

Changing food consumption and imports in Malaysia

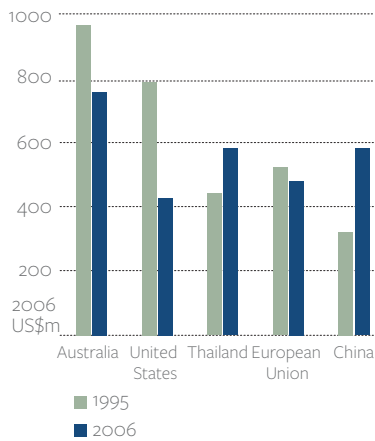
Opportunities for Australian agricultural exports

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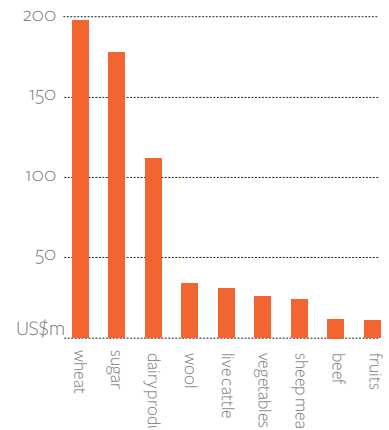
- The Malaysian economy has experienced strong economic growth, averaging around 6 per cent a year since 2000. With rising incomes and population growth, food consumption in Malaysia has shifted away from starchy staples, such as rice, and become more varied, with the inclusion of more wheat-based processed products, meat, dairy products, seafood, fruit and vegetables.
- Continued industrialisation in Malaysia has led to strong competition for domestic resources such as land and labour. This has resulted in a decline in the share of agriculture in gross domestic product from around 15 per cent in 1990 to 9 per cent in 2006. Growth in agricultural production has also been declining, from an annual average of around 6.5 per cent in the 1960s to 3 per cent in the first half of the 2000s.
- Because of relatively limited production and a rising demand for many agricultural products — such as sugar, wheat, beef and dairy products — imports have been a major source of Malaysia's food supply.
- Malaysia's total agricultural imports were around US\$6.6 billion in 2006. The major agricultural imports are vegetables (valued at US\$451 million), dairy products (US\$444 million), maize (US\$398 million), and sugar (US\$391 million).
- Australia is the leading agricultural exporter to Malaysia. Other major exporters are China, Thailand, the European Union and the United States. Malaysia's key imports from Australia are wheat (valued at US\$198 million in 2006), sugar (US\$178 million) and dairy products (US\$112 million). Others include wool, live cattle, vegetables, sheep meat, beef and fruits.
- Imports of vegetables, dairy products, sugar and maize have grown strongly over the past few years, reflecting Malaysia's strong economic growth.
- The food processing industry in Malaysia is growing, with many intermediate inputs being imported. For example, wheat and sugar are used for further processing for bakery products and confectionaries as well as meat in the production and exports of halal products, providing export opportunities for Australia.

- Despite some very high bound tariffs, applied tariffs on agricultural products in Malaysia are mostly low or zero. However, non-tariff barriers such as implementing tariff quotas, obtaining halal meat approval and allocating licences for some agricultural commodities, such as sugar, constrain Australian exports to Malaysia.
- In Malaysia, the government controls the domestic price of some agricultural products, such as wheat flour and sugar. Unless significant pressures emerge on domestic prices, imports of these products will not be allowed to increase. This also constrains Australia's exports of these commodities to Malaysia.

Malaysia's total agricultural imports by major sources



Malaysia's major agricultural imports from Australia in 2006



Report: Suthida Warr, Gil Rodriguez and Jammie Penm 2008, *Changing food consumption and imports in Malaysia: Opportunities for Australian agricultural exports*, ABARE Research Report 08.6 for the Australian Government Department of Agriculture, Fisheries and Forestry, Canberra, May 2008.