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Grain and Feed

Annual

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Report Highlights:

The outlook for 2008/09 is bright for corn imports as consumers' confidence in consuming pork has been restored. Corn imports are expected to grow to 2.8 MMT in 2008/09. Wheat imports are expected to drop slightly in 2008/09 as importers work down on stocks. As domestic rice output is expected to show a small increase, rice imports should grow to 930 TMT in 2009. The best prospect for U.S. grain sales is in the hard-wheat sector.

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Executive Summary

The outlook for 2008/09 is bright for corn imports. Demand for feed corn is expected to increase as retail prices for pork and broilers continue to improve in 2009. Imports of wheat are expected to drop slightly in 2008/09 as importers work down on stocks. In 2009, rice imports could reach 930 TMT to meet the increase in domestic consumption. Thailand and Vietnam continue to be the major rice suppliers to Malaysia.

The small growth in the Malaysian economy 2008 and the drop in fuel prices should sustain increased demand for wheat-based products. Corn consumption is expected to grow as the confidence in consuming pork has returned after a scare of the usage of beta agonists in pig feed. As domestic rice output is expected to show a small increase, self-sufficiency in rice should be about 64 percent.

The best prospect for U.S. grain sales is in the hard-wheat sector. With an expected improvement in Canadian hard wheat output, U.S. market share is expected to decline to 8 percent in 2008/09. As for corn, U.S. will face strong competition from India, Brazil and Argentina, and will be relegated to a residual supplier. Historically, the U.S. has been an insignificant player in the Malaysian rice market.

Exchange Rate: US\$1.00 = RM3.217 (Feb 23, 2008); RM3.499 (Feb 12, 2009);

		Production	Imports	Exports	Domestic. Disappearance
			(In 1,000 MT)		
Corn	2007/08	90	2700	1	2705
	2008/09	95	2735	10	2805
	2009/10	100	2830	10	2890
Wheat	2007/08	0	1362	62	1270
	2008/09	0	1350	70	1330
	2009/10	0	1465	75	1380
Rice	2007	1475	1020	1	2300
	2008	1530	830	2	2400
	2009	1590	930	0	2500

Corn

(in 1000 Hectares and 1000 MT)

Corn Malaysia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	26	26	26	28	28	27		28	
Beginning Stocks	270	350	350	300	360	310		325	
Production	90	90	90	100	100	95		100	
MY Imports	2,500	2,700	2,576	2,500	2,800	2,735		2,830	
TY Imports	2,500	2,700	2,576	2,500	2,800	2,735		2,830	
TY Imp. from U.S.	152	75	150	0	70	80		70	
Total Supply	2,860	3,140	3,016	2,900	3,260	3,140		3,255	
MY Exports	10	10	1	10	10	10		10	
TY Exports	10	10	1	10	10	10		10	
Feed Consumption	2,400	2,600	2,550	2,400	2,700	2,640		2,720	
FSI Consumption	150	170	155	175	180	165		170	
Total Consumption	2,550	2,770	2,705	2,575	2,880	2,805		2,890	
Ending Stocks	300	360	310	315	370	325		355	
Total Distribution	2,860	3,140	3,016	2,900	3,260	3,140		3,255	
Yield	3.	3.	3.4615	4.	4.	3.5185		3.5714	

Production

Domestic corn production in Malaysia is insignificant.

Consumption

Malaysian consumers are coping with the price increase in food prices. In local currency, the current ex-farm price for broiler hovers around rose from RM3.6/kg in February 2007 to RM3.80/kg in February 2009. The ex-farm price for chicken egg also rose from RM0.29 to RM0.33 per unit over the same period. Most of the big broiler and layer farmers in the sector are resilient and look to another year of growth in 2008/09. Barring any unforeseen serious AI outbreak, the anticipated 2.5 percent economic growth for 2008/09 augurs quite well for the poultry sector. The poultry farmers are set to increase the chicken population in 2008/09.

Reports of the crackdown on farmers using banned beta agonists in pig feed at the end of 2006 had a significant negative impact on pork consumption in 2006/07. Confidence in consuming pork has returned and ex-farm hog prices rebound from RM590/100kg in February 2008 to RM630/100kg in February 2009. Post expects domestic consumption to increase by 3.7 percent to 2.8 MMT in 2008/09 and by another 3 percent in 2009/10.

Trade

In line with the increase in domestic consumption, Post expects Malaysian corn imports to rise 6% to 2.7 MMT in 2008/09. The 2009/10's prospect is still bright with an anticipated 4 percent growth. India became the biggest competitor to the U.S. in the Malaysian corn market in 2007/08. Despite the ban on exports, India continued to sell corn to Malaysia throughout 2007/08. For 2008/09, Malaysia is looking to India, Brazil and Argentina and to a lesser extent, Thailand and Burma. Faced with these challenges, U.S. market share is expected to be around 80 TMT, or less than 3% of the total market in 2008/09, and is likely to show a slight decrease in 2009/10 if China's production rebounds to normal level.

Corn Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Corn		
Time Period	Oct07/Sep08 for 2007, Oct08/Sep09 Not Available	Units:	1000MT
Imports for:	2007		2008
U.S.	150	U.S.	
Others		Others	
India	1376		
Thailand	429		
Argentina	315		
Burma	129		
South Africa	61		
China	55		
Indonesia	30		
Pakistan	19		
Bangladesh	7		
Total for Others	2421		0
Others not Listed	5		
Grand Total	2576		0

Note: Official data only includes Oct 06/Aug 07.

Policy

Production Policy

The GOM has no definite plans to develop a viable domestic field corn industry. Domestic corn production is unlikely to expand significantly in the foreseeable future. In recent years, the GOM has encouraged local tobacco farmers to shift to alternative crops, including sweet corn. The GOM is also interested to seek land in neighboring Indonesia to cultivate corn for the Malaysian feed market.

Market Development opportunities

GMO/Biotech Safety Issue: While Malaysia has not officially approved the imports of GM corn, it has not yet restricted the importation of GM corn.

In summer 2007, Malaysia passed the Biosafety Act which included a mandatory labeling provision for biotechnology derived foods. To date, Malaysia has yet to reconcile that legislation with its Food Safety Act or issue implementation guidelines. The U.S. and Malaysian trade sector have elevated concerns over the new labeling requirement due to its potential to impact trade and marketing of food products derived from genetic engineering.

A significant increase in corn consumption in Malaysia will largely depend on a robust poultry and pig industry. The GOM would likely welcome any assistance from APHIS or an international organization to prevent or deal with any recurrence of the Avian Influenza outbreak. As for the pig sector, the industry has yet to recover fully from the effects of the outbreak of the Nipah virus (Japanese Encephalitis) in 1999. As the farmers and governmental officials have to develop a modern, integrated pig farm system, there are opportunities to link resources in the U.S. to assist in the following areas:

- a. the use of good-quality US swine breeds/semen;
- b. improvement of nutrition for swine; and
- c. transfer of technical knowledge on swine management, swine housing, waste treatment and slaughter plants.

The National Swine Registry has conducted two training courses on artificial insemination and breeding management in the past. These courses were well received and Post would like to see these programs be conducted in other selected locations throughout the country. Buying missions to the U.S. should also be considered in face of growing competition from the European and Canadian counterparts. One such mission (funded by Cochran Fellowship Program) was organized in 2006 and resulted in the first shipment of 52 US breeder pigs from the United States since 2001. Post is seeking Cochran funding to support another mission to the United States in near future.

Wheat

(in 1000 Hectares and 1000 MT)

Wheat Malaysia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	0	0	0	0	0	0		0	
Beginning Stocks	321	200	321	249	220	351		301	
Production	0	0	0	0	0	0		0	
MY Imports	1,331	1,470	1,362	1,300	1,540	1,350		1,465	
TY Imports	1,331	1,470	1,362	1,300	1,540	1,350		1,465	
TY Imp. from U.S.	82	200	116	0	160	100		90	
Total Supply	1,652	1,670	1,683	1,549	1,760	1,701		1,766	
MY Exports	203	80	62	100	90	70		75	
TY Exports	203	80	62	100	90	70		75	
Feed Consumption	50	30	60	50	30	70		80	
FSI Consumption	1,150	1,340	1,210	1,150	1,400	1,260		1,300	
Total Consumption	1,200	1,370	1,270	1,200	1,430	1,330		1,380	
Ending Stocks	249	220	351	249	240	301		311	
Total Distribution	1,652	1,670	1,683	1,549	1,760	1,701		1,766	
Yield	0.	0.	0.	0.	0.	0.		0.	

Production

Wheat is not produced in Malaysia.

Consumption

The Malaysian economy is expected to grow 2.5 percent in 2009. Although the current palm oil prices are down from the highs of mid-08, the Malaysian food sector is still optimistic in future growth. Cheaper fuel prices and an impending cut in electricity tariff help the consumers to have higher purchasing power. Post expects a 3 percent growth in wheat consumption for both 2008/09 and 2009/10. Cafés and delicatessens are becoming popular in major cities throughout the country. More health-conscious consumers are also going for high-fiber wholemeal bread. Bakeries are also looking into manufacturing bakery products for distributing to neighboring countries such as Singapore, Thailand, Indonesia and the Philippines. Millers expect further growth in the manufacturing of instant noodles and biscuits for the domestic as well as the global market during 2008/09.

The Malaysian Government controls the domestic wheat prices by the Supplies Regulation Act (1974). The retail general-purpose wheat flour price remains at RM1.35 (US\$0.35) per kilo (since May 14, 2007). During last year's food crisis, the GOM subsidized the prices for flour and bread. However, the price of wheat flour for industrial uses is not a controlled item.

Trade

Post expects a two percent drop in wheat imports in 2008/09 as importers work down on stocks. With a better crop in 2008/09, Australia will likely be able to capture more than 60 percent of the total Malaysian wheat import market. Traditionally, Malaysia is a favored market for the Australian wheat exporters and with the removal of the Australian Wheat Board (AWB), Malaysia will have more options of sources from their purchases. Canadian hard wheat will be the main competitor to the US in 2008/09 and the US market share could decrease to 8% in 2008/09. The main purchasers appreciated the quality of US wheat and had high regard for the efforts of USWA's marketing program. Malaysia also turned to competitively priced wheat from Pakistan and Brazil.

Malaysia exports remained at about 62 TMT (wheat equivalent) of wheat flour to Singapore, Thailand and Brunei in 2007/08. Post expects a slower growth trend in exports in the near term as the global economical slowdown glooms over Singapore and the Philippines

Wheat Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul07/Jun08 for 2007, Jul08/Sep08 for 2008	Units:	1000MT
Imports for:	2007		2008
U.S.	116	U.S.	18
Others		Others	
Australia	700	Australia	223
Canada	386	Canada	44
China	57	Russian Fed.	13
Argentina	37	China	1
Switzerland	26		
Pakistan	20		
Brazil	18		
Total for Others	1244		281
Others not Listed	2		
Grand Total	1362		299

Wheat Exports

Export Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul07/Jun08 for 2007, Jul08/Sep08 for 2008	Units:	1000MT
Exports for:	2007		2008
U.S.		U.S.	
Others		Others	
Singapore	40	Singapore	5
Thailand	14	Maldives	2
Brunei	6	Thailand	2
Philippines	1	Brunei	1
Indonesia	1		
Total for Others	62		10
Others not Listed			1
Grand Total	62		11

Marketing

Market Development Opportunities

GIPSA's program of sending 1 - 2 officers to the ASEAN region for a three-month stint every year since mid-2002 has been quite valuable in supporting U.S. grain exports to S.E.Asia. Millers/importers welcome the opportunity to iron out various dissatisfactions over quality issues. In addition, GIPSA has a good opportunity to do outreach work. Perceived poor quality image of US grains and beans has to be addressed seriously by USWA and GIPSA.

In normal times, U.S. wheat is less price-competitive than Canadian wheat. Furthermore, the Canadian Board is a one-stop, 'solve all problems' center with the authority to quote prices as well as handle freights and logistics. This system appeals to the Malaysian purchasers. In addition, the Canadian Board in Canada can offer price discounts that render US as a residual supplier. Millers have shown much interest in purchasing Hard White Wheat but, unfortunately, the US's supply is limited.

On-going activities such as regional buyers conventions and training trips to the U.S., conducted by USWA, are well received by the local millers/purchasers. Expanded baking training facilities at FFM (a local miller) offer opportunities for USWA to do outreach activities.

Rice

(in 1000 Hectares and 1000 MT)

Rice, Milled Malaysia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	660	660	650	675	660	660		670	
Beginning Stocks	448	462	448	425	439	642		600	
Milled Production	1,480	1,480	1,475	1,520	1,485	1,530		1,590	
Rough Production	2,277	2,275	2,267	2,338	2,285	2,354		2,446	
Milling Rate (.9999)	6,500	6,505	6,505	6,500	6,500	6,500		6,500	
MY Imports	739	800	1,020	955	880	830		930	
TY Imports	955	800	1,020	880	880	830		930	
TY Imp. from U.S.	0	0	0	0	0	0		0	
Total Supply	2,667	2,742	2,943	2,900	2,804	3,002		3,120	
MY Exports	3	3	1	5	4	2		0	
TY Exports	3	3	1	5	4	2		0	
Total Consumption	2,239	2,300	2,300	2,475	2,400	2,400		2,500	
Ending Stocks	425	439	642	420	400	600		620	
Total Distribution	2,667	2,742	2,943	2,900	2,804	3,002		3,120	
Yield (Rough)	3.	3.	3.4877	3.	3.	3.5667		3.6507	

Production

Preliminary estimates indicate a 7 percent increase in milled rice production to 1.48 MMT in 2008. Favorable weather conditions in most part of the country and an increase in harvested area contributed to an increase in padi yields, which had a positive impact on output.

The outlook for 2009 is optimistic with harvested area at the normal level of 660,000 hectares. Weather conditions have been favorable to date. Post forecast rice production at 1.5 MMT for 2009. For the longer term, the GOM is encouraging large-scale private sector commercial padi production, especially in the states of Sabah and Sarawak, where land is still abundant. Sime Darby, a Malaysian global conglomerate, is taking the lead in increasing self-sufficiency.

Consumption

Domestic consumption increased by 5.7% to 2.3 MMT in 2008. This amount includes unofficial rice imports from neighboring Thailand. Malaysia is about 64-65% self-sufficient. Post expects consumption to increase by about 4.3% in 2009 as Malaysia expects the country continues to see an in-flow foreign workers into the country. While rice consumption per capita shows a slight increase from 81.6 kg in 2006 to 82.9 kg in 2008, the figure does not account for the influx of foreign workers and tourists into the country. In reality, the domestic consumption per capita is about 72 to 75 kg and it has been on the slide vis-à-vis the consumption of wheat over the last two decades.

After the food crisis was over, the retail price of 5 percent broken grade rice is dropped from RM2.80 to RM2.60 per kg in November, 2008.

Trade

To ensure adequate supply of rice, imports are estimated to increase to a million ton in 2008. The major suppliers were Thailand and Vietnam, Pakistan and India. Rice sales from U.S. amounted to over 1,000 MT, mainly Calrose rice consumed by Japanese and Korean expatriates.

In 2009, rice imports are expected to drop to 830,000 tons as the Authority works down on stocks. The Rice Authority could want to carry at least 3 months of stock.

Rice Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Rice, Milled		
Time Period	Jan-Dec for CY07, Jan-Sep for CY08	Units:	1000MT
Imports for:	2007		2008
U.S.	1	U.S.	1
Others		Others	
Thailand	483	Thailand	534
Vietnam	278	Vietnam	305
Pakistan	25	Pakistan	42
India	8	Singapore	4
Cambodia	2	India	2
China	1	Cambodia	2
Australia	1	Australia	1
Total for Others	798		890
Others not Listed			
Grand Total	799		891

Policy

Production Policy

Under the Ninth Malaysia Plan (NMP) (2006 –2010), the GOM adopted a policy goal to increase the current 65% self-sufficiency to 90% in rice production by 2010. Given the lack of land available for production and the current cultivation practices, not much has been achieved to date. One small hope towards achieving the target is the introduction of 'mini estates' by grouping padi farmers together to form a 158 hectare estate. From the first project in the northern part of the Peninsula, average yields have improved from less than four to five tons per hectare. However, it is still a long way from achieving the NMP's goal.

The support price for padi rice has increased from RM55.00 to RM65 per 100 kg in 2005. In addition, all rice farmers receive a subsidy of RM25 per 100 kg of padi delivered to a licensed mill or drying facility.

Marketing

Rice imports from the United States are mainly Calrose rice consumed by Japanese and Korean expatriates. Contributing factors to the U.S. absence from the market include lower prices from neighboring suppliers; the desire to enhance regional relationships and cheaper freight & shorter shipping times for competitors' rice. While the opportunities for sales of U.S. rice in Malaysia are still very limited, the absence of a price ceiling on imported high grade rice may help to create a small niche market for imports of branded, packaged rice, especially for the organic food sector in the United States.