

Edge Weekly

The State of the Nation: What under-sized fowls on dinner plates say about food security

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SOCIAL entrepreneur Joycelyn Lee is among those who have had trouble buying chicken at the government-determined ceiling price for months. While whole broiler chicken retails at the price-controlled level of RM8.90 per kg currently, the price she ends up paying is at least 10% more.

“We’ve seen these levies going up, especially in the last four to five months. Levies ranging from 80 sen to RM1.10 per kg mean the real price of whole chicken is around RM10 per kg. However, with labour shortages and increased costs of packaging, I’m not surprised. Chickens are also smaller in size these days. It’s harder to find large-sized chicken,” says Lee, co-founder of The Pit Stop Community Café, a social enterprise working towards reducing urban hunger and poverty that is best known for its pay-what-you-can dinner service for the urban poor.

Sometimes, it can also be “a challenge” to find whole broiler chicken but not chicken that has been chopped up.

“Whole chicken is a price-controlled item but processed chicken — chicken parts, drumsticks, wings, fillets, et cetera [are not]. We’ve seen the prices of processed chicken skyrocket. We’ve stopped purchasing minced meat — it’s too expensive. Prices have increased 10% to 15% in the last five months,” Lee says, relating how the price of whole (broiler) chicken had risen from RM7.70 per kg in March 2020 to RM9.90 in November 2021 before the ceiling was set at RM8.90 per kg.

As the soup kitchen caters to people regardless of race or religion and insists on meeting nutritional standards recommended by the World Health Organization (WHO) and the Food and Agriculture Organization of the United Nations (FAO), the ongoing chicken issue has caused consternation for Lee, who says “there’s no substitution for [animal] protein [from chicken]. Fish has always been too expensive, unless we have specific sponsors, and we don’t serve beef. Meat substitutes are not cheap”.

There is no denying the need for policymakers to ensure that the poor and vulnerable in society can afford to have a decent amount of protein and other WHO/FAO recommended nutrients in their diet. Lee calls it an investment in the country’s future because poor diet leads to malnutrition and other non-communicable diseases such as diabetes that can cause additional strain to the public healthcare system.

Yet, the recent chicken shortage shows that a price ceiling for chicken is not the perfect solution, more so when there is no telling how long price pressures will last.

“We need to help ensure the lower-income groups have proper protein in their diet. Yet, it is also because prices are kept low with price ceilings and subsidies that there is this huge demand imbalance at a time supply is short, correct? There are people having more chicken than they need. That’s why it is better to let market forces dictate prices and monitor only for profiteering,” suggests one economist.

Sufficiency from farm to table

A cap on selling prices also does not motivate chicken breeders to take better care of their produce, let alone invest in developing local feed alternatives that can help avert future price pressures when global supply chains are disrupted — precisely what many countries are currently facing as prices surged following Russia's invasion of Ukraine that began in February and hit the 100-day mark on June 3.

With Russia and Ukraine each accounting for 30% of global wheat and 20% of global corn supply respectively, it's little wonder that the conflict in the Black Sea region has driven up international prices for wheat, corn and vegetable oils and caused the FAO Food Price Index to hit an all-time high in March. While the index eased in April and May, prices remain a lot higher than what they were a year ago.

A big part of why chicken prices have increased is because of how much the prices of corn and soy meal for chicken feed have surged.

Put another way, to avert a future food crisis, policymakers and businesses need to consider domestic sufficiency, not just for the end product (chicken) but also other inputs and what takes place before the produce is served on the dinner table.

“[Malaysia is] fairly self-sufficient in terms of chicken but not when it comes to [chicken] feed, so there need to be measures to ensure that farmers aren't too squeezed from the input side as well,” says Nicholas Khaw, head of research at Khazanah Nasional Bhd, noting that there are many smallholders when it comes to food.

Ways to increase feed sufficiency include exploring alternative feed for chicken from what is available domestically, including insects, he adds.

An industry insider who was contacted says he is open to alternative feed for poultry, provided it works just as well without burning a hole in the pocket: “We are open to using more PKC [palm kernel cake] or insects [as part of the feed mix] if the chicken will still grow well within the same amount of time and is economically priced.”

Ironically, it may have been because Malaysia was not only self-sufficient in terms of chicken and eggs but even had extra for export that policymakers did not make a greater push for sufficiency of local feed for poultry farmers until the recent crisis hit.

It is worth noting, though, that “reducing dependency on imported feed” was one of the five strategies outlined for government agencies overseeing the livestock sub-sector under the National Agriculture Policy 2.0 (2021-2030).

Providing incentive for locally produced feed for local use is one of the short-term (within two years) tasks given to designated agencies (BDI, ITTP, DVS, MOF, KPDNHEP, MyCC, MPIC, MPOB), according to the 254-page policy document that comes with a 282-page action plan.

Specific agencies (ITTP, DVS, MARDI, MPIC, MPOB) have also been given up to two years to come up with regulations governing the quality and quantity of PKC to be used as feed source substitution. The same agencies, along with DOA and MOSTI, have been given between six and 10 years to conduct research and development (R&D) to identify an economical and precise feed formulation to help the country reduce dependency on imported feed.

Rising food protectionism, the vulnerability of global supply chains and potential consequences that could come if more people are priced out of proper nutrition show there is a need for greater urgency in terms of timing to get the desired results.

It's not just chicken feed

The urgency on feed may also apply elsewhere, including for fertiliser.

“Even for countries that are either net food exporters or are self-sufficient in food production, problems may yet be on the horizon. World fertiliser supply is heavily concentrated among a few big players, with Russia and Belarus (the two big countries at the centre of sanctions imposed by the European Union and the US) both being large exporters,” analysts at S&P Global Ratings wrote in a June 1 note headlined “The Global Food Shock Will Last Years, Not Months”.

According to S&P, Russia, the world’s largest exporter of fertiliser products, is not only the primary producer of all three main fertiliser nutrients (nitrogen, phosphate and potassium), but also has a dominant market share of various subcategories, including ammonium nitrate (45% of global exports) and compound NPK fertilisers (33% of global exports).

“We expect a meaningful amount of this trade could be disturbed by the ongoing fallout of Russian sanctions in Ukraine,” S&P says, noting that Belarus (16% of world potash fertiliser exports) “has almost entirely shut down its mining and manufacturing activities in recent months”.

While Malaysia was not specifically mentioned by the analysts in the text, according to a chart appended in the report, some US\$0.1 billion (RM0.4 billion) or 3.33% of

Belarus' US\$3 billion fertiliser exports are to Malaysia, the same as Indonesia, Poland and the US.

"It seems likely that much of the Belarusian fertiliser exports will be blocked for the foreseeable future, placing immediate pressure on import partners to find alternative suppliers," S&P adds. S&P also notes that China, the world's second-largest fertiliser exporter in a normal year, had since summer 2021 ordered its firms to stop selling fertiliser abroad to preserve supplies at home.

"Absent more forceful action from the World Trade Organization, it seems that there will be little effective pressure to eliminate these export restrictions from further disrupting the global food and fertiliser markets. Already, we have seen various governments across regions step in to provide support to offset the rapidly escalating worsening in food prices.

"As our analysis confirms, absent remedial measures, the countries worst affected are likely to be some of the world's poorest. While even a one-year shock of the magnitude observed would likely cause malnourishment and increase food poverty, if our thesis of fertiliser shortage and export-restriction-driven-multiyear shock plays out, the impact could be catastrophic, absent remedial measures.. These negative developments will make it harder for governments to contain, let alone reverse, the weakening of public finances that has taken place since the advent of the Covid-19 pandemic.

"The combination of slower economic growth and rising public pressure to increase subsidies could contribute to larger fiscal deficits and worsening government debt burdens. Rising inflation, especially in food prices, could pose serious political challenges for governments as the Arab Spring showed," S&P surmises.

Whether or not their thesis plays out, what's certain is that policymakers need to act quickly to make sure lessons from the current chicken crisis translate into better action plans to minimise future problems.