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# Malaysia

**Post:** Kuala Lumpur

# Pork Supply and Demand

**Report Categories:**
Livestock and Products

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**Report Highlights:**
Malaysia is largely self-sufficient in pork, with production accounting for about 97 percent of domestic consumption. Production is stagnant, with little growth expected. Imports are tightly controlled. Opportunities exist for U.S. exporters, but the quantity would not be significant.

## General Information:

**Pork Supply and Demand Table (MT)**

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Beginning Stocks | 1,000 | 1,000 | 1,000 |
| Production | 232,000 | 231,000 | 232,000 |
| Total Imports | 8,450 | 8,700 | 9,000 |
| Total Supply | 241,450 | 240,700 | 242,000 |
| Total Exports | 0 | 0 | 0 |
| Total Dom. Consumption | 240,450 | 239,700 | 241,000 |
| Ending Stocks | 1,000 | 1,000 | 1,000 |
| Total Distribution | 241,450 | 240,700 | 242,000 |

## Production:

Malaysia's pork production is forecast to remain relatively stable at about 235,000 tons in 2014. Similarly, swine population numbers have been constant at around 1.8 million head, and are not expected to increase. Factors hindering higher output include environmental concerns, urbanization, and cultural factors. Many smaller-scale farms were once located near high-population areas, but these have been forced to relocate due to problems associated with effluent disposal and odor. In addition, as a majority Muslim country where 60 percent of the population doesn't consume pork nor wants to be near pork farms, opposition to expansion of the pork sector is fierce in some localities. In fact, the government of Malaysia (GOM) has an official policy of creating "pig farming areas," which involves encouraging producers to relocate to specific zones. Establishment of these areas has been controversial and largely unsuccessful for a variety of reasons, including resistance to relocation among producers. The result is that many small-scale producers are abandoning the business.

About 80 percent of production occurs in peninsular Malaysia (mainly the States of Penang, Perak, Selangor, Malacca, Johor), with Sarawak in Eastern Malaysia also an important center of production. The average farm size is about 2,500 head, with about 150 sows. However, on peninsular Malaysia, several large farms exist with sow herds ranging from 3,000 to 4,500. The decline in small-scale producers, caused by the factors mentioned above, has created opportunities for expansion among the larger established farms that are in locations far removed from population centers. In fact, some of these larger farms are investing in improved and more modern production facilities, with better waste management systems. This new investment among these larger producers will not, however, lead to resurgence in production, as it is insufficient to replace the marked decline in small-scale production.

The sector consumes about 1.5 million tons of compound feed annually; the feed ingredients (primarily soybean meal and corn) are almost all imported. In addition, the sector relies almost exclusively on external supplies for herd improvement, importing both live boars/gilts and genetic material. Similarly, industry managers look to other countries for technical expertise and support, and often complain that GOM does little to assist in production.

## Consumption:

While Malaysia's population in about 29.6 million, only about 40 percent consume pork. Thus, the number of potential pork consumers in Malaysia is about double that of Singapore, but with significantly less purchasing power than their southern neighbors. Malaysia's pork consumption is forecast to remain around 240,000 tons. This implies a per capita consumption for the entire population of around 8.1 kgs annually, but the effective per capita consumption among the actual pork consumers is about 20 kgs. per annum. Given demographic trends, and the outright opposition to pork in Malaysia, consumption is forecast to decline beyond 2014. Poultry is the favored meat and most important protein source, with consumption about five times that of pork. Malaysia is essentially self-sufficient in poultry meat production. Total beef (almost all imported) consumption is slightly above that of pork.

## Trade:

GOM controls the quantity and timing of imports by selectively issuing import permits. While there is no official quota, Ministry of Agriculture officials meet regularly to allocate permission to import pork to a selected group of importers. Reportedly, there is some favoritism in how the permits are issued, with most of them going to certain manufactures of processed products.

Imports in 2014 are forecast to be about 9,000 tons. About 80 percent of the cuts imported are ribs and bellies.

Per the trade matrix below, EU countries are the largest suppliers, followed by Australia and Canada.

**Major Sources of Malaysia's Pork Imports:**

| Source | Quantity (MT) | | |
|---|---|---|---|
| | 2010 | 2011 | 2012 |
| Germany | 1,660 | 3,409 | 4,365 |
| Belgium | 903 | 849 | 1105 |
| Netherlands | 3,662 | 2,942 | 684 |
| Australia | 1,597 | 790 | 497 |
| Spain | 933 | 1,076 | 447 |
| Canada | 886 | 381 | 420 |
| Singapore | 32 | 479 | 341 |
| China | 1836 | 1695 | 284 |
| Denmark | 49 | 68 | 76 |
| Thailand | 22 | 0 | 10 |

Pork imports declined significantly from 2011 to 2012 due to a change in import requirements. In June 2011, the Ministry of Agriculture notified exporting countries that pork imports were no longer allowed pending audits of each plant wishing to export to Malaysia. As a result, imports were halted for several months as countries' scheduled audits for those plants interested in exporting. Currently, the following countries have slaughter facilities eligible to export: Australia (7 plants), Belgium (7), Canada (5), China (3), Germany (13), Portugal (1), Spain (10), Thailand (2), Vietnam (2).

## Marketing:

Like production, pork distribution and marketing is rigorously segregated in Malaysia. Processing, packaging, and transporting pork is kept strictly separate from other food channels. Similarly, storage and handling facilities are isolated. Generally, companies that market pork, do not handle any other food or meat products, at least not on the same premises.
Because of the limitations on imports described above, only a few companies handle imports.

In terms of marketing outlets, retail stores maintain separate sections, secluded from other food sections, to sell pork. In stores, further-processed pork items are the primary item sold, and secondarily, fresh cuts. Wet markets are significant distribution centers for partial pork carcasses and cuts. Restaurants devoted to ethnic Chinese are the other main distribution outlets for pork. Roast and barbecue pork dishes, as well as noodle dishes, are the most popular. Most restaurants and food service outlets in Malaysia do not offer pork. None of the fast food chains carry pork.

## Factors Affecting U.S. Exports:

Malaysian officials have still not audited any U.S. plants, and no U.S. slaughter plants have been eligible to export to Malaysia since June 2011. The plant approval process does not apply to further-processed products, and some canned and processed sausages are being shipped, but no frozen cuts. Prior to the trade being stopped, the U.S. averaged about 335,000 tons per year, so Malaysia has never been a significant market for U.S. pork.

Nonetheless, assuming U.S. plants regain eligibility to export, importers are interested in spareribs, bellies, stomachs, loins. These products would be primarily for further processing. The U.S. will face stiff competition from the EU sources for the spareribs and bellies. The U.S. absence from the market for almost two years