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## Malaysia

## Cocoa

## Cocoa Annual-Revised

## 1999

Prepared by:

**Abdullah A. Saleh**

**U.S. Embassy**

Drafted by:

Raymond Hoh

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### Report Highlights:

With improved weather conditions during the latter half of 1998, cocoa bean output increased to 100,000 tons in 1998/99. Due to relatively higher bean prices in the latter half of 1998, Malaysian cocoa bean exports are expected to increase 36 percent to 20,000 tons in 1998/99. Exports of Malaysian cocoa butter are expected to be flat in 1998/99. The outlook for 99/2000 is not bright. Extremely wet weather conditions at the end of 1998 and the beginning of 1999 contributed to the decline in the first crop. Bean exports are expected to decline to 18,000 tons while exports of cocoa butter should fare better. Local demand for bean imports is expected to be higher in order to offset a tighter domestic supply situation.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
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## Executive Summary

With improved weather conditions during the latter half of 1998, cocoa bean output increased from 98,000 tons in 1997/98 to 100,000 tons in 1998/99, but still a far cry from the historical peak of 240,000 tons in 1989/90. Area under cocoa declined to only about 132,000 hectares in 1998/99 compared to 414,236 hectares in 1988/89. The outlook for 99/2000 is not bright. Extremely wet weather conditions at the end of 1998 and the beginning of 1999 contributed to the decline in bean output.

Output by region for years 1998/99 through 1999/2000 (Oct-Sep) is provided below (in 1,000 tons):

	Revised 1997/98	Preliminary 1998/99	Forecast 1999/2000
Sabah	70	72	73
Peninsular	24	24	22
Sarawak	4	4	3
-- Total	98	100	98

Cocoa is still Malaysia's third most important agricultural export crop after palm oil and rubber. However, cocoa's share of total Malaysian export earnings continues to decline to only 0.26 percent in 1997. Due to relatively higher bean prices in the latter half of 1998, Malaysian cocoa bean exports are expected to increase 36 percent to 20,000 tons in 1998/99. However, bean exports are expected to decline in 1999/2000 due to lower domestic bean output. China and Singapore remain the top two markets.

Exports of Malaysian cocoa butter are expected to be flat in 1998/99 - with most of the butter going to the United States, the Netherlands and Australia. Exports of cocoa powder fared bean with strong demand coming from Australia, the Netherlands and US.

Influenced by weaker international cocoa prices, the price of cocoa beans in Sabah Bernam dropped to RM2,907 (US\$ 7 65) per ton during the month of August, 1999 compared to RM5,570 (US\$1,466) in August, 1998.

Exchange rates: 1998: US\$1.00 = M\$3.799 (September)

1999: US\$1.00 = M\$3.799 (September)

## Production

### General

With improved weather conditions during the latter half of 1998, cocoa bean output increased from 98,000 tons in 1997/98 to 100,000 tons in 1998/99, but still a far cry from the historical peak of 240,000 tons in 1989/90. More cocoa trees have been replaced by oil palms and area under cocoa declined to only about 132,000 hectares in 1998/99. The outlook for 99/2000 is not bright. Extremely wet weather conditions at the end of 1998 and the beginning of 1999 contributed to the decline in bean output. Excessive rain caused damage to newly formed flowers and we forecast the 1999/00 crop to drop to about 98,000 tons. With the estates turning to palm oil cultivation, smallholdings now accounts for 65 percent of the cocoa area.

### Weather

Weather conditions in the two main cocoa growing area in Sabah are given below.

Monthly Rainfall (in mm) received at Tawau, Sabah

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1990	114	120	51	78	72	292	415	157	223	168	186	127
1991	79	26	43	124	213	218	185	390	96	169	330	387
1992	20	26	18	29	113	140	55	306	104	207	108	96
1993	53	163	75	73	153	162	382	206	124	147	145	145
1994	118	169	324	103	190	279	256	173	114	62	94	146
1995	25	98	142	146	167	114	129	180	171	270	218	308
1996	203	108	71	67	58	121	166	153	475	168	146	233
1997	80	143	67	47	101	5	384	107	15	19	124	61
1998	59	46	39	67	228	132	142	125	202	450	214	191
1999	167	89	202	186	149	144						

## Monthly Rainfall (in mm) received at Sandarak, Sabah

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1990	213	37	73	78	268	187	138	98	312	167	91	190
1991	328	282	29	211	148	219	282	277	63	91	165	240
1992	230	7	60	0	23	55	167	487	343	320	108	408
1993	363	288	222	168	128	37	350	236	145	301	277	687
1994	353	358	522	92	230	312	216	405	359	344	547	543
1995	100	85	164	110	45	228	178	209	197	254	296	307
1996	874	534	116	228	166	185	55	157	370	393	518	493
1997	455	663	24	115	90	94	330	130	155	155	316	208
1998	55	19	5	1	29	167	55	218	194	605	299	526
1999	487	610	300	147	197	257						

## Crop Area

According to the latest Malaysian Cocoa Board's publication, area planted with cocoa in Malaysia has been revised. Conversion of cocoa area to oil palm cultivation was more pronounced than earlier estimation. With the recent downturn in cocoa prices, plantation houses are likely to concentrate on oil palm cultivation in the near term..

	Area Planted (hectare)	Area Harvested (hectare)	Production (metric ton)	Yield (kg/planted hectare)
1994/95	190,127	180,000	134,000	704
1995/96	168,219	160,000	127,000	755
1996/97	140,899	132,000	120,000	852
1997/98	133,689	130,000	98,000	733
1998/99 1/	132,000	128,000	100,000	758
1999/00 1/	130,000	126,000	98,000	754

1/ Ag Office's Estimates

With more conversion of cocoa land to other crops in the estate sector, cocoa area under smallholdings accounted for 65 percent of the total hectarage. For comparison, smallholdings accounted for 35 percent in 1983. The latest official data (CY1998) on area are provided below:

	Sabah	Pen. Malaysia	Sarawak	All Malaysia
(1000 hectares)				
Estates	42	5	0	47
Small holdings/ Land Schemes	29	30	28	87
-- Total	71	35	28	134

## Consumption

### General

The total capacity of cocoa processing plants in the country has been reduced to 120,000 tons and total bean grindings are close the present capacity. Local grinders are turning increasingly to imported beans to offset the decline in domestic bean output. Rapid development in the cereal/snack/confectionary food sector contributed to steady growth in domestic cocoa product consumption. Some of the finished products are also exported overseas.

### Prices

After reaching a high of RM 5,646 (US\$1,486) in July, 1998, local cocoa prices showed a marked downtrend during the first eight months of 1999. The price of cocoa beans in Sabah Bernam dropped to RM2,907 (US\$ 765) per ton during the month of August, 1999 compared to RM5,570 (US\$1,466) in August, 1998.

## Trade

### General

Cocoa is Malaysia's third most important agricultural export crop (not including forest products) after palm oil and rubber. However, export earnings from cocoa beans and products accounted for only 0.26 percent of total Malaysian export earnings in 1998 compared with the peak of 1.9 percent in 1987. With anticipated faster growth in exports of non-agricultural products, the cocoa sector's contribution to Malaysia's total export earnings will soon become very insignificant in the future.

Due to relatively higher bean prices in the latter half of 1998 and increased local bean output, Malaysian cocoa bean exports are expected to increase 36 percent to 20,000 tons in 1998/99. However, bean exports are expected to decline in 1999/2000 due to lower domestic bean output. China and Singapore remain the top two markets.

Exports of Malaysian cocoa butter are expected to be flat in 1998/99 - with most of the butter going to the United States, the Netherlands and Australia. Exports of cocoa powder fared bean with strong demand coming from Australia, the Netherlands and US.

Bean imports increased in 1998/99 with Indonesia, Papua New Guinea and Ghana being the major suppliers. For 1999/2000, local demand for bean imports is expected to be higher in order to offset a tighter domestic supply situation.

## Stocks

Given the strong demand for beans, stocks level are expected to showing a gradual decline both in 1998/99 and 1999/2000. There is also a small increase in cocoa butter stocks as a result of a weaker overseas demand.

## Policy

Cocoa was mentioned as one of the industrial crops to be encouraged by the 1GOM under the Third Agricultural Policy (NAP), 1998-2010. No details were given other than stating that the GOM will support these crops (oil palm, rubber, cocoa and forestry products) with appropriate incentives, infrastructure, research and development, and human resource development.

**Cocoa Beans PSD Table**

PSD Table						
Country	Malaysia					
Commodity	Cocoa Beans				(1000 HA)(MILLION TREES)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	203	134	145	132	0	130
Area Harvested	140	130	140	128	0	126
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
TOTAL Tree Population	0	0	0	0	0	0
Beginning Stocks	13253	13253	15563	15563	13763	14683
Main Production	98000	98000	100000	100000	0	98000
Mid & Other Production	0	0	0	0	0	0
TOTAL Production	98000	98000	100000	100000	0	98000
Bean Imports	51649	51649	52000	54000	0	55000
Liquor & Paste Imports	108	108	100	200	0	100
Butter Imports	54	54	50	40	0	50
Powder,Cake,Choc. Imp.	543	543	550	380	0	350
TOTAL Imports	52354	52354	52700	54620	0	55500
TOTAL SUPPLY	163607	163607	168263	170183	13763	168183
Bean Exports	14657	14657	10000	20000	0	18000
Liquor & Paste Exports	18459	18459	20000	19000	0	20000
Butter Exports	64038	64038	69000	64000	0	66000
Powder,Cake,Choc. Exp.	33390	33390	37000	34000	0	30500
TOTAL Exports	130544	130544	136000	137000	0	134500
Domestic Consumption	17500	17500	18500	18500	0	19500
Ending Stocks	15563	15563	13763	14683	0	14183
TOTAL DISTRIBUTION	163607	163607	168263	170183	0	168183



**Cocoa Beans Prices Table**

Prices Table			
Country	Malaysia		
Commodity	Cocoa Beans		
Prices in	Ringgit	per uom	Ton
Year	1998	1999	% Change
Jan	5500	4432	-19.42%
Feb	4893	4152	-15.14%
Mar	5039	3686	-26.85%
Apr	5168	3365	-34.89%
May	5508	2949	-46.46%
Jun	5417	3166	-41.55%
Jul	5646	3055	-45.89%
Aug	5510	2907	-47.24%
Sep	5169		-100.00%
Oct	4999		-100.00%
Nov	4760		-100.00%
Dec	4579		-100.00%
Exchange Rate	3.799	Local currency/US \$	

**Cocoa Beans Import Trade Matrix**

Import Trade Matrix			
Country	Malaysia		
Commodity	Cocoa Beans		
Time period	JAN-DEC 1998; JAN-MAY 1999	Units:	Tons
Imports for:	1998		1999
U.S.		U.S.	
Others		Others	
Indonesia	44273	Indonesia	15660
Papua N Guinea	3758	Papua N Guinea	1869
Cote D'Ivoire	2713	Ghana	1250
Soloman Islands	2498	Soloman Islands	639
Ghana	1999	Vanuatu	436
Philippines	937	Cote D' Ivoire	101
Vanuatu	467	United Kingdom	25
Nigeria	321		
Swiziland	96		
Guinea	50		
Total for Others	57112		19980
Others not Listed	75		
Grand Total	57187		19980

## Cocoa Beans Export Trade Matrix

Export Trade Matrix			
Country	Malaysia		
Commodity	Cocoa Beans		
Time period	JAN-DEC 1998; JAN-MAY 1999	Units:	Tons
Exports for:	1998		1999
U.S.		U.S.	
Others		Others	
Singapore	10834	Singapore	3354
Thailand	1875	China	2000
China	1856	Thailand	1241
Japan	1100	Philippines	796
Italy	173	Japan	475
Belgium	138	Indonesia	50
Indonesia	110	Denmark	50
Philippines	50	India	30
Total for Others	16136		7996
Others not Listed			
Grand Total	16136		7996