THE IMPACT OF GOVERNMENT INCENTIVES ON BEEKEEPING PROJECT IN MALAYSIA: A CASE OF *APIS MELLIFERA*

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Beekeeping industry is not something recent in Malaysia as many farmers and individuals have ventured into this lucrative business project as early as in the 1980s (1). Since then, not many researchers have assessed the profitability of such a project under the agriculture incentive programs. The states of Perak, Selangor, Melaka, Johor and Sabah have long been the centre for beekeeping activity in Malaysia. There are about 50 beekeepers in 2008 with 1700 colonies in the Peninsular Malaysia compared to 946 in 1988 (almost 7000 colonies). The species of *Apis mellifera* is expected to produce up to 15 kg per colony per year (2). In Sabah, beekeeping from *A. cerana* (local bees) is one of the main projects in the poverty eradication programs under the auspices of “Koperasi Pembangunan Desa” (KPD), Sabah. By 2010, KPD is expected to have trained 200 beekeepers with 200,000 colonies of *A. cerana*. The annual production of natural honey is also expected to increase to 1,800 tonnes from 20 tonnes currently. This will at least contribute to the 5,000 tonnes of natural honey stipulated in the Balance of Trade (BOT) plan, 2000 (3). This feasibility study is being done to ascertain the viability of beekeeping projects in the country under the government’s incentives scheme program (4). It is an attempt to look at how much a beekeeper can actually earned after taking into account the incentives provided. Data for this study were collected from surveys involving beekeepers rearing the imported European honey bees of *A. Mellifera*.

The methods used include the common project evaluation indicators such as Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period (PBP) and Profitability Index (PI) (5). Financial feasibility involves the capability of a project’s benefits to cover the appropriate costs needed to implement a proposed project. NPV is a standard method for the financial appraisal of long-term projects. IRR is a capital budgeting metric used by firms to decide whether they should make investments in potential projects. It is an indicator of the efficiency of an investment, as opposed to NPV, which indicates value or magnitude. A project is a good investment proposition if its IRR is greater than the rate of return that could be earned in alternate investments. However the NPV is the best criteria since it is consistent with the goal of a firm. The PBP refers to the period of time required for the proceeds to cover the costs of the initial investment. Normally, PBP of less than two years is preferred. Finally, PI is a good tool for ranking projects because it allows to clearly identifying the discounted return on investment and a project is said to be viable if the index is greater than one. Since the beekeeping project is viable, the introduction of this project to rural farmers will contribute positively to poverty eradication programs, rural development and export
diversification. The project will also increase Malaysia’s competitive potential in the production of natural honey.

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