

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Malaysia

Grain and Feed Annual

2012

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Report Highlights:

Wheat and rice imports are forecast to grow in 2011/12, with wheat imports continuing to grow through 2012/13. Continued growth in the baking industry is fueling demand for high-quality hard wheat. Rice imports will be firm in 2012 as GOM will seek to ensure sufficient rice stocks as the general election approaches. Corn imports are expected to increase at a slower pace in 2011/12 due to slack demand from the pork and broiler sectors. The best prospect for U.S. grain sales continue to be wheat, as millers appreciate the high quality U.S. wheat.

Commodities:

Select

Author Defined:**Executive Summary**

Wheat and rice imports are forecast to rise in 2011/12 to meet increased domestic consumption and to replenish stocks. For rice, the Government of Malaysia (GOM) will import as necessary to ensure a sufficient supply of rice as the country approaches a general election in 2012. Wheat imports are forecast to continue growing in 2012/13, while rice imports will level off. Corn imports are forecast to grow only marginally in the next two marketing years as both the pork and broiler sectors are facing an oversupply and meat prices have declined.

Wheat continues to be the best prospect for U.S. grain sales. Local millers recognize the superior characteristics of U.S. wheat and are willing to pay for high quality U.S. wheat to make flour for the baking industry. For corn, Argentina is expected to remain the biggest supplier and the U.S. will remain an insignificant, residual supplier to Malaysia. Historically, the U.S. has sold little rice to Malaysia, and rice imports from neighboring rice exporting countries will continue to dominate the market in the future.

Exchange Rate: US\$1.00 = RM3.036 (Feb 18, 2011); RM3.028 (Feb 13, 2012)

		Production	Imports	Exports	Domestic Disappearance
			(In 1,000 MT)		
Corn	2010/11	95	2963	3	3175
	2011/12	97	3060	3	3152
	2012/13	100	3170	5	3245
Wheat	2010/11	0	1101	67	1120
	2011/12	0	1270	72	1175
	2012/13	0	1310	75	1220

Rice	2010	1642	990	1	2610
	2011	1690	1085	2	2710
	2012	1700	1050	1	2819

Corn

(in 1000 Hectares and 1000 MT)

Corn Malaysia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	27	27	27	27		28
Beginning Stocks	638	638	528	518		520
Production	95	95	100	97		100
MY Imports	2,700	2,963	3,300	3,060		3,170
TY Imports	2,700	2,963	3,300	3,060		3,170
TY Imp. from U.S.	77	18	0	3		5
Total Supply	3,433	3,696	3,928	3,675		3,790
MY Exports	5	3	0	3		5
TY Exports	5	3	0	3		5
Feed and Residual	2,700	3,000	3,200	2,970		3,060
FSI Consumption	200	175	200	182		185
Total Consumption	2,900	3,175	3,400	3,152		3,245
Ending Stocks	528	518	528	520		540
Total Distribution	3,433	3,696	3,928	3,675		3,790
Yield	4.	3.5185	4.	3.5926		3.5714

Production

Domestic corn production in Malaysia is insignificant.

Consumption

The economy is performing relatively well and demand for meat remains firm. However, the pork and broiler meat sectors have been producing a surplus, leading to a decline in prices. Ex-farm hog prices declined from \$264/100kg in February 2011 to \$230/100kg in February 2012. As a result, the hog population is expected to be reduced in 2012. Similarly, the average ex-farm price for broilers declined

from about \$1.55/kg in February 2011 to \$1.16/kg in February 2012. Higher production costs have further reduced profit margins and have resulted in flock reductions.

However, the egg sector remains strong and the ex-farm prices for eggs have been stable at \$0.11 per unit in February 2012. Given the less than optimistic outlook for demand from the pork and broiler sectors, feed consumption of corn is forecast to decline slightly in 2011/12, but then rebound in 2012/13 as the sector adjusts to the new market situation.

Trade

In line with the slight decline in domestic consumption, corn imports are forecast to increase only to 3.06 million tons in 2011/12. With a rebound in the production cycle in the broiler sector, growth is anticipated at 3 to 4 percent in 2012/13.

Argentina was the biggest supplier (over 43 percent) in the Malaysian corn market in 2010/11, followed by Brazil and India. The United States exported only 18,000 metric tons (less than one percent of the total import market) in 2010/11. Despite some concern of a dry spell in South America, Argentina is likely to continue dominating the market. With more Indian corn available, Malaysia is also buying more Indian corn. Faced with this competition, U.S. will remain an insignificant, residual corn supplier to Malaysia in the near term.

Corn Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Corn		
Time Period	Oct10/Sep11 for 2010, Oct11/Sep11 Not Available	Units:	1000MT
Imports for:	2010		2011
U.S.	18	U.S.	
Others		Others	
Argentina	1286		
Brazil	865		
India	591		
Thailand	105		
Pakistan	66		
Burma	28		
Indonesia	2		
France	1		
China	1		
Total for Others	2945		0
Others not Listed			
Grand Total	2963		0

Policy

Production Policy

The GOM has no definite plans to develop a domestic field corn industry, and corn production is unlikely to expand significantly in the foreseeable future. The GOM has been considering plans to obtain land in neighboring Indonesia to cultivate corn, but nothing has resulted from that.

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®). Sygenta’s application for approval for its Corn/Maize (*Zea mays L.spp mays*), SYN-BT 011-1 event is in process.

Malaysia passed a Biosafety Act in the summer of 2007. Under the new Biosafety regulations (within the purview of the Act), approval is required for any release activity and importation of LMOs. Although the regulations were operative since Nov 1, 2010, a grace period of two years was given for full compliance. On July 8, 2010, the Ministry of Health announced new regulations that require strict mandatory labeling of food and food ingredients obtained through modern biotechnology. A two year grace period was also given till July 8, 2012.

A significant increase in corn consumption in Malaysia will largely depend on a robust poultry and pig industry, and disease prevention and control measures are critical. Continued efforts to prevent a retrenching of avian influenza will be necessary. Since the outbreak of the Nipah virus (Japanese Encephalitis) in 1999, farmers and governmental officials have worked together to develop a modern, integrated hog 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/semen;
- 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. Such missions (funded by Cochran Fellowship Program) in the past have resulted in imports of US breeder pigs from the United States.

Wheat

(in 1000 Hectares and 1000 MT)

Wheat Malaysia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0		0			
Beginning Stocks	308	308	424	222		245

Production	0	0	0	0		0
MY Imports	1,538	1,101	1,400	1,270		1,310
TY Imports	1,538	1,101	1,400	1,270		1,310
TY Imp. from U.S.	340	300	0	260		270
Total Supply	1,846	1,409	1,824	1,492		1,555
MY Exports	122	67	100	72		75
TY Exports	122	67	100	72		75
Feed and Residual	100	30	100	40		40
FSI Consumption	1,200	1,090	1,175	1,135		1,180
Total Consumption	1,300	1,120	1,275	1,175		1,220
Ending Stocks	424	222	449	245		260
Total Distribution	1,846	1,409	1,824	1,492		1,555
Yield	0.	0.	0.	0.		0.

Production

Wheat is not produced in Malaysia.

Consumption

The economy is expected to grow 4.5 to 5 percent in 2012, and this economic activity will bolster continued consumer purchasing power and demand for wheat based consumer products. Wheat consumption is forecast to grow 4 percent in both 2011/12 and 2012/13. Cafés, pastry shops, and delicatessens serving bakery products are popular in major cities throughout the country. In addition, more health-conscious consumers are opting for high-fiber whole meal bread. One of the leading flour millers opened its first Italian bakery in December 2011, making about 40,000 loaves of bread a day. In addition, millers expect further growth in the manufacturing of instant noodles and biscuits for the domestic as well as the global market during 2012/13.

The GOM controls domestic wheat prices by the Supplies Regulation Act (1974). The retail general-purpose wheat flour price remains at RM1.35 (US\$0.45) per kilo (since May 14, 2007). However, the price of wheat flour for industrial uses is not controlled. When necessary, the GOM has given subsidies to the bread industry in order to alleviate declining margins caused by any increase in wheat prices

Trade

Given expectations for continued demand growth and to replenish stocks, wheat imports are forecast to increase 15 percent in 2011/12. Australia will continue to dominate the import market. Generally, Australia captures about two-thirds of the market. U.S. exports are expected to be around 260,000 tons in 2011/12, a slight decline from the previous year. Nonetheless, local millers continue to appreciate the quality of US wheat and have high regards for the efforts of US Wheat Associate's (USWA)'s technical assistance activities. In recent years, Malaysia has purchased a limited amount of competitively priced wheat from Pakistan, Russia and Ukraine.

Malaysia exports are expected to increase slightly to 70,000 tons (wheat equivalent) of wheat flour to Singapore, Thailand and Brunei in 2011/12.

Wheat Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul10/Jun11 for 2010, Jul11/Sep11 for 2011	Units:	1000MT
Imports for:	2010		2011
U.S.	300	U.S.	112
Others		Others	
Australia	684	Australia	239
Canada	58	Pakistan	7
Pakistan	35	Canada	2
Russian Fed.	8	Ukraine	1
Argentina	4		
Romania	1		
Iran	1		
Total for Others	794		249
Others not Listed	6		
Grand Total	1100		361

Wheat Exports

Export Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul10/Jun11 for 2010, Jul11/Sep11 for 2011	Units:	1000MT
Exports for:	2010		2011
U.S.		U.S.	
Others		Others	
Singapore	27	Singapore	8
Thailand	9	Thailand	2
Brunei	5	Brunei	1
Indonesia	4	Vietnam	1
Philippines	2		
Total for Others	47		12
Others not Listed	1		1
Grand Total	48		13

Marketing

Market Development Opportunities

Grain Inspection, Packers & Stockyards Administration (GIPSA) assigned 1 - 2 officers to the ASEAN region for three-month stints between 2002 and 2008. This program was quite valuable in supporting U.S. grain exports to South East Asia. Millers/importers welcomed the opportunity to resolve questions over quality issues. In addition, GIPSA did excellent outreach work. USWA's and GIPSA's efforts were instrumental in addressing perceived quality problems. 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.

Rice

(in 1000 Hectares and 1000 MT)

Rice, Milled Malaysia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	667	672	670	675		677
Beginning Stocks	706	706	690	727		790
Milled Production	1,610	1,642	1,630	1,690		1,700
Rough Production	2,473	2,526	2,504	2,600		2,615
Milling Rate (.9999)	6,510	6,500	6,510	6,500		6,500
MY Imports	1,040	990	1,130	1,085		1,050
TY Imports	1,040	990	1,130	1,085		1,050
TY Imp. from U.S.	0	0	0	0		0
Total Supply	3,356	3,338	3,450	3,502		3,540
MY Exports	1	1	1	2		1
TY Exports	1	1	1	2		1
Consumption and Residual	2,665	2,610	2,770	2,710		2,819
Ending Stocks	690	727	679	790		720
Total Distribution	3,356	3,338	3,450	3,502		3,540
Yield (Rough)	4.	3.7589	4.	3.8519		3.8626

Production

Despite some damage caused by 'La Nina' phenomena in the first two months of 2011, milled rice output rose to 1.7 million tons in 2011. The GOM offers aid in the form of fertilizer, insecticides and in repairing drainage and irrigation systems in the rice producing area in the northern Peninsula. Affected farmers planted more area during the off-season months and were able to contribute a modest increase in harvested area in 2011. The outlook for 2012 is slightly more optimistic. Planted area is estimated to

be at the same level as in 2011. No adverse weather conditions have been reported and pest and disease problems are minimal and localized. Rice production is forecast to remain at 1.7 million tons in 2012. 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. However, development of palm oil plantations continues to take precedence.

Consumption

Domestic consumption increased 3.8 percent to 2.7 million tons in 2011. Malaysia is about 62 percent self-sufficient. Consumption is forecast to increase about 4 percent in 2012 as demand is bolstered by an in-flow of foreign workers and tourists. While rice consumption per capita shows an increase from 81.6 kg in 2006 to 95 kg in 2010, the figure does not account for foreign workers and tourists. 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.

The retail price of ST15-grade rice (15% broken) is controlled at RM1.65 (US\$0.55) to RM1.80 (US\$0.60) per kg (depending on transportation cost) to benefit the low-income group.

Trade

Despite slightly better production, imports rose in 2011 and are expected to continue to increase in 2012. With the impending general election, the GOM will ensure that sufficient rice supplies are available. Then, imports are forecast to decline again in 2012/13 as the rice authority works down on stocks.

Vietnam has been the top rice supplier to Malaysia since 2009. In 2011, Vietnam had about 55 percent of the Malaysian import market. Vietnamese rice is consistently cheaper than Thai, and Vietnamese traders like the Malaysian payment terms and ports’ efficiency. The other significant supplier was Pakistan, followed by Cambodia and India. Rice sales from the United States amounted to less than 100 MT, mainly Calrose rice consumed by Japanese and Korean expatriates.

Thailand’s rice intervention scheme is causing price disruptions in the market. Reportedly, the prices of Thai 100% B Grade dropped from a high of \$650 per ton in October 2011 (when domestic traders hoarded rice in order to sell to the government at the intervention price) to \$550 per ton in early February 2012 which was still well above those of Vietnam and India of \$435 to \$485 per ton. In October 2011, Padiberas Nasional Bhd (BERNAS) signed a memorandum of understanding with the Vietnam Government for a guarantee annual supply of 800,000 tons of rice to Malaysia. BERNAS was given another extension to be the sole importer of rice for another 10 years from Jan 11, 2011 to July 10, 2021.

Rice Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Rice, Milled		
Time Period	Jan-Dec for CY10, Jan-Sep for CY11	Units:	1000MT

Imports for:	2010		2011
U.S.		U.S.	1
Others		Others	
Vietnam	591	Vietnam	418
Thailand	211	Thailand	231
Pakistan	124	Pakistan	91
India	2	India	9
China	1	Cambodia	7
		Burma	1
Total for Others	929		757
Others not Listed	1		2
Grand Total	930		759

Policy

Production Policy

Shrinking crop area, adverse weather conditions, and labor and water shortages in major exporting countries are factors causing the GOM to rethink the self-sufficiency policy. Under the Ninth Malaysia Plan (NMP) (2006 –2010), the GOM adopted a policy goal to increase self-sufficiency to 90% in rice production by 2010. Given the lack of land available for production, actual output fell far short of this goal. Under the current Tenth Malaysian Plan (TMP) (2011-2015), the GOM dropped the 90 percent self-sufficiency target in rice production. Under the new food security policy, the GOM seeks to ensure the availability, accessibility and affordability of food, particularly rice for the general population. Strategies to ensure sufficient supply of rice include maintaining Government’s rice stockpile at 292,000 metric tons or sustained consumption for 45 days (in a normal year, the total stock for the whole country is about 720,000 tons), entering long-term contract agreements to import rice, and increasing the productivity of existing paddy areas through upgrading of infrastructure. No new areas will be developed for rice cultivation and a 70 percent level of self-sufficiency will attempt to be reached through yield improvements.

The support price for paddy rice 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. The last USA Rice Federation’s visit to Malaysia was in August 2009.

END OF REPORT.