

The importance of agricultural sector in economics



**ASSIGN
BUSTER**

THE IMPORTANCE OF AGRICULTURAL SECTOR IN AGRICULTURAL ECONOMICS

1. 0 INTRODUCTION

Agriculture is an important sector to the country's economic development. It was one of the highlighted issues during Tun Abdullah Ahmad Badawi's as Malaysia's Prime Minister. Abdullah strongly believed that this industry can generate wealth and reduce poverty particularly among those from rural areas. One of the major thrusts of the Malaysian economic development since her Independence in 1957 has been and continues to be the rural development programmes. The rural sector plays a pivotal role in the country's economic growth, social and political development. The Malaysian economy depended on the rural sector in the early development stage for agricultural input and output and hence the country's export earnings and growth in the 1960s and 1970s. Agriculture sector can be generalized into two categories – industrial commodities and food sub-sector. Industrial commodities under Ministry of Primary Industries (KPU) provision is responsible in ensuring high quality production of pepper, palm oil, rubber, cocoa and wood and timber. On another note, Ministry of Agriculture and Agro-based Industry (MOA) must oversee crop production, livestock and fisheries activities. Like any other developing economies, the growing economic importance of the manufacturing sector implies that the rural sector has fulfilled its role as the supplier of labour, land and capital required for industrial.

2.0 THE IMPORTANCE OF ECONOMIC IN AGRICULTURAL

The agricultural sector has contributed to the growth and major contributors to national income and export earnings. The agricultural sector initially derived from increase production of livestock, fisheries and other miscellaneous crops. The NAP provided for a comprehensive and coordinated long-term policy for an effective development of the agricultural sector. The NAP called for agricultural-industrial linkage through the expanded development of agro-based industries, mainly in processing, storage and handling of agricultural commodities to increase their value-added before export. There is some of importance of economic in agricultural sector:

2.1 Diversifying and shielding the economy

Agricultural is consideration a vital to the economy of Malaysia. It play a role in diversifying and shielding the economy from external shock. The increase in earnings of major commodities, particularly palm oil as food commodities, enable sector to retain its workforce and withstand the economic downturn. There also important in especially in diversification to improve the economy activity in Malaysia. This is some of example that can help for increasing the economy such as:

- Integration of cattle in palm oil plantation
- Intercropping
- Mixed farming
- Processing activities

2. 2 Development of rural area

We will bring development to rural areas by promoting the agricultural sector by reducing imbalance in urban-rural development especially in the less developed states. Rural development generally refers to the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas. Rural development has traditionally centred on the exploitation of land-intensive natural resources such as agriculture and forestry. However, changes in global production networks and increased urbanization have changed the character of rural areas. Increasingly tourism, niche manufacturers, and recreation have replaced resource extraction and agriculture as dominant economic drivers. The need for rural communities to approach development from a wider perspective has created more focus on a broad range of development goals rather than merely creating incentive for agricultural or resource based businesses

2. 3 Increase food production

The sector contributed not only as a supplier of raw material to the resource based industries, but also in term of food production. Food production capacity is faced with an ever-growing number of challenges, including a world population expected to grow to nearly 9 billion by 2050 and a falling ratio of arable land to population. According to the Food and Agriculture Organization of the United Nations or FAO. These crop losses would be doubled if existing pesticide uses were abandoned, significantly raising food prices. Even after harvest, crops are subject to attack by pests or diseases. Bugs, rodents or molds can harm grains. In addition to increasing crop yields, crop protection products used in stored products can also prolong the viable <https://assignbuster.com/the-importance-of-agricultural-sector-in-economics/>

life of produce, prevent huge post-harvest losses from pests and diseases, and protect food so it is safe to eat. The crop protection industry's primary aim is to enable farmers to grow an abundant supply of food in a safe manner and prevent costs from increasing. Food production processes benefit from continual advancements in agricultural technologies and practices; in fact, a population now nearly twice as large has more food available per capita than 40 years ago.

2. 4 Improve balance of trade

The food import bill has been a long standing problem in Malaysia. The commercial balance or net export, is the difference between the monetary value of exports and imports of output in an economy over a certain period, measured in the currency of that economy. It is the relationship between a nation's imports and exports. A positive balance is known as a trade surplus if it consists of exporting more than is imported; a negative balance is referred to as a trade deficit or, informally, a trade gap. The balance of trade is sometimes divided into a goods and a services balance. There is some factor that improving balance of trade in economy Malaysia:

- The cost of production such as land, labour, capital, taxes and incentives in the exporting economy.
- The cost and availability of raw materials, intermediate goods and other inputs
- Exchange rate movements
- Multilateral, bilateral and unilateral taxes or restrictions on trade
- Non-tariff barriers such as environmental, health or safety standards

- The availability of adequate foreign exchange with which to pay for imports.

2. 5 Economic in Malaysia restructuring

The Second Malaysia Plan stepped up government involvement in the economy, with the main goal of increasing Malay economic interests, especially in the areas of manufacturing and agricultural. In order to avoid directly hurting Chinese economic interests, the plan focused on huge economic growth, with the goal of expanding both the Malay and non-Malay shares of the economy in absolute terms, while increasing the Malay share in relative terms as well. The Second Malaysia Plan hoped to achieve greater reduction in poverty and increase the involvement of the Malays in the private sector by imposing certain restrictions on private firms that would benefit Malay employment and economic ownership.

3. 0 Future Prospects and Challenges

Internally, the agriculture sector continues to face inefficiencies arising from structural defects such as land fragmentation, labour shortage and increasing cost of inputs. As a consequence, productivity, yield and profitability from smallholdings continue to lag behind plantations. Paddy farming continues to face chronic inefficiencies arising from the Government's policy to continue guaranteed minimum price for paddy and structural defects. As a result of government intervention in price setting and distribution, structural defects have become institutionalized and resistant to change. It becomes even more difficult to effect a change now because subsidies to paddy farmers have become politicized as used as vote gathering tools.

Inputs to agriculture production such as capital and labour will continue to be constrained in response to demand for these very same inputs by Malaysia's fast expanding manufacturing sector. This is already resulting in the slowdown of capital investment in the agricultural sector which would eventually trickle to naught and may trigger capital outflow from this sector.

Externally, the price of agriculture commodities will continue to be exposed to swings and shifts in demand due to the interplay of substitutionary and complementary products. Supply and output of commodities as from time immemorial continue to be subject to the vagaries of climate, pestilence and seasonality.

Trade barriers and protectionist agricultural policies will continue to shield agriculture from reforms in many countries, distorting the free market and institutionalize market defects and inefficiencies.

Conclusion

Agriculture occupies a dominant position in the Malaysian economy. Since the era of British colonial government, agriculture has assumed the important role of being the backbone and driving force behind the strength and success of the Malaysian economy. Agricultural exports such as rubber, oil palm and cocoa are a major source of export earnings and have significantly contributed to the development of the agricultural sector and the economy as a whole. Agriculture is also an important sector in economy of Malaysia because of its food contributions, particularly rice for home consumption. Moreover, the sector continues to be the largest source of employment in the country. Today, marketing, processing, distribution of

agricultural products etc. are all accepted as a part of modern agriculture. In the course of economic development, agriculture employs majority of people. This means raising the level of the national income and standard of living of the common man. The rapid” rate of growth in agriculture sector gives progressive outlook and further motivation for development. As a result, it helps to create proper atmosphere for general economic development of the economy. Thus, economic development depends on the rate at which agriculture grows.

References

- Zulkifly Hj. Mustapha. 1988. Evolution of Malaysian Agricultural Development. In Malaysian Agricultural Policy: Issues and Directions. ed. Fatimah Mohd. Arshad et Al. Serdang
- Idris Jala. (2013, September 30). The Star, Business News: Agriculture is a sector that is still important to Malaysia’s economy.
- Azmi Shahrin Bin Abdul Rahim, 2005. A critical assessment the contribution of agriculture sector in the growth of the Malaysin economy.