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Malaysia

Grain and Feed Annual

2017

Approved By:
Joani Dong, Regional Agricultural Attaché

Prepared By:
Abdul Ghani Wahab, Agricultural Specialist

Report Highlights:
For 2016/17 total overall imports of corn into Malaysia is forecast to drop to 3.8 million tons. Even so, U.S. exports of corn are likely to increase to 150,000 tons, due to positive acceptance of U.S. corn among Malaysian feed millers. Malaysia's wheat imports for 2016/17 are likely to remain at 1.7 million tons. However, U.S wheat exports will increase to 200,000 tons, as demand for quality bread and bakery goods increases with rising living standards among Malaysian urbanites. Due to price and long distance, there has been no U.S rice exported to Malaysia for the last few years, and this is likely to remain unchanged in the short term.

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Executive Summary:

In 2015/16, the U.S exported 98,000 tons of corn valued at US$25.8 million, up from 30,000 tons in 2014/15 as price of corn became competitive compared to previous years. For wheat, the United States exported 189,000 tons of wheat valued at US$44.2 million in 2015/16, down from 195,000 tons in 2014/15 due to depreciation of Malaysian currency. There was no U.S. rice exported to Malaysia.

For 2016/17 total overall imports of corn into Malaysia will likely drop to 3.8 million tons. Even so, U.S. exports of corn are likely to increase to 150,000 tons, due to positive acceptance of U.S. corn among Malaysian feed millers. This is evident from the first bulk shipment of U.S corn to Malaysia on August 8, 2016, after an absence of five years. A second bulk shipment arrived on March 13, 2017, with total tonnage of 68,100 tons of U.S number 2 yellow corn. A third and fourth bulk shipment are bound for Malaysia in late March and April.

Malaysia's overall wheat imports for 2016/17 will stay at 1.7 million tons. However, U.S wheat exports will increase to 200,000 tons, as demand for quality bread and bakery goods as living standards rose among Malaysian urbanites. Due to price and long distance, there has been no U.S rice exported to Malaysia for the last few years and this is not likely to change in the short term.

Demand for poultry, pork and bread stabilized after two years' implementation of a six percent Goods and Services Tax (GST). Depreciation of Malaysian currency by as much as 30% in the last 18 months impacted importation of corn, wheat and rice as price of commodities became expensive. For 2016/17, demand for wheat and rice remained stagnant as prices rose due to depreciation of Malaysia currency, whereas demand for poultry improved as people switched from meat and seafood (mostly imported and expensive) to chicken. For 2017/18, corn imports are expected to grow moderately in line with population growth and stronger feed use for poultry.

Corn

There is no commercial corn production for feed in Malaysia. Most corn produced in-country is sweet corn for human consumption. Corns are planted in rotation with other plants such as banana, sweet potatoes, pineapple and watermelon to complement farmer income. Based on data by Malaysia Department of Agriculture, cost of production was US$84.00 per ton in 2012.

Although Malaysian currency saw a drop in value relative to the U.S. dollar, the price of corn stabilized and declined for the past three years. Imports for 2015/16 were 4.1 million tons, up by 17 % from 3.5 million tons in 2014/15. As Malaysia imports most beef and seafood products, poultry is a cheap alternative for protein for most Malaysians. Demand for corn for 2016/17 is the same as the USDA estimate at 3.8 million tons, as feed importers increased their imports of less expensive soybean meal from 1.29 million tons in 2015/16 to 1.58 million tons in 2016/17. For 2017/18, demand could rebound to 4.0 million tons in hopes that the Malaysian currency will strengthen by the end of 2017 onwards. In addition, improved profit margins via cost savings by the poultry industry through mergers and consolidation compounded by increased overall domestic demand for poultry meat strengthen demand for corn in 2017/18 onwards.

For corn, in 2015/16, both Argentina (sales of US$293 million) and Brazil (US$392 million) controlled 93% of total corn exported to Malaysia amounting to 4.1 million tons in 2015/16. In 2015/16, Malaysia imports of Distiller's Dried Grains with Solubles (DDGS) and Corn Gluten Meal (CGM) from the United States were US$9.8 million and US$11.9 million respectively.

Demand for U.S corn has improved for the last two years. In 2014/15, the States exported 30,000 tons of corn valued US$ 7 million to Malaysia, in 2015/16 corn exports increased to 98,000 tons or US$ 25.8 million. For 2016/17, although overall Malaysia's corn imports are likely to drop to 3.8 million tons from 4.13 tons in 2015/17, U.S exports of corn to Malaysia will increase. In August 8, 2016, the first bulk shipment of 50,000 tons of U.S. corn arrived after a five-year hiatus from Malaysian shores since the historic U.S. drought in 2012/2013. The second bulk shipment arrived on March 13, 2017 with total tonnage of 68,100 tons of U.S #2 yellow corn. Post was told there are two more bulk shipments bound for Malaysia late March and April with expected combined tonnage around 80,000 tons.

The repeat orders of U.S corn proves that high quality corn the U.S produced and acceptance of Malaysian millers proved demand for U.S corn to be sustained in years to come. As price of corn is forecast to decline, net export selling price (export parity price) difference between U.S. corn and South American corn has narrowed, making it competitive for U.S. corn relative to supplies from other countries.

There is no "Non-ASEAN" duty or import tax and tariff applicable to animal feed exported to Malaysia. Corn for feed is subject to a 6% Goods and Services Tax (GST) which is a domestic consumption tax.

The maximum contract moisture level for U.S. corn is 14.5 % while South American suppliers may provide at 12.5-13% as their corn is field dried. Under the Cochran Fellowship program in 2015, specifically designed for warehouse managers of major feed millers in Malaysia, moisture issues were discussed as a function of how long corn is stored and how well aerated in the hot and humid Malaysian weather after landing.

In the last few months of 2016, there was consolidation of big layer integrated poultry farms merging with small layer farms in mitigating the effects of rising costs (due to exchange rate losses) and eroded profit margins.

In 2016, the Ministry of Agriculture Malaysia expressed interest in studying corn farming in the United States. The U.S. Grains Council led a trip comprised of the Ministry of Agriculture's Secretary General and a consortium from the private sector. They attended the World Food Price 2016 in Des Moines, Iowa and field visits to corn farms in the United States. The objective of the visit is to study the viability of commercial scale corn farming in Malaysia in reducing import dependency.

Although the Ministry had good intentions, based on land use patterns, weather conditions, world commodity prices of corn and infrastructure required for commercial planting of corn in Malaysia, it would be prohibitively expensive and risky for the Ministry to embark on the project. If the project proceeded, it would be even tougher to sustain as price of poultry (whole dressed chicken) in Malaysia is regulated by the government: (***http://www.kpdnkk.gov.my/index.php/en/consumer/controlled-goods/scheduled-controlled-goods***) Thus, maintaining the price of feed at competitive levels would be challenging in ensuring the poultry industry stays competitive. In other words, locally grown corn for

feed would have to be priced competitively enough for farmers and retail selling at regulated prices at a profit. Otherwise, the government would need to step in to subsidize the farmer. By contrast, for chicken parts such as breast, wing and drumstick, the price is subject to supply and demand.

Beginning January 1, 2015, corn importers were required to obtain import approvals from both the Department of Veterinary Services and Department of Agriculture as well as provide a phytosanitary certificate from the exporting country.

Under the Feed Law, importers are required to apply for an import license from the Department of Veterinary Services (DVS). The import license required the importers to provide:

1. Certificate of Origin
2. Certified composition by a competent agency of exporting country.
3. Relevant packaging, manufacturing and labelling requirement.
4. Import registration.

In addition to the feed law, corn imports are also subject to the Agriculture Quarantine Law, which requires registration with the Department of Agriculture for an import license and a Phytosanitary Certificate for every consignment. Distiller's Dried Grains with Solubles (DDGS) and Corn Gluten Meal (CGM), on the other hand, are excluded based on the circular letter issued by the Department of Agriculture Malaysia dated April 24, 2015.
(http://www.doa.gov.my/index/resources/perkhidmatan/permit/myimport/surat_pengecualian_dggs_cgm_29april2015.pdf)

Regarding import requirements, in addition to an import permit and phytosanitary certificate, and registration under the Feed Act, genetically engineered imported corn for feed and industrial use is supposed to be approved by the National Biosafety Committee in the Ministry of Natural Resources and Environment (NRE). At the time of this report, there are 14 corn events approved by the Malaysia National Biosafety Committee - Ministry of Natural Resources and Environment. Even so, there have not been any reported Genetic Modified (GM) corn consignments detained by the Malaysian Port Authorities.

Corn

transported by conveyor belt at Port Klang (left). Paddy field in the state of Kedah (right)
(Source: FAS Kuala Lumpur)

Corn Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Corn		
Time Period	Market Begin Oct and Ends Sept	Units:	1000MT
Imports for:	**2014/15**		**2015/16**
U.S.	30	U.S.	98
Others		Others	
Argentina	1,538		1,607
Brazil	1,437		2,244
India	129		9
Paraguay	75		76
Australia	2		8
Thailand	0		5
Ukraine	0		0
Total for Others	3,211		3,949
Others not Listed	10		87
Grand Total	**3,221**		**4,134**

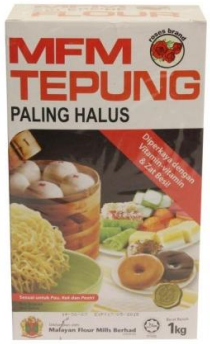
Wheat

Wheat imports are expected to remain at 1.7 million tons in 2016/17 due to depreciation of Malaysian currency as it becomes expensive to import. For 2017/18, Malaysia imports of wheat are likely to increase marginally by 3% to 1.75 million tons with expectation of the Malaysian currency to recover by late 2017. Improved living standards and increased awareness of healthy living spur demand for high quality bread and bakery items.

The government controls the price of general all purpose flour, setting it at RM 1.35 (US$0.38) per kilo, and there is no GST. By contrast, prices for high quality specialty flours are not controlled, but subject to GST. Demand for flour is expected to be in line with population and economic growth. Even so, the drop in Malaysian currency value dampened demand for flour. Expectation of Malaysian currency to recover by end of 2017 will see demand for wheat recover to 1.75 million tons in 2017/18.

Australia remains the biggest exporter of wheat to Malaysia, holding half of market share. In 2015/16, Australia exported 862,000 tons of wheat valued at US$194 million while the United States exported

189,000 tons of wheat valued at US$44.2 million to Malaysia as the second largest exporter of wheat to Malaysia and is forecast to export 200,000 tons in 2016/17.



Retail packages of wheat flour geared for different markets.
(Source: Courtesy of Malayan Flour Mills)

Wheat Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Year Starts May Ending June	Units:	1000 MT
Imports for:	**2014/15**		**2015/16**
U.S.	195	U.S.	189
Others		Others	
Australia	905		862
Canada	111		184
Ukraine	74		185
Russia	16		44
India	24		4
Total for Others	1,114		1,279
Others not Listed	236		232

Grand Total	**1,545**		**1,700**

Rice

With the El-Nino weather anomaly, which was associated with the dry season recorded throughout 2016, and mild dry season expected in 2017, production is forecast to stagnate at 1.8 million tons in 2016/17. In 2017/18 production is forecast to increase slightly to 1.82 million tons. This small increase for 2017/18 attributed to cut on government subsidize to rice farmers and government intention to lower end stock.

Although there are increases in planted areas in East Malaysia, dry weather is expected to reduce yields in 2017/18. In peninsular Malaysia, proximity of the paddy farms to major urban areas, saw most of the lands develop into housing and new townships, leading to a drop in paddy planted areas. In 2011, total paddy planted areas in Peninsular Malaysia was 517,586 hectares, and in 2014 the area planted dropped to 514,381 hectares. There has been no official figures released by Malaysia Department of Agriculture for planted areas in 2015 and 2016, but based on unofficial data, it was estimated the area planted further dropped to 510,000 hectares in 2016. Paddy planted areas in Sabah and Sarawak (East Malaysia) increased from 99,442 hectares in 2011 to 101,326 hectares in 2014. For 2016/17, paddy planted areas in Sabah and Sarawak is forecast to increase to 107,000 hectares. Overall paddy yield in Malaysia has increased from 3,788 kg/Ha in 2005 to 4,527 kg/Ha in 2014. There is no official data available for year 2015 and 2016.

To encourage paddy plantation, GOM provides various incentives to produce, such as subsidized seeds, fertilizer, pesticides, and irrigation. The GOM set the support price for paddy at RM1,200 per ton (US$270/ton).

Domestic consumption is relatively stable and is forecast to increase from 2.75 million in 2016/17 to 2.8 million tons in 2017/18. This increase is in line with population growth projected at 1.4 percent in 2016/17 and forecast at 1.3 percent in 2017 /18. Per capita rice consumption in Malaysia is at 82.3 kg in 2016, up from 81.5 kg in 2015. Although western food such as tortillas, pizza, pasta and bread are gaining popularity, especially in urban areas, rice remains a staple food among Malaysian. Such western foods are consumed as snacks or as comfort foods and rarely make it as staple food in dining table.

Most rice consumed is of long grain variety, the locally produced ST-15 variety, the cheapest variety sold and consumed most by Malaysians. Imported rice such as Jasmine fragrant rice from Thailand is popular among upper income earners and those in urban areas, but cost twice the price of ST-15 local variety rice. Premium rice, such as basmati rice and fragrant rice, are non-controlled items. Prices for ST15-grade rice (15 percent broken), which is mainly produced domestically, and controlled at RM1.65 (US$0.42) targeting low income group has been abolished in January 2016, and, instead, the price has been floated to reflect market demands. To assist low income groups, GOM instead provides food coupons for purchases of ST15-grade rice. The program called SUBUR (Rice Subsidy Program for the Poor) targeted to those earning below US$300 a month, providing up to 3 coupons per eligible family every 6 months. Both premium and ST15-grade rice are not subject to Goods and Services Tax (GST).

For year 2016, total import of rice was US$377 million in which, nearly 65 percent of rice imported into

Malaysia is of long grain white Jasmine fragrant rice variety from Vietnam and Thailand. Basmati rice from Pakistan and India, commanding around 20 percent of imports and the rest are glutinous rice and sushi rice.

In 2016, Thailand and Vietnam controlled more than 70 percent of rice imported into Malaysia with total volume of 675,000 tons and valued at US$186 million and US$91 million respectively. Other major exporters of rice to Malaysia in 2015 were Pakistan, India and Cambodia. To ensure sufficient supply of stock of rice in the market, GOM maintains a withholding stock of 20% from total consumption. GOM holds around 300,000 tons of rice stock whereas private sector holds around 190,000 tons of stock. These stocks are kept throughout the country by appointed private sector, Padi Beras Nasional or BERNAS and will be released to stabilize the market price.

Rice is one of the control items in Malaysia in which importation and distribution are controlled by the government. Under the HS Code of 1006, there is a 40% import tax imposed on rice. In addition importers are required to apply for import licenses from Ministry of Agriculture and Agro based Industry – Paddy and Rice Division. Except for rice for used in animal feed the import tax is at 15%.

Details and procedure for application of import license from the Ministry of Agriculture and Agro-based Industry can be found at ***http://www.mytradelink.gov.my/padi*** . Although there is no mentioned on the Ministry of Agriculture and Agro based Industry website on GOM control of the commodity, Padi Beras Nasional or BERNAS holds the monopoly on rice import.

Based on the concessionary agreement signed between BERNAS and the government in 2011, BERNAS holds the sole right to import and distribute rice till year 2021. To create the sense of competition, other local domestic companies interested in importing rice are required to import it through BERNAS and market it under their own brands. As BERNAS was allowed to import based on quota set by GOM for any given year, the amount imported by other local domestic companies were subject to BERNAS discretion.

Rice Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Rice		
Time Period	Market Begin Jan ends Dec	Units:	1000MT
Imports for:	2015		**2016**
U.S.	0	U.S.	0
Others		Others	
Thailand	443		430
Vietnam	274		245
Pakistan	180		170
Cambodia	52		58
India	44		42
Total for Others	993		945
Others not Listed	7		4

Grand Total	**1.000**		**950**

Production, Supply and Demand Data Statistics - Corn

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10	10	10	10	0	10
Beginning Stocks	399	399	749	749	0	697
Production	58	58	58	58	0	58
MY Imports	4134	4134	3800	3800	0	4000
TY Imports	4134	4134	3800	3800	0	4000
TY Imp. from U.S.	98	98	0	150	0	160
Total Supply	4591	4591	4607	4607	0	4755
MY Exports	42	42	10	10	0	20
TY Exports	42	42	10	10	0	20
Feed and Residual	3500	3500	3600	3600	0	3700
FSI Consumption	300	300	300	300	0	300
Total Consumption	3800	3800	3900	3900	0	4000
Ending Stocks	749	749	697	697	0	735
Total Distribution	4591	4591	4607	4607	0	4755
(1000 HA) ,(1000 MT)						

Production, Supply and Demand Data Statistics - Wheat

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2014		Jul 2015		Jul 2016	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	224	224	278	278	0	268
Production	0	0	0	0	0	0
MY Imports	1700	1700	1700	1700	0	1750
TY Imports	1700	1700	1700	1700	0	1750
TY Imp. from U.S.	190	190	0	200	0	210
Total Supply	1924	1924	1978	1978	0	2018
MY Exports	156	156	170	170	0	180
TY Exports	156	156	170	170	0	180
Feed and Residual	40	40	40	40	0	40
FSI Consumption	1450	1450	1500	1500	0	1500
Total Consumption	1490	1490	1540	1540	0	1540
Ending Stocks	278	278	268	268	0	298
Total Distribution	1924	1924	1978	1978	0	2018
(1000 HA) ,(1000 MT)						

Production, Supply and Demand Data Statistics - Rice

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	690	690	695	695	0	695
Beginning Stocks	582	582	532	532	0	502
Milled Production	1800	1800	1820	1820	0	1820
Rough Production	2769	2769	2800	2800	0	2800

Milling Rate (.9999)	**6500**	**6500**	**6500**	**6500**	**0**	**6500**
MY Imports	**950**	**950**	**950**	**950**	**0**	**1000**
TY Imports	**950**	**950**	**950**	**950**	**0**	**1000**
TY Imp. from U.S.	**0**	**0**	**0**	**0**	**0**	**0**
Total Supply	**3332**	**3332**	**3302**	**3302**	**0**	**3322**
MY Exports	**50**	**50**	**50**	**50**	**0**	**50**
TY Exports	**50**	**50**	**50**	**50**	**0**	**50**
Consumption and Residual	**2750**	**2750**	**2750**	**2750**	**0**	**2780**
Ending Stocks	**532**	**532**	**502**	**502**	**0**	**492**
Total Distribution	**3332**	**3332**	**3302**	**3302**	**0**	**3322**
(1000 HA) ,(1000 MT)						

END OF REPORT.