

Required Report: Required - Public Distribution

Date: May 03, 2021

Report Number: MY2021-0005

Report Name: Grain and Feed Annual

Country: Malaysia

Post: Kuala Lumpur

Report Category: Grain and Feed

Prepared By: Abdul Ghani Wahab

Approved By: Megan Francic

Report Highlights:

Post forecasts that consumption of corn and wheat in Malaysia will gradually rebound in marketing year (MY) 2021/22 as the COVID-19 pandemic is increasingly controlled, the Malaysian economy expands, and the Malaysian government eases border controls. Similarly, in MY 2021/22, Post forecasts rice consumption slightly down as consumers return to eating outside the home.

Corn

Production

Commercial production of corn for feed in Malaysia is negligible. Post forecasts MY 2021/22 corn production will increase slightly to 63,000 metric tons (MT).

Consumption

Most corn goes into poultry production, and Malaysia is self-sufficient in poultry products (Table 1). Chicken is popular among Malaysians for cultural and religious reasons, making Malaysia one of the largest per capita consumers of poultry in the region (Table 1).

Table 1: Self Sufficiency in Poultry Products

	2016	2017	2018	2019	2020*
Poultry Meat (%)	103.7	104.2	104.4	104.8	104.8

* estimate

Source: Department of Veterinary Services Malaysia

Table 2: Per Capita Consumption of Livestock Products, by Commodity (kg)

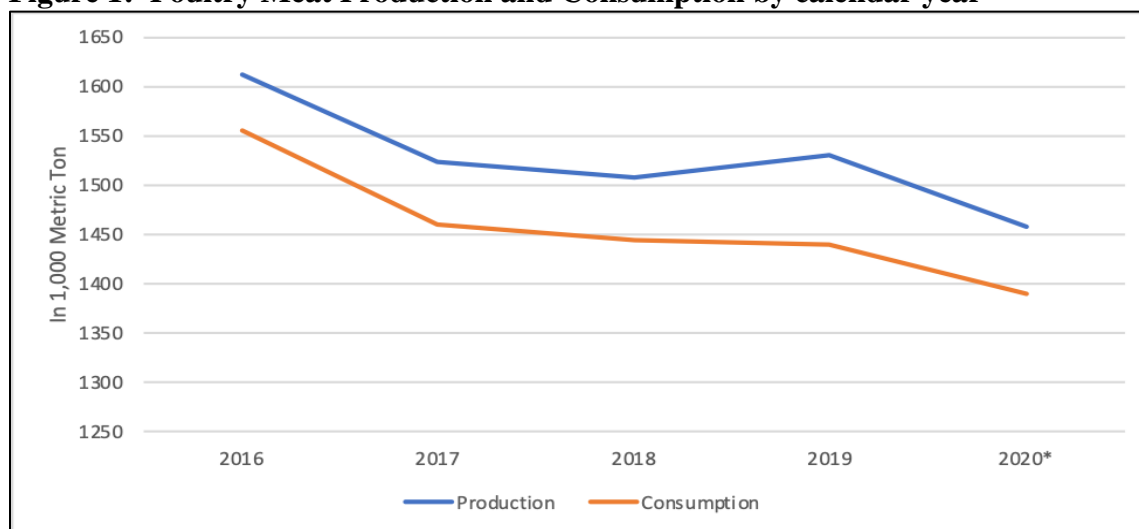
	2016	2017	2018	2019	2020*
Poultry meat	53.7	50.1	49.1	48.9	46.8
Beef	6.6	6.5	6.4	6.1	6.1
Mutton	1.2	1.3	1.3	1.1	1.2
Pork	6.8	7.4	7.6	7.4	7.4

* estimate

Source: Department of Veterinary Services Malaysia

In MY 2020/21, Post estimates that the consumption of corn for feed will be lower than the USDA official number as a result of reduced poultry consumption due to the continued closure of restaurants, decreased tourist arrivals, and a decrease in migrant workers due to COVID-19 restrictions (Figure 1). Malaysia is very price sensitive, and an increase in price of feed ingredients, including corn, will generally have a negative effect on imports as the Government of Malaysia (GOM) controls the price of [poultry](#).

Figure 1: Poultry Meat Production and Consumption by calendar year



* estimate

Source: Department of Veterinary Services Malaysia

Post forecasts that MY 2021/22 corn consumption for feed will grow very slightly as the GOM relaxes restrictions. As the vaccination program gets underway, restaurants will reopen and poultry production and feed demand will slowly rebound.

Meanwhile, Post expects consumption for food, seed, and industrial (FSI) use in MY 2020/21 to remain unchanged at 300,000 MT. There is no commercial ethanol production in Malaysia, and the majority of FSI consumption is for the production of corn flour and starch used in food production and adhesive manufacturing.

Trade

Post forecasts MY 2021/22 corn imports at 3.82 million MT on expectations of higher corn prices in MY 2021/22 and expected slow recovery in demand. In MY 2019/20, Brazil and Argentina supplied over 90 percent of Malaysia's corn imports.

Post forecasts that Malaysian imports of distillers dried grains with solubles (DDGS) from the United States will increase slightly to 31,500 MT in MY 2021/22, compared to an estimated 31,000 MT imported in MY 2020/21. Post forecasts Malaysian imports of corn gluten meal (CGM) from the United States to increase to 21,000 MT in MY 2021/22, compared to an estimated 20,500 MT imported in the previous MY. The expected marginal increase in import demand for DDGS and CGM in MY 2021/22 is based on rebounding demand for poultry feed.

Trade Policy

On January 25, 2021, Malaysia notified new requirements for the importation of grains and grain products to the WTO. The new requirements took effect on April 1, 2021 and require Malaysian importers to have a valid import license and the appropriate import permit for feed. Please see the [GAIN report](#) for more information.

Production, Supply and Demand Data Statistics – Corn

Corn Market Year Begins Malaysia	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	10	7	10	7	0	8
Beginning Stocks (1000 MT)	202	202	221	221	0	211
Production (1000 MT)	58	58	58	60	0	63
MY Imports (1000 MT)	3777	3777	3900	3800	0	3820
TY Imports (1000 MT)	3777	3777	3900	3800	0	3820
TY Imp. from U.S. (1000 MT)	31	31	0	10	0	15
Total Supply (1000 MT)	4037	4037	4179	4081	0	4094
MY Exports (1000 MT)	16	16	25	20	0	25
TY Exports (1000 MT)	16	16	25	20	0	25
Feed and Residual (1000 MT)	3500	3500	3600	3550	0	3570
FSI Consumption (1000 MT)	300	300	300	300	0	300
Total Consumption (1000 MT)	3800	3800	3900	3850	0	3870
Ending Stocks (1000 MT)	221	221	254	211	0	199
Total Distribution (1000 MT)	4037	4037	4179	4081	0	4094
Yield (MT/HA)	5.8	8.2857	5.8	8.5714	0	7.875

(1000 HA), (1000 MT), (MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Corn begins in October for all countries. TY 2021/2022 = October 2021 - September 2022

Wheat

Production

There is no commercial production of wheat in Malaysia.

Consumption

In MY 2020/21, Post estimates total wheat consumption down from the USDA official number because of decreased demand from the bakery sector, especially for specialty products, due to the COVID-19 induced economic downturn and lockdowns. Conversely, industry reports that demand for bread eaten at home has shown positive growth. According to data from the Department of Statistics, although wheat flour production dropped in calendar years 2019 and 2020, the production of bread and cakes and noodles saw growth (Table 3).

Post forecasts that total consumption of wheat in MY 2021/22 will increase slightly compared to the previous year to 1.61 million MT due to the gradual reopening of the economy. In particular, Post forecasts that demand for wheat will increase in line with demand for specialty breads and pastries. The Malaysian government controls the price of general all-purpose flour sold in 1-kilogram (kg) bags at RM 1.35 (roughly \$0.34) per kilogram. This is an effort to control price inflation as wheat is the main ingredient in roti-canai, a staple breakfast food among Malaysians. For high quality specialty flours, the price is market-based. Note that the price is not controlled for 25 kg bags or for specialty wheat.

Table 3: Production of Wheat Flour and Wheat-based Products (MT)

Product	2015	2016	2017	2018	2019	2020
Wheat Flour	812,278	890,209	998,163	949,149	901,834	862,885
Bread and Cakes	251,039	340,177	365,620	388,984	407,173	411,561
Noodles (Instant and fresh)	124,238	269,337	233,567	222,631	221,766	234,890

Source: Department of Statistics

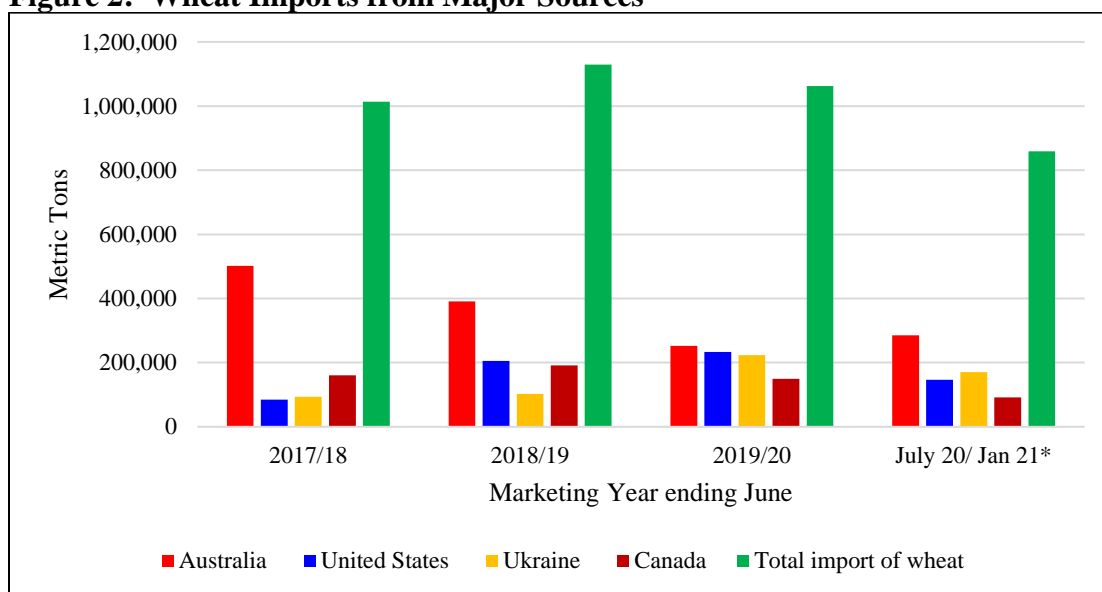
Trade

Post estimates MY 2020/21 wheat imports down to 1.70 million MT on reduced demand from the bakery sector.

In MY 2021/22, Post forecasts total wheat imports at 1.71 million MT, a slight increase from Post's previous year estimate. The minimal uptick in imports is based on the expectation that consumption will rebound slowly, with a gradual reopening of the economy and return to dining out.

Australia remains the biggest exporter of wheat to Malaysia, holding roughly half of the market share, followed by the United States and Canada. Imports of Australian wheat decreased in MY 2018/19 and MY 2019/20, due to unfavorable weather conditions that lowered production and pushed up prices (Figure 2). However, with improved weather recorded recently, Australian wheat exports are set to rebound. Based on latest trade figures from Trade Date Monitor, Australian wheat exports from July 2020 to January 2021 were over 285,000 MT, an increase of 37 percent over the same period of July 2019 to January 2020.

Figure 2: Wheat Imports from Major Sources



Source: Trade Data Monitor

*Export figures from July 2020 to January 2021

Production, Supply and Demand Data Statistics - Wheat

Wheat Market Year Begins Malaysia	2019/2020		2020/2021		2021/2022	
	Jul 2019		Jul 2020		Jul 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	0	0	0	0	0	0
Beginning Stocks (1000 MT)	392	392	321	321	0	281
Production (1000 MT)	0	0	0	0	0	0
MY Imports (1000 MT)	1734	1734	1850	1700	0	1710
TY Imports (1000 MT)	1734	1734	1850	1700	0	1710
TY Imp. from U.S. (1000 MT)	317	317	0	250	0	300
Total Supply (1000 MT)	2126	2126	2171	2021	0	1991
MY Exports (1000 MT)	165	165	200	150	0	100
TY Exports (1000 MT)	165	165	200	150	0	100
Feed and Residual (1000 MT)	40	40	40	40	0	40
FSI Consumption (1000 MT)	1600	1600	1600	1550	0	1570
Total Consumption (1000 MT)	1640	1640	1640	1590	0	1610
Ending Stocks (1000 MT)	321	321	331	281	0	281
Total Distribution (1000 MT)	2126	2126	2171	2021	0	1991
Yield (MT/HA)	0	0	0	0	0	0

(1000 HA), (1000 MT), (MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

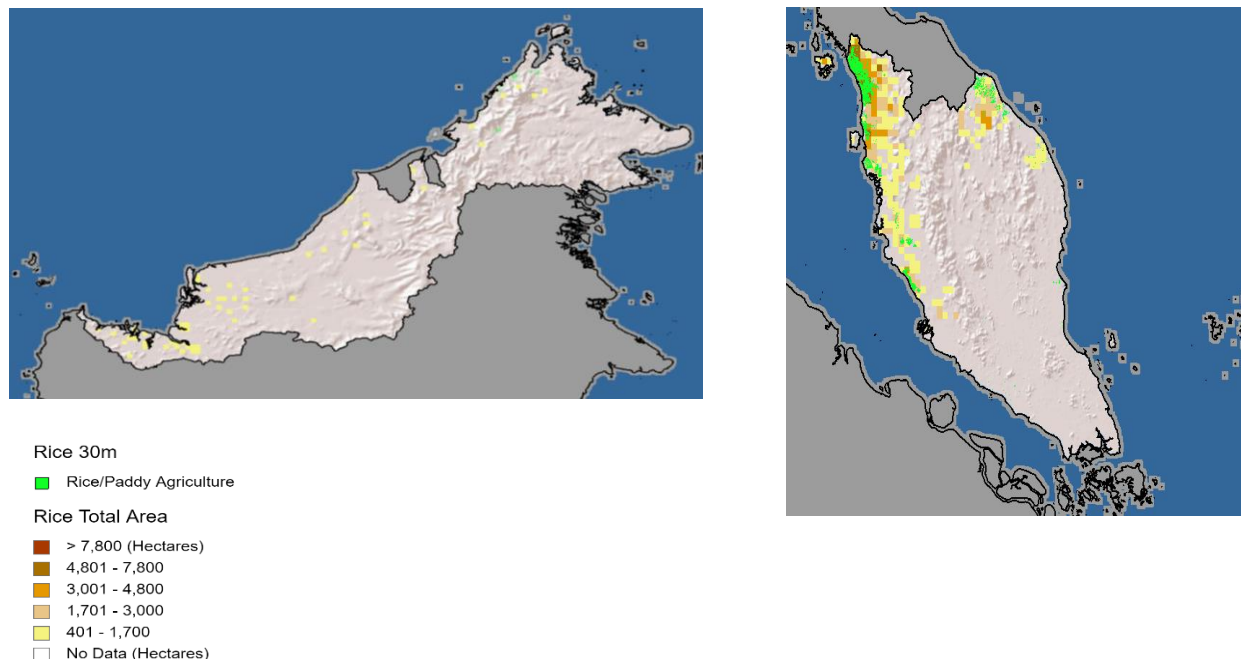
TY = Trade Year, which for Wheat begins in July for all countries. TY 2021/2022 = July 2021 - June 2022

Rice

Production

Post forecasts MY 2021/22 rice production at 1.850 million MT, a slight drop from Post's MY 2020/21 estimate of 1.875 million tons. Due to land scarcity and strong competition from palm oil, industry contacts anticipate little to no growth in planted area in calendar year 2021 (Figure 3). Contacts also attribute the stagnation in area to aging farmers and lack of interest from younger generations.

Figure 3: Rice Production Areas in Malaysia in 2020



Source: USDA Global Agricultural and Disaster Assessment System

Rice is a staple food in Malaysia. In 1966, the GOM introduced its first five-year economic plan to ensure eventual self-sufficiency in rice production. In 2019, according to the Ministry of Agriculture and Food Industries (MAFI), Malaysia's self-sufficiency level of rice production was 72 percent; however, MAFI's goal was 75 percent.

Therefore, to encourage rice production, the GOM provides a range of subsidies and incentives to producers (Table 4). For example, the GOM provides a minimum guaranteed price of RM 1,200/MT (roughly \$300). The government also provides a total of 340 kilograms of fertilizer per hectare of land and subsidizes plowing costs on a seasonal basis. In addition, the GOM also encourages the use of new technologies in rice farming, especially the adoption of new planting and harvesting machines. Farmer cooperatives were given monetary incentives in the form of lower financing costs to purchase machines for subsequent lease to paddy farmers. Still, the adoption of new technologies in paddy farming remains low due to a lack of education, lack of capital, small land holdings, and poor infrastructure.

Table 4: Current Government Rice Subsidies and Incentives

Subsidy / Incentive	2019 Allocation (USD Million)
Paddy Seed Incentive	18.5
Federal Government Paddy Fertilizer Scheme	94.4
Paddy Production Incentive Scheme	102.2
Paddy Price Subsidy Scheme	154.7
Fertilizer and Pesticide Subsidies for Upland Paddy	11.1
Total	380.9

Exchange Rate as of February 15, 2021 USD\$1: RM4.05

Source: Ministry of Agriculture and Food Industries –Malaysia Paddy Statistics

Consumption

Post estimates that MY 2020/21 consumption will increase over Post’s previous year estimate as cooking at home with family, and therefore rice consumption, becomes more prevalent. Although the GOM has allowed many businesses to reopen since January 2021, some restaurants are still operating at 50 percent of normal capacity. While the COVID-19 vaccination program has begun, people will continue to work, and therefore eat, from home until the pandemic is under control.

In MY 2021/22, Post forecasts rice consumption at 2.90 million MT, a drop of 50,000 MT from Post’s previous year estimate. This drop is based on the assumption that the COVID-19 vaccination program will progress as planned, with the GOM achieving its target of vaccinating 80 percent of the population by the end of 2021 or by early 2022. At this point, more people, especially in urban areas, will dine out at restaurants serving non-rice meals (i.e. burgers, fried chicken, pizza and pasta) after nearly two years confined to home cooked meals.

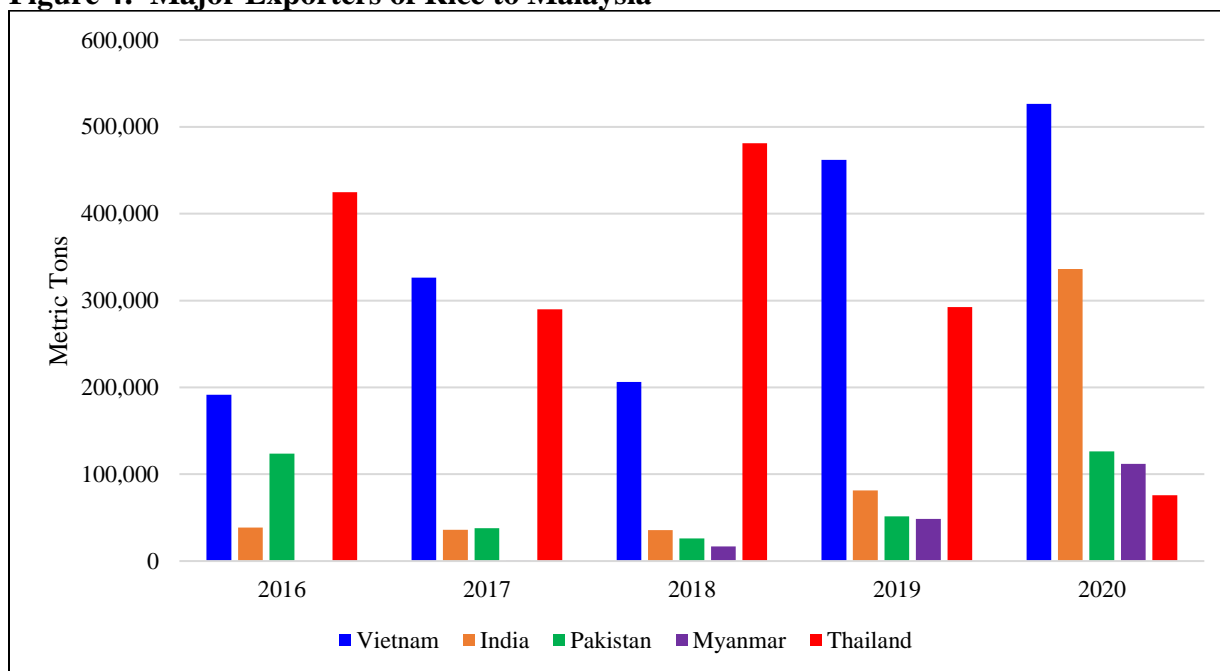
Per capita consumption of rice in Malaysia is approximately 110 kg/year. Although western foods such as pasta and bread are gaining popularity, industry analysts report that rice remains a staple food among Malaysians. The locally produced ST-15 long grain variety is the cheapest variety sold and most popular in the country. Imported rice, such as fragrant jasmine rice from Thailand, is a favorite among upper income earners and those in urban areas.

Trade

Post forecasts MY 2021/22 imports at 1.05 million MT, down 100,000 MT from Post’s previous year estimate. Post forecasts that imports will decrease as domestic demand falls. Currently Vietnam and India supply more than 80 percent of the rice imported into Malaysia. Other major suppliers of rice to Malaysia are Pakistan, Myanmar, and Thailand (Figure 4). According to media reports, the drop in Thai rice exports is due to the strengthening of the Thai baht, combined with drought, while the sharp increase in Indian rice imports in 2020 was due to temporary COVID-19 related export restrictions imposed by Myanmar and Vietnam and the need for the GOM to [balance agriculture trade with India](#) after diplomatic tensions in 2019 threatened the export of Malaysian palm oil.

For imported rice, the GOM does not impose price controls, but [Bernas Bhd](#), a GOM appointed company, handles all imports. The GOM controls the price of ST15, based on locality, with retail selling prices ranging from RM1.65/kg (\$0.40/kg) to RM1.80/kg (\$0.44/kg).

Figure 4: Major Exporters of Rice to Malaysia



Source: Trade Data Monitor

Trade Policy

The GOM imposes a 40 percent import tax on rice for human consumption. Tariffs on imported rice for use in animal feed are 15 percent. Rice importers are required to apply for import licenses from MAFI. Details and procedures for the import license application can be found at <http://www.mytradelink.gov.my/padi>.

Production, Supply and Demand Data Statistics - Rice

Rice, Milled Market Year Begins Malaysia	2019/2020		2020/2021		2021/2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	700	700	700	680	0	680
Beginning Stocks (1000 MT)	324	324	439	419	0	443
Milled Production (1000 MT)	1825	1825	1825	1875	0	1850
Rough Production (1000 MT)	2808	2808	2808	2885	0	2846
Milling Rate (.9999) (1000 MT)	6500	6500	6500	6500	0	6500
MY Imports (1000 MT)	1220	1150	1100	1150	0	1050
TY Imports (1000 MT)	1220	1150	1100	1150	0	1050
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	3369	3299	3364	3444	0	3343
MY Exports (1000 MT)	30	30	30	51	0	40
TY Exports (1000 MT)	30	30	30	51	0	40
Consumption and Residual (1000 MT)	2900	2850	2900	2950	0	2900
Ending Stocks (1000 MT)	439	419	434	443	0	403
Total Distribution (1000 MT)	3369	3299	3364	3444	0	3343
Yield (Rough) (MT/HA)	4.0114	4.0114	4.0114	4.2426	0	4.1853

(1000 HA), (1000 MT), (MT/HA)
 MY = Marketing Year, begins with the month listed at the top of each column
 TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2021/2022 = January 2022 - December 2022

Attachments:

No Attachments