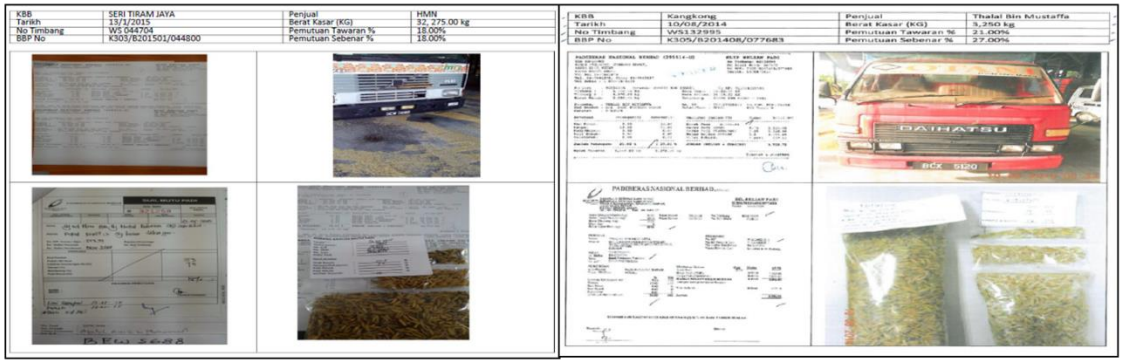
Along with BOLR is the paddy quality deduction dilemma

Paddy grading based on "Deduction Schedule" is unpopular – millers including BERNAS are forced to use flat rate deduction



1. It is a process to
   unripe paddy and
2. In BERNAS, it is
   standard equipm
   Schedule (Jadua
   LPN's time.
3. Sellers (farmers
   witness

In 2014-2015, BERNAS incurred a loss of RM136 Million due to flat rate deduction alone



1. It has been industry practice to do flat rate deduction (potongan loncong or pemutuan tawaran). This basically means deduction is offered at discounted rate, not actual deduction rate (pemutuan sebenar).
2. Paddy price standardization in 2014 was supposed to come with actual deduction (pemutuan sebenar) but was delayed until 2016 due to farmers' complaint.
3. From Jan-Oct 2016, BERNAS gives a discount of 1.65%, equivalent to RM10.26 million. It is estimated that for 2016, BERNAS will bear a loss of RM13.8 million due to the discounted "pemutuan.".
4. For the year 2014-2015, due to the delayed in "pemutuan sebenar," BERNAS has incurred a loss of RM136.3 million.

And the negative perceptions regardless of what we do

The best rewards are mostly non-financial, such as our ability to avert the chaos as experienced in Indonesia in 1998

Asia Pacific J Clin Nutr (2001) 10(Suppl.): S57–S61

Original Article

Introduction

For more than two decades, starting in the 1970s, Indonesia witnessed a success story in its development. From 1987 to 1996, Indonesia had sustained annual economic growth of

Meanwhile, the economic crisis expanded to become a political and social crisis that lead to a chaotic situation, especially in the first 8 months of 1998. The chaotic situation in some big cities, such as Jakarta, was triggered primarily by the

The threat to food security during the crisis also arose because of the breakdown of the food distribution system. The riots and burning in May 1998 in Jakarta and other cities caused the collapse of the public and commercial transportation system. This situation continued for several months.

Or that our domestic prices fared even better than Thailand during Rice Crisis 2008

ADB

Technical Assistance Consultant's Report

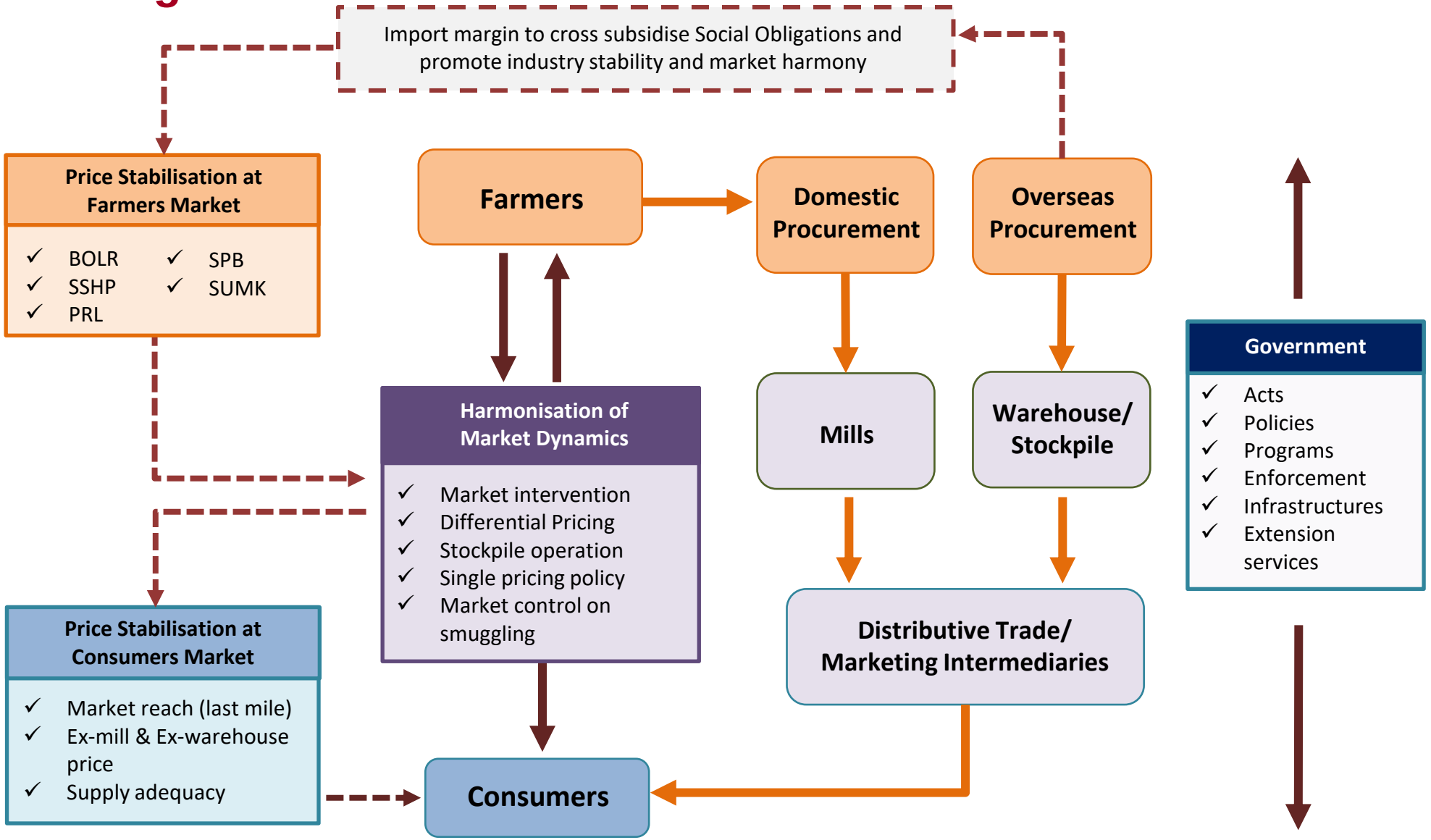
Domestic prices have been heavily influenced by world market trends. The price movement of white rice 100%, 15%, 10%, and 5% free on board (FOB) has showed the same pattern of fluctuation—taking an upward trend in 2001–2007 then making a big jump in 2008 (Table 10). However, a rather sharp decline started in 2009–2010. The price difference between white rice 100% and white rice 15% was more noticeable during periods of price decreases (1999–2001 and 2009–2010) than during price increases.

Looking back at the 2008 crisis

The Thai government intervened in the domestic market to cushion the impact of price volatility but managed to avoid destabilizing policies adopted by other major rice exporting countries.

The domestic rice market was extremely volatile during the early period of the global food price crisis in 2008. The price of 100% white rice at the wholesale market and Bangkok FOB increased by 100% and 90%, respectively, while its domestic retail price rose by 105%. However, during this period of high rice prices, the government intervened with rice programs utilizing government rice stocks that were quite effective in depressing the retail price.

In conclusion, by virtue of BERNAS Cross-Subsidy Model, the privilege of being the single importer comes with the perils of balancing acts



ABBR: **BOLR**= Buyer of Last Resort; **SSHP**= Skim Subsidi Harga Padi; **PRL**= Program Rakan Ladang; **SPB**= Skim Pengilang Bumiputera; **SUMK**= Skim Upah Mengering Kisar

BERNAS