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Malaysia

Sugar

Annual

2003

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Report Highlights:

Total Malaysian cane production is expected to drop to 870 TMT in 2002 due to a reduction in planted area. Domestic sugar consumption should rebound in response to increased demand from refiners. The outlook for imports is very bright with a expected 6% growth in 2003. Exports of refined sugar to neighboring countries continued to show an uptrend in recent years.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Kuala Lumpur [MY1], MY

Table of Content

Executive Summary	1
Production	4
Consumption	4
Trade	4
Stocks	6
Policy	6

Executive Summary

A small reduction of planted area and dry weather conditions resulted in a decline in sugar cane production in 2002. However, a better sugar recovery rate led to a better-than-expected raw sugar output. Due to a restructuring exercise, planted area and cane output are expected to be further reduced in 2003.

Domestic sugar consumption dropped 5 percent in 2002, apparently due to the lower demand from the industrial sector. Post expects domestic consumption to rebound 5 % in CY2003. Wholesale and retail prices for sugar are controlled and remain unchanged since December, 2000.

According to Malaysian import statistics, the average unit value of raw sugar (95-98 degree Polarization) purchased from Thailand in the free market was RM648 (US\$170)/ton in CY2002 compared to RM720 (US\$190)/ton in CY2001.

Malaysia is only 10 percent self-sufficient in domestic sugar production. Malaysia's raw sugar imports from Brazil recorded a 54% growth in 2002. Australia's market suffered a 6% drop in market share but still dominated 54 percent of the market. Post expects sugar imports to reach 1.47 MMT in 2003. The growth in imports is likely to be sustained in view of a reduction in domestic sugar output and the good prospect of an expansion in the food processing sector.

Exports of refined sugar rose 39 percent in 2002. Sharp increases in exports to Indonesia, Singapore and the Philippines more than offset a decline in shipments to New Zealand. Post expects Malaysian total sugar exports to be in the ballpark of 400 - 450 TMT for the next two years.

A new long-term trade agreement (LTA) with Australia to cover about 40-60 percent of domestic requirements for two-years, was concluded at the end of 2002.

Exchange Rate: Pegged at RM3.799 to US\$1.00 since 1998.

PSD Table: Sugar Cane for Centrifugal

PSD Table						
Country	Malaysia					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2002		01/2003		01/2004
Area Planted	20	19	22	17	0	16
Area Harvested	16	15	17	13	0	12
Production	1060	1000	1140	870	0	800
TOTAL SUPPLY	1060	1000	1140	870	0	800
Utilization for Sugar	1060	1000	1140	870	0	800
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	1060	1000	1140	870	0	800

PDS Table: Centrifugal Sugar

PSD Table						
Country	Malaysia					
Commodity	Centrifugal Sugar				(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2002		01/2003		01/2004
Beginning Stocks	130	130	150	120	160	137
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	106	110	114	87	0	80
TOTAL Sugar Production	106	110	114	87	0	80
Raw Imports	1400	1385	1450	1470	0	1580
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	1400	1385	1450	1470	0	1580
TOTAL SUPPLY	1636	1625	1714	1677	160	1797
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	300	420	330	400	0	450
TOTAL EXPORTS	300	420	330	400	0	450
Human Dom. Consumption	1186	1085	1224	1140	0	1200
Other Disappearance	0	0	0	0	0	0
Total Disappearance	1186	1085	1224	1140	0	1200
Ending Stocks	150	120	160	137	0	147
TOTAL DISTRIBUTION	1636	1625	1714	1677	0	1797

Production

The El Nino weather conditions had a small impact on the 2002 crop, resulting in a decline in cane production. However, the sugar recovery rate was better as the dryness during the harvest helped to reduce operating cost. In dry conditions, heavy machinery causes less damage to the fields and the harvested canes were much cleaner without mud sticking onto them.

The harvest of the 2003 crop is nearly over. Area under sugar cane has been reduced due to a restructuring exercise by one of the integrated mills. As a result, the cane output is expected to drop to 870 TMT. A further reduction in area is anticipated in 2004. The newly established sugar plantation in the state of Sabah on the Borneo Island still has not constructed its processing mill. Consequently, Post forecasts a small drop in cane output for 2004.

Consumption

Domestic sugar consumption dropped 5 percent in 2002, apparently due to the lower demand from the industrial sector. Household-use accounts for about 70 percent of total domestic disappearance of sugar while the balance is utilized by manufacturers of sweetened condensed milk, sweetened beverages, bakery products, ice cream, chocolates and other confectioneries. Post expects domestic consumption to rebound 5 % in CY2003 and CY2004.

Wholesale and retail prices for sugar are controlled under the Supplies Regulation Act (1974). The GOM reduced the wholesale price from RM1,395/ton (US\$367) to RM1,345/ton (US\$354) and retail price from RM1.45/kg (US\$0.38) to RM1.40/kg (US\$0.37) since December, 2000.

According to Malaysian import statistics, the average unit value of raw sugar (95-98 degree Polarization) purchased from Thailand in the free market was RM648 (US\$170)/ton in CY2002 compared to RM720 (US\$190)/ton in CY2001.

Trade

Malaysia is only 10 percent self-sufficient in domestic sugar consumption. Refiners have relied on imports for their milling requirement. Malaysia's raw sugar imports from Brazil recorded a 54% growth in 2002. Australia's market suffered a 6% drop in market share but still dominated 54 percent of the market. Imports from Thailand increased substantially while supplies from South Africa were reduced. Fiji, once a important source, has been out off the market since 2000.

Post expects sugar imports to reach 1.47 MMT in 2003 to meet increased demand from the refiners as well as for stock replenishment. The growth in imports is likely to be sustained in view of a reduction in domestic sugar output and the good prospect of an expansion in the food processing sector.

Exports of refined sugar rose 39 percent in 2002. Sharp increases in exports to Indonesia, Singapore and the Philippines more than offset a decline in shipments to New Zealand. Post expects Malaysian total sugar exports to be in the ballpark of 400 - 450 TMT for the next two years.

Import Trade Matrix: Centrifugal Sugar

Import Trade Matrix			
Country	Malaysia		
Commodity	Centrifugal Sugar		
Time period	Jan-Dec	Units:	1000MT
Imports for:	2001		2002
U.S.		U.S.	
Others		Others	
Australia	791	Australia	752
Brazil	185	Brazil	286
Thailand	173	Thailand	190
South Africa	147	South Africa	91
Guatemala	29	Guatemala	37
		Cuba	25
		India	2
		China	2
Total for Others	1325		1385
Others not Listed			
Grand Total	1325		1385

Export Trade Matrix: Centrifugal Sugar

Export Trade Matrix			
Country	Malaysia		
Commodity	Centrifugal Sugar		
Time period	Jan-Dec	Units:	1000MT
Exports for:	2001		2002
U.S.		U.S.	
Others		Others	
Indonesia	221	Indonesia	268
Singapore	48	Singapore	94
New Zealand	15	Philippines	35
Philippines	11	New Zealand	13
Cambodia	4	Hong Kong	3
Hong Kong	2	Sri Lanka	2
		China	2
		Cambodia	1
Total for Others	301		418
Others not Listed	1		2
Grand Total	302		420

Stocks

Carry-out stocks declined 7.7 percent at the end of CY2002 reflecting the sharper increase in exports of refined sugar. As for 2003, part of the increase in imports will be used to rebuild stocks.

Policy

Non-Tariff Barriers: Malaysia has a long-term trade agreement (LTA) with Australia to cover about 40-60 percent (volume can vary from year to year) of domestic requirements. A new two-year agreement was concluded at the end of 2002.