MALAYSIA

COUNTRY PAPER ON PEPPER PRODUCTION, PROCESSING AND TRADE FOR THE 42nd PEPPER EXPORTERS' MEETING 25th NOVEMBER 2011 SHERATON SENGGIGI BEACH RESORT & HOTEL, LOMBOK ISLAND, INDONESIA

1. Introduction

This paper updates delegates of the IPC Pepper Exporters' Meeting on the following aspects:

- The current status of pepper production in Malaysia
- The acreage and production for the year 2010-2012
- The factors affecting current production and productivity of pepper holdings
- The monthly average prices
- Trade and investment policies
- Export, domestic consumption and carryover stock
- The on-going research and development programmes

2. Production

2.1 Current Status of Pepper Production

The state of Sarawak is the main pepper producing region in Malaysia accounts for more than 90% of the country's annual production. The other producing areas are Sabah and Peninsular Malaysia. Production for 2011 is estimated at 25,672 tonnes, an increase of 5.96% from 24,227 in 2010. The hectarage and production figures are shown in Tables 1, 2 and 3 respectively.

Table 1: Hectarage Under Pepper Cultivation for 2010-2011 (ha)

Year	New Planting Area	Productive Area	Non-Productive Area	Total
2010	708	13,041	425	14,174
2011*	920	13,440	440	14,800

(*) denote estimation

Table 2: Distribution of Pepper Cultivation for the Year of 2011 and 2012

Name of State/ Province	2011 (ha)	2012 (ha)
Sarawak	14,518	14,853
Peninsular Malaysia	252	372
Sabah	30	55
Total	**14,800**	**15,280**

Table 3: Production of Black and White Pepper for 2010, 2011 and Projection 2012 (mt)

Year	Black	White	Total
2010	16,959	7,268	24,227
2011*	17,970	7,702	25,672
2012**	18,550	7,950	26,500

(*) denote estimated and (**) denote forecast

2.2 Factors affecting current production and productivity of holdings

a) Pepper Price

The international prices for black and white pepper had increased and farmers responded to the rise in prices by giving better maintenance and expanding the hectarage. As a result, the total hectarage in Malaysia for pepper increased to about 4% from 13,618 hectares in 2009 to 14,174 hectares in 2010. The production also increased from 21,915 tonnes in 2009 to 24,227 tonnes in 2010.

b) Pests and Diseases

The losses of pepper crop due to major diseases such as Phytophora foot rot, black berry, velvet blight and wrinkled leaf diseases and damaging pests like tingid bugs, pepper weevils and nematodes remain a serious problem. Thus, farmers are advised to start a new plot in disease-free areas.

c) High Cost of Inputs

The costs of agricultural inputs, particularly the compound fertilizers and herbicides remain high. It was made worst by high transportation cost due to fuel price increase and therefore increases the cost of farm maintenance.

d) Weather Patterns

Generally, the weather pattern in 2011 have been favourable to the crop however it was forecasted the possibility of heavy rains towards the end of 2011 and it may affect the production in 2012.

3. Processing

3.1 Methods of Processing, Packaging and Storage

Product quality has always been emphasized, starting from post harvest to export point. Intensive training courses were provided to educate farmers to improve post harvest activities as part of Good Agricultural Practices. Various simple equipments are also provided to selected pepper farmers.

3.2 Processing Facilities

Various pepper processing facilities has been set up by both the government and industry players to meet their customers' product expectation and demand. These facilities include physical cleaning machine, sterilization and grinding facilities.

4. Trade

4.1 Current status of pepper exports from Malaysia is as shown in Table 4.

Table 4: Malaysia Pepper Export by Destination for the Year 2009, 2010 & 2011

No.	Destination	2009		2010		2011 (Jan – Aug)	
		Tonnes	RM (Million)	Tonnes	RM (Million)	Tonnes	RM (Million)
1.	Caribbean	-	-	1.00	15.70	-	-
2.	Eastern Africa	20.37	145.17	7.15	62.72	7.86	76.23
3.	Eastern Asia	9,228.19	113,256.86	9,344.99	135,945.16	5,499.55	102,148.30
4.	Eastern Europe	-	-	-	-	-	-
5.	Northern Africa	8.77	67.44	-	-	-	-
6.	Northern America	91.30	1,567.66	288.15	5,052	121.78	2,874.88
7.	Northern Europe	248.10	3,960.97	235.16	4,541.58	366.77	6,830.86
8.	Oceania-Australia & NZ	127.29	1,762.98	110.19	1,938.97	96.06	1,787.84
9.	Oceania-Melanesia	0.32	3.04	0.38	6.27	0.05	1.54
10.	Oceania-Polynesia	-	-	0.09	2.86	-	-
11.	South America	6.57	106.60	0.14	2.36	-	-
12.	South-Central Asia	135.30	991.94	115.22	1,298.69	70.05	755.36
13.	South-Eastern Asia	2,802.92	28,848.87	3329.35	40,840.81	1,978.42	32,943.79
14.	Southern Africa	35.96	391.41	43.45	368.78	80.42	1,159.04
15.	Southern Europe	78.22	799.25	152.97	2,366.91	143.32	2,331.80
16.	Western Asia	4.40	89.84	45.66	658.4	31.14	551.46
17.	Western Europe	335.81	4,146.09	402.69	6,199.25	161.02	3,678.08
	TOTAL	**13,123.52**	**156,138.12**	**14,076.59**	**199,300.46**	**8,556.44**	**155,139.18**

Source: Departments of Statistics, Malaysia

a) <u>Monthly Export of Whole and Ground Black and White pepper</u>

Table 5: Malaysian Pepper Export by Month (2010 & 2011)

Months	2010		2011 (Jan – Aug)	
	Tonnes	RM (Million)	Tonnes	RM (Million)
January	1,047.84	14,074.75	1,078.27	18,375.97
February	976.89	13,153.34	866.87	14,862.68
March	1,026.50	13,782.67	1,209.77	20,077.02
April	1,055.76	14,116.64	1,009.13	17,931.87
May	967.86	13,439.40	1,017.10	19,362.46
June	1,120.37	15,597.62	1,011.78	19,451.21
July	1,271.89	17,783.29	1,184.97	23,011.47
August	1,232.68	18,314.31	1,178.52	22,066.51
September	1,546.85	21,381.24		
October	1,183.65	16,765.92		
November	1,233.72	18,522.46		
December	1,412.57	22,368.82		
Total	**14,076.58**	**199,300.45**	**8,556.42**	**155,139.19**

Source: Departments of Statistics, Malaysia

b) <u>Estimate of Total Exports for 2011 and Projection of Exports for 2012</u>

Table 6: Estimate of Total Exports for 2011 and Projection for 2012

Year	Tonnes	Value RM (Million)
2011	15,500	220.00
2012 (projection)	18,000	250.00

4.2 Import of Pepper

Malaysia imported 5,654.76 tonnes of pepper in 2010. The details are as shown in Table 7.

Table 7: Malaysia's Pepper Import by Country in 2010

No.	Country	Tonne	RM (Million)
1.	Australia	18.44	451.47
2.	Austria	0.05	0.73
3.	Bangladesh	1.10	5.45
4.	Brazil	0.89	37.95
5.	China Rep. Of	1,628.20	25,040.36
6.	France	0.03	0.49
7.	Germany	5.70	39.42
8.	Hong Kong	0.26	3.77
9.	India	169.62	1,870.06
10.	Indonesia	1,930.54	24,595.56
11.	Japan	17.18	218.58
12.	Korea Rep. Of	0.58	3.20
13.	Madagascar	10.44	156.15
14.	Mexico	0.03	0.08
15.	Nepal	0.25	1.04
16.	Netherlands	0.07	2.02
17.	Pakistan	0.45	1.88
18.	Singapore	71.79	1,595.46
19.	Spain	0.38	3.46
20.	Switzerland	2.50	26.43
21.	Taiwan	6.56	73.77
22.	Thailand	98.06	109.97
23.	UAE	0.08	2.02
24.	USA	32.40	688.58
25.	Vietnam	1,659.16	18,450.12
	TOTAL	**5,654.76**	**73,378.00**

5. Summary of Production, Export, Domestic Consumption and Carry-over Stock of Pepper in 2010, Estimates for 2011 and Projections for 2012

Table 8

Country	2010					2011 (est.)						2012 (project.)						
	Stocks brought forward	Production	Import	Domestic Consumption	Export	Stocks brought forward	Production	Import	Domestic Consumption	Export-able	Export	Stocks brought forward	Production	Import	Domestic Consumption	Export-able	Export	Stocks brought forward
Malaysia	23,500	24,227	5,655	7,069	14,077	32,236	25,672	5,000	7,280	55,628	15,500	40,128	26,500	5,000	7,500	64,128	18,000	46,128
Black	14,319	16,959	3,959	4,949	9,854	22,566	17,971	3,500	5,096	38,940	10,850	28,090	18,550	3,500	5,250	44,890	12,600	32,294
White	5,759	7,268	1,696	2,120	4,223	9,670	7,701	1,500	2,184	16,688	4,650	12,038	7,950	1,500	2,250	19,238	5,400	13,834

Additional Information Malaysia	2010	2011 (est.)	2012 (project.)
Population (million)	28.30	28.70	29.20
Consumption (tonnes) Per Capita	7,069	7,280	7,500
Consumption (gm/person)	249.78	253.66	256.85

Source: Malaysian Pepper Board

6. Pepper Prices

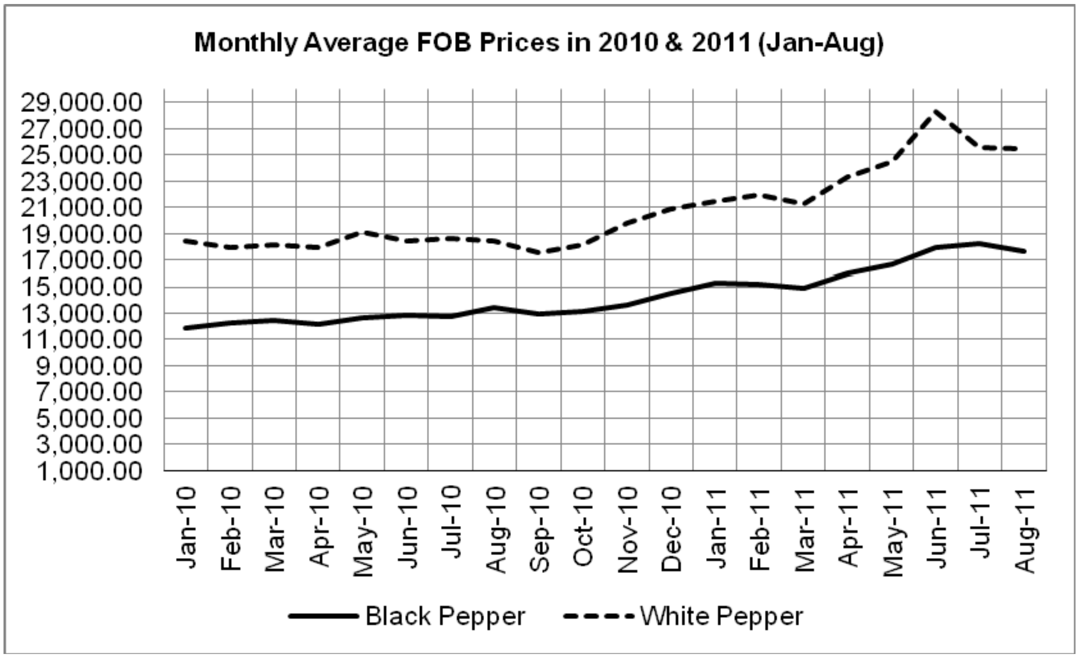
In 2010, the local pepper prices for black and white pepper were opened at RM9,360/tonne and RM15,320/tonne respectively. The prices continued to increase steadily in the second and third quarter of 2010 and closed at RM10,050/tonne for black pepper and RM16,000/tonne for white pepper by the end of September. Pepper prices remain stronger until the end of fourth quarter of 2010 due to limited supply. By the end of December, the prices were RM12,100/tonne for black pepper and RM19,500/tonne for white pepper.

In 2011, the domestic prices increased sharply compared to 2010. In January 2011, the pepper market for both black and white were considered to be very dynamic and prices demonstrated a sharp increasing trend as compared to 2010. By the end of October, the prices were closed at RM17,600/tonne for black pepper and RM27,330/tonne for white pepper.

6.1 Monthly Average FOB Prices for Black and White Pepper in 2010 and 2011 (RM/tonne)

Table 8: Monthly Average FOB Prices in 2010 & 2011

Month	2010		2011	
	Black Pepper	White Pepper	Black Pepper	White Pepper
January	11,835.04	18,458.11	15,342.17	21,500.87
February	12,288.65	17,926.19	15,222.64	21,915.89
March	12,430.50	18,169.58	14,929.63	21,265.19
April	12,121.14	17,941.92	15,984.66	23,268.41
May	12,685.09	19,143.06	16,662.12	24,520.86
June	12,862.13	18,385.93	17,958.26	28,284.30
July	12,792.90	18,650.86	18,243.08	25,567.08
August	13,472.20	18,403.63	17,666.98	25,513.38
September	12,972.54	17,560.60		
October	13,187.39	18,132.58		
November	13,641.63	19,834.15		
December	14,546.38	20,836.06		
Average	**12,902.97**	**18,620.22**	**16,501.19**	**23,979.50**



7. Development Programmes for Pepper

The on-going development programmes for the Malaysian pepper industry are aimed at addressing issues on:

7.1 Production and Productivity.

Programmes to improve pepper production, productivity and sustainability are:

a) New Pepper Planting Area and Maintenance Schemes

The Government continues to assist the pepper farmers through technical assistance and know how to encourage the farmers to produce higher and better quality crop.

b) Research and Development

The R&D activities continue to focus on:

- production of quality planting material;
- better agronomics and cultural practices to reduce cost production;
- developing effective and efficient pest and disease control measures to reduce crop losses; and
- developing green farm technologies in an effort to improve farm level processing of pepper through the use of environment friendly implements.

7.2 Quality Improvement and Value-addition

The programmes on Quality Improvement and Value-Addition are:

a) Improvement of Processing/ Cleaning Technologies and Test Methodologies

In an effort to upgrade the quality of pepper from the farm to export level, continue effort are being taken to improve pepper processing/cleaning technologies and QC test methods.

b) Product Development

Activities are aimed on developing the small-and-medium enterprises to manufacture and market value-added pepper products. The activities are in line with the Government effort to increase domestic pepper consumption. Currently the focus of product development are mainly on seasonings, sauces, marinades, pepper-flavoured products and non-food products

c) Promoting Domestic Consumption

Domestic promotional efforts through organizing promotion activities with hotel and also participates in trade promotions and exhibitions. In 2011, MPB actively participated in 30 local exhibitions.

8. Conclusion

The Malaysian pepper industry in the year 2011 is impacted by:

(a) Rising cost of production
(b) Global economic
(c) Weather patterns

Pepper prices in Malaysia shows a steady trend throughout the first half of the year. However, the second half shows a declining trend due to market players' speculation. At current price level farmers continue to show interest to maintain the farm better and to increase their farm size.