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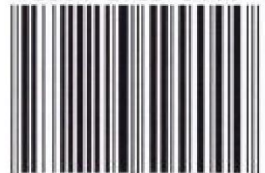
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PEST FORCES ON AGRICULTURE SECTOR

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INTRODUCTION

Agriculture sector is one of the most important sectors in Malaysia and contributes greatly to the Gross Domestic Product (GDP) of the country. According to the Department of Statistics Malaysia, the agriculture sector contributes 7.3% which is RM 99.5 billion to the GDP in 2018. The key contributor to the GDP of the agriculture industry in 2018 is oil palm which is about at 37.9%, followed by livestock at 14.9%, fishing at 12.5%, forestry and logging at 6.9% and rubber at 2.8% (Department of Statistics Malaysia, 2020).

Malaysia becomes the highest producer of palm oil and rubber in the world after Indonesia. Agriculture industry has given and provided many job opportunities to both local and foreign workers. Farmers and smallholders, most of who come from low-income household category or B40 enter the agriculture sector to generate income and to raise their livelihood. The government has played its role to increase production to the point of increasing exports, hence, economic growth and agricultural production increased and was able to increase farmers' income indirectly. There are a number of external factors that will impact the agriculture sector which start from political forces, economic forces, social forces, and technology forces or PEST

THE EXTERNAL FORCES

The external environment as a power outside the company that has direct influence and importance to the company, such as governments, trade unions, creditors, trade associations, shareholders, special interest groups, and the communities surrounding the company (Wheelen and Hunger, 2001). Furthermore, the results of the research conducted by Alkali and Isa (2012) indicated that external environmental factors of access to government support have a positive and significant influence on company performance.

In accordance with the research results of Bouazza et al. (2015), some factors, including unhealthy competition of the informal sectors; complicated procedures and bureaucracy; burdensome laws, policies and regulation; inefficient tax systems; lack of access to external financing; and low human resource capacity are the main external environmental factors, consisting of political, economic, socio-cultural factors and technological, or PEST, have a positive and significant effect on organizational performance

ELEMENTS OF PEST

Political Factor.

According to Archer, Dawson, Kreuter, Hendrickson and Halloran (2008), political factors interact with agricultural systems both directly and indirectly. Indirect political considerations typically flow through markets through mechanisms such as subsidies for agricultural production, for instance, government subsidies also impact the agricultural sector which is when the government provides

subsidies to producers, thus, the producers can improve and increase their production with quality of products and increase efforts in the growth of the agricultural industry. Federal government offers agriculture subsidies for producers or farmers to reduce their output and input cost and to ease the pressure or the burden on the farmers. For example, the government provides fertilizer subsidies targeted for farmers and diesel subsidy for fishermen.

Economic Factor.

The commodity price is one of the economic factors that influence the agriculture industry. Commodity price is basically determined by demand and supply commodities to the market. If the demand and supply for agricultural commodities are high, thus, the price of commodities will increase. The demand and supply of commodities is influenced by numerous factors such as inflation, exchange rate, oil prices and economy output. Changes in commodity price will increase national income and will increase producers' income indirectly. In order to ensure that agricultural products are in high demand from within and outside the world, global and national macroeconomic and agricultural conditions must be stably maintained.

Socio-Economic Factor.

Literacy level is one of the variables or forces in the markets that can have an effect on agricultural production. When the agriculture society is literate, the production of the agriculture product is of better quality. This is due to when the population of farming is literate and has more knowledge about the farming skill; as a result, the level of agriculture production is higher and better compared to the illiterate farming population. Illiterate farming society knows how to adapt and use the latest technology and do market research to gain the best quality of product compared to illiterate farming society that uses traditional methods to produce products.

Knowledge is also important as not all places are suitable for agricultural activities. For instance, planting rubber trees requires deep loamy moist and alluvial soils that have free drainage, not salty, not sour or constantly flooded type while planting oil palm requires peat soil type. Planting paddy fields or rice fields also required alluvial soil. Other agricultural activities such as livestock farming and fishing are very suitable to the hot and humid weather in Malaysia and cannot be carried out in cold areas.

Demographic factors also include under socio-economic market forces where it can influence and also give challenges to agricultural industry. "As society changes with time, influences on agricultural systems also change. Many of these changes can be tied to demographic trends" (Archer, Dawson, Kreuter, Hendrickson & Halloran, 2008). Population growth in a country gives a big impact to the agricultural sector, where the production of the food must be increased as the population continues to grow. It will give pressure to the producers in the agriculture sector to produce more products as the demand of the food increases.

Technology.

In the era of globalization today, technological advancement in the agriculture industry is the main component of ensuring that the agriculture sector continues to develop. As we can see today, the agriculture sector in Malaysia, whether in terms of fisheries, livestock, logging or forestry, all these activities started to apply advanced technology to produce their products. First and foremost, the farmers should have knowledge in using advanced technology and should have knowledge in ICT skills as stated by Abdullah and Samah (2013), "one of the best ways to further develop agriculture as the third engine growth is by mastering ICT skills and knowledge." Only then can they master the use of advanced technology in terms of farm mechanisation which can increase the quantity in the production and saves time and increase the quality of the products.

CONCLUSION

It can be seen that the PEST factors will contribute big effects and impacts to agriculture industry in terms of political forces, economic forces, socio-economic, and technology. As agriculture is one of the main industry that contribute more revenues to Malaysia, the government should focus more in this industry in order to expand it faster and prosper on the global arena and the need to expand in line with other sectors available in Malaysia.

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