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GAIN Report #MY0021

# Malaysia

# Sugar

# Annual

# 2000


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**Report Highlights:**
**Total Malaysian cane production is expected to increase marginally to 1.12 MMT in 2000. Domestic sugar consumption rebounded in 1999 and is expected to expand by 3-4 % in the next two years. Imports grew 12% in 1999 with impressive increases from Brazil and Thailand. Imports should reach 1.3 MMT by 2001. Malaysia extended its long-term trade agreement with Australia until 2002. Exports of refined sugar rose 38% in 1999 and are expected to stabilize to about 200 TMT for the next two years.**



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

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## Executive Summary

While improved weather conditions during the growing stage contributed to better than average yields, abnormally wet conditions during February and March hampered cane harvesting. Total cane production is expected to increase marginally to 1.1 MMT in 2000. The sugarcane plantation in the state of Sabah, East Malaysia had its first harvest of 1,500 tons of cane in 2000.

Domestic sugar consumption rebounded by 2.8 percent in 1999 and is expected to expand by 3-4 percent annually in CY2000 and CY2001, reflecting the strong growth in the beverage and confectionery industry. Domestic retail prices for refined sugar are controlled under the Supplies Regulation Act (1974) and remained unchanged since November 1989.

Malaysian sugar refiners rely on imports for about 92 percent of their milling requirement. Imports from Brazil and Thailand showed impressive growth while the Australian market share fell from 74 % in 1998 to 55% in 1999. Imports are expected to increase to 1.3 MMT in 2000 in response to increased demand from the refiners as well as for stock replenishment. Malaysia extended its long-term trade agreement (LTA) with Australia to the year 2002.

Exports of refined sugar rose 38 percent in 1999. Exports to Indonesia, New Zealand and Singapore more than offset declines in shipments to the Philippines and Hong Kong. As the political and economical situations in Indonesia return to normalcy, Indonesian sugar mills are expected to restart some operations which were disrupted during the crisis. As a result, Malaysian total sugar exports are expected to stabilize to about 200 TMT for the next two years.

Exchange Rate: April, 1999 - US$1.00 = M$3.799
April, 2000 - US$1.00 = M$3.799

| | | | | | | |
|---|---|---|---|---|---|---|
| PSD Table | | | | | | |
| Country | Malaysia | | | | | |
| Commodity | Sugar Cane for Centrifugal | | | | (1000 HA)(1000 MT) | |
| | Revised | 1999 | Preliminary | 2000 | Forecast | 2001 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/1999 | | 01/2000 | | 01/2001 |
| Area Planted | 0 | 22 | 0 | 24 | 0 | 26 |
| Area Harvested | 0 | 19 | 0 | 18 | 0 | 18 |
| Production | 0 | 1110 | 0 | 1115 | 0 | 1130 |
| TOTAL SUPPLY | 0 | 1110 | 0 | 1115 | 0 | 1130 |
| Utilization for Sugar | 0 | 1110 | 0 | 1115 | 0 | 1130 |
| Utilizatn for Alcohol | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL UTILIZATION | 0 | 1110 | 0 | 1115 | 0 | 1130 |

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country | Malaysia | | | | | |
| Commodity | Centrifugal Sugar | | | | (1000 MT) | |
| | Revised | 1999 | Preliminary | 2000 | Forecast | 2001 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/1999 | | 01/2000 | | 01/2001 |
| Beginning Stocks | 170 | 170 | 185 | 130 | 207 | 160 |
| Beet Sugar Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Cane Sugar Production | 105 | 107 | 112 | 110 | 0 | 113 |
| TOTAL Sugar Production | 105 | 107 | 112 | 110 | 0 | 113 |
| Raw Imports | 1220 | 1188 | 1280 | 1280 | 0 | 1310 |
| Refined Imp.(Raw Val) | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 1220 | 1188 | 1280 | 1280 | 0 | 1310 |
| TOTAL SUPPLY | 1495 | 1465 | 1577 | 1520 | 207 | 1583 |
| Raw Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Refined Exp.(Raw Val) | 160 | 215 | 170 | 200 | 0 | 200 |
| TOTAL EXPORTS | 160 | 215 | 170 | 200 | 0 | 200 |
| Human Dom. Consumption | 1150 | 1120 | 1200 | 1160 | 0 | 1200 |
| Feed Dom. Consumption | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Dom. Consumption | 1150 | 1120 | 1200 | 1160 | 0 | 1200 |
| Ending Stocks | 185 | 130 | 207 | 160 | 207 | 183 |
| TOTAL DISTRIBUTION | 1495 | 1465 | 1577 | 1520 | 207 | 1583 |

## Production

Favorable weather conditions during the growing stage resulted in good cane yields in 2000. However, abnormally wet conditions during February and March hampered cane harvesting. While the average yields improved, the sugar recovery rate was lower than expected. Total cane production for the 2000 crop -- the harvest (January through May) of which is now in progress -- is expected to increase marginally to 1.1 MMT. The sugarcane plantation in the state of Sabah, East Malaysia had its first harvest of 1,500 tons of cane in 2000.

## Consumption

Domestic sugar consumption rebounded by 2.8 percent in 1999. 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. In recent years, the consumption of soft drinks and sweetened packaged juices has increased tremendously, in part due to the expansion of vending machines in public places. Some sugared products are exported to neighboring countries. Domestic consumption is expected to expand by 3-4 percent annually in CY2000 and CY2001.

Following resistance from foreign-owned as well as local beverage manufacturers, the GOM's attempt to amend the Food Regulation Act to limit the amount of sugar in manufactured soft beverages was abandoned .

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$776 (US$204)/ton in CY1999 compared to M$1,031 (US$263)/ton in CY1998.

## Trade

Malaysian sugar refiners rely on imports for about 92 percent of their milling requirement. Due to huge exportable surpluses, Brazil's exports to Malaysia rose 380 percent with its market share increasing from 6% in 1998 to 27% in 1999. Likewise, imports from Thailand also showed a marked increase. However, Australian market share fell from 74 % in 1998 to 55% in 1999. Imports are expected to increase to 1.3 MMT in 2000 in response to increased demand from the refiners as well as for stock replenishment. The growth in imports is likely to be sustained, albeit at a slower rate, in year 2001 as the Malaysian economy continues to make a steady recovery.

Exports of refined sugar rose 38 percent in 1999. Exports to Indonesia, New Zealand and Singapore more than offset declines in shipments to the Philippines and Hong Kong. As the political and economical situations in Indonesia return to normalcy, Indonesian sugar mills are expected to restart some operations which were disrupted during the crisis. As a result, Malaysian total sugar exports are expected to stabilize to about 200 TMT for the next two years.

| Import Trade Matrix | | | |
|---|---|---|---|
| Country | Malaysia | | |
| Commodity | Centrifugal Sugar | | |
| Time period | Jan-Dec | Units: | 1000MT |
| Imports for: | 1998 | | 1999 |
| U.S. | | U.S. | |
| Others | | Others | |
| Australia | 789 | Australia | 655 |
| Thailand | 79 | Brazil | 316 |
| Brazil | 66 | Thailand | 114 |
| South Africa | 60 | South Africa | 72 |
| Zimbabwe | 39 | Guatemala | 31 |
| Fiji | 32 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 1065 | | 1188 |
| Others not Listed | | | |
| Grand Total | 1065 | | 1188 |

| | | | |
|---|---|---|---|
| Export Trade Matrix | | | |
| Country | Malaysia | | |
| Commodity | Centrifugal Sugar | | |
| Time period | Jan-Dec | Units: | 1000 MT |
| Exports for: | 1998 | | 1999 |
| U.S. | | U.S. | |
| Others | | Others | |
| Indonesia | 55 | Indonesia | 121 |
| Philippines | 55 | Singapore | 47 |
| Singapore | 32 | New Zealand | 20 |
| New Zealand | 10 | Taiwan | 12 |
| Hong Kong | 4 | Philippines | 12 |
| | | Hong Kong | 1 |
| | | Cambodia | 1 |
| | | | |
| | | | |
| | | | |
| Total for Others | 156 | | 214 |
| Others not Listed | | | 1 |
| Grand Total | 156 | | 215 |

## Stocks

Carry-out stocks declined at the end of CY1999 reflecting the sharper increase in exports.  As for 2000 and 2001, 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 has been extended to the year 2002.