

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Malaysia

### Grain and Feed Annual

#### Annual 2011

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**Report Highlights:**

The outlook for 2010/11 looks 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 to meet increased domestic consumption, as well as to replenish the stock level. Some disruptions in domestic rice output due to La Nina weather conditions will cap self-sufficiency in rice at around 62 percent. The best prospect for U.S. grain sales is in the corn sector but US wheat exports to Malaysia are also expected to show strong growth.

**Commodities:**

Select

**Author Defined:****Executive Summary**

The outlook for 2010/11 looks bright for corn imports in Malaysia. Higher demand for pork and broilers results in an increase in demand for imported feed corn. Imports of wheat are expected to increase strongly in 2010/11 to meet increased domestic consumption, as well as to replenish stocks. With a decline in domestic rice production, Malaysian rice imports rose 15 percent to one million tons in 2010 with Vietnam being the biggest rice supplier to Malaysia.

The anticipated 5-6 percent growth in the Malaysian economy in 2011 should sustain increased demand for all three major grains. Pork consumption is expected to outpace supply as land use for pig rearing becomes more controversial. Some disruptions in domestic rice output due to La Nina weather conditions will cap self-sufficiency in rice at around 62 percent.

The best prospect for U.S. grain sales is still in the corn sector. With an expected decrease in Argentine corn production, imports from the U.S. could increase as much as five-fold to 120,000 tons in 2010/11. With a short supply of hard wheat from Canada, the US market share could surge by 50 percent to 280,000 tons in 2010/11. Historically, the U.S. has been an insignificant player in the Malaysian rice market and should remain so in 2011.

Exchange Rate: US\$1.00 = RM3.403 (Feb 18, 2010); RM3.036 (Feb 18, 2011);

		Production	Imports	Exports	Domestic. Disappearance
			(In 1,000 MT)		
Corn	2009/10	93	2885	0	2985
	2010/11	95	3025	0	3130
	2011/12	100	3230	0	3310
Wheat	2009/10	0	1006	48	1060
	2010/11	0	1180	50	1111
	2011/12	0	1265	50	1165

Rice	2009	1620	907	1	2510
	2010	1610	1040	1	2620
	2011	1630	1130	1	2730

## Corn

(in 1000 Hectares and 1000 MT)

Corn Malaysia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	28	26	28	27		27
Beginning Stocks	540	540	530	531		521
Production	100	93	105	95		100
MY Imports	2,800	2,885	2,800	3,025		3,230
TY Imports	2,800	2,885	2,800	3,025		3,230
TY Imp. from U.S.	7	21	0	120		130
Total Supply	3,440	3,518	3,435	3,651		3,851
MY Exports	10	2	10	0		0
TY Exports	10	2	10	0		0
Feed and Residual	2,700	2,815	2,800	2,955		3,130
FSI Consumption	200	170	200	175		180
Total Consumption	2,900	2,985	3,000	3,130		3,310
Ending Stocks	530	531	425	521		541
Total Distribution	3,440	3,518	3,435	3,651		3,851
Yield (MT/HA)	4.	3.5769	4.	3.5185		3.7037

## Production

Domestic corn production in Malaysia is insignificant.

## Consumption

After achieving an estimated 7 percent GDP growth in 2010, the Malaysian economy is expected to grow around 5 to 6 percent 2011. One international bank even placed Malaysia as one of the top five best-performing economies in Asia for 2011. Despite the recent sharp escalation of global commodity prices, Malaysia's current level of inflation is still manageable, estimated at three to four percent. In addition, Malaysia has a price control and subsidy mechanism to lessen the impact of any sharp increase in prices for essential items.

Pork consumption continues to grow. Ex-farm hog price rose from RM760/100kg in February 2010 to RM800/100kg in February 2011. In the past months, farmers have imported a few shipments of US

breeding pigs to increase its population. While the political sensitiveness of the Muslim population to pig rearing is still a challenge, pig farming should continue for some time to come.

Price controls for broilers were eliminated in April 2009. The average ex-farm price has increased from about RM3.70/kg in February 2010 to RM4.70/kg in February 2011. Higher production cost and a reduction of flock due to disease problems contributed to the price increase. Ex-farm prices for chicken egg also increased from RM0.25 in February 2010 to RM0.33 per unit in February 2011. Most of the big broiler and layer farmers in the sector plan to increase the chicken population in 2010/11.

With the positive outlook, Post expects domestic feed consumption of corn to increase by 5 percent to 3.0 MMT in 2010/11 and by another 6 percent in 2011/12.

## Trade

In line with the increase in domestic consumption, Post expects Malaysian corn imports to increase by 5 percent to 3.0 MMT in 2010/11. The 2011/12 prospect is even brighter with an anticipated 6-7 percent growth. Argentina was the biggest supplier in the Malaysian corn market in 2009/10, followed by Brazil and India. The United States exported only 21,000 metric tons (less than one percent of the total market) in 2009/10.

With an expected decrease in Argentine corn exports, Brazil is likely to dominate the market in 2010/11. With more Indian corn available, Malaysia is buying more Indian corn. Faced with these challenges, U.S. corn is doing well with an expected market share of about 120 TMT (about four percent of the total market in 2010/11).

## Corn Imports

<b>Import Trade Matrix</b>			
<b>Country</b>	Malaysia		
<b>Commodity</b>	Corn		
<b>Time Period</b>	Oct09/Sep10 for 2009, Oct10/Sep11 Not Available	Units:	1000MT
<b>Imports for:</b>	2009		2010
U.S.	21	U.S.	
Others		Others	
Argentina	1205		
Brazil	773		
India	426		
Thailand	263		
Uruguay	89		
Pakistan	87		
Indonesia	12		
Ukraine	4		
Burma	3		
France	1		
Total for Others	2863		0

Others not Listed	1		
Grand Total	2885		0

## 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®).

Malaysia passed the 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 are operative since Nov 1 2010, a grace period of two years was given for any non-compliance. On July 8, 2010, Malaysian Ministry of Health posted food amendment 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. 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/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. Another such mission (funded by Cochran Fellowship Program) was organized in 2010 and resulted in a shipment of 100 US breeder pigs from the United States. Post is using Cochran funding to support a follow-up mission to the United States in 2011.

## Wheat

(in 1000 Hectares and 1000 MT)

Wheat Malaysia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	283	283	301	181		200
Production	0	0	0	0		0
MY Imports	1,303	1,006	1,300	1,180		1,265
TY Imports	1,303	1,006	1,300	1,180		1,265
TY Imp. from U.S.	178	140	0	280		250
Total Supply	1,586	1,289	1,601	1,361		1,465
MY Exports	95	48	100	50		50
TY Exports	95	48	100	50		50
Feed and Residual	40	10	60	11		10
FSI Consumption	1,150	1,050	1,175	1,100		1,155
Total Consumption	1,190	1,060	1,235	1,111		1,165
Ending Stocks	301	181	266	200		250
Total Distribution	1,586	1,289	1,601	1,361		1,465
Yield	0.	0.	0.	0.		0.

## Production

Wheat is not produced in Malaysia.

## Consumption

The Malaysian economy is expected to grow around 5 to 6 percent in 2011, giving much optimism to the food sector. 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 for distributing to neighboring countries such as Singapore, Thailand and Indonesia. Millers expect further growth in the manufacturing of instant noodles and biscuits for the domestic as well as the global market in 2011/2012. Post expects a 4.8 percent growth in wheat consumption for 2010/11 and another 5 percent in 2011/12.

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. When necessary, the GOM has given subsidies to the bread industry in order to alleviate the margin squeeze caused by the surge in global wheat prices

## Trade

Post expects a 17 percent increase in wheat imports in 2010/11 as importers replenish stocks and cater for an increase in domestic demand. Despite the recent flooding, Australia (a mainly soft-wheat supplier) will likely be able to capture the bulk of the of the total Malaysian wheat import market. Traditionally, Malaysia is a favored market for the Australian wheat exporters. With a smaller exportable surplus from the Canadian exporters, the US market share should surge by 50 percent to 280,000 tons in 2010/2011. 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 are expected to increase slightly to about 50 TMT (wheat equivalent) of wheat flour to Singapore, Thailand and Brunei in 2010/11.

### Wheat Imports

<b>Import Trade Matrix</b>			
<b>Country</b>	Malaysia		
<b>Commodity</b>	Wheat		
Time Period	Jul09/Jun10 for 2009, Jul10/Sep10 for 2010	Units:	1000MT
Imports for:	2009		<b>2010</b>
U.S.	140	U.S.	83
Others		Others	
Australia	616	Australia	176
Canada	142	Canada	19
Ukraine	62	Russian Fed	8
Russian Fed.	35	Ukraine	2
U.A. Emirates	4		
Turkey	3		
Bulgaria	1		
Total for Others	863		205
Others not Listed	3		1
Grand Total	1006		289

### Wheat Exports

<b>Export Trade Matrix</b>			
<b>Country</b>	Malaysia		
<b>Commodity</b>	Wheat		
Time Period	Jul09/Jun10 for 2009, Jul10/Sep10 for 2010	Units:	1000MT
Exports for:	2009		<b>2010</b>
U.S.		U.S.	

Others		Others	
Singapore	29	Singapore	9
Thailand	11	Thailand	3
Brunei	6	Brunei	2
Indonesia	1		
	1		
Total for Others	47		14
Others not Listed	1		1
Grand Total	48		15

## Marketing

### Market Development Opportunities

Grain Inspection, Packers & Stockyards Administration (GIPSA) used to send 1 - 2 officers to the ASEAN region for a three-month stint between 2002 and 2008. This program was 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.

## Rice

(in 1000 Hectares and 1000 MT)

Rice, Milled Malaysia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	665	670	665	667		668
Beginning Stocks	600	600	740	616		645
Milled Production	1,590	1,620	1,600	1,610		1,630
Rough Production	2,446	2,485	2,462	2,473		2,504



Milling Rate (.9999)	6,500	6,520	6,500	6,510		6,510
MY Imports	1,070	907	1,020	1,040		1,130
TY Imports	1,020	907	1,020	1,040		1,130
TY Imp. from U.S.	0	1	0	1		1
Total Supply	3,260	3,127	3,360	3,266		3,405
MY Exports	1	1	1	1		1
TY Exports	1	1	0	1		1
Consumption and Residual	2,519	2,510	2,639	2,620		2,730
Ending Stocks	740	616	720	645		674
Total Distribution	3,260	3,127	3,360	3,266		3,405
Yield (Rough, MT/HA)	4.	3.709	4.	3.7076		3.7485

## Production

The rice producing area in the northern area of the Peninsula was hit by ‘La Nina’ phenomena in the first two months of 2011. Some areas together with the drainage and irrigation systems were damaged by floods. Harvested area is expected to decline to 667,000 hectares. The GOM gave aids in form of fertilizer, insecticides and repairing the drainage and irrigation systems. The outlook for 2011 is slightly less optimistic than the previous year. Post forecasts rice production to decline to 1.6 MMT for 2011. 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, the process has been slow when compared to the fast development seen in the oil palm sector.

## Consumption

Domestic consumption increased by 4.4 percent to 2.6 MMT in 2010. Malaysia is about 62 percent self-sufficient. Post expects consumption to increase by about 4.2 percent in 2011 as Malaysia expects the country continues to see an in-flow of foreign workers into the country to offset the shift of local Malaysian from consuming rice to wheat-based products. While rice consumption per capita shows an increase from 81.6 kg in 2006 to 92.1 kg in 2010, 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

With a better domestic rice production, Malaysian rice imports declined 13 percent to 907,000 ton in 2010. After overtaking Thailand as the biggest foreign supplier of rice in Malaysia in 2009, Vietnam remained the top supplier in 2010 with about 64 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 supplier was Pakistan. Rice sales from the United States amounted to less than 1,000 MT, mainly Calrose rice consumed by Japanese and Korean expatriates.

In 2011, rice imports are expected to increase to 1.1 MMT to meet increased local consumption, as well as to replenish stock.

## Rice Imports

<b>Import Trade Matrix</b>			
<b>Country</b>	Malaysia		
<b>Commodity</b>	Rice, Milled		
<b>Time Period</b>	Jan-Dec for CY09, Jan-Sep for CY10	<b>Units:</b>	1000MT
<b>Imports for:</b>	2009		<b>2010</b>
U.S.	1	U.S.	1
Others		Others	
Vietnam	861	Vietnam	449
Thailand	144	Thailand	130
Pakistan	52	Pakistan	120
Burma	19	China	1
India	7		
Cambodia	2		
Total for Others	1085		700
Others not Listed	1		2
Grand Total	1086		702

## Policy

### Production Policy

Under the Tenth Malaysian Plan (TMP) (2011-2005), the GOM has dropped the target of reaching 90 percent self-sufficiency in rice production by 2010. 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 rice stockpile at 292,000 metric tons or sustained consumption for 45 days, entering long-term contract agreements to import rice in exchange for palm oil, and increasing the productivity of existing granary and non-granary areas through upgrading of infrastructure. No new areas will be developed for rice cultivation and local production of rice will be set to reach a 70% level of self-sufficiency through improvements in yields.

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. In August 2009, a seven-member team from USA Rice Federation visited Malaysia to evaluate the Malaysia market for US rice.

END OF REPORT.