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Tobacco and Products

Annual

2000

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Report Highlights:

Tobacco was America's second largest ag export item to Malaysia in 1999 behind soybeans. In Malaysia, leaf imports rose to meet the shortfall in local leaf output and the increase in cigarette export. Outlook for leaf imports in 2000 is bright due to anticipated increase in cigarette demand from the domestic as well as overseas market. Total US imports are estimated to reach 8,400 MT in 2000. Due to adverse weather conditions, local flue-cured output is expected to dip to 7,200 MT while burley production is expected to rise to 765 MT.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Tobacco was America's second largest ag export item to Malaysia in 1999, behind soybeans. Malaysian imports of flue-cured tobacco rebounded to 1997's level mainly due to the shortfall in domestic production and strong overseas demand for Malaysian manufactured cigarettes. Imports of burley tobacco also soared in response to the sharp increase in production of US blended cigarettes. While US remains the top supplier of tobacco leaves to Malaysia, Brazil and Zimbabwe have made many inroads into the market. The outlook for cigarette exports in 2000 is promising due to another shortfall in local output and an expected increase in cigarette production. Total imports (flue-cured and burley) from the U.S. are estimated to reach 8,400 metric tons (MT) - about 45 percent of the Malaysian tobacco import market.

Malaysia's total flue-cured tobacco production dropped to 7,817 metric tons in 1999. Adverse weather conditions affected yields as well as leaf quality. The domestic target for 2000 had been set at 15,100 tons but with the recent heavy downpours, the industry expects output to dip to 7,800 MT.

Domestic burley rose 585 MT in 1999 but adverse weather conditions resulted in a decline in yields. Total area rose to 788 hectares in 1999. For 2000, farmers plan to increase planted area and Post expects domestic burley output to increase to 765 MT.

Domestic cigarette output rose 16.7 percent in 1999. While the domestic market remained down, cigarette exports enjoyed a hefty jump. The 2000 outlook for the cigarette sector is even brighter with an anticipated turn-around in local consumption and a further growth in overseas demand. Post estimates a 7 - 8 percent increase in cigarette production in 2000. After the recent price increase in 1998, local manufacturers again hiked cigarette prices by RM0.10 (US\$0.03) to RM0.40 (US\$0.11) per packet of 20.

Exchange rates: 1999: US\$1.00 = M\$3.799 (May 14)
2000: US\$1.00 = M\$3.799 (May 15)

Tobacco, Unmfg., Flue Cured:

PSD Table						
Country	Malaysia					
Commodity	Tobacco, Unmfg.,Flue Cured				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	14200	14200	13000	18522	0	16750
Beginning Stocks	21349	21349	21096	21096	21996	18010
Farm Sales Weight Prod	11361	11361	10000	7817	0	8000
Dry Weight Production	10225	10225	9000	7035	0	7200
U.S. Leaf Imports	4675	4675	7500	4578	0	6000
Other Foreign Imports	4847	4847	7700	8212	0	13800
TOTAL Imports	9522	9522	15200	12790	0	19800
TOTAL SUPPLY	41096	41096	45296	40921	21996	45010
Exports	0	0	0	61	0	0
Dom. Leaf Consumption	10200	10200	10300	10250	0	7000
U.S. Leaf Dom. Consum.	5000	5000	7000	4600	0	5000
Other Foreign Consump.	4800	4800	6000	8000	0	12570
TOTAL Dom. Consumption	20000	20000	23300	22850	0	24570
TOTAL Disappearance	20000	20000	23300	22911	0	24570
Ending Stocks	21096	21096	21996	18010	0	20440
TOTAL DISTRIBUTION	41096	41096	45296	40921	0	45010

Production

La Nina weather conditions brought disaster to the 1999 tobacco crop. Domestic output of flue-cured tobacco dropped 31 percent to 7,817 metric tons (MT) in 1999, well below the quota agreed to by local cigarette manufacturers. Yield per planted hectare was halved to 422 kg in 1999. Leaf quality was reduced significantly and the average unit price declined from US\$4.58/kg in 1998 to US\$3.33/kg in 1999. The total value of the 1999 crop was estimated to tumble from US\$39 million in 1998 to US\$26 million in 1999.

A repeat of 1999's situation is happening to this year's crop. Heavy downpours during the first quarter caused substantial damage to the first season crop in the main tobacco growing area of the country. Farmers, who have suffered a 70 percent crop loss from the first season, look towards a better harvest from the second crop. The industry

forecasts flue-cured leaf production to drop to 7,800 MT, 48 percent short of the given quota.

The following table provides a comparison of the domestic production quota and actual output of tobacco over the past ten years:

Year	Production Quota (MT)	Actual Output (MT)	Actual/Quota (Percent +/-)
1990	9,717	10,517	+ 8.2
1991	10,473	9,849	- 6.0
1992	11,348	11,509	+ 1.4
1993	11,403	9,942	-12.8
1994	9,764	6,172	-36.8
1995	12,399	10,467	-15.6
1996	12,561	11,988	- 4.6
1997	13,300	11,444	-14.0
1998	14,160	11,361	-19.8
1999	14,400	7,817	-45.7
2000 1/	15,100	7,800	-48.3

1/ Estimate

Average yield deteriorated in CY1999 due to the abnormally wet weather conditions. The following table provides a comparison of output, area, and yields over the past 10 years.

Year	Output (MT)	Area (HA)		Yield (KG/HA)	
		Planted	Harvested	Planted	Harvested
1990	10,517	10,168	9,579	1,034	1,098
1991	9,849	14,953	10,678	659	922
1992	11,509	11,905	11,366	967	1,013
1993	9,942	12,355	10,333	805	962
1994	6,172	10,219	6,871	603	898
1995	10,467	10,525	9,889	994	1,058
1996	11,988	10,982	10,431	1,092	1,149
1997	11,444	10,790	10,148	1,060	1,127
1998	11,361	14,200	11,739	800	968
1999	7,817	18,522	8,328	422	1,065

Consumption

Domestic consumption of flue-cured tobacco rose 14 percent in 1999. Usage of leaves for the manufacturing of cigarettes and cut-rags/fillers for the export market recorded a hefty jump while the domestic cigarette market was depressed for most of the year.

The outlook for flue-cured tobacco consumption is more promising in this current year. The strong economic recovery in the second half of 1999 helped to decelerate the downtrend in the domestic cigarette market. The anticipated stronger economic growth in 2000 augurs well for cigarette consumption. Exports of cigarettes and cut-rags are also expected to continue to enjoy steady growth.

Prices

The GOM maintains minimum purchase prices of US\$0.07-US\$0.24 per kilogram for green leaf and US\$1.05-US\$4.42 per kilogram for cured leaf (depending on the grade). These support prices for Malaysian flue-cured Virginia tobacco are among the highest in the world and about twice that from neighboring Thailand.

Trade

The shortfall in domestic output forced tobacco manufacturers to increase leaf imports. While imports of U.S. flue-cured leaves dipped 2 percent, imports from Brazil soared 57 percent in 1999. Other major suppliers such as Zimbabwe, China and Indonesia also recorded substantial gains.

In 1999, Malaysia exported/re-exported 53 MT of flue-cured tobacco to Indonesia and 8 MT to Japan.

With the anticipated increase in cigarette manufacturing in Malaysia and a further dip in local leaf output, total flue-cured tobacco imports are expected to increase by at least 55 percent to 19,800 MT in 2000. While the United States will continue to be the top supplier, its market share is expected to be further eroded by competitors as tobacco manufacturers turn to using cheaper overseas fillers as substitutes for the local leaves.

Factors Affecting U.S. Trade

Cigarette manufacturers rely on US tobacco to maintain the desired favor in the cigarette. However, in recent years, Brazil has emerged as a formidable competitor with market share rocketing from 7 percent in 1997 to 19 percent in 1999. Apart from being price competitive, Brazilian leaf quality has shown marked improvement over the years.

Trade Trends

Import volumes and values of Unmanufactured Flue-Cured Tobacco in 1998 are provided below :

		1998(Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	4,675	31,711,158
2	Brazil	1,621	6,246,824
3	Zimbabwe	764	2,739,212
4	China	512	1,618,486
5	Indonesia	448	519,811
6	India	272	903,387
7	Spain	218	648,733
8	Greece	157	422,830
9	Italy	144	538,740
10	Canada	122	496,082
11	Kenya	119	391,385
12	Pakistan	101	157,772
13	Portugal	83	235,141
14	Tanzania	59	166,479
15	Argentina	54	63,552
16	Thailand	44	85,984
17	Switzerland	40	121,524
18	Philippines	38	129,337
19	Taiwan	20	55,267
20	South Africa	19	16,933
21	Japan	9	60,860
22	Turkey	3	10,535
	--Total	9,522	47,340,032

Trade Trends

Import volumes and values of Unmanufactured Flue-Cured Tobacco in 1999 are provided below :

		1999(Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	4,578	32,974,390
2	Brazil	2,548	8,356,809
3	Zimbabwe	1,000	3,335,578
4	China	837	2,085,440
5	Indonesia	828	1,678,921
6	Philippines	517	1,488,656
7	India	413	1,110,736
8	Thailand	401	994,682
9	Spain	303	737,184
10	Canada	300	1,231,944
11	Pakistan	193	287,266
12	Greece	158	382,016
13	Italy	124	528,187
14	Kenya	118	305,919
15	Portugal	102	207,783
16	Argentina	92	82,746
17	Turkey	87	470,144
18	Australia	53	31,816
19	Tanzania	40	126,797
20	Belize	38	162,091
21	Chile	33	124,759
22	South Africa	27	111,000
	--Total	12,790	56,814,862

Import Trade Matrix for Tobacco, Unmfg, Flue-Cured

Import Trade Matrix			
Country	Malaysia		
Commodity	Tobacco, Unmfg., Flue Cured		
Time period	Jan-Dec	Units:	Metric Tons
Imports for:	1998		1999
U.S.	4675	U.S.	4578
Others		Others	
Brazil	1621	Brazil	2548
Zimbabwe	764	Zimbabwe	1000
China	512	China	837
Indonesia	448	Indonesia	828
India	272	Philippines	517
Spain	218	India	413
Greece	157	Thailand	401
Italy	144	Spain	303
Canada	122	Canada	300
Kenya	119	Pakistan	193
Total for Others	4377		7340
Others not Listed	470		872
Grand Total	9522		12790

Export Trade Matrix for Tobacco, Unmfg, Flue-Cured

Export Trade Matrix			
Country	Malaysia		
Commodity	Tobacco, Unmfg., Flue Cured		
Time period	Jan-Dec	Units:	Metric Tons
Exports for:	1998		1999
U.S.		U.S.	
Others		Others	
		Indonesia	53
		Japan	8
Total for Others	0		61
Others not Listed			
Grand Total	0		61

Stocks

Due to the decline of local leaf production and the merger of the two leading tobacco companies, the carry-out stock level declined at the end of 1999. In 2000, part of the increase in imports is for replenishing stocks.

Policy**Production Policy**

As a result of the financial crisis which started in mid-1999, the GOM has taken measures to reduce expenditures on agricultural imports. The GOM has reversed its policy to phase out the local tobacco industry and given mandate to Malaysian Agricultural Research and Development Institute (MARDI) and the Tobacco Board to step up research and development programs to prepare the farmers to face the eventual removal of tariff protection under the AFTA. However, tobacco has to compete with other crops such as rice and oil palm as land resources are limited.

Tariff Changes

The GOM has not imposed additional import taxes on unmanufactured leaf since 1982. A chronology of tax/duty increases in Malaysia is provided in MY3022.

Non-Tariff Barriers

All imports of flue-cured or Virginia tobacco must be approved by the Ministry of Primary Industries (MPI). The MPI is apparently quite flexible in administering the import quota as import licenses have been routinely approved for the quantities requested by the cigarette manufacturers. In addition, cigarette manufacturers are not required to use local leaf in the manufacture of cigarettes for the export market and this augurs well for U.S. tobacco.

Competitor Activities

Most competitor countries do little in the way of market promotion but use lower prices as a selling point. In the past, only Canada made a serious effort to promote its tobacco but it had minimal impact.

Tobacco, Mfg., Cigarettes:

PSD Table						
Country	Malaysia					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Filter Production	24090	24090	28980	28110	0	30360
Non-Filter Production	2100	2100	2520	2457	0	2640
TOTAL Production	26190	26190	31500	30567	0	33000
Imports	978	978	1000	903	0	900
TOTAL SUPPLY	27168	27168	32500	31470	0	33900
Exports	7868	7868	14000	12467	0	14500
Domestic Consumption	19300	19300	18500	19003	0	19400
TOTAL DISTRIBUTION	27168	27168	32500	31470	0	33900

Production

The big news of the year for the Malaysian cigarette industry was the merger of Rothmans of Pall Mall (Malaysia) Bhd and Malaysian Tobacco Co.(MTC) Bhd. Now known as British American Tobacco (M) Bhd (BAT), the company accounts for 70 percent of the Malaysian cigarette market. R.J. Reynolds Tobacco Company Bhd. and Philip Morris share the remaining 30 percent. Philip Morris (PM) is the only American tobacco company operating in Malaysia and the only company committed to using US leaf. Since PM is 100% foreign-owned, 80% of its output has to be exported. Apart from manufacturing cut-fillers, PM started producing cigarettes at the beginning of 1999. Overall, in the longer term, domestic cigarette production will only be hurt if the differential in import tariffs makes it more attractive to shift operations to other ASEAN countries.

Domestic cigarette output rose 16.7 percent in 1999, reflecting the surge in exports rather than an increase in domestic consumption. With further increase in overseas demand and an anticipated turnaround in domestic consumption, the 2000 lookout for cigarette manufacturing is promising. Post estimates a 7 - 8 percent increase in cigarette production in 2000.

Consumption

Domestic consumption of cigarettes continued to be depressed in 1999 although the strong economic recovery in the second half of 1999 helped to slow the downtrend. Cigarette companies have expressed concern that the sharp hike in excise duty in 1998 may encourage smuggling of non-duty paid cigarettes into the country. The non-duty paid (contrabands and counterfeit) cigarettes make up roughly 12 - 20 percent of the total cigarette market.

The outlook for flue-cured tobacco consumption is more promising in this current year. The strong economic recovery in the second half of 1999 helped to decelerate the downtrend in the domestic cigarette market. The anticipated stronger economic growth in 2000 augurs well for cigarette consumption.

Younger Malaysians prefer to smoke American-blended cigarettes. With about half of the population below age 25, the demand for these cigarettes should continue to climb. The local market share for American-blend cigarettes has expanded from 38 percent in 1998 to 42 percent in 1999. Marlboro has overtaken Salem as the current leading American-blended cigarette brand. Other good sellers include Camel, Winston, Kent, Lucky Strike and Peter Stuyvesant. However, straight Virginia or English-blend cigarettes still dominate the Malaysian cigarette market with Dunhill and Benson & Hedges being the top brands.

Prices

Effective September 13, 1999, local manufacturers increased the cigarette price by RM0.10 (US\$0.03) to RM0.40 (US\$0.11) per packet of 20. (The previous price increase was in Sept, 1998). While this single increase was not large, cigarette prices have been raised substantially over the last 18 years. For example, the retail price of Benson & Hedges' Special Filter (20's) has gone from RM1.40 (US\$0.37) in 1980 to RM3.90 (US\$1.11) in 1999. Some representative cigarette prices are as follows (RM per pack of 20):

Cigarette Representatives	Prices
Benson (sp. Filter)	RM4.20
Rothmans International	RM4.50
Pall Mall Kings	RM4.60
Mild Seven King Size	RM4.30
Lucky Strike	RM4.50
Dunhill King Size	RM4.30
Player's Gold Leaf 100's	RM3.00
Peter Stuyvesant King Size	RM4.30
SE 555 Kings	RM4.30
Kent Kings	RM4.30
Marlboro King Size	RM4.20
Salem King Size	RM4.30
More King Size	RM2.90
Camel (Regular)	RM4.40

Trade

Imports of cigarettes dropped 8 percent in 1999. Imports of 'kretek' cigarettes from Indonesia increased sharply while imports from most other suppliers such as the U.S., Hong Kong and the United Kingdom recorded declines. In general, very high Malaysian tariffs restrict imports of cigarettes for the local market. For example, a popular Japanese brand amongst the Japanese expatriates living in Malaysia is being produced in Malaysia instead of being imported from Japan. Imports of American and European cigarettes are destined for the higher-priced specialty shops.

Imports of cigarettes by volume and value in CY1998 are listed below:

		1998 (Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	262	6,671,542
2	Hong Kong	180	42,343
3	U.K.	163	59,413
4	Philippines	132	1,959,122
5	China	86	1,731,087
6	Indonesia	78	842,800
7	Japan	41	754,560
8	Singapore	21	97,591
9	Thailand	8	958,403
10	Netherlands	3	390,717
11	Belgium	3	84,577
12	Afghanistan	1	3,706,747
	--Total:	978	17,298,903

Imports of cigarettes by volume and value in CY1999 are listed below:

		1999 (Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	231	6,529,456
2	Indonesia	253	4,116,289
3	Philippines	111	891,787
4	Singapore	66	887,359
5	China	61	1,589,920
6	Hong Kong	58	533,313
7	Japan	51	1,104,173
8	U.K.	36	918,443
9	Switzerland	17	414,250
10	Thailand	17	213,072
11	Germany	2	52,163
	--Total:	902	17,250,225

Exports of cigarettes rose 58 percent to 12,467 MT in 1999 primarily due to the sharp increase in demand from Thailand and South Korea. However, exports of low-priced cigarettes to Afghanistan continued to be on a downtrend. Malaysia continued to penetrate into new markets such as Iran, Panama and Bulgaria. The outlook for cigarette exports in 2000 is promising with most cigarette manufacturers geared to increasing production for the overseas market. Post expects cigarette exports to increase 16 percent in 2000.

Exports of cigarettes by volume and value in CY 1998 are listed below:

		1998 (Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	91	782,577
2	Singapore	2703	39,016,525
3	Thailand	2128	16,322,065
4	Korea	929	14,451,361
5	Hong Kong	773	9,329,942
6	Belgium	327	3,803,331
7	U.A.E.	166	877,900
8	Brunei	148	1,894,479
9	Afghanistan	121	592,070
10	Georgia	115	2,581,913
11	Japan	79	1,017,263
12	Philippines	66	985,090
13	Turkey	62	1,475,136
14	Kuwait	48	319,029
15	Vietnam	40	721,455
16	Taiwan	25	871,076
17	Australia	6	125,111
18	Nepal	4	47,517
19	Macau	3	48,913
20	Indonesia	3	74,087
21	U.K.	2	54,419
22	China	2	62,327
23	Sri Lanka	2	54,061
24	Bangladesh	1	38,917
25	Chile	1	6,301
26	Paraguay	1	13,683
27	Others	113	1,566,458
	--Total	7,868	97,133,008

Exports of cigarettes by volume and value in CY 1999 are listed below:

		1999 (Jan-Dec)	
		MT	Value (US\$)
1	U.S.A.	150	1,513,675
2	Thailand	3,654	30,342,546
3	Korea Rep.	2,062	21,537,143
4	Singapore	2,024	22,281,845
5	Hong Kong	1,669	17,792,610
6	Belgium	1,605	19,358,321
7	Taiwan	286	3,934,529
8	Brunei	189	3,553,299
9	Iran	150	778,810
10	Philippines	146	2,192,479
11	U.A.E.	94	610,908
12	Kuwait	78	522,462
13	Afghanistan	58	380,879
14	Panama	57	1,166,410
15	U.K.	55	1,317,820
16	Bulgaria	37	827,941
17	Nepal	30	404,681
18	Vietnam	16	303,801
19	China	14	70,088
20	Japan	14	122,126
21	Australia	12	170,956
22	Indonesia	12	170,592
23	Macau	9	297,765
24	Uruguay	8	60,800
25	Maldives	5	49,785
26	India	5	34,472
27	Paraguay	3	31,594
28	Bangladesh	3	40,685
29	Mali	3	28,989
30	Bahrain	3	21,986
31	Chile	2	35,991
32	Monaco	1	53,743

33	Germany	1	8,277
34	Others	12	494,951
	--Total	12,467	130,512,961

Export Trade Matrix for Tobacco, Mfg, Cigarettes

Export Trade Matrix			
Country	Malaysia		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan-Dec	Units:	Metric Tons
Exports for:	1998		1999
U.S.	91	U.S.	150
Others		Others	
Singapore	2703	Thailand	3654
Thailand	2128	Korea Rep.	2062
Korea Rep.	929	Singapore	2024
Hong Kong	773	Hong Kong	1669
Belgium	327	Belgium	1605
U.A. Emirates	166	Taiwan	286
Brunei	148	Brunei	189
Afghanistan	121	Iran	150
Georgia	115	Philippines	146
Japan	79	U.A. Emirates	94
Total for Others	7489		11879
Others not Listed	288		438
Grand Total	7868		12467

Import Trade Matrix for Tobacco, Mfg, Cigarettes

Import Trade Matrix			
Country	Malaysia		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan-Dec	Units:	Metric Tons
Imports for:	1998		1999
U.S.	262	U.S.	231
Others		Others	
Hong Kong	180	Indonesia	253
United Kingdom	163	Philippines	111
Philippines	132	Singapore	66
China	86	China	61
Indonesia	78	Hong Kong	58
Japan	41	Japan	51
Singapore	21	United Kingdom	36
Thailand	8	Switzerland	17
Netherlands	3	Thailand	17
Belgium	3	Germany	2
Total for Others	715		672
Others not Listed	1		
Grand Total	978		903

Policy**Tariff Changes**

The cigarette sector was spared another tax hike in the last budget. The previous increase was in October 1998 when the GOM increased the import duty on cigarettes from US\$42.63/kg to US\$47.38/kg. For locally manufactured cigarettes, the excise duty was increased from US\$7.52/kg to US\$10.52/kg.

Import Requirements

All cigarette packages are required by the GOM to carry the warning: Amaran Kementerian Kesihatan Malaysia-merokok membahayakan kesihatan ("Warning by the Malaysian Ministry of Health-smoking endangers health"). Labels must also state that the levels of tar and nicotine are below the allowable maximum levels. Where the container is a packet which is

a rectangular block in shape, the words shall be placed on either side panel of the packet. The words shall be in block letters of not less than 3mm in height and in the same color and background as the name of the brand. If the words appear on a label, the label shall be securely affixed to the container. This rule applies to imported as well as domestically manufactured cigarettes.

Tobacco, Unmfg., Total:

PSD Table						
Country	Malaysia					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	14720	14720	13000	19310	0	0
Beginning Stocks	22764	22764	21830	22536	22860	19191
Farm Sales Weight Prod	11805	11805	10540	8402	0	8765
Dry Weight Production	10625	10625	9500	7562	0	7890
U.S. Leaf Imports	6378	6378	10840	6530	0	8380
Other Foreign Imports	8223	8223	11200	12460	0	18620
TOTAL Imports	14601	14601	22040	18990	0	27000
TOTAL SUPPLY	47990	47990	53370	49088	22860	54081
Exports	0	0	0	252	0	0
Dom. Leaf Consumption	10670	10651	10700	10650	0	7560
U.S. Leaf Dom. Consum.	7330	6750	10310	6630	0	7370
Other Foreign Consump.	8160	8053	9500	12365	0	17451
TOTAL Dom. Consumption	26160	25454	30510	29645	0	32381
TOTAL Disappearance	26160	25454	30510	29897	0	32381
Ending Stocks	21830	22536	22860	19191	0	21700
TOTAL DISTRIBUTION	47990	47990	53370	49088	0	54081

Production

The state of Sabah in East Malaysia remains the main burley growing area in Malaysia followed by the states of Kelantan and Perlis in the Peninsula. Total area rose from 520 hectares in 1998 to 788 hectares in 1999. While total output increased 32 percent to 585 MT, adverse weather conditions resulted in a decline in yields. Yield per hectare dropped from 854 kg/ha in 1998 to 742 kg/ha in 1999. In a normal year, the average yield should be around 1,000 MT/ha. For 2000, farmers plan to increase planted area and Post expects domestic burley output to increase to 765 MT.

Summary for area and production for Flue-cured and Burley

Year	1997	1998	1999	2000 1/
AREA (Hectares)				
Flue-Cured	10,790	14,200	18,522	16,750
Burley	507	520	788	850
--TOTAL	11,297	14,720	19,310	17,600

Year	1997	1998	1999	2000 1/
PRODUCTION (Metric Tons)				
Flue-Cured	11,444	11,361	7,817	7,800
Burley	521	444	585	765
--TOTAL:	11,965	11,805	8,402	8,565

1/ AgAtt Estimate

Consumption

All the major cigarette manufacturers are stepping up cigarette and cut-rags exports to countries within the region. In line with a gradual shift to U.S. blend cigarettes in the local market, burley usage is expected to increase in the coming years.

Trade

In 1999, imports of burley rose 17.5 percent to 4,435 MT largely due to the increase in US blended cigarette production. However, US's market share suffered a dip to 44 percent of the Malaysian burley import market. Thailand and Brazil competed aggressively although Canada suffered a setback. Burley imports are expected to grow in 2000 in line with the anticipation of greater demand for US blended cigarette. Domestic manufacturers also imported about 1,765 of oriental tobacco in 1999 from Turkey, Greece, Bulgaria, Macedonia and Bulgaria for blending purposes.

In 1999, Malaysia exported/re-exported 191 MT of burley, mainly to Belgium, Egypt, Ukraine and Indonesia.

Imports volumes and value of Total Unmanufactured Tobacco 1998 are provided below:

		Jan-Dec 1998	
		MT	Value (US\$)
1	U.S.A.	6,378	43,719,920
2	Brazil	1,918	7,533,400
3	Turkey	1,186	5,710,671
4	Zimbabwe	844	2,984,057
5	China	824	2,865,512
6	Canada	783	3,443,656
7	Indonesia	605	690,151
8	Thailand	444	1,301,720
9	India	312	1,023,832
10	Greece	253	956,898
11	Spain	218	648,733
12	Italy	181	742,875
13	Kenya	119	391,385
14	Pakistan	101	157,772
15	Portugal	83	235,141
16	Tanzania	59	166,479
17	Argentina	54	63,552
18	Switzerland	40	121,524
19	Chile	39	188,827
20	Philippines	38	129,337
21	Japan	37	243,940
22	Bulgaria	25	64,446
23	Taiwan	20	55,267
24	Melawi	20	67,322
25	South Africa	19	16,933
26	Hong Kong	1	4,148
27	Macedonia	0	735
	--Total	14,601	73,528,232

Imports volumes and value of Total Unmanufactured Tobacco 1999 are provided below:

		Jan -Dec 1999	
		MT	Value (US\$)
1	U.S.A.	6,529	47,200,715
2	Brazil	2,904	10,111,741
3	Turkey	1,615	7,759,853
4	Thailand	1,359	4,015,620
5	China	1,108	3,225,212
6	Zimbabwe	1,085	3,636,207
7	Indonesia	1,072	1,985,079
8	Philippines	688	2,032,579
9	India	433	1,157,166
10	Greece	391	1,671,027
11	Canada	329	1,345,213
12	Spain	303	737,184
13	Pakistan	193	287,266
14	Italy	184	882,798
15	Chile	156	702,174
16	Kenya	118	305,919
17	Portugal	102	207,783
18	Belize	96	414,445
19	Argentina	92	82,746
20	Switzerland	58	424,435
21	Australia	53	31,816
22	Tanzania	40	126,797
23	South Africa	37	141,056
24	Vietnam	20	62,624
25	Melawi	20	63,179
26	Bulgaria	3	8,031
27	Japan	0	0
28	Taiwan	0	0
	Total	18,989	88,618,663

Import Trade Matrix for Tobacco, Unmfg., Total

Import Trade Matrix			
Country	Malaysia		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan- Dec	Units:	Metric Tons
Imports for:	1998		1999
U.S.	6378	U.S.	6529
Others		Others	
Brazil	1918	Brazil	2904
Turkey	1186	Turkey	1615
Zimbabwe	844	Thailand	1359
China	824	China	1108
Canada	783	Zimbabwe	1085
Indonesia	605	Indonesia	1072
Thailand	444	Philippines	688
India	312	India	433
Greece	253	Greece	391
Spain	218	Canada	329
Total for Others	7387		10984
Others not Listed	836		1476
Grand Total	14601		18989

Export Trade Matrix for Tobacco, Unmfg., Total

Export Trade Matrix			
Country	Malaysia		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan-Dec	Units:	Metric Tons
Exports for:	1998		1999
U.S.		U.S.	
Others		Others	
		Belgium	99
		Egypt	72
		Indonesia	53
		Ukraine	20
		Japan	8
Total for Others	0		252
Others not Listed			
Grand Total	0		252

End of Report