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Report Highlights:

Post forecasts that consumption of corn and wheat in Malaysia will marginally increase in Marketing Year (MY) 2022/23, assuming an eventual stabilization of commodity prices following the disruption caused by the crisis in Ukraine. Post forecasts MY 2022/23 rice consumption to be stable from the previous year. With all the economic sectors and the international border reopening by April 2022, demand for commodity products such as corn, wheat, and rice are expected to be strong, though dampened somewhat by high commodity prices worldwide.

CORN

Production

Commercial production of corn for feed in Malaysia is negligible, despite government incentives. Post forecasts MY 2022/23 corn production will remain unchanged at 60,000 metric tons (MT). A number of factors limit production growth, including lack of biotech varieties for planting and higher earning potential from alternative crops.

Consumption

Most corn goes into poultry production. Chicken is popular among Malaysians for cultural and religious reasons, making Malaysia one of the largest per capita consumers of poultry in the region (Table 1). Malaysia's official poultry production statistics indicate that poultry production exceeds domestic needs (Table 2). However, supplies vary throughout the year, and low levels during the festive seasons, such as during the fasting month of Ramadhan and the Chinese New Year festival, sometimes lead the government to import poultry products to maintain prices.

Table 1: Per Capita Consumption of Livestock Products, by Commodity (kg)

	2017	2018	2019	2020	2021*
Poultry meat	50.1	49.1	48.9	50.2	46.1
Beef	6.5	6.4	6.1	6.1	6.0
Mutton	1.3	1.3	1.1	1.3	1.3
Pork	7.4	7.6	7.4	7.2	6.9

* estimate

Source: Department of Veterinary Services Malaysia

Table 2: Self Sufficiency in Poultry Products

	2017	2018	2019	2020	2021*
Poultry Meat (%)	103.68	104.2	104.1	103.94	104.39

* estimate

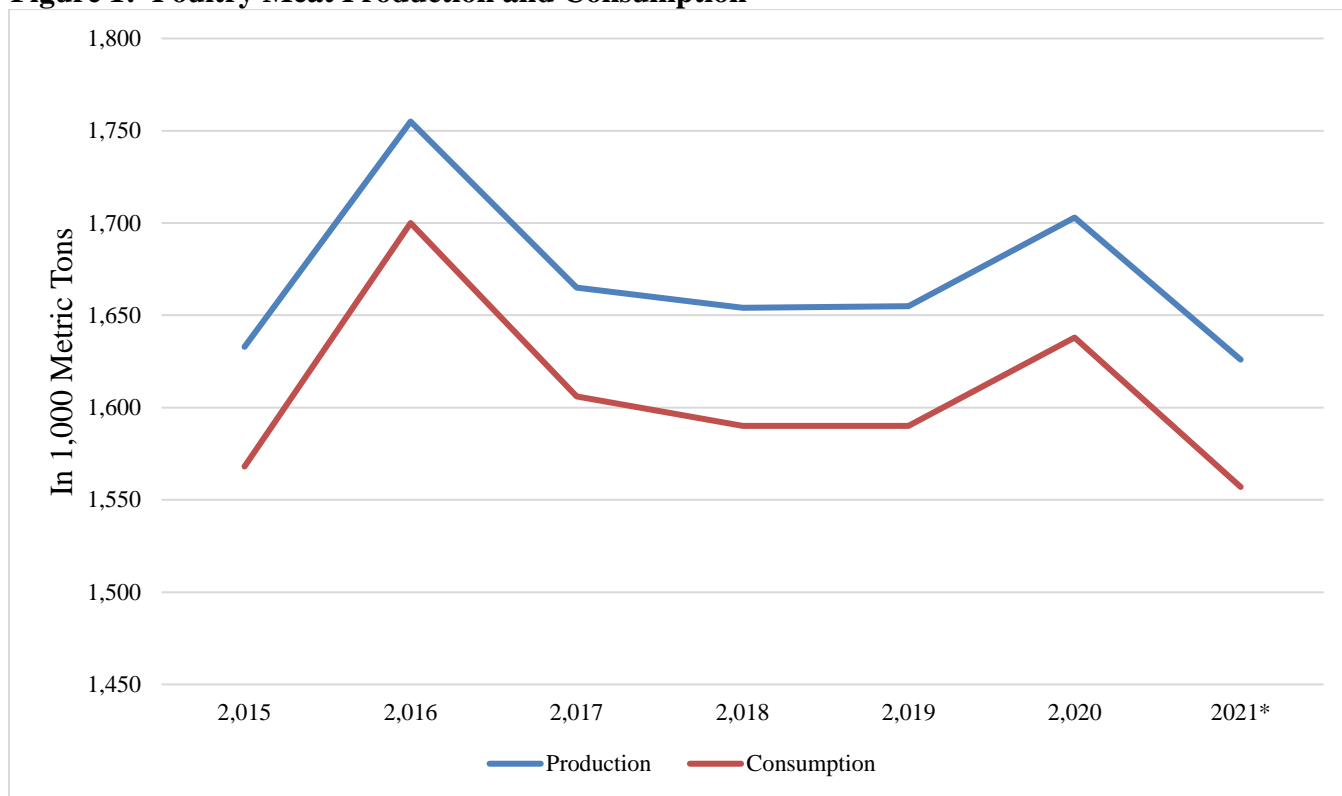
Source: Department of Veterinary Services Malaysia

With most of the economy open, consumption of corn for feed is poised to increase in Malaysia. Malaysia is very price sensitive, so recent increases in commodity prices will mitigate the potential consumption increase. Nevertheless, Post anticipates that population growth and Malaysia's intention to open up its international border for tourism by April 1, 2022, will lead to marginal consumption growth over the previous year.

Based on these factors, in MY 2021/22, Post estimates that the consumption of corn for feed will be slightly lower than the USDA official number, as the high price of corn puts pressure on poultry farmers' profit margins. The Government of Malaysia (GOM) controls the price of dressed chicken at retail, leaving little ability for farmers to pass on input cost increases. Some layer farms had to stop production to avoid losses, leading the GOM to provide subsidies of RM0.60 per kg of live chicken and RM0.05 per egg produced (see [here](#)). The subsidy program started on February 4 and ends on June 4

2022, with a budget allocation of RM500 million (\$119.05 million). It is still uncertain if the GOM will extend this program beyond June 4 as doing so would put some constraints on the fiscal budget.

Figure 1: Poultry Meat Production and Consumption



* estimate

Source: Department of Veterinary Services Malaysia

Post forecasts that MY 2022/23 corn consumption for feed will be stable at 3.5 million tons. Pressure to expand poultry production to keep up with population growth will be mitigated by continuing thin profit margins in the industry, as well as availability of alternative feeds.

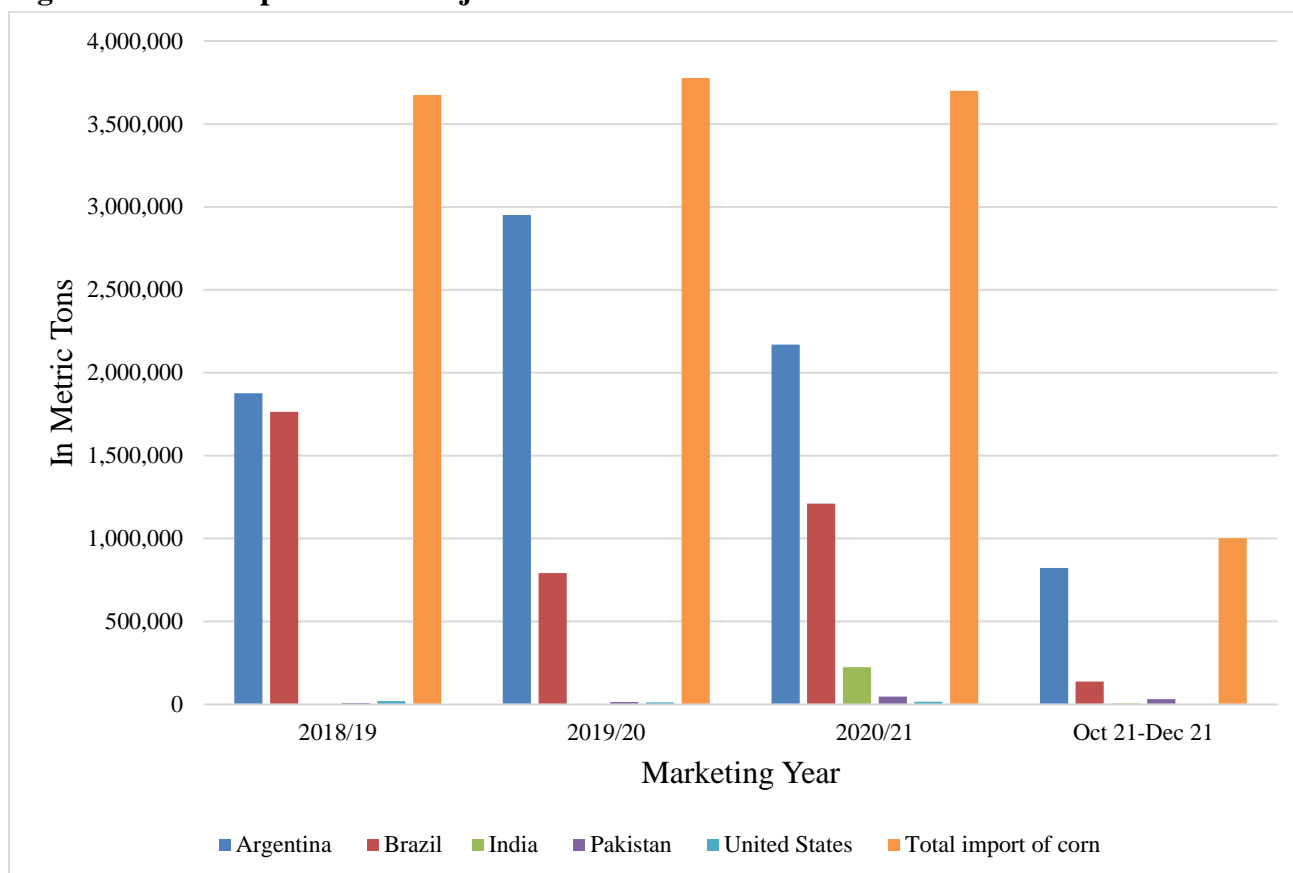
Meanwhile, Post expects consumption for food, seed, and industrial (FSI) use in MY 2021/22 and MY 2022/23 to remain unchanged at 300,000 MT. There is no commercial ethanol production in Malaysia, and the majority of FSI consumption is for the production of corn flour and starch used in food production and adhesive manufacturing.

Trade

Post forecasts MY 2022/23 corn imports at 3.80 million MT on expectations of stabilized corn prices in MY 2022/23 and expected slow recovery in demand. The MY 2021/22 Post estimate has been revised downward from the USDA official figures as high commodity prices impact demand. In MY 2020/21, Brazil and Argentina supplied over 90 percent of Malaysia’s corn imports.

Post forecasts that Malaysian imports of distillers dried grains with solubles (DDGS) from the United States will increase slightly to 31,800 MT in MY 2022/23, compared to an estimated 31,700 MT imported in MY 2021/22. Post forecasts Malaysian imports of corn gluten meal (CGM) from the United States to increase to 21,100 MT in MY 2022/23, compared to an estimated 21,000 MT imported in the previous MY. The expected marginal increase in import demand for DDGS and CGM in MY 2022/23 is based on competitive pricing and rebounding demand for poultry feed.

Figure 2: Corn Imports from Major Sources



Source: Trade Data Monitor

Trade Policy

On January 25, 2021, Malaysia notified new [requirements](#) for the importation of grains and grain products to the WTO. The new requirements took effect on April 1, 2021 and require Malaysian importers to have a valid import license and the appropriate import permit for feed. Please see the [GAIN report](#) for more information.

Production, Supply and Distribution – Corn

Corn Market Year Begins Malaysia	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	10	10	10	9	0	10
Beginning Stocks (1000 MT)	221	221	221	221	0	216
Production (1000 MT)	60	60	60	60	0	60
MY Imports (1000 MT)	3,700	3,700	3,900	3,750	0	3,800
TY Imports (1000 MT)	3,700	3,700	3,900	3,750	0	3,800
TY Imp. from U.S. (1000 MT)	16	16	0	10	0	12
Total Supply (1000 MT)	3,981	3,981	4,181	4,031	0	4,076
MY Exports (1000 MT)	10	10	15	15	0	12
TY Exports (1000 MT)	10	10	15	15	0	12
Feed and Residual (1000 MT)	3,450	3,450	3,600	3,500	0	3,500
FSI Consumption (1000 MT)	300	300	300	300	0	300
Total Consumption (1000 MT)	3,750	3,750	3,900	3,800	0	3,800
Ending Stocks (1000 MT)	221	221	266	216	0	264
Total Distribution (1000 MT)	3,981	3,981	4,181	4,031	0	4,076
Yield (MT/HA)	6	6	6	6.6667	0	6
(1000 HA), (1000 MT), (MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Corn begins in October for all countries. TY 2022/2023 = October 2022 - September 2023						

WHEAT

Production

There is no commercial production of wheat in Malaysia.

Consumption

In MY 2021/22, Post estimates total wheat consumption down from the USDA official number due to high global wheat prices. Although wheat flour production increased for calendar year 2021, Russia's invasion of Ukraine in February 2022 caused a sudden increase in the price of wheat. Malaysia is a price sensitive market, so any increase in price of wheat will have a negative impact on consumption. Wheat flour alternatives such as cassava, lentil and pea flours may be in demand instead. It is not clear whether the GOM will extend any subsidy to millers to stabilize flour prices, GOM did for poultry farmers.

Post forecasts that total consumption of wheat in MY 2022/23 will increase slightly compared to the previous year from 1.635 million MT to 1.65 million MT, under the assumption that wheat prices will stabilize. The slight increase in consumption is in line with population growth and the return of tourism to Malaysia. The Malaysian government controls the price of general all-purpose flour sold in 1-kilogram (kg) bags at RM 1.35 (roughly \$0.34) per kilogram. This is an effort to control inflation, as

flour is the main ingredient in roti-canai, a staple breakfast food among Malaysians. For high quality specialty flours, the price is market-based. Note that the price is not controlled for 25 kg bags.

Table 3: Production of Wheat Flour and Wheat-based Products (MT) in Calendar Year

Product	2015	2016	2017	2018	2019	2020	2021
Wheat Flour	812,278	890,209	998,163	949,149	901,834	862,885	993,335
Bread and Cakes	251,039	340,177	365,620	388,984	407,173	411,561	479,951
Noodles (Instant and fresh)	124,238	269,337	233,567	222,631	221,766	234,890	249,484

Source: Department of Statistics

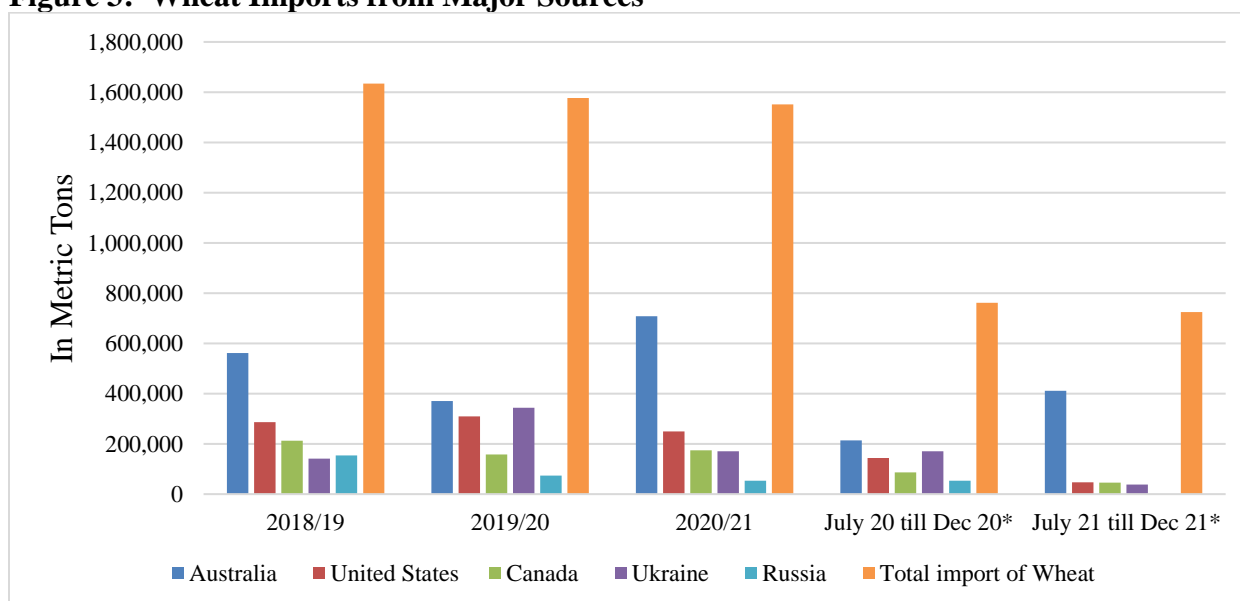
Trade

Post estimates MY 2021/22 wheat imports will drop to 1.78 million MT as the Ukraine crisis has disrupted supply and caused prices to increase to historical highs. As Malaysia is a price-sensitive market, any changes in commodity prices such as wheat will have an impact on imports (as noted [here](#)).

In MY 2022/23, Post forecasts total wheat imports at 1.82 million MT, a slight increase from Post's previous year estimate. The small increase in imports is based on the expectation that consumption will rebound slowly, with wheat prices stabilizing.

Australia remains the biggest exporter of wheat to Malaysia, holding roughly half of the market share, followed by the United States and Canada. Imports of Australian wheat increased in MY2020/21 and are expected to be strong in MY2021/22. Based on latest trade figures from Trade Date Monitor, Australian wheat exports from July 2021 to December 2021 were over 410,000 MT, an increase of 92 percent over the same period of July 2020 to December 2020. Malaysian wheat exports are relatively low and mostly to neighboring countries such as Singapore, Thailand, and Brunei. Post has lowered the MY 2021/22 export figure to 100,000 MT due to shorter supplies.

Figure 3: Wheat Imports from Major Sources



Source: Trade Data Monitor *Import figures from July to December

Production, Supply and Distribution - Wheat

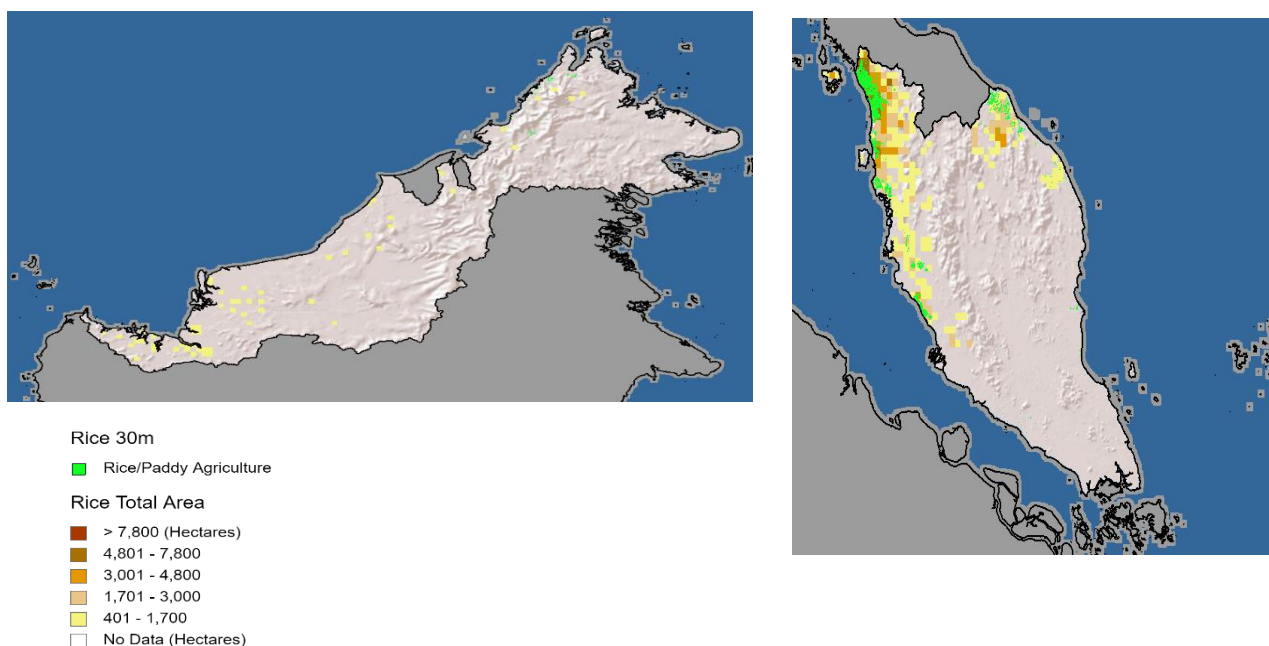
Wheat Market Year Begins Malaysia	2020/2021		2021/2022		2022/2023	
	Jul 2020		Jul 2021		Jul 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	0	0	0	0	0	0
Beginning Stocks (1000 MT)	297	297	334	334	0	349
Production (1000 MT)	0	0	0	0	0	0
MY Imports (1000 MT)	1,870	1,870	1,900	1,780	0	1,820
TY Imports (1000 MT)	1,870	1,870	1,900	1,780	0	1,820
TY Imp. from U.S. (1000 MT)	268	268	0	300	0	270
Total Supply (1000 MT)	2,167	2,167	2,234	2,114	0	2,169
MY Exports (1000 MT)	143	143	200	100	0	120
TY Exports (1000 MT)	143	143	200	100	0	120
Feed and Residual (1000 MT)	40	40	0	30	0	40
FSI Consumption (1000 MT)	1,650	1,650	1,675	1,635	0	1,650
Total Consumption (1000 MT)	1,650	1,650	1,675	1,665	0	1,690
Ending Stocks (1000 MT)	334	334	359	349	0	359
Total Distribution (1000 MT)	2,167	2,167	2,234	2,114	0	2,169
Yield (MT/HA)	0	0	0	0	0	0
(1000 HA), (1000 MT), (MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Wheat begins in July for all countries. TY 2021/2022 = July 2021 - June 2022						

RICE

Production

Post forecasts MY 2022/23 rice milled production at 1.80 million MT, a slight increase from Post's MY 2021/22 estimate of 1.78 million tons. The MY 2021/22 production estimate is lower than the USDA estimate due to erratic weather patterns and pest infestation affecting paddy planting in the East Coast of Malaysia. However, lower planted area and poor weather conditions were partially offset by the high yield recorded due to use of [new paddy varieties](#) developed by the Malaysian Agricultural Research and Development Institute (MARDI) in states including Sarawak and Selangor. Due to land scarcity and strong competition from palm oil, industry contacts anticipate little to no growth in planted area in calendar year 2022 (Figure 4). Contacts also attribute the stagnation in planted area to aging farmers and lack of interest from younger generations.

Figure 4: Rice Production Areas in Malaysia in 2021



Source: USDA Global Agricultural and Disaster Assessment System

Rice is a staple food in Malaysia. In 1966, the GOM introduced its first five-year economic plan to ensure eventual self-sufficiency in rice production. In 2019, according to the Ministry of Agriculture and Food Industries (MAFI), Malaysia's self-sufficiency level of rice production was at 72 percent; however, MAFI's goal was 75 percent. Since 1966, various policies have been introduced to increase rice production in Malaysia, but these objectives have only been partially achieved. The latest agricultural policy is the National Agrofood [Policy](#) 2.0 (NAP 2.0), covering 2021 to 2030.

Under NAP 2.0, MAFI aims to gradually increase Malaysia's self-sufficiency level of rice production from 75 percent in 2025 to 80 percent in 2030. To achieve this, below are the strategies outlined under the NAP 2.0:

- To accelerate productivity through improved usage and management of land and water resources.
- To fully maximize the potential of special local rice varieties in diversifying paddy varieties produced by farmers.
- To restructure the financial aids in the business decision process by refining the input and output aids, thus ensuring the optimization of farm operation, knowledge and experience of the farmers.
- To increase participation of the private sector in value chain operations of paddy and rice productions in line with current development.
- To promote, encourage and train younger generations by giving them the opportunities to be involved in the paddy and rice subsectors.

The GOM provides a range of subsidies and incentives to producers (Table 4). For example, the GOM provides a minimum guaranteed price of RM 1,200/MT (285 USD/MT). The government also provides

a total of 340 kilograms of fertilizer per hectare of land and subsidizes plowing costs on a seasonal basis. In addition, the GOM also encourages the use of new technologies in rice farming, especially the adoption of new planting and harvesting machines. Farmer cooperatives were given monetary incentives in the form of lower financing costs to purchase machines for subsequent lease to paddy farmers. Still, the adoption of new technologies in paddy farming remains low due to a lack of education, lack of capital, small land holdings, and poor infrastructure.

Table 4: Current Government Rice Subsidies and Incentives 2021

Subsidy / Incentive	2019 Allocation (USD Million)
Paddy Seed Incentive	18.5
Federal Government Paddy Fertilizer Scheme	94.4
Paddy Production Incentive Scheme	229.11 (RM960)
Paddy Price Subsidy Scheme	136 (RM570)
Fertilizer and Pesticide Subsidies for Upland Paddy	11.1
Total	380.9

Exchange Rate as of February 15, 2022 USD\$1: RM4.2

Source: Ministry of Agriculture and Food Industries –Malaysia Paddy Statistics

Consumption

Post estimates that MY 2021/22 consumption will increase to 2.91 million MT over Post’s previous year estimate of 2.9 million MT. The announcement by GOM that it will open its international border by April 1, 2022, and the relaxation of most of COVID 19 restrictions, will spur demand for dining out, improving consumption. In addition, the high price of wheat will see some consumers reducing their purchases of wheat-based products to substitute with rice.

In MY 2022/23, Post forecasts rice consumption to be stable at 2.91 million MT, from Post’s previous year estimate. This is in line with expected stabilization of wheat consumption and lack of other major factors prioritizing rice consumption.

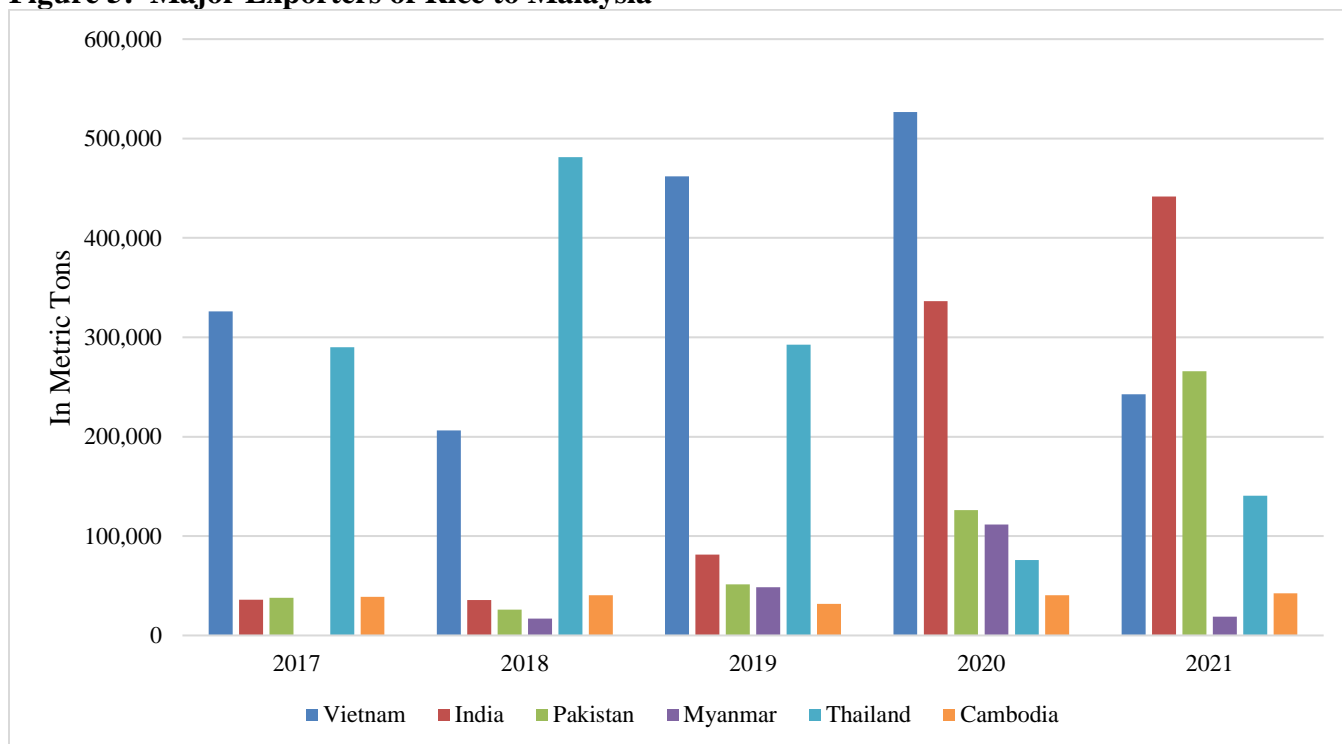
Per capita consumption of rice in Malaysia is approximately 76.5 kg/year in 2020. Although western foods such as pasta and bread are gaining popularity, industry analysts report that rice remains a staple food among Malaysians. The locally produced ST-15 long grain variety is the cheapest variety sold and most popular in the country. Imported rice, such as fragrant jasmine rice from Thailand, is a favorite among higher income consumers and those in urban areas. The GOM controls the price of domestic ST15 rice, based on locality, with retail prices ranging from RM1.65/kg (\$0.40/kg) to RM1.80/kg (\$0.44/kg). Imported rice prices are not controlled.

Trade

Post forecasts MY 2022/23 imports at 1.17 million MT, an increase of 20,000 MT from Post’s previous year estimate. This increase is in line with population growth and the return of foreign tourists to Malaysia. Higher imports in MY 2021/22 and MY 2022/23 will also help to replenish stocks, which the GOM generally keeps slightly over 3 million MT, sufficient to cover about three months of imports. Currently India and Vietnam supply more than 80 percent of the rice imported into Malaysia. Other major suppliers of rice to Malaysia are Pakistan, Myanmar, and Thailand (Figure 4). According to media

reports, the drop in Thai rice exports is due to the strengthening of the Thai baht, combined with drought and export control by the Thai Government, while the sharp increase in Indian rice imports in 2020 and 2021 was due to a request by the Indian government to have more balanced trade with Malaysia, as India is the major importer of palm oil from Malaysia, in addition to low prices and high supplies of rice from India. A significant increase in rice imports from Pakistan is due to low price from \$500.01/ton recorded in 2020 to \$455.36/ton recorded in 2021 as reported in Trade Data Monitor. Meanwhile, the unit price for Vietnamese rice increased from \$467.10/ton in 2020 to \$548.70/ton in 2021, leading to a drastic drop in imports for 2021.

Figure 5: Major Exporters of Rice to Malaysia



Source: Trade Data Monitor

	Unit	Calendar Year (Unit Value: USD/T)				
		2017	2018	2019	2020	2021
Japan	USD/T	2,263.32	1,501.26	2,203.85	2,832.94	2,390.51
Singapore	USD/T	292.68	1,512.37	2,350.21	1,251.68	2,228.88
Spain	USD/T	0.00	0.00	0.00	0.00	1,926.19
Bangladesh	USD/T	1,403.79	1,444.10	1,457.52	1,458.39	1,427.36
Taiwan	USD/T	1,088.51	1,175.22	0.00	689.33	790.96
Cambodia	USD/T	673.91	857.11	861.08	809.68	731.35
Vietnam	USD/T	431.32	518.36	434.15	467.10	548.70
Indonesia	USD/T	591.30	1,636.34	1,916.18	1,180.74	496.45
India	USD/T	959.00	913.10	673.95	485.14	482.58

Thailand	USD/T	416.36	432.67	412.71	509.97	475.60
Pakistan	USD/T	578.78	610.11	582.39	500.01	455.36
Myanmar	USD/T	302.71	352.34	342.26	358.03	406.43
China	USD/T	0.00	0.00	1,105.83	429.85	0.00

Source : Trade Data Monitor

Trade Policy

The GOM imposes a 40 percent import tax on rice for human consumption. Tariffs on imported rice for use in animal feed are 15 percent. Rice importers are required to apply for import licenses from MAFI. Details and procedures for the import license application can be found at <http://www.mytradelink.gov.my/padi>. Bernas Bhd, a GOM-appointed company, handles all rice imports and charges a service fee.

Production, Supply and Distribution – Rice

Rice, Milled Market Year Begins Malaysia	2020/2021		2021/2022		2022/2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	680	680	680	670	0	680
Beginning Stocks (1000 MT)	439	439	389	389	0	369
Milled Production (1000 MT)	1,800	1,800	1,800	1,780	0	1,800
Rough Production (1000 MT)	2,769	2,769	2,769	2,738	0	2,769
Milling Rate (.9999) (1000 MT)	6,500	6,500	6,500	6,500	0	6,500
MY Imports (1000 MT)	1,150	1,150	1,200	1,150	0	1,170
TY Imports (1000 MT)	1,150	1,150	1,200	1,150	0	1,170
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	3,389	3,389	3,389	3,319	0	3,339
MY Exports (1000 MT)	100	100	50	40	0	40
TY Exports (1000 MT)	100	100	50	40	0	40
Consumption and Residual (1000 MT)	2,900	2,900	2,950	2,910	0	2,910
Ending Stocks (1000 MT)	389	389	389	369	0	389
Total Distribution (1000 MT)	3,389	3,389	3,389	3,319	0	3,339
Yield (Rough) (MT/HA)	4.0721	4.0721	4.0721	4.0866	0	4.0721

(1000 HA), (1000 MT), (MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2021/2022 = January 2022 - December 2022

Attachments:

No Attachments