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# Insights



UiTM Cawangan Kedah



UNIVERSITI  
TEKNOLOGI  
MARA

Faculty of Business  
and Management

UiTM *di hatiku*

VOLUME 5  
**2022**

eISSN 2716-599X



772716 599000  
e-ISSN 2716-599X

## **FBM INSIGHTS**

**Faculty of Business and Management**

**Universiti Teknologi MARA Cawangan Kedah**

**e-ISSN 2716-599X**

The editorial board would like to express their heartfelt appreciation for the contributions made by the authors, co-authors and all who were involved in the publication of this bulletin.

Published by : Faculty of Business and Management,  
Universiti Teknologi MARA Cawangan Kedah

Published date : 27 April 2022

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# FACTORS ROCKETING IN THE PRICE OF ESSENTIAL GOODS IN MALAYSIA

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The current skyrocketing prices on essential goods such as vegetables, poultry, eggs, and other food items when Malaysia has yet to fully recover from the impacts of COVID-19 is such a worrying issue to consumers. Based on a report by the Consumers' Association of Penang (CAP), the prices of certain vegetables have steeply increased by as much as 200%. These include vegetables such as cauliflower (RM7 to RM16 per kg, choy sum (RM3 to RM9), broccoli (RM8 to RM20), and sawi (RM5 to RM8). Here are a few factors that contribute to the increase in the prices of essential goods in Malaysia.

## CONTRIBUTING FACTORS

First is the shortage in the supply of goods especially when the country has to face a challenge at the end of each year due to the northeast monsoon that restricts the movement of fishermen. Furthermore, the significant weather changes also affect crop growth and supply. The heavy rain is not suitable for vegetables to grow as it would affect the production and its quality. The shortage in supply is also due to a lack of manpower in planting and harvesting. Unfortunately, our local farmers rely heavily on foreign workers but many of them had returned to their home countries due to the COVID-19 pandemic. Moreover, the sharp spike in the cost of fertilizers, pesticides, and herbicides also led to the increase in current vegetable prices (Kana, 2021). In addition, there are also certain stakeholders or players exploiting the supply chain and taking advantage to further increase in price to enjoy higher profit margins (Husin & Wie, 2021).

The second factor is the increase in the cost of production. Most local firms or businesses experienced an increase in operating costs to comply with standard operating procedures (SOP) to prevent the spread of the COVID-19 among their customers and workers. The businesses have to bear additional costs such as the cost of face masks, sanitization, as well as COVID-19 screening tests. As a result, producers tend to reduce the aggregate supply, thereby causing an increase in the price of goods (Nabila et.al., 2022). Additionally, the increase in demand for basic goods also occurred due to the easing of interstate activities resulted in an increase in tourism activities, people returned to dining out, and the fully booked hotels. This results in the tourist destinations being unable to match the demand due to insufficient supply.

Finally, instability of global oil prices and high inflation are also other contributors to price hikes. When there is a shortage in local supplies and the country's high reliance on imported products, there is a high tendency of local sellers to increase their prices. The example was evident to explain the direct relationship between oil price and inflation that occurred in the 1970s, when the price rises from USD3 before the 1973 oil crisis to USD40 during the 1979 oil crisis, and that resulted from the cost of production that rise substantially (Choo et.al., 2017).

## CONCLUSION

The issues of price rocketing such as crisis economy and income inequality can give effects on a country if the government does not immediately play a role to control it. For a long-term solution in an effort to overcome the issue of shortening the supply of goods, the government should come up with a food security action plan that promotes urban agriculture and imports from within Asia. Besides, enforcement should be carried out against the middlemen to find out the root of the immediate increase in prices of goods. Enforcement agencies need to constantly monitor the price of goods in the wet markets while the profits earned by the sellers and farmers are not as high in order to avoid exploitation by the middlemen. To address the issue, strict enforcement by the government needs to be imposed on every stage of the supply chain, from the manufacturer to the final trader who is inclined towards the wellbeing of society.

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