

Voluntary Report – Voluntary - Public Distribution

Date: June 01, 2022

Report Number: MY2022-0004

Report Name: Malaysia Bans Poultry Export in Latest Attempt to Curb Inflation

Country: Malaysia

Post: Kuala Lumpur

Report Category: Agricultural Situation, Policy and Program Announcements, Agriculture in the News, Poultry and Products, Trade Policy Monitoring

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Report Highlights:

Effective June 1, 2022, Malaysia intends to ban export of poultry products to ensure sufficient domestic supply. This is the latest in a series of measures taken to try to combat rising food prices in the country.

Background and Summary:

Rising food prices in the second half of 2021 and first half of 2022 have led the Government of Malaysia (GOM) to take several actions to curb food inflation and maintain ceiling prices on certain key commodities, such as poultry and cooking oil. Most recently, Malaysia has announced a temporary ban on all poultry exports, as well as eliminating some administrative requirements for food imports. The poultry export ban has the potential to impact food security other countries in the region, particularly Singapore, which imports over 30 percent of its poultry from Malaysia.

Rising Food Prices Lead to Abolishment of Approved Permits

In response to rising food prices, on May 18, 2022 Prime Minister Ismail Sabri announced that Malaysia will abolish so-called approved permit (AP) requirements for agricultural products. Officials later clarified that this change will not apply to rice, which is only allowed to be imported by the government-designated company Bernas.

The AP system requires prospective importers to register their facilities with GOM authorities. By eliminating this requirement, the government seeks to expand the number of importers and therefore competition in the food sector. AP are not required for many agricultural products, and Malaysian importers are still required to apply for import permits (IP) to ensure products imported comply with Malaysia's plant and animal health requirements. Approved permits are required for the importation of meat, poultry, round cabbage, evaporated milk, wheat, certain seafood products, and mature coconut seeds. APs are no longer required for these products starting from May 19, 2022. The government subsequently exempted wheat as well, and further product exemptions are also under discussion.

Due to the relatively limited scope of products impacted and the continued IP requirements, it is unclear how much impact this policy will have on food prices.

Government Seeks to Stabilize Poultry Prices through Export Ban

Following the AP policy change, the GOM announced on May 23 that it would ban poultry exports beginning June 1. This move seeks to address higher domestic poultry prices driven by the increase in global commodity prices in the past several months.

The GOM controls the price of dressed chicken at retail (RM 8.90 or \$2.03 per kilogram), leaving little ability for farmers to pass on input cost increases due to higher global feed costs. Some layer farms had to stop production or re-formulate their feeds to reduce cost and avoid losses, resulting in slow growth of chicks. Starting in February, the GOM began to provide subsidies of RM0.60 per Kg of live chicken and RM0.05 per egg produced to chicken producers. The subsidy program started on February 4 and ends on June 4, 2022 with a budget allocation of RM500 million (\$119.05 million). The GOM also established a temporary tariff-free import quota for poultry in February 2022 to reduce domestic prices.

The recently-announced poultry export ban comes as the price of poultry feed meals continues to be historically high, and unpredictable hot weather resulted in the death of day-old chicks due to heat stroke. The domestic supply situation has been compounded by high demand for poultry products during

the month of Shawwal. During this holiday period, Muslims in Malaysia organize open houses for family and friends featuring traditional foods

Given the acute shortage of dressed chicken, the government continues to look for policy tools to keep prices stable. In addition, the GOM announced that it will investigate allegations of price manipulation by poultry producers. Some details of the export ban, including specific product coverage, remain unclear. The duration of the ban is also uncertain, as officials have indicated it will be reviewed once prices stabilize.

Effects of Export Ban May be Felt Regionally

Malaysia is a modest poultry exporter, but it is an important supplier to certain countries in the region. Therefore, this ban has food security implications that importing countries are taking seriously.

Malaysia supplied only about 3.5 percent (about 6,247 MT) of Singapore's 2021 poultry meat imports. However, Singapore also imports up to 50 million live chickens and over five million ducks for slaughter in the country each year. The Singapore Food Agency (SFA) noted that approximately 34 percent of Singapore's total chicken meat supply comes from these live imports from Malaysia, while Brazil supplies about 48 percent in the form of chicken meat. The United States is the third largest supplier, accounting for about eight percent in 2021. Groups such as the Consumer Association of Singapore have decried the export ban, noting that prices are likely to increase. Press reports on May 25 noted that some supermarkets had already sold out of chilled chicken by midmorning, driven by shoppers stocking up. SFA has announced it is exploring ways to minimize the impact of Malaysia's ban, including engaging with industry on increasing imports and drawing down stocks. SFA is also encouraging consumers to consider alternate protein sources.

Brunei imported over three million day-old chicks from Malaysia in 2021, and it is unclear whether this supply will be disrupted by the new restrictions. Malaysia is also the primary supplier of imported poultry meat, though imports fell significantly in 2021. Brunei maintains very stringent halal requirements that limit potential sources of supply for poultry meat.

Saudi Arabia has emerged as a significant destination for Malaysian poultry products, mainly due to Malaysian production of chicken products (such as chicken nuggets) for the quick service restaurant sector. It is not clear whether these products are also impacted by Malaysia's export ban. Malaysia exported over 16,000 MT of prepared poultry products in 2021.

Attachments:

No Attachments.