

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Malaysia

**Post:** Kuala Lumpur

### Broiler Meat Sector

**Report Categories:**

Poultry and Products

**Approved By:**

Chris Rittgers

**Prepared By:**

Abdul Ghani Wahab

**Report Highlights:**

Malaysia is largely self-sufficient in poultry meat production, and output is expanding slowly, in line with expectations for domestic demand growth. Poultry meat is the dominant protein source consumed. All poultry meat imports must be certified halal and be sourced from approved plants. No U.S. poultry plants are approved to export poultry meat to Malaysia.

## Executive Summary:

Malaysia is largely self-sufficient in poultry meat production. Output is expanding slowly, in line with expectations for domestic demand growth. As the primary protein source for a majority of the population, per capita consumption is very high. Almost all feed inputs and most of the genetic stock is imported. The U.S. sells corn gluten meal and breeding chicks to the sector. All imported poultry meat must be sourced from Government of Malaysia (GOM) approved plants and meet strict halal slaughter and handling requirements. No U.S. plants are certified to export poultry meat to Malaysia.

## Production:

Poultry meat production, consisting almost entirely of broiler meat, is expected to grow at a moderate rate of 2 percent in 2014, with production forecast at 1.44 million tons. Although the industry has the capacity to grow further, rising costs of production are limiting growth. A reduction in fuel subsidies, depreciation of Malaysian ringgit, and implementation of minimum wages in 2013 are all factors that have led to higher production costs in 2014. The new minimum wage increased a farm worker's salary from \$188 to \$900 per month.

Imported soybean meal and corn account for 65 percent of the production cost. The decline in corn prices in 2014 relative to 2013 has been somewhat mitigated by the depreciation of the ringgit. Average cost of production has increased \$1.45 per kg in 2012 to \$1.60 per kg in 2013, to a forecast \$1.68 in 2014.

### Poultry Meat Supply and Distribution (MT)

	2012	2013	2014
Production	1,374,500	1,408,862	1,437,039
Imports	52,595	53,600	54,000
<b>Total Supply</b>	<b>1,427,095</b>	<b>1,462,462</b>	<b>1,491,039</b>
Domestic Consumption	1,394,598	1,431,062	1,459,039
Exports	32,497	31,400	32,000
<b>Total Distribution</b>	<b>1,427,095</b>	<b>1,462,462</b>	<b>1,491,039</b>

GOM maintains loosely enforced price controls on poultry meat, applying its influence mainly through persuasion (GOM making public statements about rising prices) rather than any strictly enforced mechanism. Retail chicken prices are allowed to increase during Holiday seasons, particularly Ramadan; beyond that, poultry companies try to follow GOM's unofficial maximum permitted price.

DOC supplies and overall supply is also loosely coordinated by the small number of large integrators, which also acts to ensure that prices don't move much outside a certain band.

Almost 90 percent of production occurs in Peninsular Malaysia, with the rest in East Malaysia. In terms of bird numbers, commercially bred broilers comprise 67 percent, while layers make up around 25

percent and breeders make up 8 percent of the total. Peninsular Malaysia has about 3,200 broiler farms, which includes, contract and independent farmers, as well as large vertically integrated farms. Almost all the broilers are derived from Cobb and/or Ross breeding lines. Backyard and free-range poultry production has declined significantly, and commercial production is insignificant.

In tandem with the growth of the poultry sector, egg production is expected to grow at 3.0% in 2014 with production forecasted at 679,803 tons. In 2013, production of egg is estimated at 659,664 tons.

The poultry sector uses about 4 million tons of compound feed annually, with forecast increase in demand for feed in line with expectations for output growth (2-3 percent per year). The soymeal and corn comes primarily from Argentina. The poultry industry purchases corn gluten feed (66,000 tons in 2013) and some soymeal from the United States. In addition, the sector imports about 1 million U.S. breeder chicks annually, valued at over \$2 million.

**Consumption:**

Consumption is forecast to grow from 1.4 million tons in 2013 to 1.43 million tons in 2014. At over 40 kgs per year, per capita consumption is among the highest in the world, and can't grow much higher.

The expectations for relatively flat consumption growth reflect slow population growth. Poultry meat is the staple protein source for all ethnic groups in the population, and is the dominant meat offered in all food service outlets. Franchises offering fried chicken are by far the most popular restaurants, with the highest number of outlets and sales. Moreover, for the Muslim population (60 percent), poultry is the only animal protein source as beef is quite expensive and consumption low. Chicken is much cheaper than beef and pork, and chicken prices have been more consistent for the reasons explained above. Price increases tend to be seasonal and not permanent

Wet markets are still an import outlet for poultry distribution. Chickens are selective live and then slaughtered and dressed. Approximately 40 percent of poultry consumption is still market this way, although GOM has indicated that these outlets will need to be closed in the future due hygienic concerns. The food service sector is relatively dynamic and continuously changing, and continues to be a main source of demand.

**Trade:**

Poultry meat imports are tightly controlled and limited. China is the leading supplier, followed by Thailand, Denmark, and the Netherlands. All poultry meat imported must come from plants inspected and approved by Malaysia's veterinary officials and halal certifying body.

Malaysia exports some processed poultry products to neighboring Singapore and to the Middle East.

Malaysia exports over 50 million live broilers to Singapore annually. This would be about 100,000 carcass weight equivalent.

**Poultry Meat Imports 2012**

	<b>2012</b>
<b>Countries</b>	<b>(in Tons)</b>

1	China	28,121
2	Thailand	15,194
3	Denmark	3,950
4	Netherlands	3,265
5	United States	811
6	Egypt	221
7	France	200
8	Australia	194
9	Belgium	192
10	Singapore	134
	Others	313
	<b>TOTAL</b>	<b>52,595</b>

### **Poultry Meat Exports 2012**

	<b>Countries</b>	<b>2012 (in Tons)</b>
1	Thailand	6,638
2	Saudi Arabia	4,534
3	Singapore	4,416
4	Brunei	2,976
5	Indonesia	2,905
6	United Arab Emirates	2,675
7	Kuwait	2,503
8	Vietnam	1,865
9	Qatar	1,034
10	Oman	661
	Others	2,290
	<b>TOTAL</b>	<b>32,497</b>

### **Factors Affecting U.S. Exports:**

Due to Malaysia's rigid halal regulations, no U.S. poultry slaughtering plants are approved to export to Malaysia. Among other strict requirements, plants that wish to export to Malaysia must agree to dedicate the plant to full time halal slaughter and processing. Generally, the size of the market would not cause U.S. plants to shift their entire production chain to halal for the small quantity of sales that would go to Malaysia. Nonetheless, it may be worthwhile for a small chicken or turkey processing plant to consider it.