

SHOULD MALAYSIA LIBERALISE RICE IMPORTS?



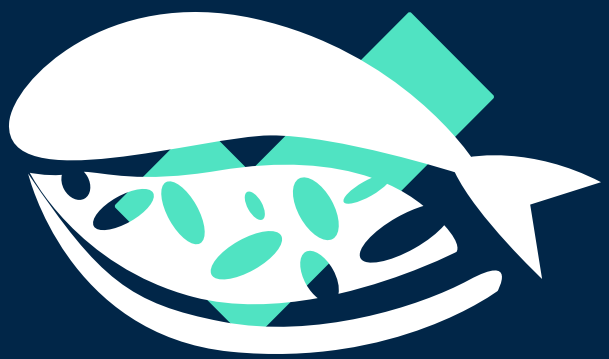
On June 6, 2018, the Agriculture and Agro-based Industry Minister announced that the Cabinet had decided to review the monopoly to import rice by Padiberas Nasional Berhad (BERNAS).



WHERE ARE WE?

On average, each person in Malaysia consumed 93.2 kg of rice in 2015, up from 90.8 kg in 2012.

Ministry of Agriculture & Agro-based Industry



In 2015, the Self-Sufficiency Ratio for rice was 72.3% (higher than 62.5% in 2012), meaning that 27.7% of rice in Malaysia was imported.

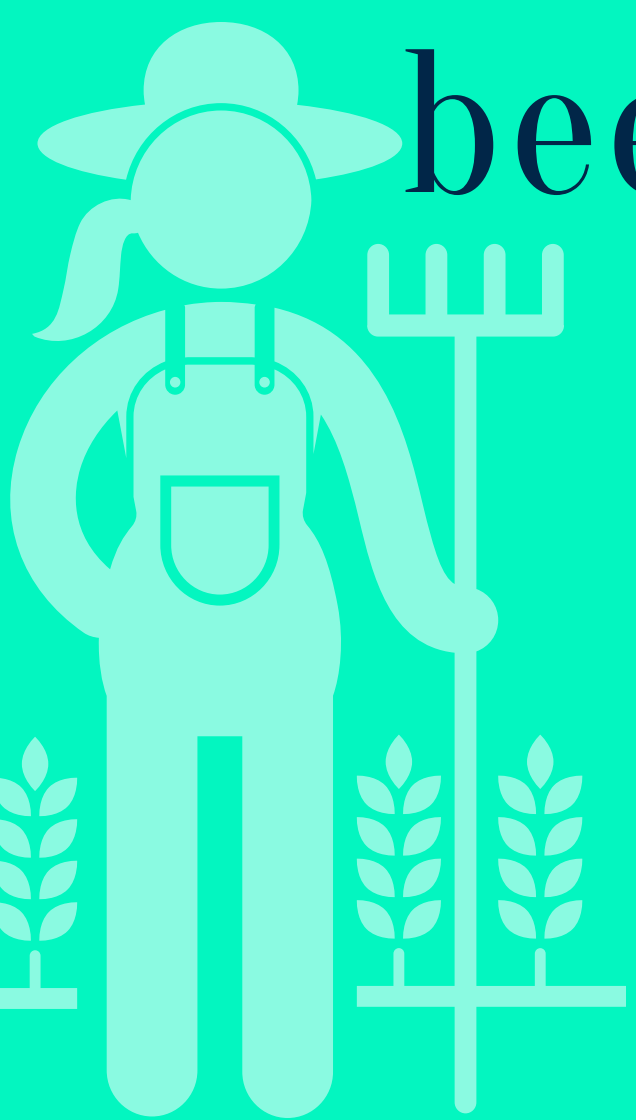
Ministry of Agriculture & Agro-based Industry



Malaysia is the world's 13th largest importer of rice, higher than Japan.

United States Department of Agriculture

“ To protect the interests of local padi farmers, we have identified the modules used in other countries (on importing the staple), among them Indonesia, which has been successful in its approach in opening up the monopoly on rice. ”



YB Dato' Salahuddin Ayub
Minister of Agriculture and Agro-based Industry

Bernama



Padiberas Nasional Berhad (BERNAS) is Malaysia's only state-trading enterprise within the meaning of Article XVII:4(a) of GATT under the World Trade Organization (WTO).

This means that BERNAS is given exclusive rights to import and export rice on behalf of the Government.

BERNAS TIMELINE

1994

Lembaga Padi dan Beras Negara (National Paddy and Rice Board) was corporatised and was later taken over by BERNAS.

1996

BERNAS was fully privatised.

BERNAS was given exclusive rights to import rice through non-automatic licencing into Malaysia for 15 years from 1996 to 2011.

2011

Its exclusive rights to import rice were extended for 10 years until 10 January 2021.

2015

BERNAS recorded revenue of RM4.23 billion and pre-tax profit of RM130.05 million.

2016

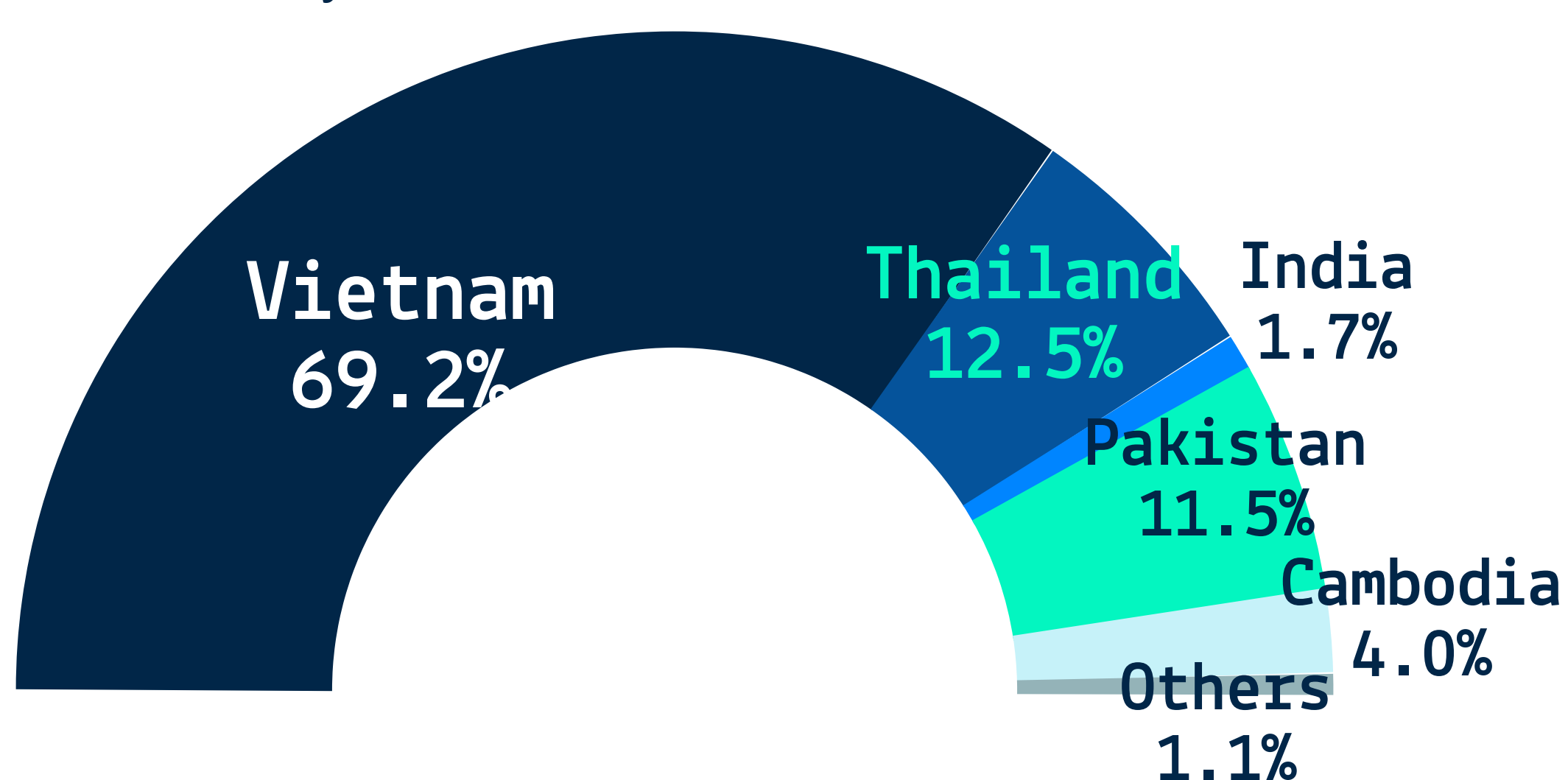
BERNAS' revenue increased by 2.8% to RM4.34 billion and its pre-tax profit rose by 2.6% to RM133.34 million.

Source: Adapted from The Edge Markets

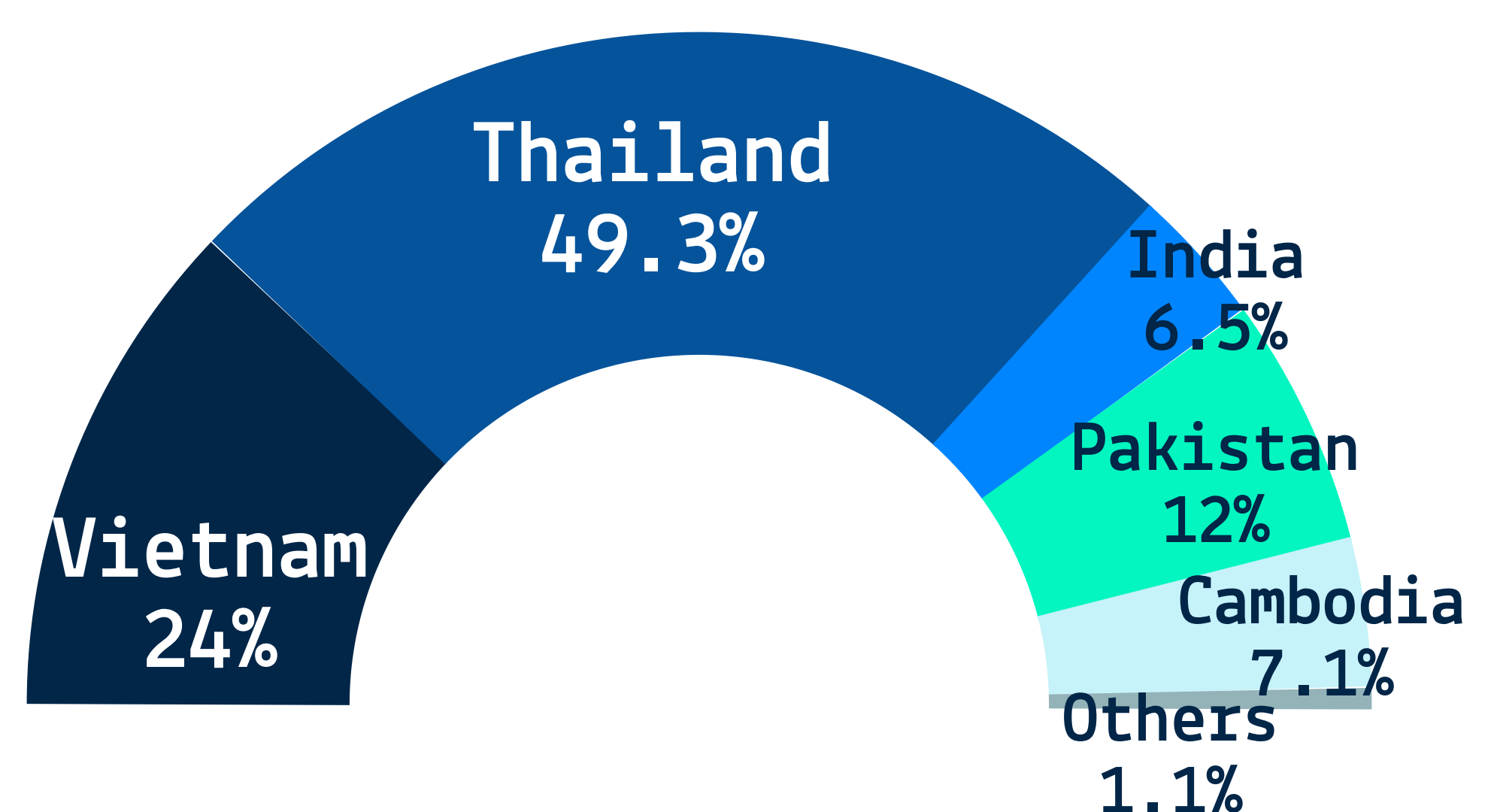
Over the last 5 years, total rice imports were at least RM1.6 billion a year

**Percentage based on import value*

In 2012, Malaysia imported around 1 million tonnes of rice, equivalent to about RM1.8 billion. Almost 70% of imported rice in Malaysia was from Vietnam.



In 2016, we imported 822,006 tonnes of rice, equivalent to about RM1.6 billion. Out of this, nearly half of imported rice in Malaysia came from Thailand.

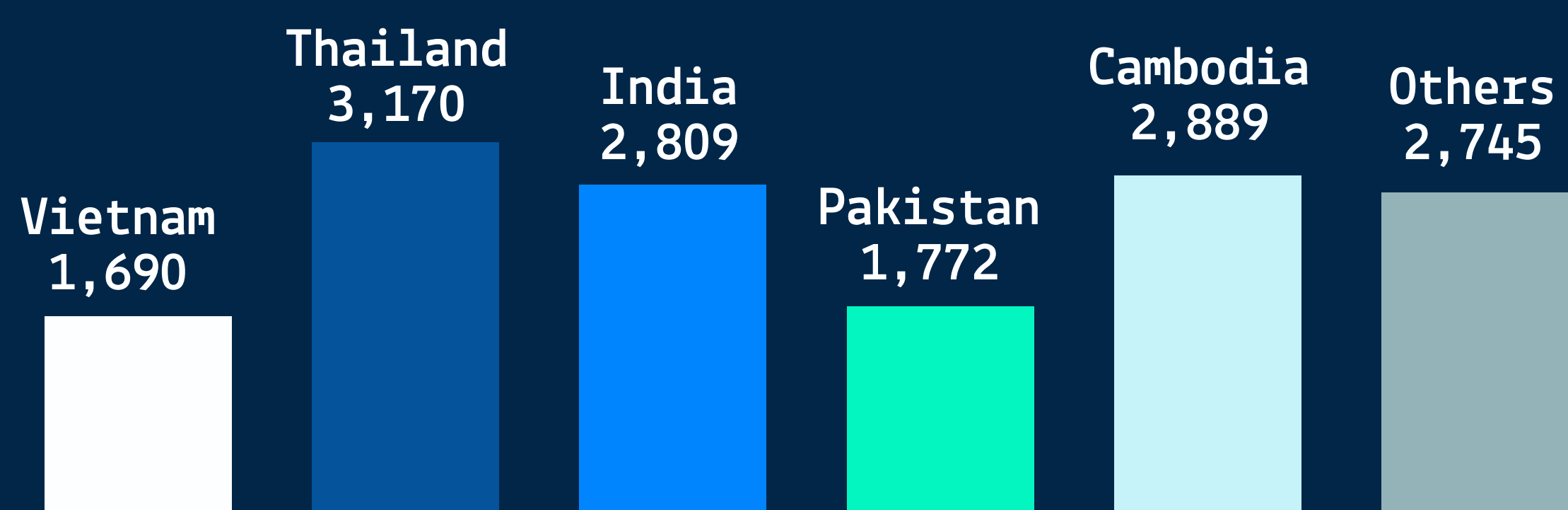




Imported rice is competitively priced

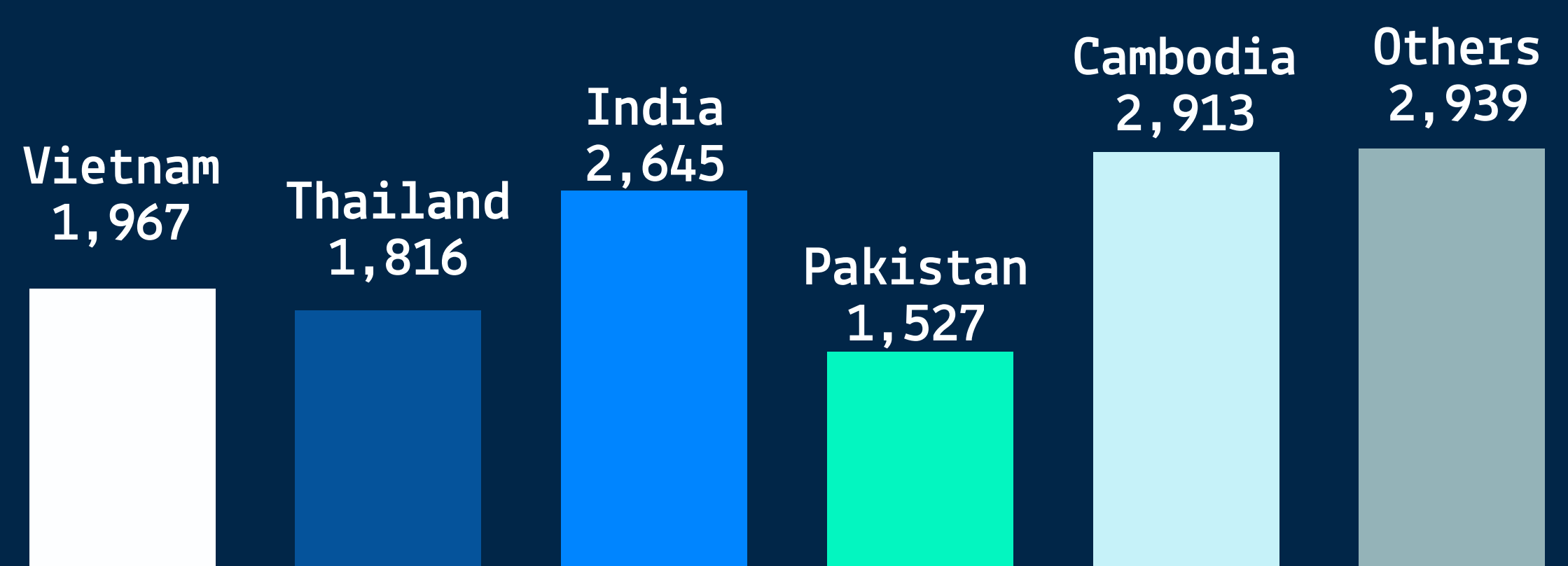
Estimated average price per tonne (RM).

2012



Department of Statistics

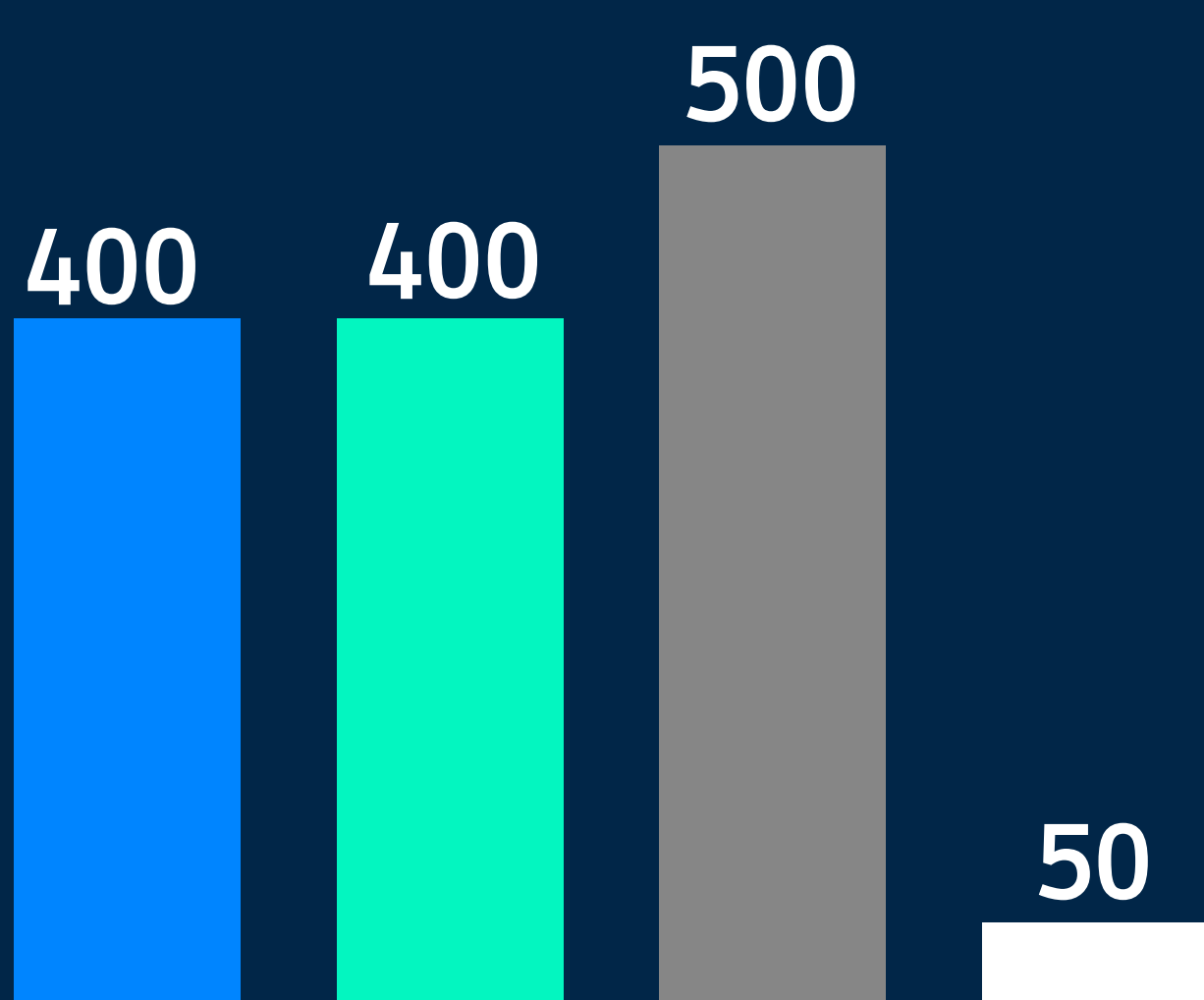
2016



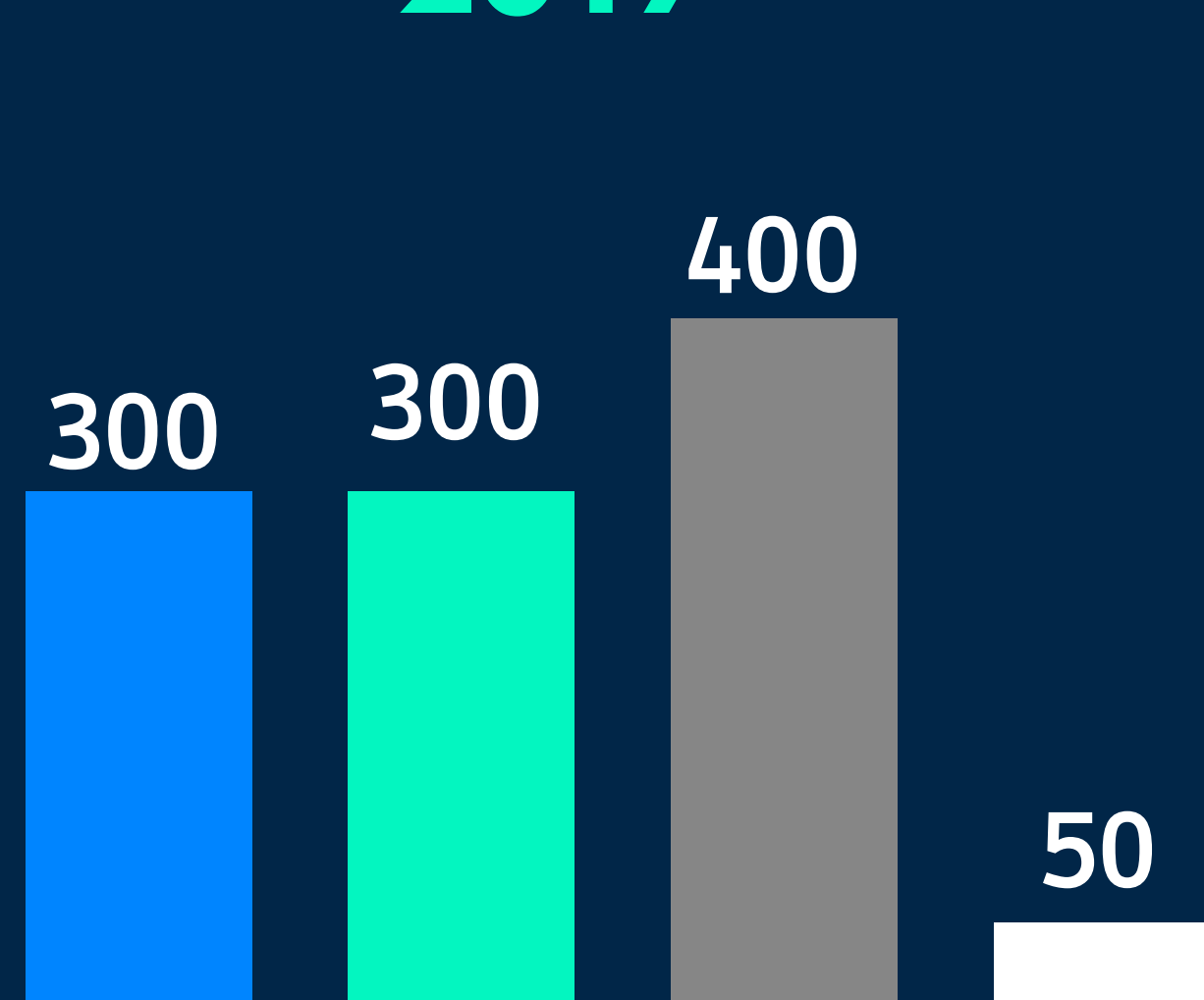
Subsidies and incentives to farmers are high.

**Not exhaustive (in RM Million)*

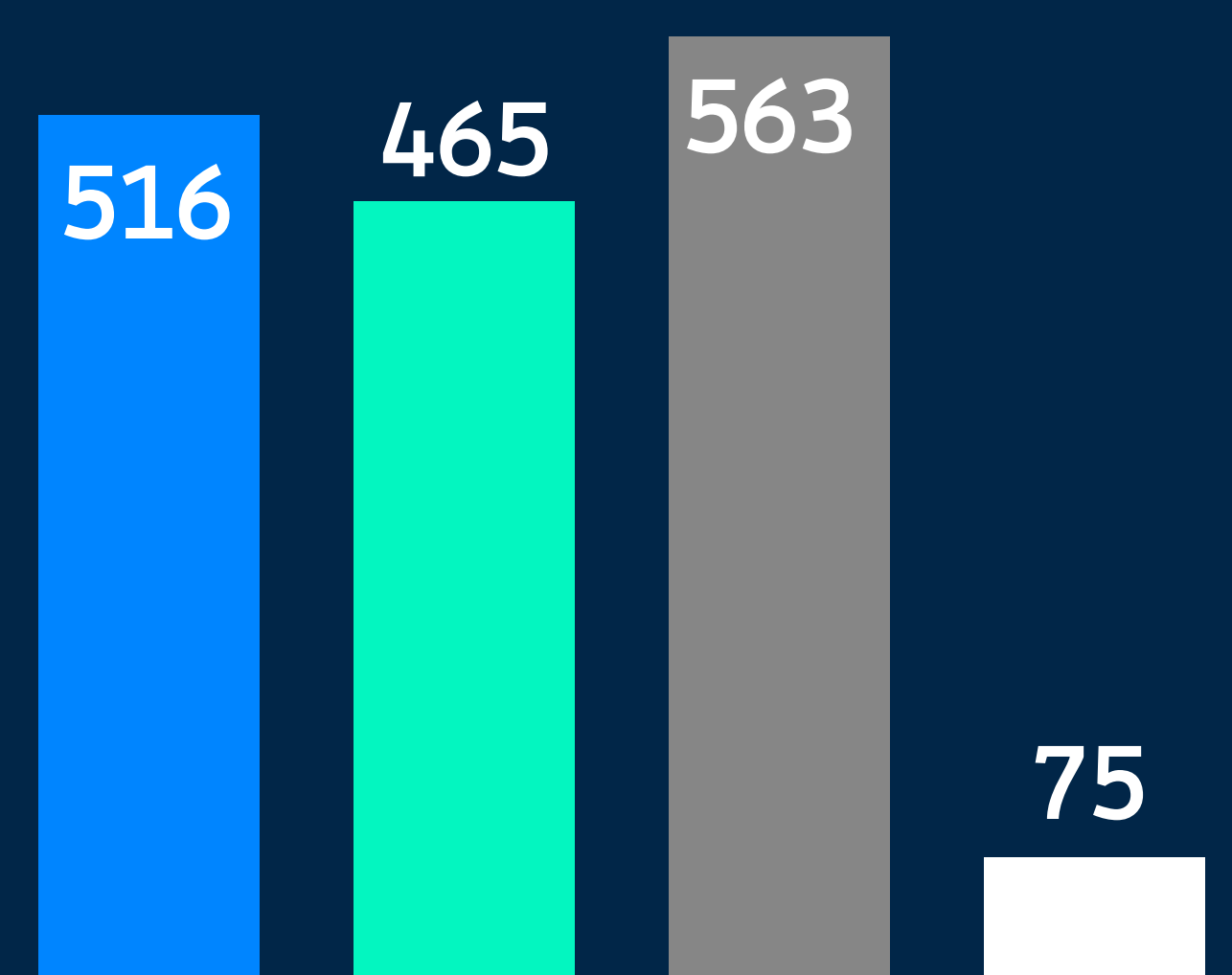
2016



2017



2018



■ Paddy price subsidy ■ Fertilizer subsidy ■ Rice production incentive ■ Paddy seed subsidy

Ministry of Finance

SOME FINAL THOUGHTS

Liberalise rice imports?

 **FOR**

- Cheaper imports due to lower barriers to entry
- Disincentivises rice smuggling
- 40% import tariff will apply, bringing in additional revenue for the Government

 **AGAINST**

- Potential short-term supply disruptions
- Requires extensive policy revision on:
 - subsidies and incentives
 - rice/food security
- Exposes prices to external shocks

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