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Malaysia

Grain and Feed

Annual

2005

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Report Highlights:

Malaysian grain imports recorded declines in 2003/04 due to an outbreak of Avian Influenza and weaker overseas demand for Malaysia wheat flour. Only rice imports recorded an increase to fill a shortfall in domestic rice production in CY 2004. The outlook for 2004/05 is brighter. The recovery of the poultry sector will increase demand for corn imports while wheat imports are expected to increase to meet growing domestic consumption. Malaysia also needs to import 660 TMT of rice in CY2005. Faced with stiff competition, U.S. will only do well in the hard wheat market.

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

Malaysian grain imports experienced a drop in 2003/04 due to a brief outbreak of Avian Influenza in northeastern part of the country and the drop in overseas demand for Malaysian wheat flour. Only rice imports recorded an increase, reflecting a shortfall in domestic rice production in CY 2004.

The outlook for 2004/05 is brighter. The Malaysian poultry sector has normalized and is performing well with current broiler ex-farm prices nearly 60% higher than 2004. The pig sector is also performing well with ex-farm prices for live pigs 30% higher than in 2004. The anticipated GDP growth of 5.5 to 6.0% in 2005 augurs well for the imports of grains. Post expects corn imports to soar 25% to 2.4 MMT and wheat imports to increase 5.5% to 1.2 MMT in 2004/05. Malaysia also need to import 660 TMT of rice to meet growing domestic consumption as well as stock-building.

The best prospect for U.S. grain sales is in the hard-wheat sector. However in view of stiff competition from Canada, U.S. should be able to capture 5 percent of the Malaysian wheat market in 2004/05. As for corn, U.S. will face strong competition from Argentina and China and will be relegated to a residual supplier. Historically, the U.S. has been an insignificant player in the Malaysian rice market.

		Production	Imports	Exports	Domestic. Disappearance
			(In 1,000 MT)		
Corn	2003/04	72	1933	5	1991
	2004/05	72	2420	5	2460
	2005/06	75	2530	6	2556
Wheat	2003/04	0	1161	83	1083
	2004/05	0	1225	100	1120
	2005/06	0	1275	110	1160
Rice	2003	1470	430	0	2000
	2004	1420	600	0	2050
	2005	1450	660	0	2100

Corn

(in 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Corn				(1000 HA)(1000 MT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2003		10/2004		10/2005
Area Harvested	24	24	25	24	0	25
Beginning Stocks	101	101	211	110	236	137
Production	70	72	75	72	0	75
TOTAL Mkt. Yr. Imports	2250	1933	2200	2420	0	2530
Oct-Sep Imports	2250	1933	2200	2420	0	2530
Oct-Sep Import U.S.	189	140	0	70	0	60
TOTAL SUPPLY	2421	2106	2486	2602	236	2742
TOTAL Mkt. Yr. Exports	10	5	0	5	0	6
Oct-Sep Exports	10	5	0	5	0	6
Feed Dom. Consumption	2100	1831	2150	2300	0	2390
TOTAL Dom. Consumption	2200	1991	2250	2460	0	2556
Ending Stocks	211	110	236	137	0	180
TOTAL DISTRIBUTION	2421	2106	2486	2602	0	2742

Production

Domestic corn production in Malaysia is insignificant.

Consumption

Due to the avian influenza (AI) outbreak in the northeastern state of Kelantan and consequent temporary suspension of exports to Singapore, the domestic consumption of feed-corn fell 19% in 2003/04. The Malaysian poultry sector has normalized and is performing well since October 2004. The current ex-farm price for broiler hovers around US\$1.05/kg compared to US\$0.66 in February, 2004.

The pig sector is also performing well with ex-farm price for live pigs hovering around US\$139/100kg compared to US\$106/kg in February, 2004. Farmers are optimistic that the sector will maintain its momentum for the remaining part of the year. At this point, post expects domestic corn consumption to increase 24% to 2.5 MMT in 2004/05.

Trade

In line with the sharp jump in domestic consumption, Post expects Malaysian corn imports to increase 25% to 2.4 MMT. The two biggest competitors against the U.S. in 2004/05 are

Argentina and China. With the sharp increase in exportable supplies in Argentina, Malaysia will increase buying South American corn. On the other hand, Malaysia has been China's second biggest corn market after South Korea for many years and receives preferential treatment from China. Faced with these challenges, U.S. is expected to be relegated to a residual supplier.

Corn Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Corn		
Time Period	Oct03/Sep04 for 2004, Oct04-Sep05- Not Available	Units:	1000MT
Imports for:	2003		2004
U.S.	140	U.S.	
Others		Others	
China	760		
India	416		
Argentina	292		
Thailand	202		
Burma	43		
Singapore	36		
Indonesia	20		
Vietnam	18		
Total for Others	1787		0
Others not Listed	6		
Grand Total	1933		0

Stocks

Stock level is estimated at less than one month supply at the end 2004/05.

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.

Market Development opportunities

GMO/Biotech Safety Issue: While Malaysia has not officially approved the imports of GM corn, it has not restricted the importation of GM corn. The GOM is still working on the National Biosafety Act and the acceptance of GM products could be a limiting constraint that needs to be addressed properly.

A significant increase in corn consumption in Malaysia will largely depend on a robust poultry and pig industry. Any assistance from APHIS or an international organization to prevent a recurrence of the Avian Influenza outbreak could be a big help to the poultry sector. As for

the pig sector, the industry has yet to recover fully from the effects of the outbreak of the Nipah virus (Japanese Encephalitis) in 1999. The farmers and governmental officials have 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 3 years. 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 counterparts.

Wheat

(in 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Wheat					
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2003		07/2004		07/2005
Area Harvested	0	0	0	0	0	0
Beginning Stocks	150	150	150	145	150	150
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	1250	1161	1250	1225	0	1275
Jul-Jun Imports	1250	1161	1250	1225	0	1275
Jul-Jun Import U.S.	101	55	0	60	0	70
TOTAL SUPPLY	1400	1311	1400	1370	150	1425
TOTAL Mkt. Yr. Exports	137	83	150	100	0	110
Jul-Jun Exports	137	83	150	100	0	110
Feed Dom. Consumption	50	10	50	15	0	20
TOTAL Dom. Consumption	1113	1083	1100	1120	0	1160
Ending Stocks	150	145	150	150	0	155
TOTAL DISTRIBUTION	1400	1311	1400	1370	0	1425

Production

Wheat is not produced in Malaysia.

Consumption

The Malaysian economy is expected to grow 5.5 to 6.0% in 2005. The current high palm oil and petroleum prices are contributing to higher purchasing power. Post expects a 3.0 – 3.5% growth in wheat consumption for the 2004/05. Overseas demand for Malaysian packaged instant noodles also recorded a strong growth in 2004. The main markets for Malaysian noodles include the EU, Australia and the ASEAN nations.

Domestic wheat prices are controlled by the Malaysian Government under the Supplies Regulation Act (1974). The retail flour price remained at RM1.20 (US\$0.32) per kilo since 1997.

Trade

With a better crop in 2003/04, Australia recaptured all its loss in the soft wheat market in the previous year. Imports from Australia soared 36% to capture half of the total Malaysian wheat import market in 2003/04. With the strong return of the Canadian hard wheat, the US market share shrunk to only 4.7%.

The outlook for total wheat imports is bright and Post expects total imports to reach 1.2 MMT in 2004/05. Faced with stiff competition from Canada, Post estimates US wheat exports to Malaysia to increase by 9% to 60 TMT in 2004/05. As for soft wheat, Australia aims to dominate the market with a smaller amount coming from India. Eastern European wheat has dropped out of the Malaysian market.

Malaysia exported about 83 TMT (wheat equivalent) of wheat flour to Singapore, Thailand and Indonesia in 2003/04. Post expects a slight uptrend in exports in the near term.

Wheat Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul03/Jun04 for 2003, Jul04/Sep04 for 2004	Units:	1000MT
Imports for:	2003		2004
U.S.	55	U.S.	16
Others		Others	
Australia	586	Australia	299
India	321	Canada	44
Canada	196	India	38
Pakistan	3		
Total for Others	1106		381
Others not Listed			
Grand Total	1161		397

Wheat Exports

Export Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul03/Jun04 for 2003, Jul04/Sep04 for 2004	Units:	
Exports for:	2003		2004
U.S.		U.S.	
Others		Others	
Singapore	40	Singapore	10
Thailand	23	Thailand	7
Indonesia	11	Indonesia	1
Brunei	7	Brunei	1
Philippines	2		
Total for Others	83		19
Others not Listed			1
Grand Total	83		20

Marketing

Market Development Opportunities

GIPSA's program of sending an officer to the ASEAN region for a three-month stint in the past 3 years is very much in the right direction. Millers/Importers welcome the opportunity to iron out various dissatisfactions over quality issues. In addition, GIPSA has a good opportunity to do outreach work.

In normal times, U.S. wheat is less price-competitive than Canadian wheat. It is crucial that importers should be encouraged to purchase split cargo with U.S. soybean/corn in order to reduce cost of importation. In addition, the Canadian Wheat Board is putting much effort to produce a variety for the Malaysian noodle sector. USWA has to do some catching up to avoid losing some of its market share.

On-going activities such as regional buyers conferences and training trips to the U.S., conducted by USWA, are well received by the local millers/purchasers.

Rice

(in 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Rice, Milled			(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2003		01/2004		01/2005
Area Harvested	675	672	670	675	0	677
Beginning Stocks	323	470	313	370	553	340
Milled Production	1500	1470	1450	1420	0	1450
Rough Production	2308	2262	2231	2185	0	2231
MILLING RATE (.9999)	6500	6500	6500	6500	0	6500
TOTAL Imports	500	430	800	600	0	660
Jan-Dec Imports	800	600	550	660	0	675
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	2323	2370	2563	2390	553	2450
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	2010	2000	2010	2050	0	2100
Ending Stocks	313	370	553	340	0	350
TOTAL DISTRIBUTION	2323	2370	2563	2390	0	2450

Production

Despite of a small increase in harvested area, milled rice production is expected to drop by 3.4 percent to 1.4 MMT in 2004. Average padi yield was lower in 2004 due to some heavy flooding during the earlier part of the year and the emergence of a weed known locally as 'padi angin'. Over the past years, many Malaysian rice fields are managed by aging farmers as the younger generation prefers more lucrative jobs elsewhere.

The outlook for 2005 is slightly more optimistic with a small increase in planted area. Many farmers in the key rice growing areas were reported to enjoy normal to high crop yields for the first season crop. Post forecast rice production at 1.45 MMT for 2005. For the longer term, the GOM encourages large scale private sector commercial padi production, especially in the states of Sabah and Sarawak, where land is still abundant.

Consumption

Domestic consumption increased by 2.5% to 2.05 MMT in 2004. This amount includes unofficial rice imports from neighboring Thailand. Rice smuggling is still rampant despite the GOM's efforts to curb such practices. Post expects consumption to increase 2.4 to 2.5% in 2005. The rice consumption growth rate is slightly above that of population growth rate.

The support prices for padi rice also remained at RM55.00 per 100 kg for long grain and RM51.69 per 100 kg for medium grain since December 1997. In addition, all rice farmers receive a subsidy of RM25 per 100 kg of padi delivered to a licensed mill or drying facility.

Trade

Import trade matrix includes unofficial rice imports of 80 TMT from neighboring Thailand in 2003. Thailand and Vietnam were the top suppliers followed by Pakistan, Burma and India. Rice sales from U.S. amounted to only 2 MT, mainly Calrose rice consumed by Japanese and Korean expatriates. For 2004, unofficial rice imports could reach 70 TMT, bringing total imports to 600 TMT. As for 2005, the country may need to import about 660 TMT.

Rice Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Rice, Milled		
Time Period	Jan-Dec for CY03, Jan-Sep for CY04	Units:	1000MT
Imports for:	2003		2004
U.S.		U.S.	
Others		Others	
Thailand	264	Thailand	278
Vietnam	100	Vietnam	120
Pakistan	35	Pakistan	35
Burma	20	India	6
India	8	China	4
China	2	Burma	1
Cambodia	1		
Total for Others	430		444
Others not Listed			
Grand Total	430		444

Policy

Production Policy

Considered a 'security' item, the GOM targets 65% self-sufficiency in rice production. Even in order to maintain production at 65% self-sufficiency, the GOM estimated US\$658 million is required to upgrade drainage and irrigation facilities in the country's granary areas during the Ninth Malaysia Plan (2006 –2010). Another US\$131 million will be needed for other infrastructure development. So far, all the GOM's effort to increase rice production has proved to be an arduous task.

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 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 very limited, the absence of a price ceiling on imported high grade rice and the incorporation of LPN, the Malaysian Rice Authority, may help to create a small niche market for imports of branded, packaged rice, especially for the small organic food sector from the United States.