Malaysia agribusiness market: New market research published

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A significant agricultural policy in place from 2013 onwards is the abolishment of the tax-free quota for 3.0mn tonnes of crude palm oil exports. This is likely to allow Malaysian refiners to better compete against other lower-cost refiners, especially those from Indonesia. We also highlight policies that aim to reduce the country's reliance on food and agricultural imports. This is evident in the state-specific policy to increase livestock rearing, for example. The increased investment and research into genetically modified (GM) crops in Malaysia is also picking up momentum, and the country's first GM crop is projected to be ready for harvest by 2018-2020.

Key Forecasts

- Palm oil production growth to 2016/17: 13.6% to 21.2mn tonnes. Growth will be supported as companies replant mature estates and yields improve on the back of better technology.

- Sugar consumption growth to 2017: 10.0% to 1.6mn. Greater disposable incomes will allow Malaysians to spend more on processed foods with high sugar content, such as soft drinks and sugar confectionery, whose sales are predicted to grow by 39.6% and 30.6% respectively through to 2017.

- Poultry consumption growth to 2017: 6.5% to 1.1mn tonnes. The poultry sector will benefit from consumers switching to poultry from pork in response to pork-related health scares in each of the last two decades. Poultry is also the cheapest of the three livestock meats.

- 2013 BMI universe agribusiness market value: 4.3% year-on-year (y-o-y) increase to US$25.3bn (contributes to 8.2% of GDP) - 2013 real GDP growth: 4.6% (up from 3.8% in 2012, forecast to average 4.2% from 2012 to 2017).

- 2013 consumer price inflation: 2.0% (up from 1.7% in 2012, forecast to average 2.2% from 2012 to 2017).

- 2013 central bank policy rate: 3.0% (same as 2012, forecast to average 3.4% from 2012 to 2017).

Key Developments

As we have been expecting, Malaysia is ramping up its response to Indonesia's new palm oil export tax structure in order to regain the market share lost to its main rival. Malaysia's reaction to increased competition from Indonesia - which slashed its refined palm oil export tax to half of the crude grade from November 2011 in order to boost margins for local processors and develop its refining capacity - had been relatively measured so far, in spite of the growing drawbacks for the domestic sector. Indonesia's policy enabled exporters to enjoy a discount on refined palm oil export prices, boosting its refined exports volumes at the expense of Malaysia and helping to lift Malaysia's stocks to a record high of 2.5mn tonnes as of September 2012.

Researchers at University Malaysia Sarawak have reportedly discovered a type of sugar made from sago palm that has the same sweetness as sugar from sugar cane but 50% less calories. The university's resource science and technology faculty is currently able to produce 50kg of the product but aimed to have increased this to 1 tonne by end-2012. The sago sugar contains 96% glucose and 4% maltose. The university is in talks to collaborate with other research facilities in Indonesia, the largest sago starch producer in the world.

As an effort to reduce reliance on imports of beef, the Melaka government will set aside MYR1mn (US$320,000) to reignite cattle farming in the state through a profit-sharing program. Starting in 2013, the government will purchase cattle for small-scale breeders, especially in villages.

Source: WooEB News