

MINISTRY OF AGRICULTURE AND FOOD SECURITY

MANAGEMENT OF RICE CULTIVATION PROGRAMME

Main Points

What we examined?

- Four goals have been targeted in the National Agro-Food Policy 2021-2030 (DAN 2.0) involving the total production of paddy and rice, the average paddy yield per hectare, SSL target for rice and increasing the income level of rice farmers.
- Self-sufficiency level (SSL) for rice refers to the percentage of rice sufficiency for Malaysian residents. The SSL target for rice has been set at 63.0% for 2019, 73.8% for 2022 and 80.0% for 2030, which is a target increase of 17.0% from 2019 to 2030.
- KPKM is responsible for enacting and setting policies related to the development of the country's paddy and rice industry. The other Departments/Agencies directly involved are the Department of Agriculture Malaysia (DOA), Farmers Organization Authority (LPP), Malaysian Agricultural Research and Development Institute (MARDI), Muda Agricultural Development Authority (MADA), Kemubu Agricultural Development Authority (KADA) and Integrated Agricultural Development Area (IADA). In addition, there are two companies directly involved with the country's rice and paddy industry, namely Padiberas Nasional Bhd (BERNAS) and the National Farmers' Association (NAFAS).
- Auditing involves evaluating the performance and management of the programme for the period from 2019 to 2022. Programme achievement was assessed based on the achievement of output and outcome. Programme management covers land, rice seed, fertilizer, machinery and mechanization management as well as financial allocations and expenditure.
- Auditing has been carried out at KPKM, DOA, LPP, MADA, KADA, IADA and MARDI. Audit visits were also conducted on a sampling basis at 30 Regional Farmers' Organisations (PPK) in the MADA, KADA and four IADA areas in six states for physical review and interviews with farmers.

- The auditing's scope for the assessment of programme management only covers the granary area of 416,415 hectares (64.3%) from the 647,936 hectares of paddy planting area in Malaysia. This audit did not cover the paddy cultivation area outside the granary which is under the responsibility of the State Department of Agriculture. However, for overall reporting of achievements related to output and outcome, data on the productivity of areas outside the granary was also obtained from the DOA Headquarters.

Why it is important to audit?

To evaluate whether the management of the rice cultivation programme has been implemented efficiently, effectively and prudently in order to achieve the objective of increasing the total production of paddy and rice, as well as the average paddy yield per hectare; the rice SSL to reach 73.8% in 2022 and 80% by 2030; and increasing the monthly income of rice farmers to an average of RM3,500 for granary areas and RM2,500.00 for non-granary areas by the year 2030.

Conclusion

Overall, it can be concluded that the performance of the rice cultivation programme is unsatisfactory. The target of rice production output and rice productivity per hectare have not been achieved and the achievement of objectives/outcome for rice production and SSL target for rice as well as the income of rice farmers have not been achieved. In addition, the programme management is also unsatisfactory and needs to be improved in terms of land, rice seed, fertilizer and machinery management as well as allocation control.

NO.	AUDIT ISSUES	IMPACT	RECOMMENDATION FOR SOLUTIONS
1.	As of 31 December 2022, the rice granary has not been gazetted as a rice planting area except for MADA.	The total paddy paset area for the four granary areas has shrunk by 11,123 hectares.	Engage/liase with the State Government to enable the gazetting of rice planting areas to be carried out immediately.
2.	The rice seed production for the period 2019 to 2022 of 258.14 MT by MARDI is still unable to meet the demand of 507.52 MT.	Insufficient production of rice seeds will lead to the use of rice seeds that are not recognized by DOA.	<ul style="list-style-type: none"> • Allocate sufficient allocation to MARDI to expand the paddy seed planting area; or • Give permission to other parties to produce rice seeds.

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3.	The selling price of rice seeds to farmers exceeds the permissible control price of RM35.00 which is between RM35.50 and RM58.00.	Farmers bear the cost of higher rice production.	Increase monitoring of retailers to ensure compliance with rice seed sales price controls.
4.	There was a delay in the distribution of fertilizers to the farmers and some of the farmers received fertilizer supplies past the proper fertilization period.	Fertilizer cannot be used during the proper rice growing season.	<ul style="list-style-type: none"> • Take stern action against suppliers by imposing fines for late supply of fertilizers based on contract terms. • Create alternative fertilizer suppliers other than NAFAS.
5.	An exemption for the imposition of a delay in the supply of fertilizer for the period 2016 to 2019 amounting to RM211.27 million was given in total to NAFAS.	<ul style="list-style-type: none"> • Delays in the supply of fertilizers become a recurring issue every year because suppliers are not subject to any action. • Farmers do not fully benefit when late fertilizer is supplied. 	Review every contract involved in the paddy and rice industry so that it is protective and does not have negative effect on the Government.
6.	Only 589 (66.0%) of the 892 agricultural machineries could operate.	The lack of machinery has caused farmers to rely on private service providers.	<ul style="list-style-type: none"> • Distribute allocations to LPP, MADA, KADA and DOA Sarawak to make procurement of machinery; or • Implement other alternatives such as renting machinery to meet the needs of rice farmers.
7.	The allocation of RM23.28 million (30.4%) compared to RM76.67 million was insufficient to implement the drainage maintenance project as planned.	There is a problem of irrigation in rice cultivation areas based on complaints received from farmers.	Increase the amount of allocation for drainage maintenance in line with the needs in the field.
8.	The remaining allocation accumulated in the LPP amounting to RM448.87 million was not spent optimally to help the target groups reduce the cost of rice production.	The remaining allocation cannot be used by KPKM to implement other programmes to reduce the cost of rice production which in turn can benefit the farmers.	KPKM through the agencies involved must ensure that all the aid schemes allocated are used optimally to help the target groups to reduce the cost of rice production and the target groups benefited from the schemes/programme done by the Government.

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9.	The remaining allocation for the EPP 11 programme amounting to RM26.77 million has yet to be returned by 3 agencies even though the programme ends in 2020, namely KADA (RM10.22 million), MAFFI Sabah (RM7.28 million) and M-FICORD (RM9.27 million).		KPKM ensures that the balance of the allocation is returned by KADA, MAFFI Sabah and M-FICORD and submitted to the Ministry of Finance.