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Report Highlights:

With the exception of corn, imports for wheat and rice are expected to grow marginally through 2016/17. The implementation of the Goods and Services Tax in April 2015 and depreciation of Malaysian currency serve to curb demand in 2015/16. Growth in pork and poultry which already exceeded self sufficiency levels is slow, thus it limits growth in compound feed demand and therefore corn imports. The expected pace of increase in wheat and rice imports are functions of population growth while limited land constrains increases in rice area and production. In 2014/15, the U.S exported 30,000 tons of corn valued at US\$5.7 million, 195,000 tons of wheat valued at US\$47.5 million and no rice to Malaysia.

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Executive Summary

As consumers adjusted to new buying patterns with the implementation of a six percent Goods and Services Tax (GST), demand for poultry, pork and bread started to pick up, but at a slower pace. This, however, was dampened by the depreciated Malaysian currency. Import prices of corn for poultry and swine got more expensive, causing industries to become less competitive and eroded profit margins for farmers. Nevertheless, poultry and swine industries are still recording some growth although at a slower pace.

Wheat imports are forecast to grow by 1.6 million tons in 2016/17. Australia remains the largest exporter of wheat exporting US\$242 million in 2014/15, while U.S. wheat is still preferred by some Malaysian millers as it provides high protein content and other unique quality characteristics unavailable in other imported wheats, particularly texture and unique taste. The U.S exported 194,000 tons of wheat valued at US\$47.5 million in 2014/15.

Argentina and Brazil remain the major suppliers of corn controlling over 80 percent, with export value of US\$417 million and US\$321 million respectively, while Southeast Asian countries such as Thailand and Vietnam supply most of the imported rice in Malaysia valued at US\$169 million and US\$156 million respectively. Imports of Distiller's Dried Grains with Solubles (**DDGS**) (the nutrient rich co-product of dry-milled ethanol production) and Corn Gluten Meal (CGM) from the United States were 35,800 tons and 22,000 tons respectively in 2015 valued at US\$8.3 million and US\$14.7 million

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. 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.

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.

Corn

Weak Malaysian currency and gloomy outlook of the Malaysian economy reduced the potential growth of corn imports to 3.45 million tons in 2015/16 from 3.22 million tons in 2014/15. The trend was visible for marketing year 2014/15, when imports of corn dropped by 7.6 percent to 3.2 million tons from 3.4 million tons in 2013/14. For 2014/15 total value of import was US\$779 million.

Although demand for poultry and pork remains firm, consumers are cautious as the price of pork and chicken parts are subject to GST. Only dressed whole chicken is exempt from GST.

Both Argentina and Brazil controlled more than 80 percent of corn imported into Malaysia with export value of US\$417 million and US\$321 million respectively. India remained the third largest exporter of corn with market shares hovering five to ten percent. In 2014/15, India exported 129,000 tons valued at US\$29 million.

Even though local importers often cite quality concerns for Indian corn, local importers still opt to buy it due to low price. For U.S. corn, most local importers continue to assert that U.S. corn's high moisture prevents imports.

To address this perception, in 2015 Post recruited grain storage personnel, including five from two major feed importers, to take a grain storage management course in the United States under the FAS Cochran Fellowship Program.

In terms of 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. However, only a few corn events have been approved.



*Corn transported through a conveyor belt at Port Klang, Malaysia.
(Source: FAS Kuala Lumpur)*

Corn Imports:

Import Trade Matrix			
Country	Malaysia		
Commodity	Corn		
Time Period	Market Begin Oct	Units:	1000MT
Imports for:	2013/14		2014/15
U.S.	10	U.S.	30
Others		Others	
Argentina	1,168		1,538
Brazil	1,345		1,437
India	792		129
Paraguay	40		75
Australia	0		2
Thailand	47		0
Ukraine	71		0
Total for Others	3,473		3,211
Others not Listed	3		10
Grand Total	3,476		3,221

Wheat

Wheat imports are forecast to grow marginally to 1.62 million tons in 2016/17 from 1.6 million tons in 2015/16. Consumption is forecast to remain stable. The government controls the price of general all purpose flour, setting it at RM1.35 (US\$0.38) per kilo, and there is no GST. By contrast, prices for high quality specialty flours are not controlled and are subject to Good and Services Tax (GST). Demand for flour is expected to be in line with population and economic growth. For 2014/15, total value of import was US\$403 million.

Australia remains the biggest exporter to Malaysia, holding 60 percent market share. In 2014/15, Australia exported 905,000 tons of wheat valued at US\$242 million, the U.S exported 195,000 tons of wheat valued at US\$47.5 million to Malaysia and is forecast to export 200,000 tons in 2015/16.



*Various retail packages of wheat flour geared to different markets.
(Source: Courtesy of Malayan Flour Mills)*

Wheat Imports:

Import Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Year Ending June	Units:	1000MT
Imports for:	2013/14		2014/15
U.S.	233	U.S.	195
Others		Others	
Australia	957		905
Canada	111		111
Ukraine	29		74
India	91		24
Total for Others	1,188		1,114
Others not Listed	43		236
Grand Total	1,464		1,545

Rice

With dry weather expected throughout 2015, production is forecast to stagnate at 1.8 million tons in 2015/16. Although there are increases in planted areas in East Malaysia, dry weather is expected to reduce yield. 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. For year 2015, total import was US\$515 million.

Domestic consumption is relatively stable and is forecast at 2.85 to 2.9 million tons in 2015/16 and 2016/17 respectively. Any growth can be attributed to the immigrant labor population whereby in February 2016, the GOM had announced the possible recruitment of 1.5 million manual labor from Bangladesh to work in Malaysia.

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 (US0.42) targeting low income group has been abolished, 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. Both premium and ST15-grade rice are not subject to GST.

In 2015, Thailand and Vietnam controlled more than 60 percent of rice imported into Malaysia with total volume of 717,000 tons and valued at US\$169 million and US\$156 million respectively. Other major exporters of rice to Malaysia in 2015 were Pakistan, India and Cambodia valued at US\$88 million, US\$53 million and US\$44 million respectively



Paddy field in Malaysia.
(Source: FAS Kuala Lumpur)

Rice Imports:

Import Trade Matrix			
Country	Malaysia		
Commodity	Rice		
Time Period	Market Begin Jan	Units:	1000MT
Imports for:	2014		2015
U.S.	0	U.S.	0
Others		Others	
Thailand	422		443
Vietnam	310		274
Pakistan	171		180
Cambodia	45		52
India	21		44
Total for Others	969		993
Others not Listed	13		7
Grand Total	982		1.000

Production, Supply and Demand Data Statistics:

Corn:

Corn Market Begin Year Malaysia	2014/2015		2015/2016		2016/2017	
	Oct 2014		May 2015		Oct 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10	0	10	10	0	10
Beginning Stocks	446	446	313	313	0	311
Production	56	56	58	58	0	57
MY Imports	3221	3221	3500	3450	0	3500
TY Imports	3221	3221	3500	3450	0	3500
TY Imp. from U.S.	29	29	0	0	0	0
Total Supply	3723	3723	3871	3821	0	3868
MY Exports	10	10	10	10	0	10
TY Exports	10	10	10	10	0	10
Feed and Residual	3200	3200	3300	3300	0	3350
FSI Consumption	200	200	200	200	0	200
Total Consumption	3400	3400	3500	3500	0	3550
Ending Stocks	313	313	361	311	0	308
Total Distribution	3723	3723	3871	3821	0	3868
(1000 HA) ,(1000 MT)						

Production, Supply and Demand Data Statistics:

Wheat:

Wheat	2014/2015	2015/2016	2016/2017
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Market Begin Year Malaysia	Jul 2014		Jul 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	346	346	246	246	0	186
Production	0	0	0	0	0	0
MY Imports	1545	1545	1625	1600	0	1625
TY Imports	1545	1545	1625	1600	0	1625
TY Imp. from U.S.	195	195	0	200	0	200
Total Supply	1891	1891	1871	1846	0	1811
MY Exports	170	170	175	170	0	170
TY Exports	170	170	175	170	0	170
Feed and Residual	40	40	40	40	0	40
FSI Consumption	1435	1435	1450	1450	0	1470
Total Consumption	1475	1475	1490	1490	0	1510
Ending Stocks	246	246	206	186	0	131
Total Distribution	1891	1891	1871	1846	0	1811

(1000 HA) ,(1000 MT)

**Production, Supply and Demand Data Statistics:
Rice:**

Rice, Milled Market Begin Year Malaysia	2014/2015		2015/2016		2016/2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	688	688	690	690	0	695
Beginning Stocks	552	552	552	552	0	552
Milled Production	1800	1800	1810	1800	0	1820
Rough Production	2769	2769	2785	2769	0	2800
Milling Rate (.9999)	6500	6500	6500	6500	0	6500
MY Imports	1000	1000	1000	1050	0	1050
TY Imports	1000	1000	1000	1050	0	1050
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3352	3352	3362	3402	0	3422
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	2800	2800	2820	2850	0	2900
Ending Stocks	552	552	542	552	0	522
Total Distribution	3352	3352	3362	3402	0	3422

(1000 HA) ,(1000 MT)

END OF REPORTS.