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## Malaysia

## Poultry and Products

## Annual

## 2003

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**Report Highlights:**

The best prospect for U.S. Exporters appear to be in supplying dat-old chicks (DOC), broiler grandparent stock, frozen turkey/turkey parts and frozen chicken parts. There are also limited opportunities for sales of processed poultry meat. Joint-venture investments in the production of higher quality processed/deli meat may also be an area worth exploring by U.S. business investors.

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**Executive Summary**

Malaysia is self-sufficient in meeting the country's demand for broiler meat. Malaysia has one of the highest per capita consumption rates in the world for chicken at 28.5kg.

The best prospects for U.S. exporters appear to be in supplying day-old chicks (DOC), broiler grandparent stock, frozen turkey/turkey parts and frozen chicken parts. There are also limited opportunities for sales of processed poultry meat. Joint-venture investments in the production of higher quality processed/deli meat may also be an area worth exploring by U.S. business investors.

Exchange rate: US1.00 = RM3.80 since 1998.

**Production**

## 1. Poultry meat - Broiler

## -- Breeding Stock (Broiler)

The Malaysian poultry sector relies solely on high quality exotic breeds from the United States, Europe, Canada, and Australia. According to a survey conducted by the Malaysian Department of Veterinary Services (DVS), the standing broiler parent stock population was estimated at 4.8 million birds in 2002. There are five fully integrated and twenty non-integrated parent stock breeder farms in the country. Over the years, integrators have been increasing their market share, pushing out the smaller non-integrated breeding farms. The Arbor Acres and Cobb account for 70 percent of the total parent stock. Other breeds are Avian, Ross and Hubbard. The domestic industry is about 67 percent self-sufficient in the production of parent stock. Since there are only two grandparent farms (Avian and Arbor Acres), about 33 percent of the day-old parent stock were imported from Thailand, North America and the EU.

The broiler production for the whole of Malaysia was about 436 million birds in 2002. In the same year, the day-old chick production was about 467 million and the production is expected to reach 485 million in 2003. Thailand is the largest supplier of day old chicks to Malaysia, with the U.S. a distant second. Both have seen drastic reductions in exports to Malaysia in 2002. About 4.1 million day-old chicks were imported from Thailand in 2002, compared to 11.8 million in 2001. For the US, 2001 supply of 1.8 million of day-old chicks slipped to 0.8 million in 2002. The contribution by integrators to the total day-old chicks production was about 60%.

**Table 1: Imports of day-old chick:**

Countries	Quantity (Unit)	
	2001	2002
Thailand	11,761,181	4,184,347
U.S.A.	1,528,180	831,656
United Kingdom	665,167	754,935
Netherlands	1,430,696	688,316
Germany F.R.	493,714	443,210
France	527,033	395,899
New Zealand	168,195	212,050
Korea, Rep. of	101,420	165,307
Singapore	543,200	58,000
Philippines	0	22,950
China	21,000	22,500
Taiwan	4,887	10,120
Belgium	85,769	1,680
Australia	0	1,572
Indonesia	394,829	0
Denmark	74,550	0
Japan	18,000	0
<b>--Total</b>	<b>17,817,821</b>	<b>7,792,542</b>

## -- Broiler Meat

In 2002, ex-farm price of live broilers was fluctuating between RM1.60/kg to RM3.50/kg. The average ex-farm price for the year was RM2.65 /kg compared to RM2.80/kg the year before. Cost of production of broilers was ranging between RM2.41/kg to RM 2.89 /kg. It was reported that the lower ex-farm price and higher cost of production of broilers are causing difficulties for producers to maintain operations. The surge in imports of chicken meat was also affecting the local broiler industry. The outlook for broiler producers in 2003 does not seem to be positive as the supply of broilers is expected to be more than sufficient and ex-farm prices are predicted to be weaker than 2002.

## 2. Poultry meat - Turkey

There is no commercial production of turkey in Malaysia.

**Consumption**

Malaysia has one of the highest per capita consumption rates in the world for chicken. Per capita consumption of chicken is reported at 28.5 kg. Chicken meat is the most popular and cheapest source of meat protein among Malaysians, largely because there are no dietary prohibitions or religious restrictions against chicken consumption.

The surge of quick-service-restaurants (QSR) such as Kentucky Fried Chicken (KFC), McDonald's, A&W, Nando's Chickenland (a South-African based chain) have encouraged strong growth in chicken consumption. KFC, through its subsidiary company, Ayamas Food Corporation, supplies chicken to all its 277 restaurants throughout the country. Ayamas also operates retail stores selling dressed and ready-to-serve chicken meals. These take-away fares are very popular with working women who have little time to prepare their family meals.

Home-grown fast food chains such as Marrybrown, Sugarbun, Nineteen O One, Ball Fastfood, all with chicken menus similar to those of KFC, have also expanded, particularly to smaller cities. These local chains creatively incorporate local preparations in their menu. Business in these local chains is reported to be doing well.

The demand for turkey is high during Thanksgiving and Christmas seasons. Hotels feature roast turkey in their menu as part of the celebration offering. High-end retail outlets offer cooked turkeys with stuffings to consumers who wish to order turkey ready-to-eat. However, the trend in turkey consumption is changing especially among Malaysian urban dwellers. Hotel chefs are instrumental in introducing roast turkey: Indian style turkey with curry rice stuffings, Malay-style turkey in banana leaf and Chinese barbecued turkey have been included in the menus of food and beverage outlets of 5-star hotels. Retail promotions featuring turkey parts and cooking demonstrations using turkeys in everyday cooking have helped Malaysian consumers appreciate the bigger and meatier bird.

## Trade

In 1983 the Government of Malaysia began to limit imports of frozen chicken into Peninsular Malaysia by instituting import licensing. The action was taken to protect domestic chicken producers. The states of Sabah and Sarawak in East Malaysia implemented similar restrictions on chicken imports in 1991.

Chicken parts are imported periodically depending on local supply situations. Some are shipped through Singapore for East Malaysian states of Sabah and Sarawak. In 2002, total imports of frozen chicken parts were at 42,688 tons. The major suppliers were China (11,700 tons), Netherlands (9,915 tons), Denmark (9214 tons) and Thailand (7489 tons). These imports mainly cater to the further processing industry.

Malaysia has a robust further processing industry. Chicken frankfurters, cocktail sausages, burgers and nuggets that were exclusively imported before, are now locally produced. Major players, who are also integrators, invest heavily on brand names for their further processed products such as *Ayamas* (by Ayamas Food Corporation), *Ayam Dindings* (Dindings Poultry), and *Farm's Best* (Sinmah Food Industries). Local processed products command about 90% of the market and it is difficult for imported processed products to compete on the basis of price. However, there have been exceptions. Price surveys have shown that a specific brand of US chicken frankfurters was retailed at RM2.99 in a local hypermarket compared to a locally produced chicken frankfurters at RM3.50 in the same outlet. Coupled with promotion and sampling, imported further processed products such as frankfurters will do well.

Since there is no commercial production of turkey in Malaysia, all turkey meat is imported. In 2001, imports of frozen whole turkey and turkey parts were 1,826 metric tons. The United States was the only significant supplier capturing more than 96% of the market.

There is a growing niche market for turkey/processed turkey products and this should present opportunities for U.S. suppliers. U.S. exporters should consider establishing a good relationship with a local importer/distributor and conduct jointly funded promotions to increase retailer and consumer awareness and acceptance of these products. Generic market development activities funded by USA Poultry and Egg Export Council, as well as branded promotions by U.S. companies, should be stepped up at the consumer/retail level.



### Marketing Infrastructure/Channels

About 75% of chickens in the country are sold in the wet markets as most Malaysian consumers still believe freshly slaughtered chickens are fresher compared to frozen ones. Though local councils are enforcing health laws to prohibit chicken slaughter in wet markets, wholesalers arrange to slaughter the birds in selected areas and bring dressed chicken to the marketplace. The remaining 25% of sales occur in modern supermarkets and mini markets as well as numerous retail outlets operated by some of the integrated poultry companies.

Further-processed products, both local and imported, are distributed to wholesalers, supermarkets, hypermarkets, catering institutions, restaurants and hotels. Integrators such as KFC Holdings, Dinding Poultry and Sinmah Resources have their own marketing and distribution arms. Since processed products are not subject to government price controls, other integrators are moving into the business. Processed products like nuggets and frankfurters come in colorful, attractive packages to attract customers, especially children. Packages of one-kilo and 340-grams are popular consumer sizes.

Some of the locally processed poultry products are exported to other ASEAN markets such as Philippines, Brunei and Singapore. In view of the implementation of AFTA (Asean Free Trade Area) next year, some integrators are upgrading their processing facilities to compete with major poultry players from the region. Some integrators also looked at the implementation of AFTA as an opportunity to increase exports.

## PSD for Poultry, Meat, Broiler

PSD Table						
Country	Malaysia					
Commodity	Poultry, Meat, Broiler			(1000 MT)(MIL HEAD)		
	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
Inventory (Reference)	5	5	6	6	0	6
Slaughter (Reference)	462	436	470	450	0	463
Beginning Stocks	0	0	0	0	0	0
Production	832	784	846	810	0	833
Whole, Imports	0	0	0	0	0	0
Parts, Imports	40	43	40	46	0	48
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	40	43	40	46	0	48
TOTAL SUPPLY	872	827	886	856	0	881
Whole, Exports	1	1	0	1	0	1
Parts, Exports	5	5	5	5	0	6
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	6	6	5	6	0	7
Human Consumption	866	821	881	850	0	874
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	866	821	881	850	0	874
TOTAL Use	872	827	886	856	0	881
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	872	827	886	856	0	881
Calendar Yr. Imp. from U.S.	3	3	3	3	0	3

## Exports Trade Matrix for Poultry, Meat, Broiler

Export Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Broiler		
Time period	2002 Jan-Dec; 2003 Jan-Apr	Units:	Metric Ton
Exports for:	2002		2003
U.S.		U.S.	
Others		Others	
Japan	1598	Singapore	807
Singapore	1370	Japan	481
Hong Kong	237	Hong Kong	244
Indonesia	102	Brunei	177
Brunei	53	Indonesia	24
Netherlands	7	Nigeria	15
Thailand	7		
Switzerland	6		
Total for Others	3380		1748
Others not Listed			
Grand Total	3380		1748

## Imports Trade Matrix for Poultry, Meat, Broiler

Import Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Broiler		
Time period	2002 Jan-Dec; 2003 Jan-Apr	Units:	Metric Ton
Imports for:	2002		2003
U.S.	1687	U.S.	696
Others		Others	
China	11700	Denmark	4030
Netherlands	9915	Netherlands	3265
Denmark	9214	Thailand	3021
Thailand	7489	China	3002
France	1355	France	830
Germany	1000	Vietnam	75
India	129	Germany	26
Belgium	78	Sri Lanka	26
New Zealand	62	New Zealand	13
Australia	32		
Total for Others	40974		14288
Others not Listed	27		
Grand Total	42688		14984

## Price Table for Poultry, Meat, Broiler

Prices Table			
Country	Malaysia		
Commodity	Poultry, Meat, Broiler		
Prices in	2002	per uom	kilogram
Year	2002	2003	% Change
Jan	3.4	2.8	-17.65%
Feb	3.4	2.7	-20.59%
Mar	2.3	2.5	8.70%
Apr	1.9	2.4	26.32%
May	2.2	2.4	9.09%
Jun	2.8	2.5	-10.71%
Jul	2.7	2.6	-3.70%
Aug	2.5		-100.00%
Sep	2.1		-100.00%
Oct	2.4		-100.00%
Nov	2.7		-100.00%
Dec	2.8		-100.00%
Exchange Rate	3.8	Local currency/US \$	

## PSD Table for Poultry, Meat Turkey

PSD Table						
Country	Malaysia					
Commodity	Poultry, Meat, Turkey			(1000 MT)(MIL HEAD)		
	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
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Whole, Imports	0	0	0	0	0	0
Parts, Imports	1	1	0	1	0	1
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	1	1	0	1	0	1
TOTAL SUPPLY	1	1	0	1	0	1
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	1	1	0	1	0	1
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1	1	0	1	0	1
TOTAL Use	1	1	0	1	0	1
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1	1	0	1	0	1
Calendar Yr. Imp. from U.S.	1	1	0	0	0	0

**Import Trade Matrix for Poultry, Meat, Turkey**

Import Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Turkey		
Time period	2002 Jan-Dec; 2003 Jan-Apr	Units:	Metric Ton
Imports for:	2002		2003
U.S.	1788	U.S.	129
Others		Others	
France	20	China	26
Japan	18		
Total for Others	38		26
Others not Listed			
Grand Total	1826		155