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## Malaysia

## Sugar

## Sugar Annual

## 1999

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### Report Highlights:

The El Nino weather conditions caused a decline in 1998 crop but a rebound is expected in 1999. Domestic consumption was hit by the South East Asian currency turmoil and dropped 7 percent in 1998. Imports in 1998 also showed a big decline, reflecting lower domestic consumption and resulted in lower ending stocks. With lower supply from Thailand, Australia dominated the Malaysian sugar market. Exports of refined sugar continue to show steady growth

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

## Executive Summary

The El Nino weather conditions affected the 1998 crop, resulting in a decline in cane production. Due to improved weather conditions, a rebound in cane output is expected in 1999, although some heavy downpours during March and April have disrupted cane harvesting and lowered the sugar recovery rate. The first harvest from the new integrated sugarcane plantation and processing mill in the state of Sabah is expected in early 2000 but the cane output is not expected to make a significant impact on the country's total output until year 2001.

Malaysian sugar refiners rely on imports for over 90 percent of their milling requirement. With the downturn in domestic consumption, imports during 1998 dropped 9 percent. Because of shortfall in Thailand's sugar production, Australia accounted for 74% of the Malaysian import market. Imports are expected to rebound to 1.2 MMT in 1999 in response to an upturn in demand from the refiners. Exports of refined sugar rose 16 percent in 1998. Increases in exports to the Philippines, New Zealand and Indonesia more than offset declines in export to Singapore. Exports are expected to increase in 1999 as import demand from Indonesia has been increasing lately.

Sugar consumption was hit by the South East Asian currency turmoil and apparent domestic consumption showed a 7 percent drop in CY1998. Concerned with health and perhaps the huge expenditure on sugar imports, the GOM is attempting to amend the Food Regulation Act to limit the amount of sugar in manufactured soft beverages to 6 grams - equivalent of about 1.2 teaspoons per 100 milliliters. Barring the amendment of the mentioned Food Act, we expect domestic consumption to increase by 5.5 percent in CY1999.

Exchange Rate: April, 1998 - US\$1.00 = M\$3.75

April, 1999 - US\$1.00 = M\$3.79

PSD Table						
Country	Malaysia					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	22	19	22	20	0	24
Area Harvested	19	16	19	17	0	18
Production	1100	1000	1110	1100	0	1125
TOTAL SUPPLY	1100	1000	1110	1100	0	1125
Utilization for Sugar	1100	1000	1110	1100	0	1125
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	1100	1000	1110	1100	0	1125

PSD Table						
Country	Malaysia					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	251	251	261	170	242	185
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	110	100	111	105	0	112
TOTAL Sugar Production	110	100	111	105	0	112
Raw Imports	1280	1065	1340	1220	0	1280
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	1280	1065	1340	1220	0	1280
TOTAL SUPPLY	1641	1416	1712	1495	242	1577
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	140	156	160	160	0	170
TOTAL EXPORTS	140	156	160	160	0	170
Human Dom. Consumption	1240	1090	1310	1150	0	1200
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1240	1090	1310	1150	0	1200
Ending Stocks	261	170	242	185	0	207
TOTAL DISTRIBUTION	1641	1416	1712	1495	0	1577

## Production

While three sugar cane plantations are located in the northwest corner of Peninsular Malaysia in the adjoining states of Perlis and Kedah, a new integrated sugarcane plantation and processing mill has been established in the state of Sabah, in East Malaysia. The first harvest is expected in early 2000 but the cane output is not expected to make a significant impact on the country's total output until year 2001.

The El Nino weather conditions affected the 1998 crop, resulting in a decline in cane production. The outlook for the 1999 crop -- the harvest (January through May) of which is now in progress -- is more encouraging. Improved weather conditions contributed to a small increase in total cane production. Improvement in average yields should help cane output to increase to 1.1 MMT. However, heavy downpours during March and April have disrupted cane harvesting and lowered the sugar recovery rate.

## Consumption

Sugar consumption was hit by the South East Asian currency turmoil and apparent domestic consumption showed a 7 percent drop in CY1998. Household use accounts for 68-70 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.

Concerned with health and perhaps with huge expenditure on sugar imports, the GOM is attempting to amend the Food Regulation Act to limit the amount of sugar in manufactured soft beverages to 6 grams - equivalent of about 1.2 teaspoons per 100 milliliters. A conventional 300ml can of soft drink sold locally contain about 10 teaspoons or 50 grams of sugar against 3.6 teaspoons or 18 grams under the proposed ruling. Some soft drink manufacturers are unhappy with the proposal voicing that only 13 percent of total sugar consumption is taken by the soft beverage industry while 12 percent is consumed by the sweetened condensed milk sector and the bakery/ice cream/confectionery sector accounts for 7 percent. The proposal is to be debated at the next meeting of Parliament.

Barring the amendment of the mentioned Food Act, we expect domestic consumption to increase by 5.5 percent in CY1999.

Wholesale and retail prices for sugar are controlled under the Supplies Regulation Act (1974) and remained at M\$1,395/ton (about US\$367 currently) and at M\$1.45/kg (about US\$0.38), respectively, since February 1998.

According to Malaysian import statistics, the average unit value of raw sugar (95-98 degree Polarization) purchased from Thailand in the free market was M\$1,031 (US\$295)/ton in CY1998 compared to M\$718 (US\$194)/ton in CY1997.

## Trade

Malaysian sugar refiners rely on imports for over 90 percent of their milling requirement. With the downturn in domestic consumption, imports during 1998 dropped 9 percent. Due to a shortfall in Thailand's sugar production, Australia dominated by supplying 74 percent of the Malaysian import market, followed by Thailand (7%), Brazil (6%) and South Africa (6%). Colombia dropped off the market after a brief emergence in the previous year. Imports are expected to rebound 1.2 MMT in 1999 in response to an upturn in demand from the refiners. The growth in imports is likely to be sustained in year 2000 as the Malaysian economy continue to make steady recovery.

Exports of refined sugar rose 8 percent in 1998. Increases in exports to the Philippines, New Zealand and Indonesia more than offset declines in shipments to Singapore. Exports are expected to increase in 1999 as demand from Indonesia has been increasing lately.

Import Trade Matrix			
Country	Malaysia		
Commodity	Centrifugal Sugar		
Time period	Jan-Dec	Units:	M.Ton
Imports for:	1997		1998
U.S.		U.S.	
Others		Others	
Australia	576	Australia	789
Thailand	365	Thailand	79
South Africa	105	Brazil	66
Fiji	45	South Africa	60
Zimbabwe	28	Zimbabwe	39
Brazil	27	Fiji	32
Colombia	20		
Total for Others	1166		1065
Others not Listed			
Grand Total	1166		1065

Export Trade Matrix			
Country	Malaysia		
Commodity	Centrifugal Sugar		
Time period	Jan-Dec	Units:	M. Ton
Exports for:	1997		1998
U.S.		U.S.	
Others		Others	
Indonesia	52	Indonesia	55
Singapore	46	Philippines	55
Hong Kong	18	Singapore	32
Philippines	18	New Zealand	10
New Zealand	1	Hong Kong	4
Total for Others	135		156
Others not Listed			
Grand Total	135		156

## Stocks

Carry-out stocks declined at the end of CY1998 reflecting the big cuts in imports. The high international sugar prices also influenced the refiners to keep stocks to minimal levels. As for 1999, part of the imports will be used to rebuild stocks.

## Policy

Non-Tariff Barriers: Malaysia has long-term trade agreement (LTA) with Australia to cover about 40-60 percent (volume can vary from year to year) of domestic requirements. The agreement was extended to year 2000.