

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain and Feed Annual

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Report Highlights:

For 2017/18, total overall imports of corn into Malaysia are forecast to increase to 4.0 million tons. Even so, U.S. exports of corn are likely to increase to 320,000 tons, due to positive acceptance of U.S. corn among Malaysian feed millers as pricing is competitive and supplies are reliable. For 2018/19, imports of corn are forecast to slightly increase to 4.1 million tons. Malaysia's wheat imports for 2017/18 are forecast to increase to 1.9 million tons. For 2018/19, wheat imports are forecast to stagnant at 1.9 million tons. U.S. wheat exports to Malaysia are estimated to increase to 210,000 tons, as demand for quality bread and bakery goods increases with rising living standards among Malaysian urbanites.

Due to price and long distances, 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:

For 2018/19, U.S. corn exports are forecast to marginally increase to 320,000 tons from 317,000 tons recorded in 2017/18. In total, exports of corn to Malaysia for 2017/18 are forecast at 4 million tons. For 2018/19, corn exports are forecast to increase to 4.1 million tons. Strong demand is due to a consumer switch to a cheaper protein source such as dressed poultry (which is price controlled) as the price of beef, seafood and pork have risen with the implementation of a 6% Goods and Service Tax (GST). In addition, increased popularity of chicken based fast food chain restaurants such as KFC, Nando's, The Chicken Rice Shop, Kenny Rogers Roasted and Ayamas saw demand for poultry increase by 3 percent annually. Recent interest in U.S. corn are due to supply constraints from Argentina due to drought and logistic issues in Brazil. Although these constraints lead to possible increase in price, strong Malaysian currency relative to U.S currency cushioned the impact of price increases. Nevertheless, Argentina remains the largest corn exporter to Malaysia and accounted for more than 50 percent of exports, followed by Brazil and the United States.

For wheat, Malaysia's overall wheat imports for 2018/19 are forecast to remain at 1.9 million tons as in 2017/18. As most of the wheat imported is for production of instant noodles, there is no capacity increase in production expected from major producers such as Nestle and Mamee Double Decker as was the case a few years ago when Nestle shifted production of instant noodles to Malaysia. U.S wheat exports to Malaysia increased from 209,000 tons in 2016/17 to 210,000 tons in 2017/18. The slight increase for U.S wheat is attributed to an increase in demand for quality bread and bakery goods as living standards rose among Malaysian urbanites.

There was no U.S. rice exported to Malaysia. 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 soon.

Corn

There is no commercial corn production for feed in Malaysia. Most corn produced in-country is sweet corn for human consumption. Corn is planted in rotation with other plants such as banana, sweet potatoes, pineapple and watermelon to complement farmer income. Based on data by the Malaysian Agricultural Research and Development Institute (MARDI), cost of production was US\$225.00 per ton in 2016.

With strengthening corn prices, appreciation of Malaysian currency relative to the U.S. dollar, improved standards of living and greater popularity of poultry meat among different races in Malaysia, demand for corn are forecast to slightly increase in line with demand for poultry. In addition, while Malaysia imports most beef and seafood products, poultry is a cheap alternative for protein for most Malaysians.

Malaysia imports most of its corn from South America. Even so, limited transportation in Brazil with poor road connectivity and vulnerability to weather disruption will see some Malaysian feed millers switch to U.S. corn to avoid interruption in supply. Repeat orders of U.S corn and acceptance of Malaysian millers proved demand for U.S corn to be sustained in years to come. It is interesting to note, four years ago there were no exports of U.S. corn to Malaysia. As price of corn is forecast to stabilize,

the 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. Currently, U.S. corn is the lowest among major exporters. Malaysian importers are thus expected to respond to competitively-priced U.S. corn. Judging from feedback to Post, they are satisfied with the quality of U.S. corn.

Beginning January 1, 2015, corn importers were required to obtain import approvals from both the Department of Veterinary Services (DVS) 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 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 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_cg_m_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 15 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.

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.

Outlook 2017/18

Imports for MY 2017/18 are forecast to increase to 4.0 million tons up by 14 percent from 3.5 million tons in 2016/17. Brazil and Argentina supply the most corn to Malaysia accounting for more than 80 percent. The United States, on the other hand, has increased sales of corn to Malaysia for the last 24 months. In 2016/17 export of U.S corn to Malaysia was 317,000 tons and it is estimated to increase to 320,000 tons for 2017/18.

Malaysia imports of Distiller’s Dried Grains with Solubles (DDGS) from the United States are forecast to increase to 80,000 tons in 2017/18 from 58,424 tons in 2016/17.

Outlook 2018/19

For 2018/19, Post estimates imports of corn to increase slightly to 4.1 million tons. This increase is in line with population growth of projected 3 percent annual growth from 2018 to 2020. Imports of U.S. corn are expected to increase slightly to 350,000 tons.

Malaysian Formula of Broiler and Layer Feed

Broiler Starter (0-21 days)

Ingredients	Restrictions		Actual %
	Min	Max	
Corn Import	0.00	99.00	53.51
Sorgum	0.00	0.00	0.00
Wheat ww 3100	0.00	99.00	0.00
SBM U.S. Dehulled	0.00	99.00	25.23
SBM Arg NDH	0.00	99.00	0.00
SBM full fat extr	0.00	99.00	0.00
DDGS	0.00	10.00	10.00
Wheat Pollard	0.00	10.00	0.00
Fish ml, peru	0.00	99.00	0.00
Corn gluten meal	0.00	4.00	0.00
PKE	0.00	3.00	0.00
Rice Bran	0.00	10.00	0.00
MBM 50	0.00	3.00	3.00
PMM 58	0.00	4.00	2.25
Crude palm oil	0.00	3.00	3.00
Limestone	0.00	99.00	0.98
MDCPhosphate	0.00	99.00	0.71
Salt	0.00	99.00	0.36
VM premix, 2.5 kg/mt	0.25	0.25	0.25
D,L-methionine	0.00	99.00	0.29
L-lysine HCl	0.00	99.00	0.31
L-threonine	0.00	99.00	0.00
Choline chloride 50%	0.00	99.00	0.10
			100.00

Layer Brown Peak 110 g/day

Ingredients	Restrictions		Actual
	Min	Max	%
Corn Import	0.00	99.00	56.19
Sorgum	0.00	0.00	0.00
Wheat ww 3100	0.00	99.00	0.00
SBM U.S. Dehulled	0.00	99.00	0.00
SBM Arg NDH	0.00	99.00	12.75
SBM full fat extr	0.00	99.00	0.00
DDGS	0.00	15.00	15.00
Wheat Pollard	0.00	10.00	0.00
Fish ml, peru	0.00	99.00	0.00
Corn gluten meal	0.00	5.00	0.00
PKE	0.00	5.00	2.12
Rice Bran	0.00	10.00	0.00
MBM 50	0.00	10.00	5.13
PMM 58	0.00	10.00	0.00
Crude palm oil	0.00	3.00	0.00
Limestone	0.00	99.00	7.97
MDCPhosphate	0.00	99.00	0.00
Salt	0.00	99.00	0.23
VM premix, 2.5 kg/mt	0.25	0.25	0.25
D,L-methionine	0.00	99.00	0.17
L-lysine HCl	0.00	99.00	0.19
L-threonine	0.00	99.00	0.00
Choline chloride 50%	0.00	99.00	0.00
			100.00

(Source: U.S. Grains Council Malaysia)

Wheat

Wheat is a controlled item in Malaysia as the government controls the price of general all-purpose flour at RM 1.35 (US\$0.38) per kilo, and there is no Good Services Tax (GST). By contrast, prices for high quality specialty flours are not controlled, but subject to GST.

Demand for flour should be in line with population and economic growth. Improved living standards and increased awareness of healthy living spur demand for high quality bread and pastries. In addition, increase in health consciousness among Malaysians saw consumption of noodles (fresh and instant) and prata breads drop in the last few years. Noodles are normally served with chicken, beef and pork, whereas prata breads accompany curry (that is high in monosodium glutamate and coconut milk) known to be high in cholesterol.

Malaysia imports most of its wheat from the United States and Australia. Imports from the States are mostly hard red spring wheat which is high in protein and has superior gluten quality that makes it ideal for high quality bread and pastries. Wheat imported from Australia is mainly Australian Premium White Wheat, which is used to produce Asian instant and fresh noodles. Malaysia also imports Australian Standard White which is used to produce Indian flat bread, namely Chapati and Prata breads.

Australia remains the biggest exporter of wheat to Malaysia, holding half of the market share, followed by Canada and the United States. This trend is expected to continue as Australia's proximity to Malaysia provides competitive advantage in terms of delivery time and transportation cost.

Outlook 2017/18

Wheat imports are forecast to increase by 6.14 percent to 1.9 million tons in 2017/18 from 1.79 million tons recorded in 2016/17. Export of U.S. wheat to Malaysia is forecast to slightly increase to 210,000 in 2017/18 from 209,000 tons recorded in 2016/17. The marginal increase was attributed to strengthening of Malaysian currency relative to the U.S dollar throughout 2018 and expected upwards trend of wheat price in upcoming months ahead.

Outlook 2018/19

For 2018/19, Post estimates total imports of wheat remain at 1.9 million tons, as price of wheat is projected to remain strong. Export of U.S. wheat is forecast to increase to 220,000 tons. Although demand for wheat stagnant, (as production of instant noodles stagnant) demand for high quality bread and pastry remains strong.

Rice

With good weather recorded throughout 2017, and no expansion in planted areas, milled production of rice has been stagnant. For 2018/19 with no expansion of planted areas expected due to scarcity of land and competition for land from Palm Oil, milled production is projected to maintain at 1.82 million tons.

In previous years, production in Malaysia has been hampered either by bad weather or from pest and diseases. The used of hybrid paddy variety introduced by Malaysian Agricultural Research and Development Institute (MARDI) overcame some of the issues, but yield remains the limiting factor in increasing production level.

To encourage production of paddy, 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 at 2.75 million in 2017/18 and expected to increase slightly to 2.8 million tons in 2018/19 in line with marginal increase of population projected at 3 percent annually from 2018 to 2020. The slight increase attributed from shift in eating patterns from high carbohydrate diet to a healthier high fiber alternative diet especially among young working adult population in urban areas. 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 for the dining table.

The locally produced ST-15 long grain variety is the cheapest variety sold and most popular among Malaysians. Imported rice such as Jasmine fragrant rice from Thailand is a favorite among upper income earners and those in urban areas, but costs twice the price of ST-15 rice. Premium rice, such as basmati rice and fragrant rice are non-controlled items.

Prices for ST15-grade rice (15 percent broken) are controlled at RM1.65 (US\$0.42) and are targeting the low income group. However in January 2016, price control has been abolished, and, instead, the price has been managed allowing for a maximum ceiling to reflect market demands and capped at certain price according to regions. i.e., GOM set up maximum price levels, and retailers are allowed to sell it below the maximum according to regions. To assist low wage earners, GOM used to provide food coupons for purchases of ST15-grade rice. The program called SUBUR (Rice Subsidy Program for the Poor) targets those earning less than US\$300 a month, providing up to three coupons per eligible family every six months. Due to poor management and abuse by participants in which vouchers were exchanged for other goods, this program had been scrapped in mid-2017 and replaced by cash handouts by GOM under the BR1M program in which eligible family are given cash amounting to US\$300 per year. To ensure price of ST15-grade rice, within reach of the poor, GOM maintained the ceiling price mechanism based on regions. Both premium and ST15-grade rice are not subject to Goods and Services Tax (GST).

Zone	Maximum ceiling price	Location
1	US\$0.43 / kg	Kedah, Perlis, Kelantan , Seberang Perai
2	US\$0.44 / kg	Terengganu, Penang, Perak
3	US\$0.45 /kg	Kuala Lumpur, Putrajaya, Selangor
4	US\$0.45 / kg	Negeri Sembilan, Melaka
5	US\$0.50 / kg	Johore, Pahang

Exchange Rate: RM3.86 (March 09, 2018)

In 2017, Thailand and Vietnam supplied more than 80 percent of rice imported into Malaysia with total volume of 630,000 tons. Other major exporters of rice to Malaysia were Cambodia, Pakistan and India. To ensure sufficient stocks, GOM maintains a withholding stock of 20 percent from total consumption. GOM holds around 300,000 tons of rice stocks 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 percent 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 use 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 mention on the Ministry of Agriculture and Agro-based Industry website on GOM control of the commodity, Padi Beras Nasional or BERNAS holds the monopoly of rice imports.

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.

Outlook 2017/18

Rice imports is forecast to drop by 10 percent to 900,000 tons in 2017/18 from 1.0 million tons in 2016/17. There was a drop in imports as GOM reduced ending stocks to manageable levels of 400,000 tons in 2017/18 from 480,000 tons in 2016/17.

Outlook 2018/19

For 2018/19, Post estimates imports of rice to slightly improve to 950,000 tons as GOM needs to replenish ending stocks to 380,000 tons. There will be no increase in planted areas, and the increase in imports is in line with projected population growth of 3 percent annually from 2018 to 2020. Increasing urbanites that switch from traditional local rice breakfast (nasi lemak) to a healthier breakfast such as cereal and bread lead to less consumption of rice.

Production, Supply and Demand Data Statistics - Corn

Corn	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2016		Oct 2017		Oct 2018	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10	10	10	10	0	10
Beginning Stocks	778	778	434	434	0	482
Production	58	58	58	58	0	58
MY Imports	3528	3528	4000	4000	0	4100
TY Imports	3528	3528	4000	4000	0	4100
TY Imp. from U.S.	317	317	0	320	0	350
Total Supply	4364	4364	4492	4492	0	4640
MY Exports	30	30	10	10	0	10
TY Exports	30	30	10	10	0	10
Feed and Residual	3600	3600	3700	3700	0	3800
FSI Consumption	300	300	300	300	0	300
Total Consumption	3900	3900	4000	4000	0	4100
Ending Stocks	434	434	482	482	0	530
Total Distribution	4364	4364	4492	4492	0	4640

(1000 HA) ,(1000 MT)

Production, Supply and Demand Data Statistics - Wheat

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Malaysia	USDA	New	USDA	New	USDA	New

	Official	Post	Official	Post	Official	Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	313	313	410	410	0	540
Production	0	0	0	0	0	0
MY Imports	1790	1790	1900	1900	0	1900
TY Imports	1790	1790	1900	1900	0	1900
TY Imp. from U.S.	209	209	0	210	0	220
Total Supply	2103	2103	2310	2310	0	2440
MY Exports	153	153	180	180	0	200
TY Exports	153	153	180	180	0	200
Feed and Residual	40	40	40	40	0	40
FSI Consumption	1500	1500	1550	1550	0	1600
Total Consumption	1540	1540	1590	1590	0	1640
Ending Stocks	410	410	540	540	0	600
Total Distribution	2103	2103	2310	2310	0	2440
(1000 HA) ,(1000 MT)						

Production, Supply and Demand Data Statistics - Rice

Rice, Milled	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2019	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	695	695	695	695	0	695
Beginning Stocks	455	455	480	480	0	400
Milled Production	1820	1820	1820	1820	0	1820
Rough Production	2800	2800	2800	2800	0	2800
Milling Rate (.9999)	6500	6500	6500	6500	0	6500
MY Imports	1000	1000	900	900	0	950
TY Imports	1000	1000	900	900	0	950
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	3275	3275	3200	3200	0	3170
MY Exports	45	45	50	50	0	40
TY Exports	45	45	50	50	0	40
Consumption and Residual	2750	2750	2750	2750	0	2750
Ending Stocks	480	480	400	400	0	380
Total Distribution	3275	3275	3200	3200	0	3170
(1000 HA) ,(1000 MT)						

END OF REPORT.