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Report Highlights:

Post forecasts that consumption and imports of corn, wheat and rice in Malaysia will slightly increase in Marketing Year (MY) 2023/24, in line with population growth and normalization of the market. The Government of Malaysia's (GOM) proactive intervention in price stabilization on poultry products, wheat flour, and rice production manage inflation and keep domestic demand growing.

CORN

Production

Commercial production of corn for feed in Malaysia is negligible despite government incentives. Most of the corn planted is sweet corn for human consumption (Table 1). Post forecasts MY 2023/24 corn production to remain the same. A few of the factors that limit production growth of grain corn include a lack of biotech varieties, higher earning potential from alternative crops, and price volatility of the grain corn market.

The Government of Malaysia (GOM) extended the acreage available for corn farming in an effort to address the rising cost of animal feed. However, the private sector will also need to invest in grain corn farming development for a potential project to be viable and have so far not made any commitments.

Without government support, commercial grain corn farming in Malaysia is not feasible. There is currently no corn variety suitable to Malaysia's weather conditions. The GOM presently does not permit the use of genetically engineered (GE) crops. However, research is underway to find a hybrid grain corn variety appropriate for the Malaysian climate.

Table 1: Corn Production in Malaysia

	2020		2021		2022f	
	Harvested area (Ha)	Production (MT)	Harvested area (Ha)	Production (MT)	Harvested area (Ha)	Production (MT)
Sweet corn	9,810	68,207	10,594	74,735	10,912	80,340
Grain corn	75	91	70	74	70	74
Total	9,885	68,298	10,664	74,809	10,982	80,414

Source: Agriculture Statistics (Food sub-sector) 2022 Department of Agriculture Malaysia
f= forecast

Consumption

Post forecasts MY 2023/24 corn consumption for feed to be up 50,000 MT compared to the previous year. This reflects average population growth and return of Chinese tourists to the region after the relaxed COVID-19 policies.

This increase is primarily due to an expected increase in consumption by the poultry industry, as most corn imports go into feed for poultry production. Chicken is popular among Malaysians for cultural and religious reasons, making Malaysia one of the largest per capita consumers of poultry in the region (Table 2). Malaysia's official statistics indicate that poultry production hovers near a self-sufficiency level (Table 3). However, supplies vary throughout the year, and low levels during festive seasons, such as Ramadhan and the Chinese New Year, sometimes lead the government to import poultry products to maintain prices.

Table 2: Per Capita Consumption of Livestock Products, by Commodity (kg) per year

	2017	2018	2019	2020	2021	2022*
Poultry meat	46.5	45.7	45.6	46.5	46.1	45.9
Beef	5.5	5.7	5.4	5.5	5.5	5.5

Mutton	1.3	1.3	1.1	1.3	1.0	1.1
Pork	17.9	18.3	18.0	19.1	17.3	17.0

* estimate
Source: Department of Veterinary Services Malaysia

Table 3: Self Sufficiency by Commodity (%)

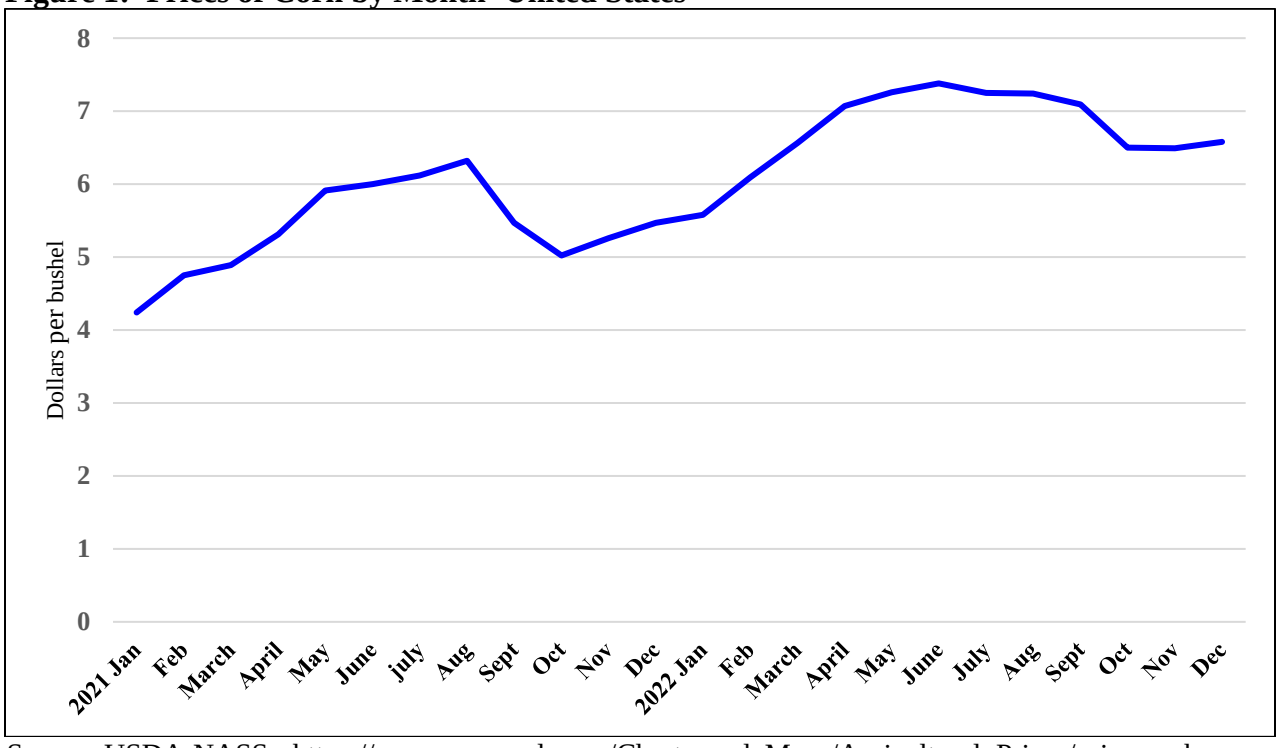
	2017	2018	2019	2020	2021	2022*
Poultry Meat	101.6	101.5	101.4	101.7	99.9	98.7

* estimate
Source: Department of Veterinary Services Malaysia

The increase in feed prices and GOM price controls on whole dressed chicken led the government to introduce output subsidies for certain poultry products. The subsidies system by the GOM for poultry farmers has helped to control prices and mitigate the impact of inflation for farmers and consumers. The output subsidies mechanism ensures an acceptable level of profit margin for farmers and allows them to produce poultry products without incurring significant loss. The program is in place through June 2023 after which the price of chicken and eggs will be floated with the GOM intervening as necessary. Total subsidy expenditure in maintaining prices for poultry products is estimated around USD$47.62 million.

Malaysia also enacted an export ban in May of 2022 on all poultry products due to shortages caused in part by rising production costs including high feed prices. The ban was lifted in September of 2022 as supply and corn prices began to stabilize (Figure 1).

Figure 1: Prices of Corn by Month- United States



Source: USDA-NASS - https://www.nass.usda.gov/Charts_and_Maps/Agricultural_Prices/pricecn.php

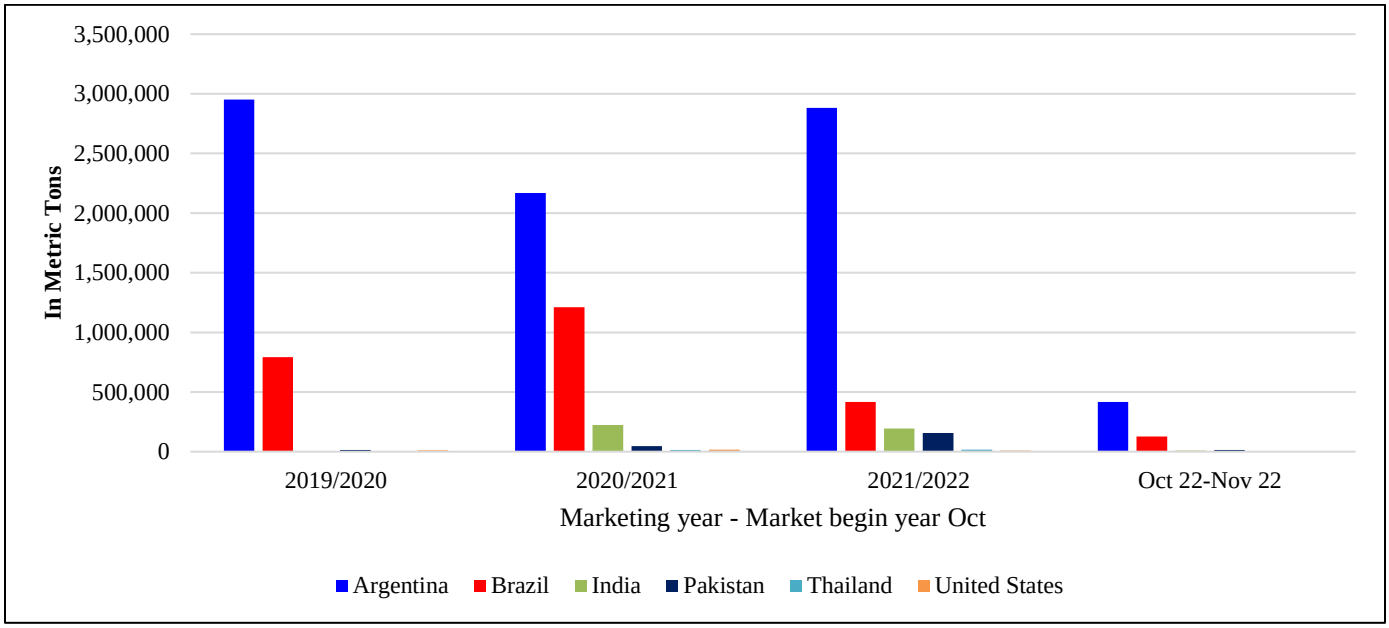
Post expects consumption for food, seed, and industrial (FSI) use in MY 2022/23 and MY 2023/24 to remain unchanged at 300,000 MT. There is no commercial ethanol production in Malaysia, and the majority of FSI consumption is for the production of corn flour and starch used in food production and adhesive manufacturing.

Trade

Post forecasts MY 2023/24 corn imports up 50,000 MT in line with increased consumption estimates. Malaysia imports over 90 percent of its corn from Argentina, Brazil and India (Figure 2). Overall inflation and the rising cost of animal feed, combined with controls on the retail price of poultry, have forced importers source cheaper and lower quality feed.

Post forecasts that Malaysia imports of distillers dried grains with solubles (DDGS) from the United States to be at 43,000 MT in MY 2023/24. Malaysia actual import of DDGS in MY 2021/22 was 42,833 MT as reported in the Trade Data Monitor (HS Code: 230330). Post expects Malaysian imports of corn gluten meal (CGM) from the United States to increase to 21,700 MT in MY 2023/24, compared to an estimated 21,100 MT imported in the previous MY. Malaysia actual import of CGM in MY 2021/22 was 20,159 MT (HS Code: 230310). The anticipated increase in import demand for DDGS and CGM in MY 2023/24 is based on competitive pricing and early rebound in demand for poultry feed.

Figure 2: Corn Imports from Major Sources



Source: Trade Data Monitor

Trade Policy

On January 25, 2021, Malaysia notified requirements for the importation of grains and grain products to the WTO. The requirements took effect on April 1, 2021 and require Malaysian importers to have a valid import license and the appropriate import permit for feed. Please see the GAIN report for more information.

Production, Supply and Distribution– Corn

Corn Market Year Begins Malaysia	2021/2022 Oct 2021		2022/2023 Oct 2022		2023/2024 Oct 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	10	11	10	11	0	11
Beginning Stocks (1000 MT)	221	221	244	264	0	243
Production (1000 MT)	60	80	60	80	0	80
MY Imports (1000 MT)	3,678	3,678	3,800	3,800	0	3,850
TY Imports (1000 MT)	3,678	3,678	3,800	3,800	0	3,850
Total Supply (1000 MT)	3,959	3,979	4,104	4,144	0	4,153
MY Exports (1000 MT)	15	15	10	11	0	11
TY Exports (1000 MT)	15	15	10	11	0	11
Feed and Residual (1000 MT)	3,400	3,400	3,600	3,550	0	3,600
FSI Consumption (1000 MT)	300	300	300	300	0	300
Total Consumption (1000 MT)	3,700	3,700	3,900	3,850	0	3,900
Ending Stocks (1000 MT)	244	264	194	283	0	302
Total Distribution (1000 MT)	3,959	3,959	4,104	4,104	0	4,153
Yield (MT/HA)	6	7	6	7	0	7

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Corn begins in October for all countries. TY 2022/2023 = October 2022 - September 2023

WHEAT

Production

There is no commercial production of wheat in Malaysia.

Consumption

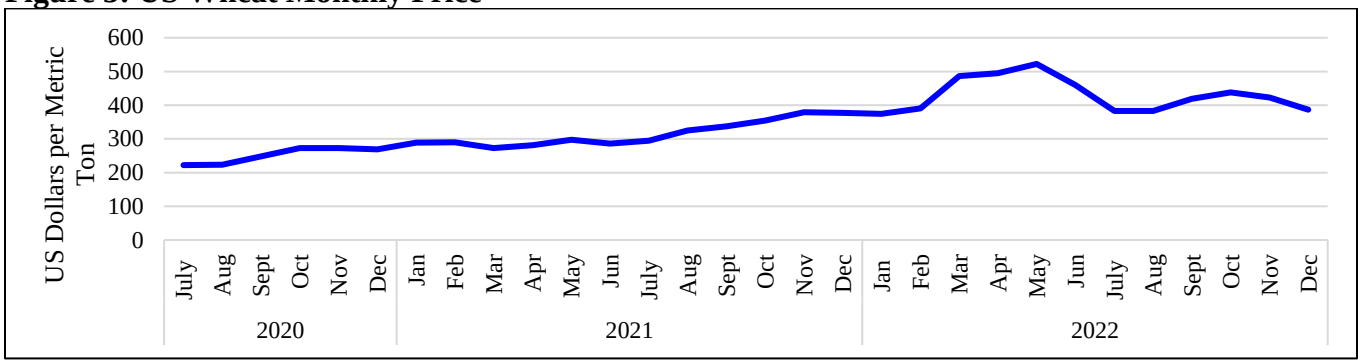
Post forecasts that total consumption of wheat in MY 2022/23 will increase compared to the previous year under the assumption prices continue to be stable. The increase in consumption is in line with population growth and the return of tourism to Malaysia. The Malaysian government controls the price of general all-purpose flour sold in 1-kg bags at RM 1.35 (roughly $0.34) per kg. This is an effort to control inflation, as flour is the main ingredient in roti-canai, a staple breakfast food among Malaysians. For high quality specialty flours, the price is market-based. Note that the price is not controlled for 25 kg bags.

Table 4: Production of Wheat Flour and Wheat-based Products (MT) in Calendar Year

Product	2016	2017	2018	2019	2020	2021	2022
Wheat Flour	890,209	998,163	949,149	901,834	862,885	993,335	1,003,321
Bread and Cakes	340,177	365,620	388,984	407,173	411,561	479,951	483,325
Noodles (Instant and fresh)	269,337	233,567	222,631	221,766	234,890	249,484	271,985

Source: Department of Statistics Malaysia.

Figure 3: US Wheat Monthly Price



Wheat (US)no.2 hard red winter Gulf export price, June 2020 backwards, no1 red winter, ordinary protein, export price delivered at the US Gulf port for prompt or 30 days shipment.
Source: Indexmundi-Commodity Price Wheat

Malaysia does not use a significant quantity of wheat for animal feed.

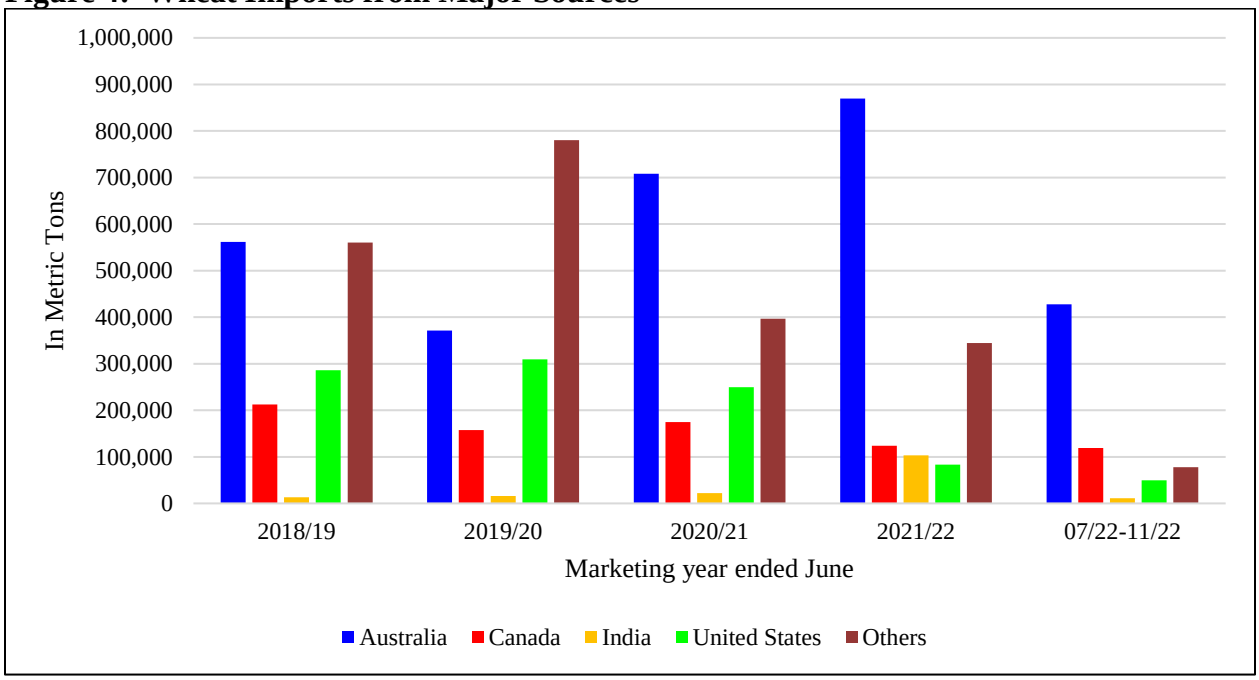
Trade

Post expects MY 2022/23 wheat imports to grow 126,000 MT and anticipates imports to continue to rise in MY 2023/24 reaching 1.78 million MT. The increase in imports is based on the expectation that consumption will increase as wheat prices stabilize. Australia remains the largest exporter of wheat to Malaysia holding roughly half of the market share, followed by Canada, India, and the United States. However, India's recent wheat export ban could change that dynamic.

Imports of Australian wheat increased in MY 2021/22 and are expected to be strong in MY 2022/23. Favorable weather and increased demand resulting from India's exit from the market in MY 2022/23 will boost Australian exports to Malaysia. Australian wheat exports from July to November 2022 saw a surge of 26 percent over the same period the previous year.

Malaysian wheat exports are relatively low and mostly to neighboring countries such as Singapore, Thailand and Brunei.

Figure 4: Wheat Imports from Major Sources



Source: Trade Data Monitor *Import figures from July to November 2022

Production, Supply and Distribution- Wheat

Wheat Market Year Begins Malaysia	2021/2022 Jul 2021		2022/2023 Jul 2022		2023/2024 Jul 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	0	0	0	0		0
Beginning Stocks (1000 MT)	334	334	501	278		233
Production (1000 MT)	0	0	0	0		0
MY Imports (1000 MT)	2,039	1,524	2,100	1,650		1,780
TY Imports (1000 MT)	2,039	1,524	2,100	1,650		1,780
Total Supply (1000 MT)	2,373	1,858	2,601	1,928		2,053
MY Exports (1000 MT)	147	100	175	105		110
TY Exports (1000 MT)	147	100	175	105		110
Feed and Residual (1000 MT)	0	0	40	40		40
FSI Consumption (1000 MT)	1,725	1,480	1,800	1,550		1,600
Total Consumption (1000 MT)	1,725	1,480	1,840	1,590		1,640
Ending Stocks (1000 MT)	501	278	586	233		263
Total Distribution (1000 MT)	2,373	1,858	2,601	1,928		2,013
Yield (MT/HA)	0	0	0	0		0

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Wheat begins in July for all countries. TY 2021/2022 = July 2021 - June 2022

RICE

Production

Post forecast for MY 2023/24 rice milled production remains relatively steady. The slight increase reflects the GOM's long-standing plan to increase rice production towards self-sufficiency. Post has adjusted the production numbers in accordance with new data made available by the GOM.

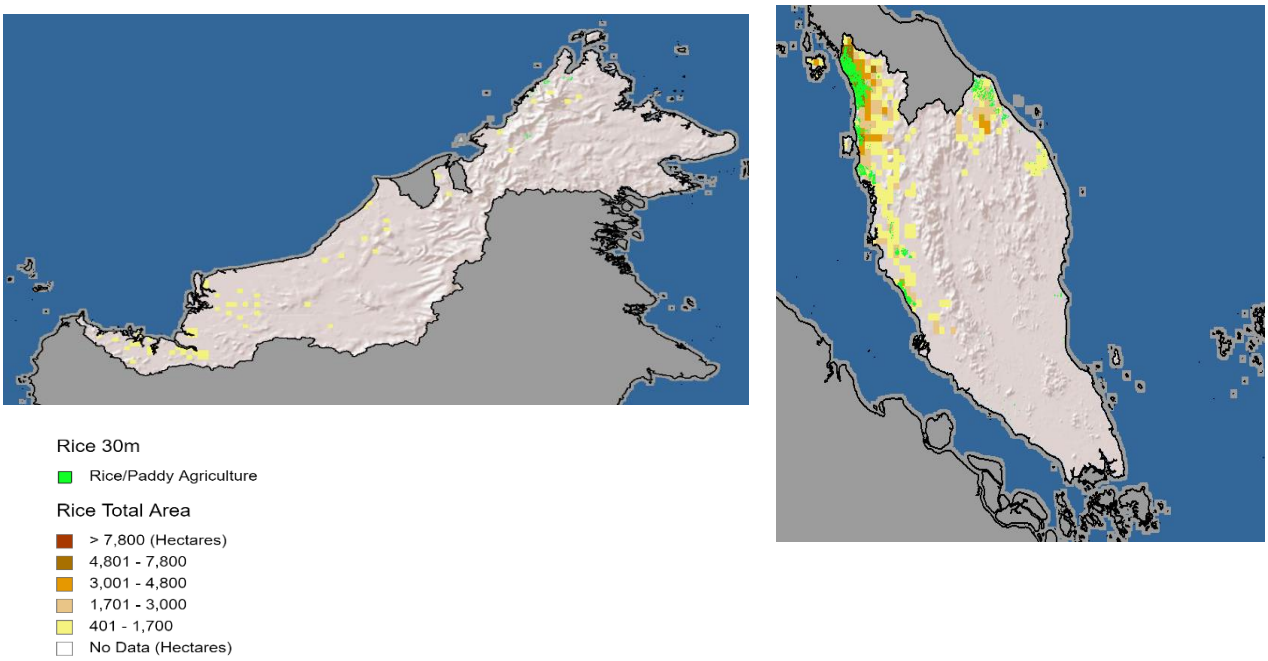
Rice is a staple food in Malaysia. In recent years climate change has caused weather patterns to become unpredictable, leading to longer dry spells and heavier, more frequent rainstorms. Some areas are no longer suitable for paddy farming as continued sea water flooding contaminates the soil with salt. Granary areas (lowland) in the Eastern and Northern parts of Malaysia, are subject to flooding during high tide and heavy rain during the monsoon season. Farmers can no longer rely on traditional weather prediction methods. Instead of harvesting two or three times per year, they only harvest once or twice. This results in lower yield per hectare.

The GOM is aware of this challenge and in 2019 announced plans to increase Malaysia's self-sufficiency level of rice production. Since 1966, various policies have been introduced to increase rice production in Malaysia, but these objectives have only been partially achieved. The latest agricultural policy introduced by GOM is the National Agrofood Policy 2.0, or NAP 2.0, which covers 2021 to 2030.

Under NAP 2.0, the GOM aims to gradually increase Malaysia's self-sufficiency level of rice production from 75 percent in 2025 to 80 percent in 2030. To achieve this, below are the strategies outlined under the NAP 2.0:

- To accelerate productivity through improved usage and management of land and water resources.
- To fully maximize the potential of special local rice varieties in diversifying paddy varieties produced by farmers.
- To restructure the financial aids in the business decision process by refining the input and output aids, thus ensuring the optimization of farm operation, knowledge, and experience of the farmers.
- To increase participation of the private sector in value chain operations of paddy and rice productions in line with current development.
- To promote, encourage and train younger generations by giving them the opportunities to be involved in the paddy and rice subsectors.

Figure 5: Rice Production Areas in Malaysia in 2022



Source: USDA Global Agricultural and Disaster Assessment System

Rice farming in Malaysia can be categorized into two sections, granary and non-granary areas. Granary areas are in lowland areas and produce wetland rice through irrigation systems. Granary farmers receive significant financial and technical support from the GOM and incorporate modern harvesting technology. Non-granary farms are small, highland farms scattered through-out Malaysia especially in Sabah and Sarawak. Farmers use traditional methods and often produce below the national average of yield per hectare.

Through NAP 2.0 the GOM provides a range of subsidies and incentives to producers (Table 5). For example, the GOM provides a minimum guaranteed price, fertilizer and subsidizes plowing costs on a seasonal basis. In addition, the GOM encourages the use of new technologies in rice farming, especially the adoption of new planting and harvesting machines. Farmer cooperatives (granary area) were given monetary incentives in the form of lower financing costs to purchase machines for subsequent lease to paddy farmers. Still, the adoption of new technologies in paddy farming remains low due to a lack of education, limited capital, small land holdings, and poor infrastructure.

Table 5: Current Government Rice Subsidies and Incentives 2022

Subsidy/Incentive	**2022 Allocation (USD Million)**
Food Security (rice and paddy industries)	**14**
Paddy Price Subsidy Scheme	**136**
Paddy production Incentive Scheme	**229**
Modernization of Paddy Irrigation System	**19**
Total	**398**

Exchange Rate as of February 8, 2023 USD$1: RM4.2
Source: Malaysian Federal Government Budget 2022

Table 6: Paddy Yield in Malaysia.

Paddy Yield Production (MT/Ha)	**2020**	**2021f**
National average paddy production	**3.64**	**3.75**
Granary average paddy production	**4.41**	**4.21**
Non-granary average paddy production	**2.54**	**2.87**

Source: DOA Agriculture Statistics (Agri-Food) 2022
f= forecast

Table 7: Paddy Planted Area in Malaysia (Ha)

	2020	**2021f**
Malaysia	644,908	647,859
Granary	416,342	416,415
Non-granary	228,566	231,444

Source: DOA Agriculture Statistics (Agri-Food) 2022
f= forecast

Consumption

Post estimates that MY 2023/24 consumption will increase marginally in line with population growth and return of tourists from China to Malaysia.

Per capita consumption of rice in Malaysia is approximately 79kg/year. Although western foods such as pasta and bread have gained popularity in recent years, industry analysts report that rice remains a staple food among Malaysians. The locally produced ST-15 long grain variety is the cheapest variety sold and is the most popular in the country. Imported rice, such as fragrant jasmine rice from Thailand, is a favorite among higher income consumers and in urban areas. The GOM controls the price of domestic ST-15 rice, based on locality, with retail prices ranging from RM1.65/kg ($0.40/kg) to RM1.80/kg ($0.44/kg). Imported rice prices are not controlled.

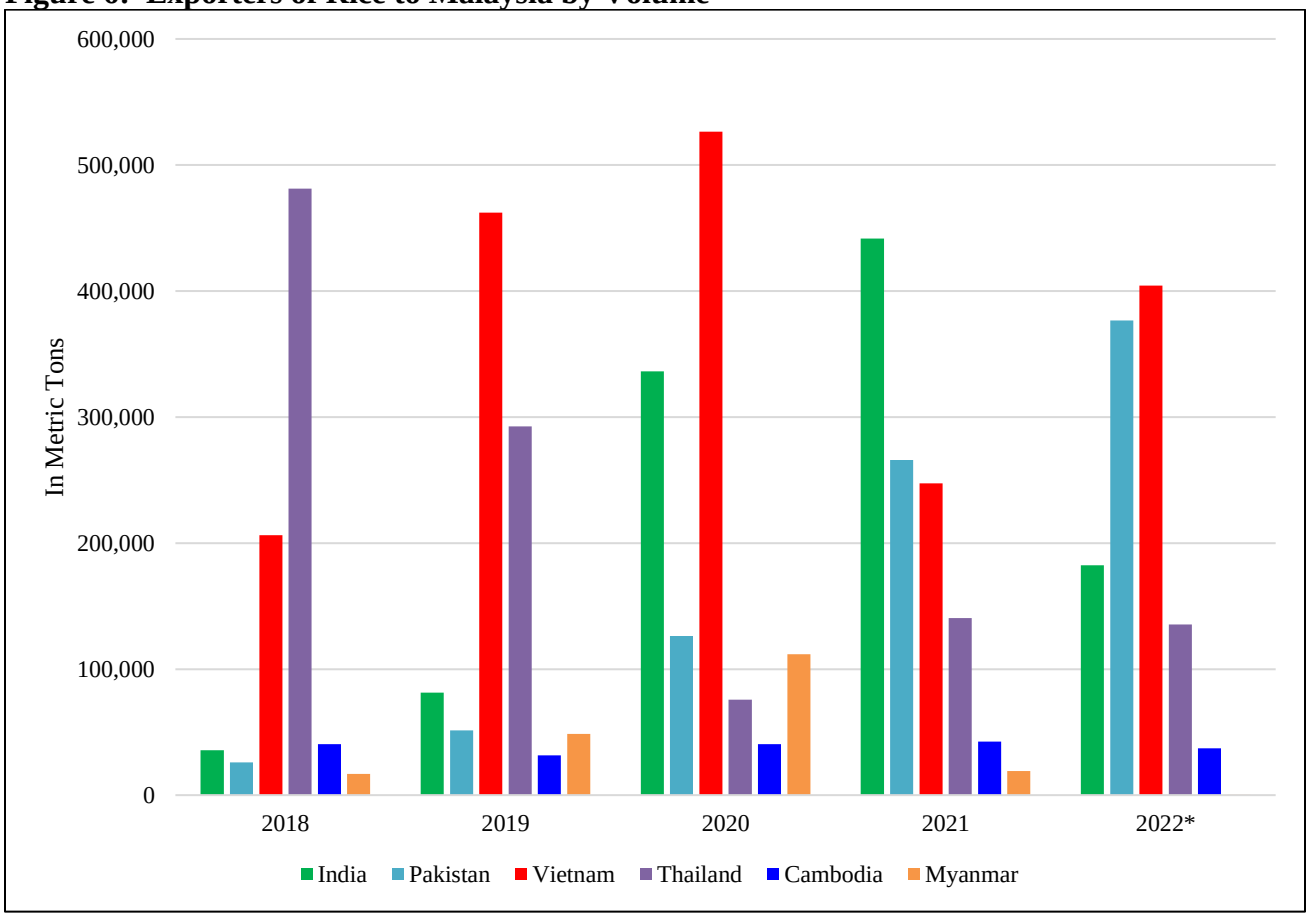
Trade

Post forecasts MY 2023/24 imports at 1.22 million MT, an increase of 5,000 MT from Post's previous year estimate. The marginal increase reflecting an increase in consumption and need to replenish stock levels. Currently Vietnam, Pakistan, and India collectively supply more than 80 percent of the rice imported into Malaysia. Other major suppliers of rice to Malaysia are Thailand, Myanmar, and Cambodia (Figure 6).

Recent export restrictions on rice imposed by the government in India have led to a steep decline in imports from India. Malaysia has compensated by boosting imports from Vietnam and Pakistan. The GOM imposes a 40 percent import tax on rice for human consumption and 15 percent tax for use in animal feed. This creates a very price sensitive market for imports into Malaysia. Looking at value per ton, prices have come down significantly from CY 2021 to CY 2022 for both Pakistan and Vietnam, making them attractive import options for Malaysia (Table 8).

The Bernas Bhd, a GOM-appointed company, handles all rice imports while charging an additional service fee. They are responsible for ensuring a fair, stable market price and must keep enough stock to sustain six months of consumption. Part of Bernas' official policy is to only import sufficient rice to make up the difference between domestic production and consumption.

Figure 6: Exporters of Rice to Malaysia by Volume



Source: Trade Data Monitor
For 2022* trade figures from January till November 2022.

Table 8: Exporters of Rice to Malaysia by Value/Ton

	Unit	Calendar year and year end (Unit Value: USD/T)				
		2018	**2019**	**2020**	**2021**	**2022***
Japan	USD/T	1,501.26	2,203.85	2,832.94	2,390.51	2,530.66
Singapore	USD/T	1,512.37	2,350.21	1,251.68	2,228.88	378.62
Spain	USD/T	0.00	0.00	0.00	1,926.19	1,563.59
Bangladesh	USD/T	1,444.10	1,457.52	1,458.39	1,427.36	1,172.35
Taiwan	USD/T	1,175.22	0.00	689.33	790.96	828.48
Cambodia	USD/T	857.11	861.08	809.68	731.35	701.82
Vietnam	USD/T	518.36	434.15	467.10	548.70	485.4
Indonesia	USD/T	1,636.34	1,916.18	1,180.74	496.45	1,866.11
India	USD/T	913.10	673.95	485.14	482.58	613.53
Thailand	USD/T	432.67	412.71	509.97	475.60	457.21
Pakistan	USD/T	610.11	582.39	500.01	455.36	412.25
Myanmar	USD/T	352.34	342.26	358.03	406.43	306.33

Source: Trade Data Monitor
For 2022* trade figures from January till November 2022.

Production, Supply and Distribution - Rice

Rice, Milled Market Year Begins Malaysia	2021/2022 Jan 2021		2022/2023 Jan 2022		2023/2024 Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	670	650	680	655		660
Beginning Stocks (1000 MT)	389	389	349	196		181
Milled Production (1000 MT)	1,780	1,677	1,800	1,700		1,750
Rough Production (1000 MT)	2,738	2,580	2,769	2,615		2,692
Milling Rate (.9999) (1000 MT)	6,500	6,500	6,500	6,500		6,500
MY Imports (1000 MT)	1,200	1,150	1,200	1,220		1,225
TY Imports (1000 MT)	1,200	1,150	1,200	1,220		1,225
Total Supply (1000 MT)	3,369	3,216	3,349	3,116		3,156
MY Exports (1000 MT)	120	120	50	30		40
TY Exports (1000 MT)	120	120	50	30		40
Consumption and Residual (1000 MT)	2,900	2,900	2,950	2,905		2,910
Ending Stocks (1000 MT)	349	196	349	181		206
Total Distribution (1000 MT)	3,369	3,216	3,349	3,116		3,156
Yield (Rough) (MT/HA)	4.0866	3.9692	4.0721	3.9924		4.0788

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2021/2022 = January 2022 - December 2022

Attachments:

No Attachments