

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Malaysia

Grain and Feed Annual

Annual

Approved By:

David W. Cottrell

Prepared By:

Raymond Hoh

Report Highlights:

The outlook for 2009/10 is bright for corn imports as the livestock sector continues to expand to satisfy consumers' demand for pork and poultry products. Wheat imports are expected to rebound in 2009/10 as importers replenish the depleted stock level. Although domestic rice output is expected to show a decline due to El Nino phenomena, rice imports are expected to fall as the Rice Authority works down on stock. The best prospect for U.S. grain sales is in the corn sector.

Executive Summary:

The outlook for 2009/10 is bright for corn imports in Malaysia. Demand for feed corn is expected to increase as retail prices for pork and broilers continue to improve in 2010. Imports of wheat are expected to increase strongly in 2009/10 as importers replenish the depleted stock level. In 2010, rice imports are expected to drop to one million ton as the Rice Authority works down on stocks. Vietnam was the biggest rice supplier to Malaysia in 2009.

The anticipated 3-4 percent growth in the Malaysian economy in 2010 should sustain increased demand for wheat-based products. Pork consumption is expected to outpace supply as land use for pig rearing becomes more controversial. As domestic rice output is expected to show a drop with the impending El Nino weather condition, self-sufficiency in rice may drop to 60–65 percent.

The best prospect for U.S. grain sales is in the corn sector. Despite the strong challenges from South America, imports from the U.S. should increase by 19 percent to 130,000 tons in 2009/10, albeit with a slightly lesser market share. With a short supply of hard wheat, the US market share should drop to only 3 percent in 2009/10. Historically, the U.S. has been an insignificant player in the Malaysian rice market.

Exchange Rate: US\$1.00 = RM3.499 (Feb 12, 2009); RM3.403 (Feb 18, 2010);

		Production	Imports	Exports	Domestic. Disappearance
			(In 1,000 MT)		
Corn	2008/09	95	2347	1	2839
	2009/10	100	2930	0	2980
	2009/11	105	3030	0	3085
Wheat	2008/09	0	1035	48	1110
	2009/10	0	1295	60	1175
	2009/11	0	1350	80	1230
Rice	2008	1536	1039	1	2413
	2009	1590	1070	1	2519
	2010	1500	1020	1	2619

Commodities:

Corn

Production:

Domestic corn production in Malaysia is insignificant.

Consumption:

Malaysian consumers are adjusting to the general increase in food prices. The ex-farm price for broiler is no longer controlled and it has been above the average price of RM3.80/kg. However, the ex-farm price for chicken egg dropped from RM0.33 in February 2009 to RM0.25 per unit in February 2010. Most of the big broiler and layer farmers in the sector are resilient and look to another year of growth in 2009/10. The anticipated 3 to 4 percent economic growth for 2009/10 augurs well for the poultry sector. The poultry farmers are set to increase the chicken population in 2009/10.

Pork consumption fares even better with the ex-farm hog price rising from RM630/100kg in February 2009 to RM760/100kg in February 2010. Due to rapid urbanization and the political sensitiveness of the Muslim population to pig rearing, farmers are struggling to keep up with the strong growth in demand for pork. The Authority is looking to 'imports' to fill the gap.

With the positive outlook, Post expects domestic feed consumption of corn to increase by 4 to 5 percent to 2.9 MMT in 2009/10 and by another 3 percent in 2010/11.

Trade:

In line with the increase in domestic consumption and stock replenishment, Post expects Malaysian corn imports to rebound by 25 percent to 2.9 MMT in 2009/10. The 2010/11 prospect is still bright with an anticipated 3-4 percent growth. Brazil returned to the market strongly as the biggest supplier in the Malaysian corn market in 2008/09. Other major suppliers included India, Argentina and Thailand. The United States exported only 109,000 metric tons (about 4.6 percent of the total market).

With Indian corn supply drying up, Malaysia is looking to Brazil and Argentina and to a lesser extent, Thailand, for corn in 2009/10. Faced with these challenges, U.S. market share is expected to be around 130 TMT (about 4.4 percent of the total market in 2009/10).

Policy:

Production Policy

The GOM has no definite plans to develop a viable domestic field corn industry. Domestic corn production is unlikely to expand significantly in the foreseeable future. The GOM plans to seek land in neighboring Indonesia to cultivate corn for the Malaysian feed market but has not shown any successful results.

Market Development opportunities

GMO/Biotech Safety Issue: Malaysia has officially approved three biotech events for corn (NK603 Roundup Ready Corn™, Mon 810 YieldGard Corn™ and Mon 863 Yieldguard Corn®). In summer 2007, Malaysia passed the Biosafety Act which included a mandatory labeling provision for biotechnology derived foods. During 2009, various government agencies consulted with parts of the private sector to finalize the regulations, set up facilities and hiring and training the staff to fulfill the Act. Post engages with these agencies, pro-biotechnology NGOs and the private sector to minimize the impact on US biotechnology-related exports.

A significant increase in corn consumption in Malaysia will largely depend on a robust poultry and pig industry. The GOM would likely welcome any assistance from APHIS or an international organization to help prevent, or deal with, recurrences of the Avian Influenza. Since the outbreak of the Nipah virus (Japanese Encephalitis) in 1999, the farmers and governmental officials have worked together to develop a modern, integrated pig farm system. There are opportunities to link resources in the U.S. to assist in the following areas:

- a. the use of good-quality US swine breeds/semens;
- b. improvement of nutrition for swine; and
- c. transfer of technical knowledge on swine management, swine housing, waste treatment and slaughter plants.

The National Swine Registry has conducted two training courses on artificial insemination and breeding management in the past. These courses were well received and Post would like to see these programs be conducted in other selected locations throughout the country. Buying missions to the U.S. should also be considered in face of growing competition from the European and Canadian counterparts. One such mission (funded by Cochran Fellowship Program) was organized in 2006 and resulted in the first shipment of 52 US breeder pigs from the United States since 2001. Post is using Cochran funding to support another mission to the United States in 2010.

Production, Supply and Demand Data Statistics:

(in 1000 Hectares and 1000 MT)

Corn Malaysia	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
		Data			Data			Data	
Area Harvested	27	27	0	28	28	28		28	
Beginning Stocks	798	310	798	483	325	400		450	
Production	95	95	95	100	100	100		105	
MY Imports	2,400	2,735	2,347	2,600	2,830	2,930		3,030	
TY Imports	2,400	2,735	2,347	2,600	2,830	2,930		3,030	
TY Imp. from U.S.	90	80	109	0	70	130		140	
Total Supply	3,293	3,140	3,240	3,183	3,255	3,430		3,585	
MY Exports	10	10	1	10	10	0		0	
TY Exports	10	10	1	10	10	0		0	
Feed and Residual	2,600	2,640	2,670	2,700	2,720	2,800		2,885	
FSI Consumption	200	165	169	200	170	180		200	
Total Consumption	2,800	2,805	2,839	2,900	2,890	2,980		3,085	

Ending Stocks	483	325	400	273	355	450			500
Total Distribution	3,293	3,140	3,240	3,183	3,255	3,430			3,585
Yield	4.	4.	0.	4.	4.	3.5714			3.75

Author Defined:

Corn Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Corn		
Time Period	Oct08/Sep09 for 2008, Oct09/Sep10 Not Available	Units:	1000MT
Imports for:	2008		2009
U.S.	109	U.S.	
Others		Others	
Brazil	698		
India	613		
Argentina	541		
Thailand	244		
Pakistan	94		
Burma	34		
Indonesia	5		
Ukraine	3		
Australia	1		
France	1		
Total for Others	2234		0
Others not Listed	4		
Grand Total	2347		0

Commodities:

Wheat

Production:

Wheat is not produced in Malaysia.

Consumption:

The Malaysian economy is expected to grow 3-4 percent in 2010. The Malaysian food sector is more optimistic in future growth. Post expects a 4 percent growth in wheat consumption for 2009/10 and another 3 percent in 2010/11. Cafés and delicatessens are becoming popular in major cities throughout the country. More health-conscious consumers are also going for high-fiber whole-meal bread. Bakeries are also looking into manufacturing bakery products to sell to neighboring countries such as Singapore, Thailand, Indonesia and the Philippines. Millers expect further growth in the manufacturing of instant noodles and biscuits for both the domestic and global market during 2009/10.

The Malaysian Government controls the domestic wheat prices by the Supplies Regulation Act (1974). The retail general-purpose wheat flour price remains at RM1.35 (US\$0.35) per kilo (since May 14, 2007). However, the price of wheat flour for industrial uses is not a controlled item. The bread industry is currently receiving a subsidy of RM0.10 per 100 gm of flour to reduce the burden of the industrial players due the margin squeeze caused by the surge in wheat prices in 2009.

Trade:

Post expects a 30 percent rebound in wheat imports in 2009/10 as importers replenish stocks and cater for a normal growth in domestic demand. With a better crop in 2009/10, Australia (a mainly soft-wheat supplier) will likely be able to capture more than 70 percent of the total Malaysian wheat import market. Traditionally, Malaysia is a favored market for the Australian wheat exporters and with the removal of the Australian Wheat Board (AWB), Malaysia will have more options of sources from their purchases. Canadian hard wheat will be the main competitor to the US in 2009/10. With a short supply, the US market share should drop to only 3 percent in 2009/10. The main purchasers appreciated the quality of US wheat and had high regard for the efforts of US Wheat Associate (USWA)'s marketing program. Malaysia also turned to competitively priced wheat from Russia and Ukraine.

Malaysia exports should rebound to about 60 TMT (wheat equivalent) of wheat flour to Singapore, Thailand and Brunei in 2009/10.

Marketing:

Market Development Opportunities

Grain Inspection, Packers & Stockyards Administration (GIPSA)'s program of sending 1 - 2 officers to the ASEAN region for a three-month stint every year since from 2002 to 2008 has been quite valuable in supporting U.S. grain exports to S.E.Asia. Millers/importers welcome the opportunity to iron out various dissatisfactions over quality issues. In addition, GIPSA has a good opportunity to do outreach work. Perceived poor quality image of US grains and beans is best addressed by (US Wheat Associate (USWA) and GIPSA.

In the past, millers have shown much interest in purchasing Hard White Wheat but the US's supply is limited.

On-going activities such as regional buyers' conventions and training trips to the U.S., conducted by USWA, are well received by the local millers/purchasers. Expanded baking training facilities at FFM (a local miller) offer opportunities for USWA to do outreach activities.

Production, Supply and Demand Data Statistics:

Wheat Malaysia	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	0	0	0	0	0	0		0	
Beginning Stocks	363	351	363	237	301	240		300	
Production	0	0	0	0	0	0		0	
MY Imports	1,187	1,350	1,035	1,250	1,465	1,295		1,350	
TY Imports	1,187	1,350	1,035	1,250	1,465	1,350		1,410	
TY Imp. from U.S.	57	100	94	0	90	45		100	
Total Supply	1,550	1,701	1,398	1,487	1,766	1,535		1,650	
MY Exports	93	70	48	60	75	60		80	
TY Exports	93	70	48	60	75	60		80	
Feed and Residual	70	70	20	80	80	40		60	
FSI Consumption	1,150	1,260	1,090	1,150	1,300	1,135		1,170	
Total Consumption	1,220	1,330	1,110	1,230	1,380	1,175		1,230	
Ending Stocks	237	301	240	197	311	300		340	
Total Distribution	1,550	1,701	1,398	1,487	1,766	1,535		1,650	
Yield	0.	0.	0.	0.	0.	0.		0.	

Author Defined:

Wheat Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul08/Jun09 for 2008, Jul09/Sep09 for 2009	Units:	1000MT
Imports for:	2008		2009
U.S.	94	U.S.	73
Others		Others	
Australia	693	Australia	199
Canada	210	Canada	23
Ukraine	16	Ukraine	7
Russian Fed.	13	Russian Fed.	1
Bulgaria	5		
China	1		

Nepal	1		
Total for Others	939		230
Others not Listed	2		
Grand Total	1035		303

Wheat Exports

Export Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul08/Jun09 for 2008, Jul09/Sep09 for 2009	Units:	1000MT
Exports for:	2008		2009
U.S.		U.S.	
Others		Others	
Singapore	25	Singapore	6
Thailand	11	Thailand	3
Brunei	6	Brunei	1
Maldives	3		
Indonesia	1		
Philippines	1		
Total for Others	47		10
Others not Listed	1		1
Grand Total	48		11

Commodities:

Rice, Milled

Production:

Preliminary estimates indicate a 4.2 percent increase in milled rice production to 1.6 MMT in 2009. Favorable weather conditions in most part of the country (except for some localized flooding in the northern part of the Peninsula at the end of 2009) and an increase in harvested area contributed to an increase in paddy yields, which had a positive impact on output.

The outlook for 2010 is pessimistic with the anticipation of dry weather condition due to the El Nino phenomena. There are already reports of damaged paddies in certain parts of the country. Harvested area is expected to decline to 650,000 hectares. Post forecasts rice production to decline to 1.5 MMT for 2010. For the longer term, the GOM is encouraging large-scale private sector commercial paddy production, especially in the states of Sabah and Sarawak, where land is still abundant. Sime Darby, a Malaysian global conglomerate, is taking the lead in increasing self-sufficiency.

Consumption:

Domestic consumption increased by 4.3 percent to 2.5 MMT in 2009. Malaysia is about 63 percent self-sufficient. Post expects consumption to increase by about 4 percent in 2010 as Malaysia expects the country continues to see an in-flow of foreign workers into the country. While rice consumption per capita shows an increase from 81.6 kg in 2006 to 89.0 kg in 2009, the figure does not account for the influx of foreign workers and tourists into the country. In reality, the domestic consumption per capita is about 72 to 75 kg and it has been on the slide vis-à-vis the consumption of wheat over the last two decades.

Trade:

Malaysian rice imports increased 3 percent to 1.1 million ton in 2009. Vietnam took over Thailand as the biggest foreign supplier of rice in Malaysia, capturing about 85 percent of the market. Vietnamese rice is consistently cheaper than Thai's and the Vietnamese traders reportedly, like the Malaysian payment terms and ports' efficiency. The other significant suppliers were Pakistan and Burma. Rice sales from the United States amounted to less than 1,000 MT, mainly Calrose rice consumed by Japanese and Korean expatriates.

In 2010, rice imports are expected to drop to a million ton as the Authority works down on stocks. The Rice Authority holds at least 3 months of stock.

Policy:

Production Policy

Under the Ninth Malaysia Plan (NMP) (2006–2010), the GOM adopted a policy goal to increase the current 65% self-sufficiency to 90% in rice production by 2010. Given the lack of land available for production and the current cultivation practices, not much has been achieved to date. The GOM is now planning for the Tenth Malaysian Plan (TMP) (2011-2005) and, again, there is talk about achieving self sufficiency in rice by the end of TMP.

Recently, the Chief Minister of the State of Sabah also announced plan to enable the State to achieve self-sufficiency in rice in about 10 years by utilizing 8,000 hectares of idle land.

The support price for paddy rice has increased from RM55 to RM65 per 100 kg in 2005. In addition, all rice farmers receive a subsidy of RM25 per 100 kg of paddy delivered to a licensed mill or drying facility.

Marketing:

Rice imports from the United States are mainly Calrose rice consumed by Japanese and Korean expatriates. Contributing factors to the U.S. absence from the market include lower prices from regional and neighboring suppliers, the desire to

enhance regional relationships and cheaper freight & shorter shipping times for competitors' rice. While the opportunities for sales of U.S. rice in Malaysia are still limited, the absence of a price ceiling on imported high grade rice may help to create a small niche market for imports of branded, packaged rice, especially for the organic food sector in the United States. In August 2009, a seven-member team from USA Rice Federation visited Malaysia to evaluate the Malaysia market for US rice.

Production, Supply and Demand Data Statistics:

Rice, Milled Malaysia	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	660	660	660	670	670	665		650	
Beginning Stocks	439	642	439	642	600	600		740	
Milled Production	1,530	1,530	1,536	1,575	1,590	1,590		1,500	
Rough Production	2,354	2,354	2,352	2,423	2,446	2,435		2,300	
Milling Rate (.9999)	6,500	6,500	6,530	6,500	6,500	6,530		6,522	
MY Imports	1,020	830	1,039	830	930	1,070		1,020	
TY Imports	830	830	1,039	850	930	1,070		1,020	
TY Imp. from U.S.	0	0	1	0	0	1		1	
Total Supply	2,989	3,002	3,014	3,047	3,120	3,260		3,260	
MY Exports	1	2	1	2	0	1		1	
TY Exports	2	2	1	0	0	1		1	
Consumption and Residual	2,346	2,400	2,413	2,445	2,500	2,519		2,619	
Ending Stocks	642	600	600	600	620	740		640	
Total Distribution	2,989	3,002	3,014	3,047	3,120	3,260		3,260	
Yield (Rough)	4.	4.	3.5636	4.	4.	4.0583		3.1095	

Author Defined:

Rice Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Rice, Milled		
Time Period	Jan-Dec for CY08, Jan-Sep for CY09	Units:	1000MT
Imports for:	2008		2009
U.S.		1	U.S. 1
Others			Others
Thailand		567	Vietnam 772
Vietnam		417	Thailand 95
Pakistan		44	Pakistan 30
Singapore		4	Burma 14

Cambodia	2	India	6
India	2	Cambodia	2
Australia	1		
Total for Others	1037		919
Others not Listed	1		2
Grand Total	1039		921