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Study on the market for soy beans in Malaysia

A report by Kantar Business Intelligence

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PROJECT METHODOLOGY

This study was based on both primary and secondary sources. Due to the nature of the market and product, interviews with representatives of the soy importers and representatives of industry associations were identified as being the most important source of information.

The project was conducted in the following stages:

1. **Secondary research:** Secondary sources part of the research comprised of available financial statements of companies, local language specialist newspapers, business press, reports, information published by government bodies and non-government organizations, documents released by major market players, official financial statements, official statistics.

2. **Primary research:**

- Creation of a database of potential respondents and research tools (discussion guide, questionnaire). The database was based on the secondary research findings.
- **One (1) in depth interviews** with market expert. Interview with representative of Malaysia Feedmillers Association,
- **Three (2) in-depth interviews** with representatives of the companies identified as relevant and suitable (Thye Huat Chan, Leong Hup International).

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1 OVERVIEW OF MALAYSIA AGRI-FOOD SECTOR AND INTERNATIONAL TRADE

- Malaysia is one of the most developed markets in Southeast Asia. The country is politically and economically stable, and with a population of nearly 32.7 M, is increasingly urbanized. About half of the country's population falls in the middle to upper income group of consumers with a national per capita income of USD 12.1 K in 2018 (according to the World Bank).

- Malaysia's economy is mainly driven by services (55.5%), manufacturing (23%) and agriculture (7.8%). Malaysia's total agricultural product imports in 2018 reached nearly USD 18.5 B.

Malaysia Food and Agricultural Market Situation (B USD and %)	2016	2017	2018	CAGR (%)
Total Local Food and Agricultural Production	2.4	2.5	2.8	8.10%
	(estimated)	(estimated)	(estimated)	
Total Food and Agricultural Exports	21.2	22.4	21.1	-0.10%
Total Food and Agricultural Imports	14.6	15.9	16.2	5.30%
Total Food and Agricultural Imports from the United States	0.9	1.0	1.1	12.80%
Total Food and Agricultural Market Size	4.2	4.0	2.1	-28.20%
Exchange Rates USD to RM	4.137	4.299	4.03	

Data Sources: Malaysia Department of Agricultural and Global Trade Atlas

- The Malaysian food processing industry represents 12% of the country's manufacturing output and is growing at a pace of roughly 3% per year. Several multi-nationals have regional production facilities in and around Kuala Lumpur and the Government of Malaysia has identified the food processing industry as a critical sector for future economic growth.

- Although the country's strict halal requirements complicate trade for certain products, Malaysia's trade and regulatory policies are relatively open and provide opportunities for a broad range of imported foods and beverages. Many food products (e.g. beef or poultry) require halal certification in order to enter the country. Currently, the Islamic Development Foundation of Malaysia (JAKIM) is the only authorized entity allowed to issue halal certification in the country. JAKIM also have appointed other Halal Certification Body as their partner from the origin countries of the food products such as from US, Australia, UK, New Zealand etc.

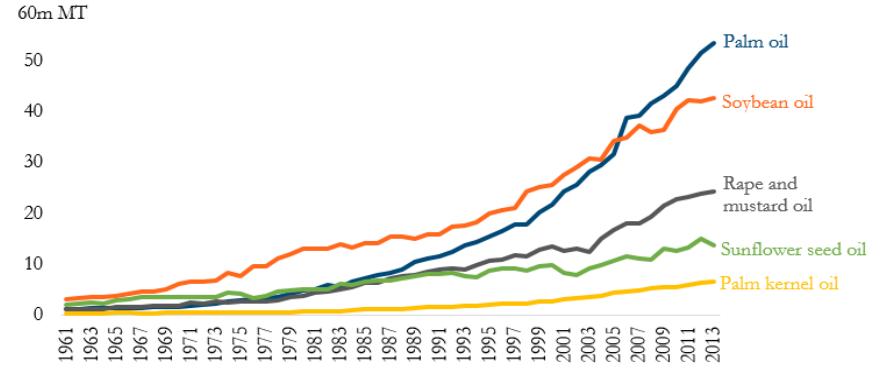
- Although Malaysia has enough poultry, fishery and eggs supply, the country is still relying on imports from foreign countries in various food commodities for human consumption and livestock feed. National rice production still cannot cope with domestic consumption and depends on imports from Thailand, India and Vietnam. In 2018 Malaysian farmers can only produce 70% of total demands and imported 0.74 MT of rice, worth approximately USD 281 M.

- Grains are an almost a fully-imported commodity, whereby Malaysia imports 100% of its wheat, corn and soybean meal. In fact, almost 98% of its grain corn requirement from producing countries such as the USA, Brazil and Argentina and Canada. Hence, the country is exposed to several risk factors – geopolitics, global weather conditions and international relations. In 2016, Malaysia imported 1.7 MT of wheat, 4.1 MT of grain corn and 1.3 MT of soybean meal in 2016. Current production capacity of 1.8 MT per year will not be able to cope with the future demand of wheat flour. This leads to the issue of food security and stockpiling – in 2015, Malaysia's food

import bills alone hit almost USD 10.8 B, while exports were only USD 6.4 B, which left a deficit of more than USD 4.4 B.

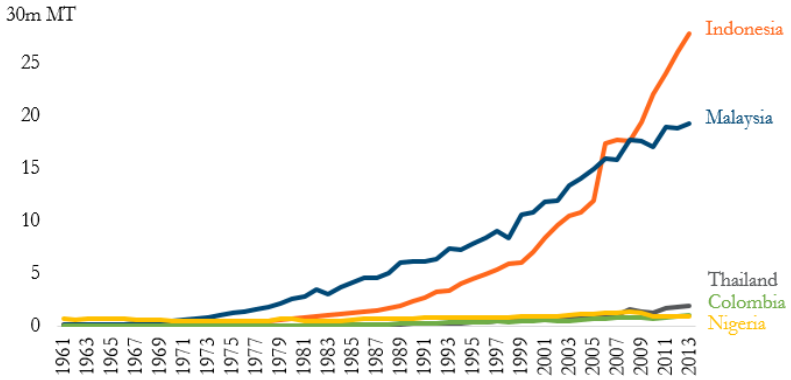
- Malaysia is the main global player of palm oil. Before 2005, soybean oil had long been the leading vegetable oil. However, beginning 2006, palm oil emerged as the top vegetable oil produced. In 2013, 53.6 MT of palm oil was produced, as compared to 42.6 MT of soybean oil. Combining the palm oil and palm kernel oil, 60.2 MT of oil were derived from oil palm in 2013.While the production of soybeans is dominated by the Americas, the production of oil palm is dominated by Southeast Asian countries, namely Indonesia and Malaysia. Prior to 2004, Malaysia was the top oil palm producing country before Indonesia took over.

Production of the top five vegetable oils, 1961 – 2013 (MT)



Source: FAOSTAT. Chart by authors.

Production of oil palm by the top five producers, 1961 – 2013 (MT)



Source: FAOSTAT. Chart by authors.
Note: Data in Figure 6 is the production of the oil palm crop, and not the production of the palm oil that is derived from the oil palm crop (as in Figure 5)

- Malaysia has always been a trading nation. Strategically located along the Straits of Malacca, it sits on a major shipping channel that connects the Indian Ocean to the west and the Pacific Ocean to the east. Malaysia recognizes the importance of international trade and relations to the nation's growth and development. This is reflected in its gross exports of goods and services.

- Given Malaysia's reliance on international trade, Malaysia has adopted liberal trade policies and puts a high emphasis on regional and bilateral trade agreements. Malaysia joined the General

Agreement on Trade and Tariff (GATT) in 1957 and was therefore a founding member of the World Trade Organization (WTO), which replaced the GATT.

- Currently, Malaysia has seven bilateral **Free Trade Agreements (FTAs)** with the following countries: **Australia, Chile, India, Japan, New Zealand, Pakistan, and Turkey.**

- The **Association of Southeast Asian Nations (ASEAN)** members have established the ASEAN Free Trade Area. **The ASEAN Free Trade Area (AFTA)** is a trade bloc agreement to support local manufacturing in all ASEAN countries. The primary goal of AFTA is to increase ASEAN's competitive edge as a production base in the world market. The secondary goal is to attract more foreign direct investment to ASEAN. The Common Effective Preferential Tariff and elimination of tariffs and non-tariff barriers among ASEAN members are the main instruments in achieving its goals. In 2018, **ASEAN** collectively represents a market with a GDP of more than **USD 3.1 T** and a population of **655 million** people. ASEAN members are: **Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.**

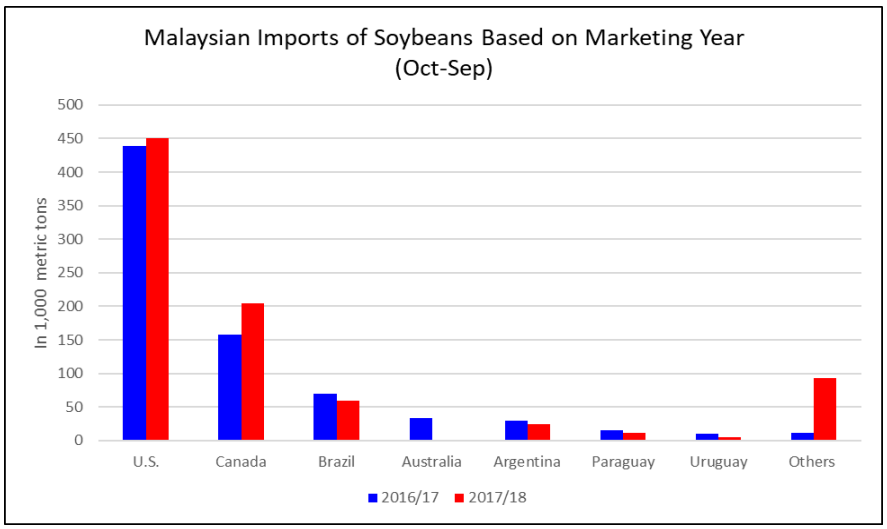
- Through **ASEAN**, Malaysia has regional FTAs with: China, Japan, Korea, India, Australia and New Zealand, and also participates in the **ASEAN Trade In Goods Agreement (ATIGA).**Other concluded trade agreements include: Trade Preferential System-Organization of Islamic Conference (TPS-OIC), and Developing Eight (D-8) Preferential Tariff Agreements (PTA).

- **The Trans-Pacific Partnership Agreement (TPPA**) was signed in February 2016. Since the United States' formal withdrawal from TPP in 2017, the remaining TPP countries formed the **Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP)**. The **CPTPP** was signed on March 8, 2018 by all 11 participating countries **- Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.** Signing of the agreement signifies that these countries will start the domestic ratification process so as to bring the agreement into force.

- The **CPTPP** was entered into force by these countries in December, 2018: **Australia, Canada, Japan, Mexico, New Zealand, Singapore, and Vietnam** in January 2019. The CPTPP will enter into force for **Brunei Darussalam, Chile, Malaysia and Peru** 60 days after they complete their respective ratification process**. In the case of Malaysia, the new government is still evaluating the agreement and has yet to set a specific date for ratification.**

2 MALAYSIAN SOYBEAN MARKET

- Soybean imports in Malaysia between October 2019 and September 2020 are forecast at 0.9 MT, a 0.03 MT increase from the previous year. The expected uptick in imports is based on continued strong demand for poultry in Malaysia. The United States is the largest supplier of soybeans to Malaysia with a roughly 53 percent market share between October 2017 and September 2018. Canada is the second largest exporter with 23% market share and Brazil at third with 6% market share.



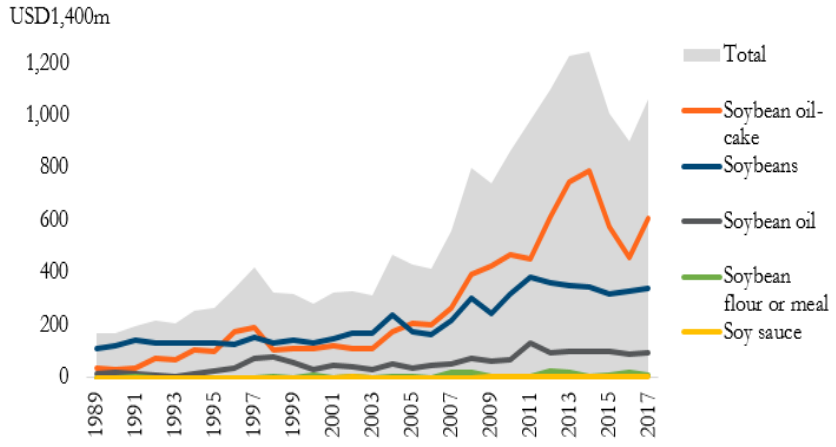
Source: USDA / Global Trade Atlas

- Since 2017, Malaysian imports of soybeans from Australia have decreased significantly until none in 2018, whereas the Malaysian imports of soymeal from other countries have risen dramatically from 0.01 MT to nearly 0.1T within a year.

2.1 Import

- Since Malaysia does not produce soybeans, the country depends on import. Among soy-based products, the most imported item to Malaysia are oil-cake and other solid residues—1.6 MT (USD 0.6 B) in 2017. Oil-cake is a residual product from the extraction of soy oil from soybeans, used for animal feed. Malaysia relies heavily on Argentina to obtain oil-cake supply—96% in 2017(1.5 MT). The second most imported soy-based products are soybeans (whether or not broken)—0.8 MT (USD 0.34 B) in 2017. Malaysia also disproportionately depends on a single source country for soybeans—57% of the imported soybeans are from the United States in 2017 (0.45 MT).

Malaysia's import value, soy-based items, 1989 – 2017 (M USD)



Source: UN COMTRADE

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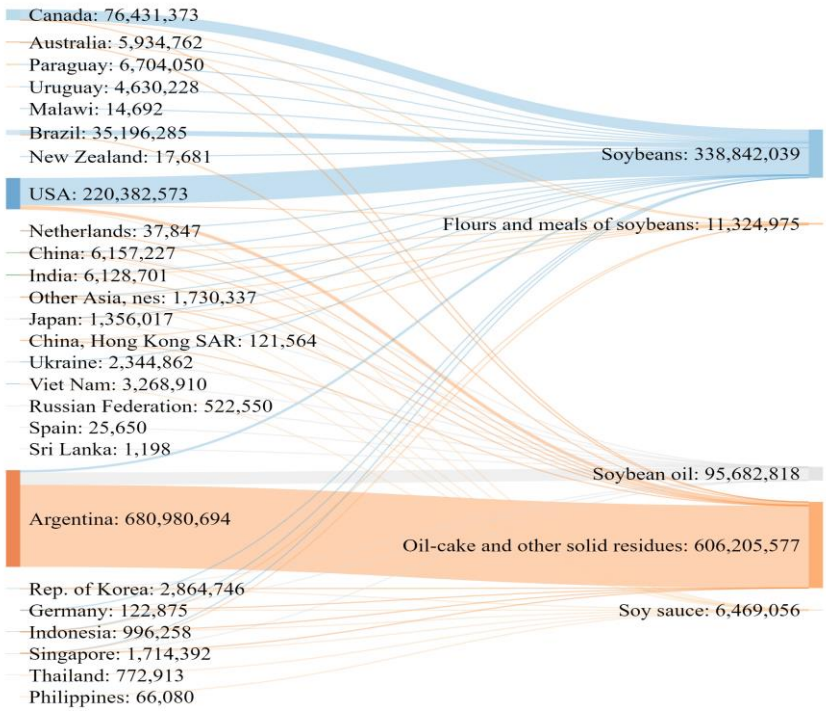
- Total worth of Malaysian imports of soybean and soy products recorded USD 1.0 B in 2017
- Cargill Malaysia is the main importer of Soybean meal from Argentina. With their facility next to the Penang Port and Port Klang, they control a big market share in the feed industry.
- Soybean oil imports is only for re-export purpose due to competitive price of palm oil in Malaysia.

Malaysian Soy Import 2016-2019 (MT)						
Market Begin Year	**Oct-17**		**Oct-18**		**Oct-19**	
Malaysia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Soybeans	0.7	0.7	0.8	0.9	0	0.9
Soybean Meal	1.5	1.5	1.6	1.5	0	1.6
Soybean Oil	0.1	0.1	0.1	0.1	0	0.1
Total	2.3	2.3	2.5	2.5	0	2.6

Source: USDA GAIN Report 2019

Malaysia's import value and countries of origin, soy-based items, 2017 (USD)



Source: UN COMTRADE, Khazanah Research Institute
Notes: On the left hand-side are the countries of origin for the imported products on the right hand-side. The value indicated next to the countries is the value sum of the various soy-based products sourced from those countries.

- Besides three major importer of Soy products (US, Canada, Argentina), other countries especially Asian countries contribute insignificant total imports to Malaysia. Most of the imports are indirect products are soy such as soy sauce and soy-based food products.

2.2 Crushing

- Domestic consumption of soybeans in Malaysia is largely dictated by crush demand from the livestock feed industry. As the Malaysian Ministry of Agriculture reports that per capita consumption of poultry in the country is set to jump from 50kg per person in 2016 to 53kg per person in 2020 and more than 20kg per person of eggs every year, crush demand continues to grow. Because of this trend, total domestic consumption from Oct 2019 to Sep 2020 is forecast at 0.86 MT, 45 KT more than the previous year's estimate.

- The Malaysia crushing, oil refining, food processing, compound feed and intensive livestock sectors are valorizing the protein and oil to higher value products, mainly livestock products, but also processed foods, and non-food products such as biofuels. From 0.63 MT crushed soybeans, only 98 KT are being used for oil production.

- There are two soy crushing plants owned by **Soon Soon Oilmills**, one of the leading crusher in Malaysia, one located near the deep water port in the Prai Industrial Park, Penang and another within the port area of Westport Port Klang in Pulau Indah, Selangor, Malaysia**.** The remaining soybeans are used in food products or animal feed.

2.3 Export

- Malaysia only have capacity to export indirect soy-based products. Types of Soy-based food products that is the main export for Malaysia are such as frozen food, soy sauce and soy milk. Soybean oil remain the largest export in 2019 with 0.14 MT.

Malaysian Soy Export 2016-2019 (MT)						
Market Begin Year	**Oct-17**		**Oct-18**		**Oct-19**	
Malaysia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Soybeans	0.02	0.02	0.03	0.05	0	0.05
Soybean Meal	0.08	0.08	0.07	0.08	0	0.09
Soybean Oil	0.12	0.12	0.12	0.14	0	0.14
Total	0.22	0.22	0.22	0.27	0	0.28

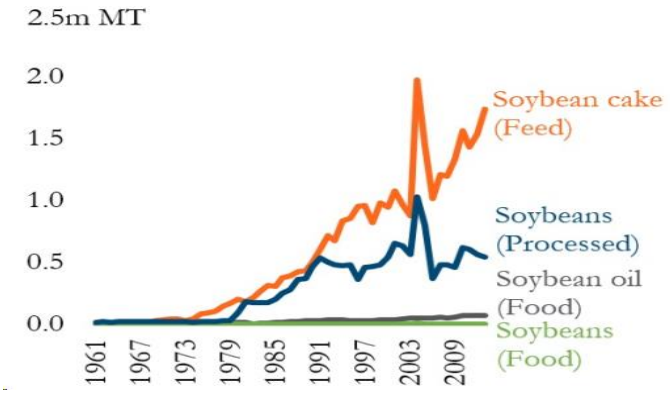
Source: USDA GAIN Report 2019

2.4 Processing and feed sector

- Most of the soy in Malaysia is used as feed, in the form of soybean cake —1.7 MT in 2013. Both maize and soybean cake is by and large imported. In the Hala Tuju Kementerian Pertanian &

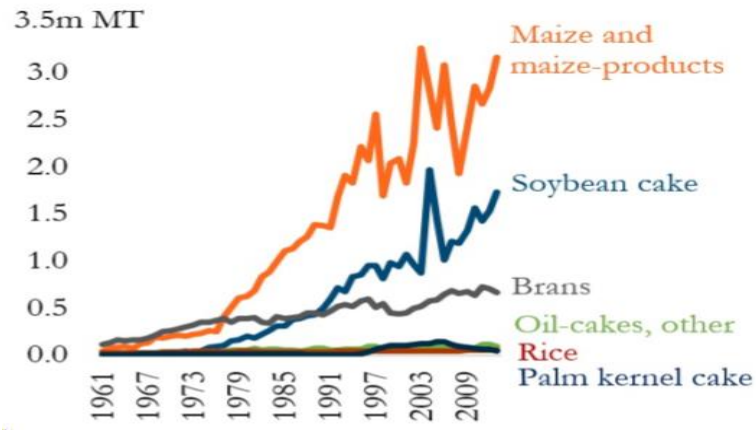
Industri Asas Tani: Proriti & Strategi 2019-2020, the Ministry of Agriculture and Agro-Based Industry (MOA) has stipulated the strategy of reducing the reliance on imported feeds through the development of corn grain industry and increasing the use of palm kernel cake (PKC) in the livestock industry. Soybean cake is the second largest source of feed in Malaysia after maize and maize-products, 29% of the total feed in 2013

Consumption of Soy based items, Malaysia 1961-2013 (MT)



Source: UN COMTRADE

Malaysia Soy Import 2017-2019 (MT)



Source: UN COMTRADE

- According to **Malaysian Feedmiller Association (MFA)**, the total feed production is about 6 MT/year **with total re**venue more than USD 2.2 B in 2016**.** The main industry player relies on Imported feed ingredients with more than 85% and 15% from local ingredients (eg. Rice Bran, CPO, PKC/PKE)**.** Total domestic consumption of soybean meal between Oct 2019 and Sep 2020 is forecast at 1.98 MT, a 0.03 MT increase from the previous year.

Malaysian Animal Feed Production 2016-2019 (MT)						
Market Begin Year	**Oct-17**		**Oct-18**		**Oct-19**	
Malaysia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Soybean	0.04	0.04	0.04	0.04	0	0.05
Soybean meal	1.83	1.83	1.95	1.95	0	1.98
Soybean oil	0	0	0	0	0	0
Total	1.87	1.87	1.99	1.99		2.03

Source: USDA GAIN Report 2019

2.5 Food sector

- Roughly 20% of imported soybeans (0.18 MT) in 2019/2020 are used to use in food production. Soybean products can come in different texture, flavour, colour and taste, either as a drinks, soybean curd or tofu, processed vegetarian, non-vegetarian frozen food and a local delicacy called “tempe” (a fermented soybean cake).

- Soybeans are quite popular in Malaysia. Chinese, who were the first to introduce soy-based food to Malaysian cuisine – now it has become a staple food for everybody. It is common for Malaysians to consume soy products in their daily diet – majority of Malaysians believe that soy products could reduce the risk of cancer and osteoporosis. It is estimated that 89.4% of Malaysians regularly consume soy tofu.

- Burger and sausage manufacturer in Malaysia used soy protein in order to reduce the production cost of the patty. It is because the beef is considered expensive in Malaysia.

Malaysian Domestic Food Consumption 2016-2019 (MT)						
Market Begin Year	**Oct-17**		**Oct-18**		**Oct-19**	
Malaysia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Soybean	0.16	0.16	0.17	0.17	0	0.18
Soybean meal	0	0	0	0	0	0
Soybean oil	0.08	0.08	0.09	0.09	0	0.09
Total	0.24	0.24	0.26	0.26		0.27

Source: USDA GAIN Report 2019

- Malaysian liked their soy milk a bit sweet and not too creamy. Most of the soy milk manufacturer will have few varieties to cater the demand. Malaysian food processing company prefer to use Canadian Soybean in making their products especially soy milk. It is because most of the Canadian beans are non GMO compared to the US soybean.

- There is also a big number of small scale home-made soy food producer who is been selling their products at the street market, farmers market even by the road side all over Malaysia.

Malaysian soy food manufacturer	Description	WWW
Lam Soon Edible Oils Brand: Drinho, SoyFresh, Homesoy	Cooking oil manufacturer, have variety of most popular Soy beverages products	http://www.lamsoon.com.my
Everbest Soya Bean Products Sdn Bhd.	Vegetarian food, Meat substitute, Soybean curd skin	https://www.everbest.my/index.html
Yeo Hiap Seng (Malaysia) Berhad	Malaysia No1 Soy milk brand: Yeo's, Soyrich	http://www.yeos.com.my/
Lian Taat Food	Soy related food manufacturer	http://liantaat.com/main/en/index.html
Pak Mat Tempeh	Tempeh and Tofu manufacturer	http://www.pakmat.my/
Wai Food Industry	Bean Curd and Puff Tofu manufacturer	http://www.waifood.com.my/
Fusipim Sdn Bhd	Seafood products manufacturer	http://www.fusipim.com/
Syarikat Perniagaan Cheong Fatt	Bean Curd and Egg Tofu manufacturer	http://www.cheongfatt.com/profile.html
De First Food Manufacturing (M) Sdn Bhd	Bean curd with fish paste manufacturer	http://defirstfood.com/index.html
Soy Products (Malaysia) Sdn Bhd	Soybean, sauce, binder manufacturer	http://www.soyproducts.com.my/index.asp

2.6 Production

- Malaysia does not have a single soybean farm in the country due to the tropical weather condition that not suitable for large scale farming.

- Soybean meal production is forecast at 0.6 MT in marketing year 19/20, up slightly from the previous year's estimate. The increase in production is based on the expected uptick in soybean imports and healthy demand for livestock feed (especially for poultry).

- Due to the competition with palm oil. The price of soybean oil is more expensive than palm oil in Malaysia. The Malaysian government also subsidized palm oil to the end user consumer with a floor price of USD 0.60/L. Soybean oil that have produced in Malaysia will be exported back to other countries especially in South East Asia.

Malaysian Soybean Production 2016-2019 (MT)

Market Begin Year	Oct-17		Oct-18		Oct-19	
Malaysia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Soybeans	0	0	0	0	0	0
Soybean Meal	0.39	0.39	0.41	0.48	0	0.49
Soybean Oil	0.09	0.09	0.09	0.11	0	0.11
Total	0.48	0.48	0.50	0.59		0.60

Source: USDA GAIN Report 2019

2.7 Prices & quality specifications

- According to Malaysian Feed Millers Association **MFA**, the soybeans and soybean meal is based on **Chicago Board of Trade (CBOT)** Futures Prices, the world's oldest commodity exchange. The contracts traded there are decisive for the worldwide price developments. Prices are calculated on current value indications of freight rates of transport companies for the delivery locations and soya crushers. All prices are based on 44% protein content. The values are updated every weekday (excluding holidays), typically between 1:00 and 2:00 PM (CET). In general, in Malaysia the preferred model is FOB and it is used for majority of the imports, yet CIF is also possible and depend on individual arrangements between entities. It is not possible to get the actual landing price of the soybean in Malaysia since the trader keep it as a secret. Only the price of food grade non-GMO Canadian and US soybean is available by the importer.

Non-GM soybeans and certification

- Malaysia is the pioneer among ASEAN countries when it comes to introduction of guidelines and regulations on the import of genetically modified (GM) or agribiotech (agricultural biotechnology) crops. The country has thorough guidelines and regulations on genetically-modified organisms (GMO) research through the Biosafety Act 2007 and the Regulatory Guidelines for GMO Field Release of 2013, which strictly follow the Cartagena Protocol on Biosafety and the Convention on Biological Diversity. Malaysia is one of 64 countries in the world that mandate labelling on GM food.

- The regulatory framework with regards to GMOs covers pre-market approval, enforcement, and post-market monitoring. The related laws are:

    - **Biosafety Act 2007** (Ministry of Natural Resources and Environment, NRE) – to regulate the release, importation, exportation and contained use of LMOs (Living Modified Organisms), and the release of products of such organisms.
    - **Food Regulations 1985**, amended in 2010 (Ministry of Health, MOH) – to enforce GMO labelling.

- Before the National Biosafety Board decides to approve a Living Modified Organism (LMO) or its product, a public consultation is required. This is to comply with the provision under Biosafety

Act 2007 [Subsection 14(c) and Subsection 16(3)]. Public consultation is done for application of field trials, as well as other forms of release (placing in the market, supply or offer to supply, etc.) involving LMO and its product.

- Decision of the National Biosafety Board on any application for approval is based on: (a) recommendations by GMAC; (b) inputs from relevant Government agencies; and (c) inputs from public consultation.
- Detailed information about the proposed activity is provided by the applicant in a Product Fact Sheet (composed both in English and Bahasa Melayu), which is available publicly. The Fact-sheet includes: (1) Purpose and description of the activity, (2) Description of how was the LMO modified, (3) Characteristics of LMO, (4) Assessment of risks to human health, (5) Assessment of risks to the environment and biodiversity and (6) Description of the emergency response plan.

GMO Soybean Seeds Approved in Malaysia	Manufacturing Company
MON87708, MON87701, MON89788	Monsanto Malaysia Sfn. Bhd.
DAS68416-4.DAS444Ø6-6	Dow Agroscience (M) Sdn. Bhd
FG72, A5547-127, A2704-12	Bayer Co. (Malaysia) Sdn Bhd
305423	Du Pont Malaysia Sdn Bhd
SYHT0H2	Sygenta Crop Protection
BPS-CV127-9	BASF (Malaysia) Sdn Bhd

Source: Department of Biosafety, Ministry of Water, Land, and Natural Resources, 2019

3 MARKET STAKEHOLDERS

- When talking about Malaysian market, it has to be pointed out that Singapore plays a crucial role as the trading house for the South East Asia market. All global crop merchants have their trading offices in Singapore, which is where they would tend to coordinate imports to Malaysia. Local market is dominated by the largest international soy corporations, which distribute soy products to local players. The typical process of purchasing soybeans is done via traders, who engage other entities within supply chain (distribution, storage, processors). All of these importer companies are also heavily involved in palm oil industry, which is the main export of Malaysia and rival to soybean oil on the global commodity market.
    - **Cargil**l: Their volumes have increased by more than 400% over the last 20 years and handle over 900 KT of grains and oilseeds every year, serving feed mill customers with key products such as corn and soybean meal from Argentina and also serve local traders who support 'home mixing' for smaller farms. Cargill have the import/export facility at Port Klang and complemented by distribution sites at Westport in Selangor and Butterworth in Penang. The warehouse at Westport has a capacity of 80,000 sqm, with the Butterworth facility able to store up to 30,000 sqm. The Westport warehouse able to discharge 10Kt per day - recognised as a world-class performance. Core products include feed grains, oilseeds and oilseed by-products such as oils and protein meal. The

only company able to bring in soybean meal as a pellet. Additionally, **Cargill** have four feed mills located in **Melaka, Butterworth, Westport** and **Kota Kinabalu**.

- **Louis Dreyfus Company (LDC**): the company has a strong presence across the entire Southeast Asia Region, with regional headquarters located in Singapore. Over the past two decades, LDC has developed a high level of local expertise and established offices, plants, and logistic assets across the region as one of the biggest supplier in bulk animal feed ingredients. Early this year LDC has announced to be cornerstone investor to **Leong Hup International**, one of the largest fully integrated producers of poultry, eggs and livestock feed in Southeast Asia, and operates in Indonesia, Vietnam, Philippines and Singapore.

- **ADM**: One of the world's largest agricultural processors and food ingredient providers. ADM Asia has strategic ownership interest in **Wilmar International Limited**, Asia's premiere agricultural processing business, which has locations in Australia, China, India, Indonesia, Japan, Malaysia and Singapore, and in other parts of the world. Singapore-based Wilmar operates palm plantations; crushing facilities for various types of oilseeds; plants that produce oleo chemicals, soy proteins and fertilizers.

- It must be pointed out that the local players are usually Chinese family-run businesses - they cover the other market shares that left by the international companies. The whole eco-system is run like a cartel, entailing importers, distributors across the entire supply chain, including feed millers and crushers, as well as livestock producers and food processing factories. Few of these companies are active players in the region and have branch offices with connections and networks throughout **South East Asia** region.

  - **Enerfo Malaysia Sdn Bhd** core business is trading and distributing imported raw materials for production of animal feed in Malaysia, especially sourced in the US (they have an office in Omaha, Nebraska). **EMBS** aims to serve the demand of local animal husbandry and feed-mills through competitive pricing, down-stream supply-chain management and customized financing tools. With their strategic plan to become South-East Asia leading supplier of raw material, Malaysian office become a distribution hub into other countries, such as Indonesia, Philippines, Thailand and Vietnam.

  - **DPO International** is a leading specialized food distribution company in the region. They are headquartered in Kuala Lumpur, Malaysia and operate 25 offices and warehouses in China, Indonesia, Philippines, Sri Lanka, Thailand and Vietnam. Specialized in ingredients and formulation, they provide a broad range of food applications, ranging from baked goods, beverages, processed meat, dairy, desserts and confectionary to snacks, food supplements, baby food and more.

  - **Thye Huat Chan** has been one of the largest providers of food ingredients and consumer foods in Malaysia for more than 40 years. **THC** imports flour and starches, beans and pulses, oilseeds, grains, nuts, perishables, sweeteners, spices, consumer foods, food enhancers and dry fruits from more than 25 countries to its 3000 direct customers (foodstuff manufacturers, wholesale distributors, modern supermarkets and hypermarkets, grocery stores and paper industry manufacturers). They also own a fleet of vehicles for more efficient distribution across Malaysia, providing a variety of warehousing services and packaging solutions designed to meet the needs of the food industry. **THC**

imported food- grade soybeans from US and Canada and one of their selling products is a 30kg paper bag soybeans under the brand name **"Green Maple"**, produced by **Thompson Inc, Blenheim, Ontario.**

- **Agricore CS Sdn Bhd** is a reputable importer and exporter of premium quality food ingredient and grocery. Based in Penang, Malaysia, their customers range from food manufacturers to grocery store. Agricore also distribute the optimal food ingredient for vegetarian and halal food server to establish a healthy and hygienic lifestyle.

- **Malaysia Feedmiller Association (MFA)** represents 16 big and small feed mill companies in Malaysia. As indicated in their 2016 operation report, MFA members are estimated to contribute 55% of the total animal feed production in Malaysia. Many MFA members are also Integrators, owning breeder flocks, hatcheries, feed mills & processing plants. MFA associates the following entities: (1) Dindings Soya & Multifeed Sdn Bhd, (2) FFM Bhd, (3) Gold Coin Feedmills (M) Sdn Bhd, (4) Sinmah Multifeed (M) Sdn Bhd, (5) Ayamas Integrated Poultry Industry Sdn Bhd, (6) Ayamas Integrated Poultry Industry Sdn Bhd, (7) Leong Hup Feedmill Sdn Bhd, (8) PK Agro-Industrial Products (M) Sdn Bhd, (9) PTS GoldKist Industries Sdn Bhd, (10) DBE Poultry Sdn Bhd, (11) KL Supreme Feedmill Sdn Bhd, (12) Liang Teik Trading Co Sdn Bhd, (13) MFM Feedmill Sdn Bhd, (14) Ni-On Marketing System Sdn Bhd, (15) PW Nutrifeed Sdn Bhd and (16) Sykt Ang Hock Stockfeeds Mfg Sdn Bhd.

    - **Gold Coin Group** is a pioneer in animal nutrition and the manufacturing of scientifically balanced animal feed within Asia. Established in Singapore in 1953, Gold Coin is one of the largest privately-owned agribusinesses in the Region with a milling capacity of approximately 2.6 MT per year, providing a wide range of products to both Livestock and Aqua industries, including young animals and hatchery feed, premixes, concentrates and compound feed. In Malaysia, **Gold Coin Feedmills (M) Sdn Bhd** have four feed mills located in **Butterworth, Port Klang, Kuching** and **Labuan**.

    - **Malayan Flour Mills Berhad (MFM)** diversification into the poultry industry began with **Dindings Soya & Multifeeds Sdn Berhad (DSM)**. DSM commenced operation of its feed mill in Lumut, Perak states in December 1983. Principal activities include manufacturing and sales of poultry feeds, aqua feeds and raw materials. **DSM** is the feed supplier to the contract farming division of **MFM**. DSM constantly upgrades its facility to use the latest milling technology. **Direct discharging facilities enables DSM to import corn and soybean meal in Panamax vessels from carefully chosen suppliers**. In 1993, the MFM group expanded coverage of the Malaysian poultry feed market with the commencement of commercial operation of **MFM Feedmill Sdn Bhd (MFMF)**. A market leader in the southern region, **MFMF** is strategically located within the **Johor Port industrial complex**. Like **DSM** in the northern region**, MFMF** shares common infrastructure with flour milling to enhance operational efficiency.

    - The **FFM Berhad Group** diversified into the manufacturing of animal feed in 1981 at Port Klang with an initial capacity of 10 KT of feed per annum. Today, the FFM Group owns five feed mills in Malaysia, strategically located in **Port Klang, Pasir Gudang, Butterworth, Kuching** and **Kota Kinabalu** with total designed mixing

capacity of 150 T per hour. FFM Group's comprehensive range of feed is manufactured to exacting standards to fulfil the nutritional needs of all classes of livestock. Marketed under the brand name "Friendship" and logo of "Five Rings", the feed is available in mash, crumble and pellet form. Today FFM Group is one of the major players and leader in the feed milling industry in Malaysia.

- **PK Agro Industrial Products (M) Sdn Bhd** is a subsidiary of **Charoen Pokphand Malaysia** or better known as **CP Group**, Thailand's poultry integrator giant and leader in the manufacturing and distribution of chicken, duck, cattle & goat feeds. Currently, **PK Agro** have 3 feed mills which are located at **Butterworth (Pulau Pinang), Port Klang (Selangor)**, **Tanjung Langsat (Johor)** .

- **Soon Soon Group Malaysia** was incorporated in 1978 and is one of the regions most diversified and integrated grain, oilseed and oil processing concern, producing both food and feed ingredients. Their factories are strategically located on two main sites, one near the deep-water port in the **Prai Industrial Estate, Penang** and another within the port area of **Westport in Pulau Indah, Selangor**. Their oilseeds refinery is now FSSC 22000 certified. Soon Soon imports both GMO and non-GMO Canadian soybean as a base ingredient and produced varieties of soybeans derivative products offered to the client.

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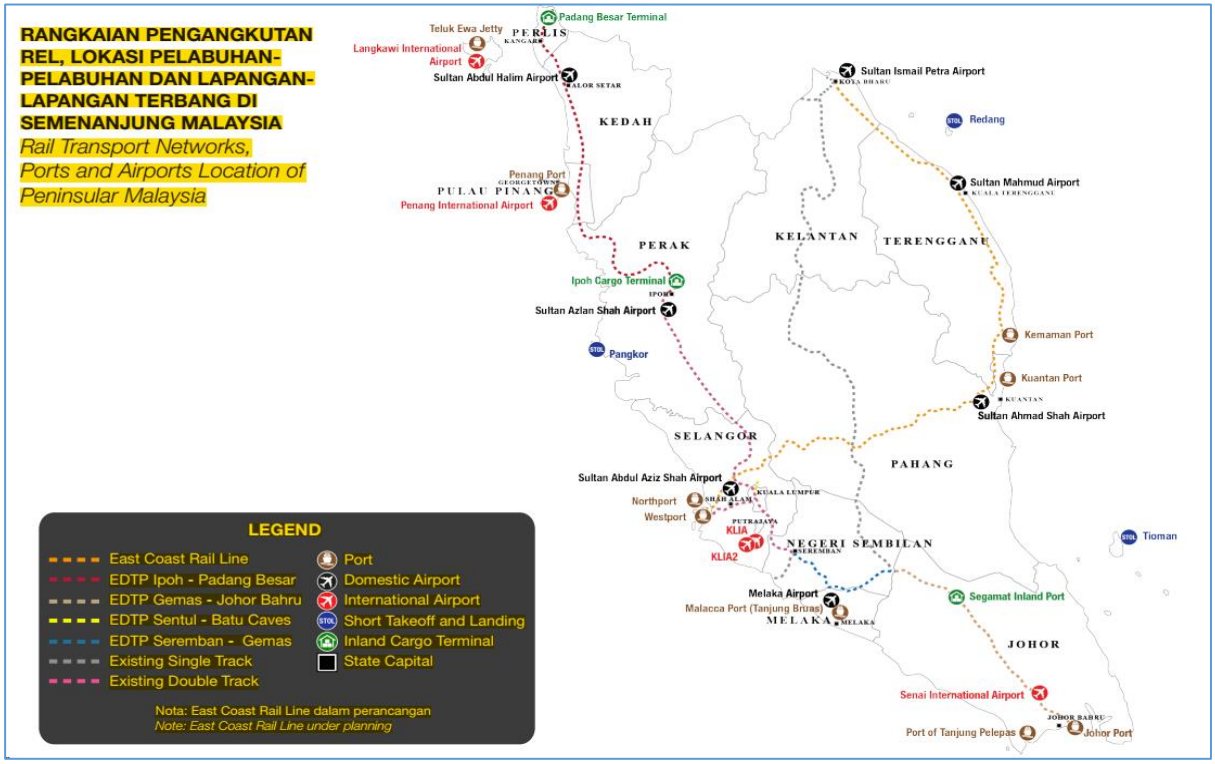
4 SHIPPING AND CONTRACTUAL TERMS

4.1 Standard shipping requirements - Malaysia

- Malaysia Peninsular is located at one of the busiest trading route in the world which is Malacca Straits. Currently, Malaysia has a total of seven major Federal ports: Port Klang, Johor Port, Port of Tanjung Pelepas (PTP), Kuantan Port, Penang Port, Bintulu Port and Kemaman Port. Meanwhile, the ports in Sabah and Sarawak in Borneo island are under the jurisdiction of the State Government of Sabah and Sarawak respectively.

Major Ports in Malaysia



Source: Transport Statistics Malaysia 2017, Ministry of Transport Malaysia

- The ports on West Coast shorelines are famous for a variety of specialist services, being hubs to major shipyards and companies from diverse sectors. These ports provide all-embracing business services for industry (like warehousing and logistics) and are also located in a proximity of international airports.

- While soybeans and soybean meal for the animal feed are usually transported as bulk cargo, sporadically they can be shipped as a break-bulk cargo (in bags of knit natural fabric). For food processing purpose, most of the soybeans are packed in 30kg and 50kg paper bag or PP bag from country of origin for efficient distribution and shipped by Container. In Malaysia there are few ports, which deal with the following kinds of cargo:

- **Port Klang**: The main entry port of Malaysia. Since 1993, the government has identified Port Klang to be developed into the National Load Centre. Port Klang has since grown and now establishes trade connections with over 120 countries and dealings with more than 500 ports around the world. The Port Klang administered by Port Klang Authority with two major port which are **NORTHPORT** and **WESTPORT** are run by private company and the smaller and regional purpose **SOUTHPOINT** by the PKA itself. Port Klang also located in the state of Selangor, the most industrious state in Malaysia where all major food and feed manufacturer located.
- **Penang Port**: The Port of Penang is a deep-water seaport within the Malaysian state of Penang. It consists of terminals along the Penang Strait, including five on the mainland and one in George Town. The Port of Penang was the third busiest harbour in Malaysia. Today, the Port of Penang remains the main harbour and trans-shipment hub of northern Malaysia. There are five cargo and container terminals are situated in Butterworth and Prai Industrial Area. Several animal feed miller and soy based food processing manufacturer are located near to this port.
- **Johor Port**: The Johor Port is a port located at Pasir Gudang, Johor Bahru District, Johor, Malaysia. Built by the Johor Port Authority and run by Johor Port Berhad in 1977, it is the first port in Johor and is designed as a multi-purpose port that caters to practically all types of cargo. It is the first port in Malaysia to be located within a free trade zone. Johor Port's warehouses are exempted from customs duties. Duty is only payable when the cargo is released from the warehouse area for local consumption. Since its inception, Johor Port has been handling liquid bulk cargo, and provides facilities for two different types of liquid bulk cargo which are edible oils, primarily palm and soy bean oils and hazardous cargo, primarily petroleum based product. The port's network of pipes allows liquid bulk cargo to be conveyed directly to tank farms, significantly increasing the efficiency of loading and unloading operations.

4.2 Control measures and import requirements in Malaysia

- Except for rice there are no special Approved Permits (AP) system for grains import – Certificate of Origin functions for declaration/statistical purpose only. Since there is no special requirement for import of grains, the flour and animal feed millers import the grains themselves through their offshore trading offices in tax havens via transfer pricing whereby the landed prices in Malaysia are artificially inflated to show a higher cost of production.

- Singapore is commonly in the process because it is a shipping and commodity trading hub with low tax regime and preferred city for large trading companies. Consequently, shipments are directed to Malaysia but invoicing is routed through Singapore, where most feed millers and flour millers have their management offices. The millers or parties related to millers usually set up trade offices in Singapore where the IE (International Enterprise - a branch of Ministry of Trade and Industry Singapore) provides very favourable corporate tax of no more than 10%, whereas in Malaysia the CIT rate is set at 25%.

Procedure to import agricultural products by Department of Agricultural

1. Import Licence is to be sought from the relevant Ministry (if required);
2. A copy of this Import Permit (IP) must be sent to the consignor;
3. Consignment must be accompanied with:

i. Import Permit (IP),
ii. Phytosanitary Certificate (PC), which has the Malaysian Import Permit (IP) reference number and/or reference number of the quarantine treatment certificate (if related) printed at the additional declaration column,
iii. The quarantine treatment certificate (if related);

4. A sample must be inspected and tested according to appropriate official procedures and are considered to be free from soil, pests, diseases, weed seeds contaminants and regulated articles by National Plant Protection Organization (NPPO) of exporting country.
5. Consignment is subjected to visual inspection, examination or analysis prior to clearance by MAQIS officer upon arrival at the point of entry into Malaysia.

- Labelling requirements apply only to the three main ingredients in the ingredient list. For GMOs that have genes derived from animals and ingredients that have been known to cause allergies, the label will have to state the origin of the gene, like: “gene derived from (origin)”.The product will not be labelled when GMO content is not more than 3% of the food ingredients, “provided that this presence is adventitious [i.e. by chance] or technically unavoidable.”
- Exempted products include:
    - Highly refined foods e.g. refined oil, plant sterol, boiled sweet, sugar, corn syrup, honey and dextrin (other than that with altered characteristics).
    - Foods produced from fermentation using GMM (Genetically Modified Microorganisms) not present in the final products (e.g. vitamins, amino acid).
    - Food produced with GM enzyme (e.g. cheese, bakery products produced with amylase).
    - However, products will not be exempted when the gene is derived from animal products and substances that cause hypersensitivity. Highly refined foods with altered characteristics (i.e. they have different characteristics from the same ingredient that has not been genetically modified, in terms of nutritional value, toxicity or allergenic properties) will are not exempted as well.

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