

## Competitiveness Analysis of Malaysian and Indonesian Sago Exports

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### Abstract

Sago is a potential commodity for economic development in rural areas such as Southeast Asia. Meanwhile, Malaysia and Indonesia play an important role as sago producers globally, and so were close competitors in the Asia region. Market issues are always rising as the main issues among the exporters. Based on the previous studies, Indonesia holds the title as the largest plantation of sago meanwhile, Malaysia was estimated to be the third-largest in terms of plantation of sago but has been the biggest exporter for the sago compare to Indonesia. Therefore, this issue is significant to be discussed. The research indicates the competitiveness of sago between Malaysia and Indonesia to know which countries have the most market share in three decades. Malaysia and Indonesia both are the largest exporters of sago in the region. Thus, the aim of this research is to analysis the competitiveness between these two largest exporters of sago. This paper were purposes to analyse Malaysia and Indonesia's comparative advantage from 1988 to 2019 by using export growth rate and the Balassa index RCA to find patterns of variation across parts of the world over different export data segments. There are also In RCA and RSCA methods conducted to solve the skewness problem in the data. The results from the analysis shows that Malaysia has almost total dominance of comparative advantage for sago export. Meanwhile, Indonesia was not consistent in the export for sago market compare to Malaysia.

**Keywords:** Competitiveness Analyses, Exports, Sago, Malaysia, Indonesia, Agricultural

### Introduction

Sago or Metroxylon sago is an endogenous palm species found throughout Southeast Asia, especially in Malaysia, Indonesia, Papua New Guinea, and the Philippines, as well as

Micronesia, Fiji, and Samoa in the Pacific Ocean (Johnson, 1976; Lim et al., 2020). Sago had been predicted to be the "huge source of the twenty-first century" in the early 1990s. Malaysia produces 190,000 tons of sago and is the world's biggest exporter, with a record of 25,000 tonnes exported in 2010. The fact is highly been highlight by the Premier of Sarawak, Datuk Patinggi Abang Haji Abdul Rahman Zohari Tun Abang Haji Openg, that Sarawak is now (2017) the world's largest sago exporter, sending more than 24,000 to 40,000 tons of sago items to Peninsular Malaysia, Japan, Taiwan, Singapore, and other countries each year (The Official of Sarawak portal, 2021; Lim et al., 2020). The primary export destinations are ASEAN countries such as Japan, Taiwan, and Australia. However, it is just 0.05 percent of the world's starch demand. Sago is one of the major agricultural commodities contributing to Sarawak's revenue. This state exports sago starch between RM 80 million and RM 90 million annually.

Sago is a species of palm that contains starch and is used for a variety of purposes, including food, pharmaceuticals, and modified starch for manufacturing use. The global sago plantation is estimated to cover 2.5 million hectares, with 92 percent of the plantation located in Indonesia and Papua New Guinea. Malaysia has a planting area of 62 thousand hectares, compensating around 2.5 percent of the world's sago crops. The production of sago starch in Sarawak has excellent potential to contribute to food safety because it uses low ethanol energy compared to other food crops. Simultaneously, the biomass produced from sago crops can also be managed systematically through fiber ceramics, thus giving added value to commercialization efforts that directly increase sago operators' income in rural areas in the state. The global demand for starch was forecast to increase by 7.7% a year, or 3.85 million tonnes. By 2020, Malaysia's sago crop region is expected to reach 250 thousand hectares and yield 2.4 million tonnes.

Sago starch is more affordable and stable in price than starch derived from other materials. Hence, it makes sago an alternative source that is viable in starch production. The global demand for starch increases, creating Malaysia's opportunities to develop the sago industry on a larger scale. Like the other commodities price, the commodity also facing the same issue and risks. The smallholders have to diversify their economic activities to earn more income by planting crops like banana, pineapple which recorded good demand outside this country. The sustainability of sago exports is crucial to ensure sustainability in producing this commodity among Sarawak smallholders. This implicitly retains the status of sago as a culturally important asset in term rural area in Mukah more specifically in the Melanau and Iban community.

In the context of the rural sector, this commodity has contributed to the rural economic development, especially among the Melanau community in the central region, such as in the Mukah district such as in Dalat, Oya, Mukah, Balingian, and other districts. Besides, the Iban community also produced raw sago material to supply the material to be processed to produce end products, especially by the Melanau community. The commodity also plays a vital role in cultural activities, house materials, and food sources among the Melanau community (Girsang, 2014). Refer to Karim et al., (2008). Sago was also used as a biomass and poultry industry in the rural area.

In this modern age, sago production is also transforming and becomes more efficient. So, local sago entrepreneurs started building sago processing plants to improve annual production performance—the sago cultivation in Sarawak's central area, which is in Mukah, Betong, and Dalat. There are eight sago processing plants sago, including (1) Sago Link Sdn Bhd (formerly known as Grand Safeways Sdn Bhd), (2) Nitsei Sago Industries Sdn Bhd, (3) Nee Seng Ngeng & Sons Industries Sdn Bhd, (4) CL Nee Sago Industries Sdn Bhd, (5) Song Ngeng