



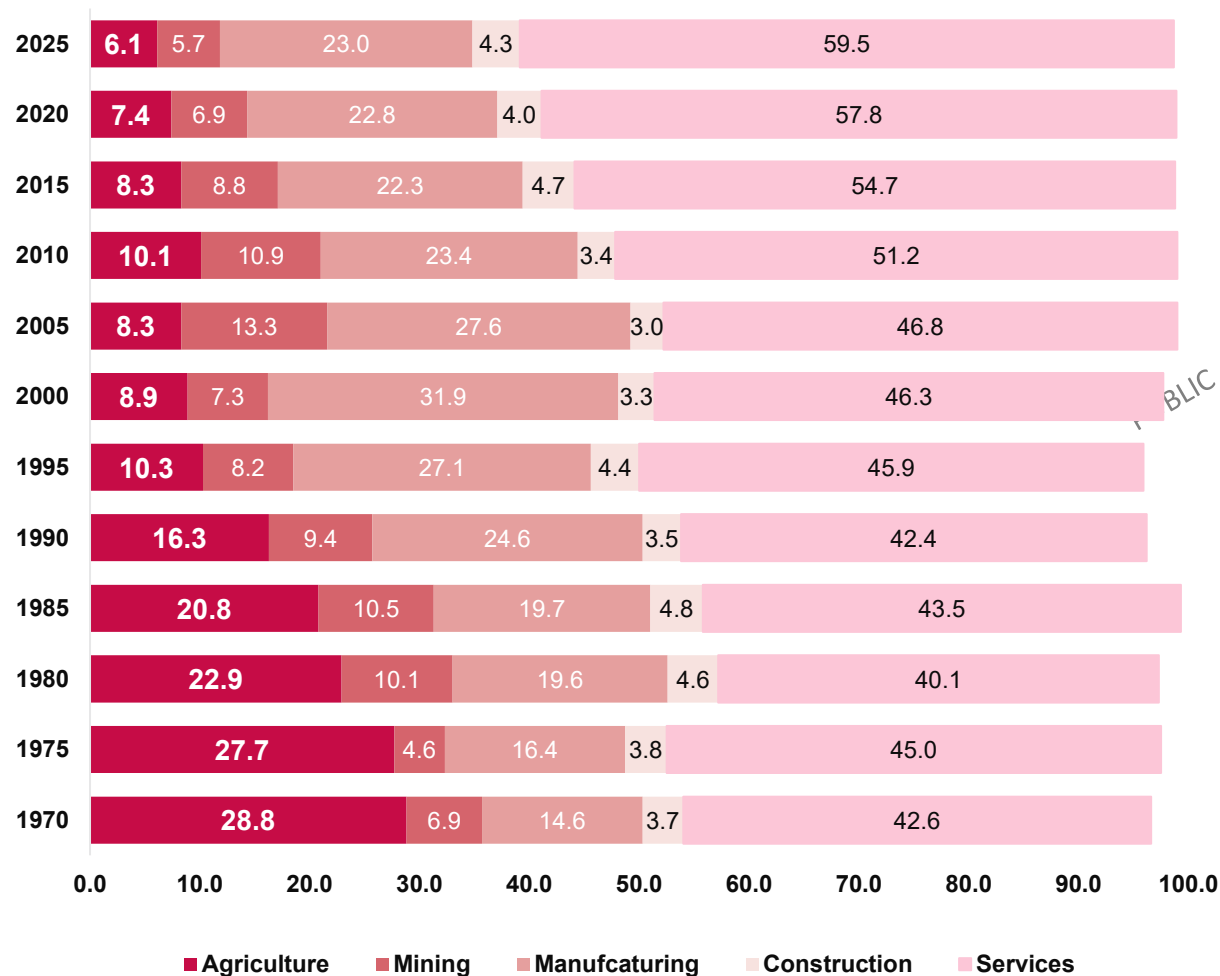
SECTORAL UPDATE: AGRICULTURE

ECONOMIC RESEARCH
JULY 2026

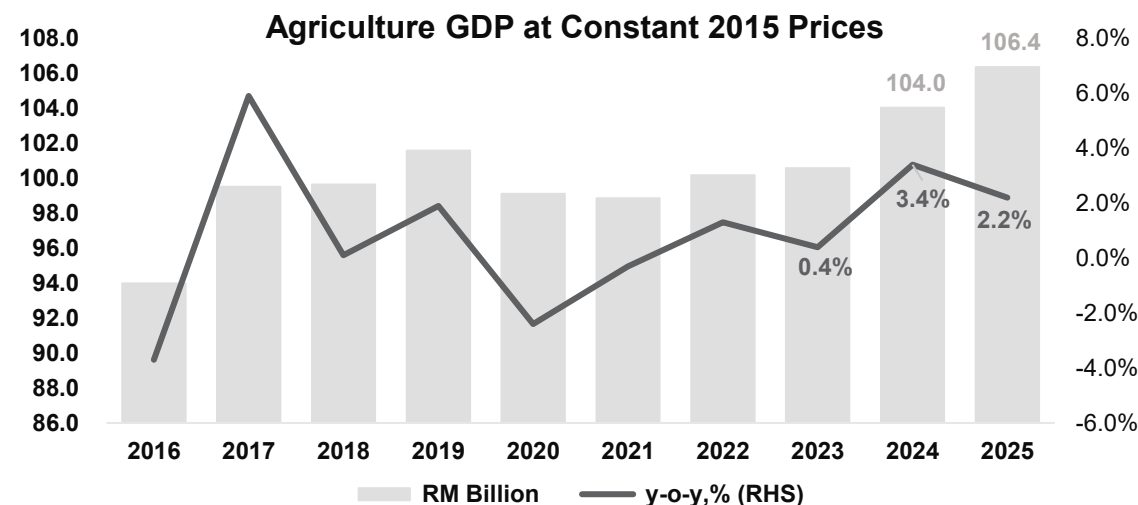
OVERVIEW

AGRICULTURE'S CONTRIBUTION TO GDP IS DECLINING

**Contribution of Economic Sectors to GDP
(constant prices), 1970 – 2025**

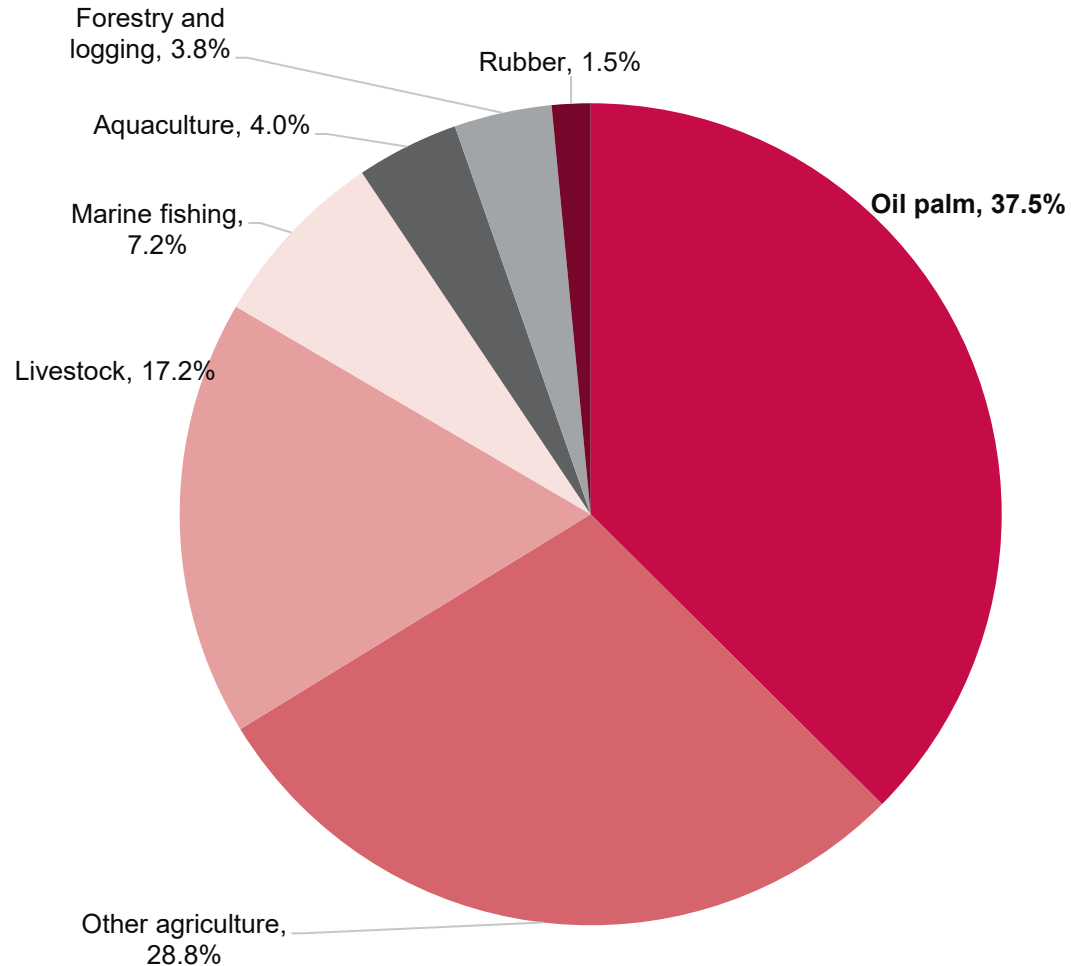


- Malaysia has undergone significant economic transformation over the past five decades. In the 1970s, the agriculture sector contributed more than 25% of GDP, provided jobs for much of the workforce, and served as a vital income source for rural communities.
- By the 1990s, however, agriculture's role began to moderate as Malaysia shifted rapidly toward industrialization and became the third-largest contributor to the national economy.** During this period, the manufacturing and services sectors expanded strongly.
- Despite the rising trend in output value to RM106.4 billion in 2025, the sector's contribution to the country's total real GDP has continued to decline over the years, while average year-on-year GDP growth was just 0.9% over the past decade.



MIXED PERFORMANCE ACROSS AGRICULTURE SUB-SECTORS IN 1Q26

Agriculture GDP by Share, %



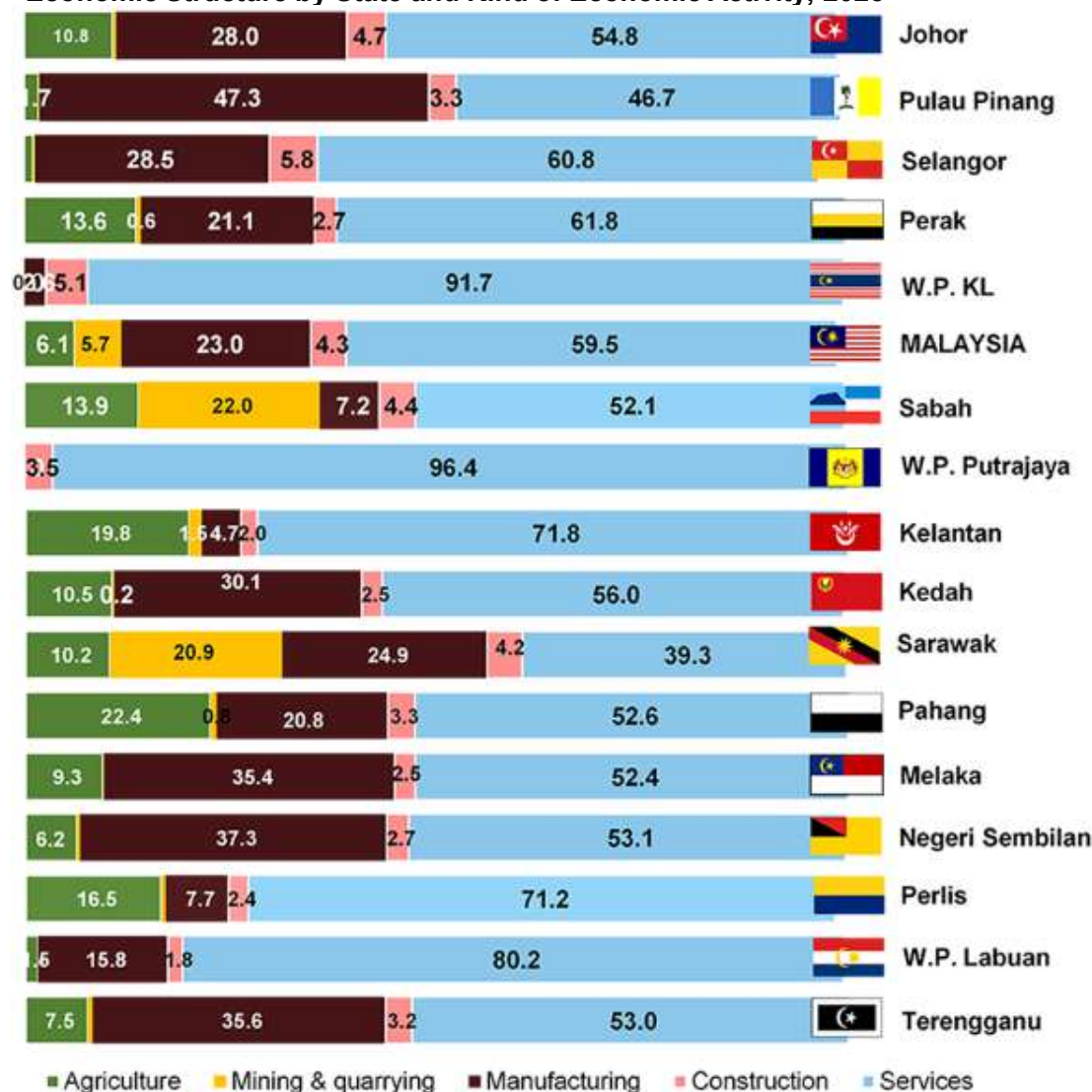
- The agriculture sector comprises crops, livestock, fisheries, and forestry and logging. Oil palm accounted for nearly 38% of agriculture sector's total GDP in 2025.
- In 1Q26, growth in the agriculture sector moderated to 2.6% y-o-y (4Q25: 5.7%), primarily reflecting a slower expansion in the oil palm subsector, which grew by 5.5% following a sharp increase of 16.2% in the previous quarter. Nevertheless, performance improved in livestock, other agriculture, and forestry and logging activities during the quarter. In contrast, the rubber, marine fishing, and aquaculture subsectors continued to register contractions.

GDP Performance of Agriculture Sub-sector

y-o-y, %	1Q 24	2Q 24	3Q 24	4Q 24	1Q 25	2Q 25	3Q 25	4Q 25	1Q 26
Agriculture	2.1	7.9	4.3	-0.3	0.7	2.5	0.2	5.7	2.6
Rubber	3.6	-1.0	13.9	23.3	9.1	-10.6	-11.1	-32.0	-25.0
Oil palm	2.5	19.1	7.4	-5.3	-3.1	5.3	-0.7	16.2	5.5
Livestock	7.8	7.8	3.3	3.3	2.4	1.6	2.3	2.7	8.7
Other agriculture	0.9	2.4	3.7	3.3	2.8	1.9	1.3	1.0	1.5
Forestry and logging	-14.2	-17.6	-7.5	-14.7	-12.9	-2.5	1.2	7.5	3.8
Marine fishing	7.0	10.7	2.1	1.3	10.4	1.1	-0.4	-8.8	-9.4
Aquaculture	-6.5	-1.1	-2.1	15.2	-0.2	-1.0	-3.5	-5.7	-1.0

AGRICULTURE ACTIVITIES BY STATE IN MALAYSIA

Economic Structure by State and Kind of Economic Activity, 2025



- **Pahang leads Malaysia in agriculture dependence, with more than one-fifth of its GDP tied to the sector.** Kelantan, Perlis, Sabah and Perak also show strong reliance on the agriculture activities.

Meanwhile, urbanized states such as Selangor, Pulau Pinang, WP KL, Putrajaya and Labuan recorded a negligible contribution from the agriculture sector, reflecting their predominantly services-based economic structures. The national average contribution of 6.1% underscores the sector's declining share in overall GDP composition. Nevertheless, agriculture remains strategically important, particularly as a source of rural employment and a key pillar of national food security.

In terms of GDP growth, Sarawak (4.3%), Terengganu (4.2%), Selangor (4.0%), Kelantan (3.6%), and Pahang (2.7%) recorded growth rates above the national level of 2.2% in 2025.

Economic Growth by State and Economic Activity, 2025

States	Agriculture	Mining & quarrying	Manufacturing	Construction	Services	GDP 2025	GDP 2024
Johor	1.1	-2.6	4.0	26.7	9.9	8.0	6.5
Pulau Pinang	1.8	1.1	10.0	13.4	4.1	7.3	4.7
Selangor	4.0	6.8	4.1	16.0	6.0	6.3	6.4
Perak	1.2	7.9	15.2	8.1	3.4	5.7	4.8
WPKL	..	2.5	3.0	6.0	5.2	5.2	6.2
MALAYSIA	2.2	0.6	4.5	12.2	5.4	5.2	5.2
Sabah	0.9	4.9	5.0	28.3	4.5	5.1	1.2
W.P. Putrajaya	..	-	..	0.9	5.0	4.8	5.2
Kelantan	3.6	-1.8	9.3	8.3	4.0	4.1	3.3
Kedah	2.1	-1.9	5.0	-0.6	3.9	4.1	4.2
Sarawak	4.3	2.7	0.1	10.9	5.4	3.6	3.8
Pahang	2.7	-4.9	1.4	-5.3	5.0	3.2	5.8
Melaka	1.8	2.5	1.1	-4.9	4.8	3.0	4.2
Negeri Sembilan	1.2	6.9	1.9	1.2	3.0	2.6	4.6
Perlis	-1.9	2.7	4.2	-8.2	3.1	2.0	3.2
W.P. Labuan	-0.4	-	0.1	2.2	2.1	1.7	5.3
Terengganu	4.2	-2.2	-1.2	-5.8	3.6	1.6	4.5
SUPRA	-	-2.8	-	-	-	-2.8	0.9

Notes:
 .. : not applicable
 - : not available

Sources: DOSM, Bank Islam

ECONOMIC RESEARCH

JOHOR TOPS AGRICULTURE CONTRIBUTION TO GDP

GDP by State and Kind of Economic Activity at Constant Prices, 2025

Jenis aktiviti ekonomi	Pertanian	Perombongan dan pengkuarian	Pembuatan	Pembinaan	Perkhidmatan	Tambah: Duti import	KDNK pada harga pembeli
Kind of economic activity	Agriculture	Mining and quarrying	Manufacturing	Construction	Services	Plus: Import duties	GDP at purchasers' prices
1. Johor	18,395	756	47,859	8,072	93,608	2,258	170,947
2. Kedah	5,909	117	16,945	1,405	31,509	418	56,303
3. Kelantan	5,902	460	1,413	597	21,373	31	29,776
4. Melaka	4,686	72	17,777	1,259	26,370	122	50,286
5. Negeri Sembilan	3,437	232	20,780	1,488	29,587	244	55,767
6. Pahang	15,878	582	14,727	2,335	37,340	100	70,962
7. Pulau Pinang	2,241	166	61,659	4,309	60,840	1,069	130,283
8. Perak	12,451	524	19,318	2,430	56,600	207	91,529
9. Perlis	1,099	35	512	159	4,755	116	6,676
10. Selangor	5,148	1,003	131,002	26,823	279,883	16,255	460,114
11. Terengganu	3,053	233	14,457	1,290	21,499	64	40,597
12. Sabah	12,369	19,501	6,434	3,886	46,207	376	88,774
13. Sarawak	15,656	32,157	38,214	6,510	60,391	584	153,511
14. W.P. Kuala Lumpur	a	163	6,889	13,494	243,185	1,372	265,104
15. W.P. Labuan	128	-	1,374	155	6,981	62	8,700
16. W.P. Putrajaya	a	-	a	496	13,851	15	14,366
17. Supra	-	43,257	-	-	-	-	43,257
Jumlah KDNK pada harga pembeli GDP at purchasers' prices	106,354	99,258	399,363	74,709	1,033,980	23,290	1,736,953

GDP by State and Kind of Economic Activity at Constant Prices, % Share to GDP

Jenis aktiviti ekonomi	Pertanian	Perombongan dan pengkuarian	Pembuatan	Pembinaan	Perkhidmatan	Tambah: Duti import	KDNK pada harga pembeli
Kind of economic activity	Agriculture	Mining and quarrying	Manufacturing	Construction	Services	Plus: Import duties	GDP at purchasers' prices
1. Johor	17.3	0.8	12.0	10.8	9.1	9.7	9.8
2. Kedah	5.6	0.1	4.2	1.9	3.0	1.8	3.2
3. Kelantan	5.6	0.5	0.4	0.8	2.1	0.1	1.7
4. Melaka	4.4	0.1	4.5	1.7	2.6	0.5	2.9
5. Negeri Sembilan	3.2	0.2	5.2	2.0	2.9	1.0	3.2
6. Pahang	14.9	0.6	3.7	3.1	3.6	0.4	4.1
7. Pulau Pinang	2.1	0.2	15.4	5.8	5.9	4.6	7.5
8. Perak	11.7	0.5	4.8	3.3	5.5	0.9	5.3
9. Perlis	1.0	0.0	0.1	0.2	0.5	0.5	0.4
10. Selangor	4.8	1.0	32.8	35.9	27.1	69.8	26.5
11. Terengganu	2.9	0.2	3.6	1.7	2.1	0.3	2.3
12. Sabah	11.6	19.6	1.6	5.2	4.5	1.6	5.1
13. Sarawak	14.7	32.4	9.6	8.7	5.8	2.5	8.8
14. W.P. Kuala Lumpur	..	0.2	1.7	18.1	23.5	5.9	15.3
15. W.P. Labuan	0.1	-	0.3	0.2	0.7	0.3	0.5
16. W.P. Putrajaya	..	-	..	0.7	1.3	0.1	0.8
17. Supra	-	43.6	-	-	-	-	2.5
KDNK pada harga pembeli GDP at purchasers' prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0

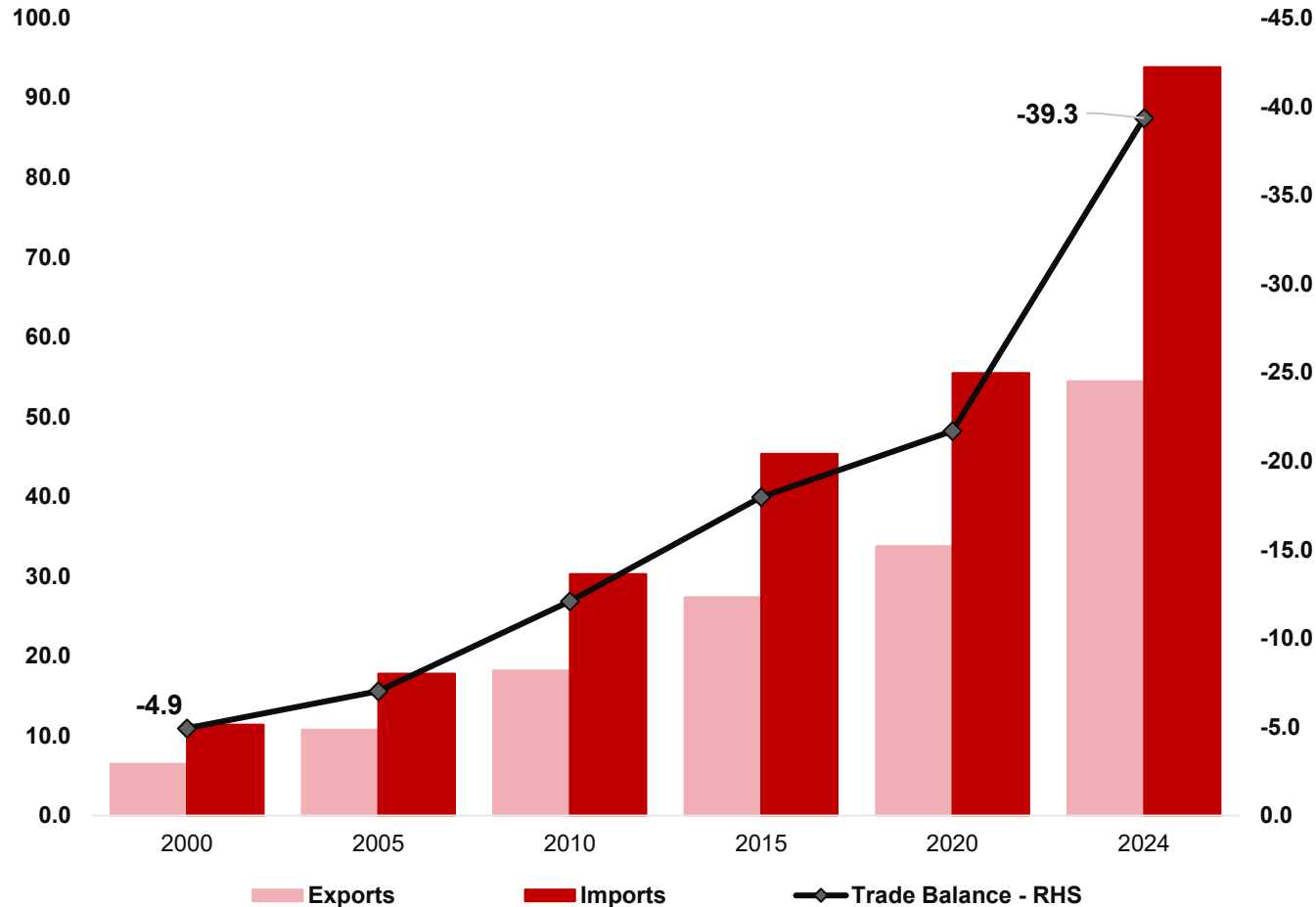
Sources: DOSM

- By percentage share of Malaysia's GDP, **Johor contributed the most to the nation's agriculture GDP in 2025 at 17.3% (RM18.4 billion)**. Of this value, 68.1% came from crops, 25.8% from livestock, and 6.1% from fisheries. **Johor's agriculture is dominated by oil palm**, covering 674.9 thousand hectares, while fruit cultivation occupies 39.4 thousand hectares and rubber plantations account for 31.1 thousand hectares. **Kluang, Kota Tinggi, and Batu Pahat are the three districts with the highest contributions to the agricultural sector income in Johor**.
- Pahang ranked second with a 14.9% share (RM15.9 billion), followed closely by Sarawak at 14.7% (RM15.7 billion).
- Meanwhile, Selangor and WP Kuala Lumpur combined accounted for more than 50% of Malaysia's total services activities in 2025 and together contributed about 54.0% of the country's construction activities during the year.

CURRENT LANDSCAPE

MALAYSIA FACE FOOD SECURITY RISKS AMID GROWING FOOD TRADE DEFICIT

Food Import & Export Value (RM'billion)



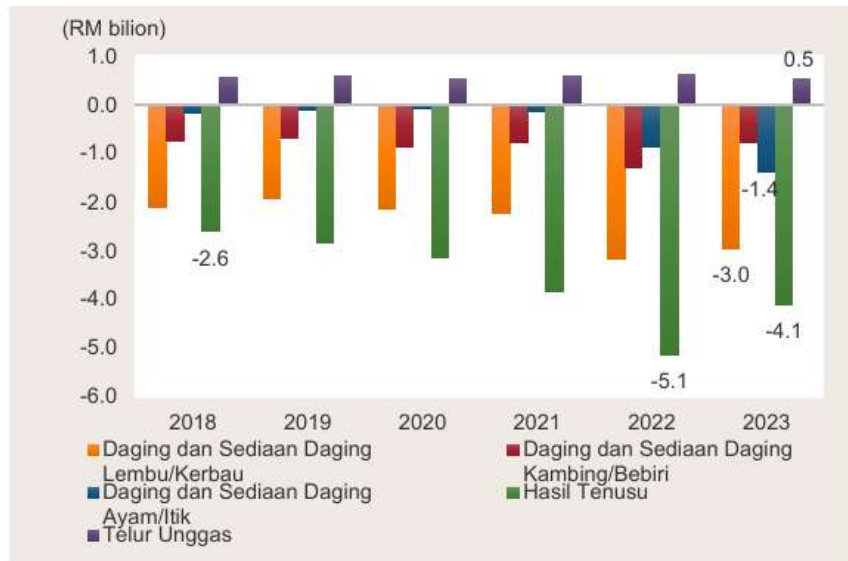
- **Malaysia has been importing food and agricultural commodities for many years to meet domestic consumption needs.** As a net food importer, the country has become increasingly dependent on imported items like rice, beef, mutton, dairy and certain crops.
- **In 2024, the food trade deficit stood at RM39.3 billion, a nearly eightfold increase from the RM4.9 billion recorded in 2000.** Notably, the deficit has risen sharply since the COVID-19 pandemic, with the figure surpassing RM20 billion beginning in 2020.
- This dependence **exposes Malaysia to external shocks** such as global supply chain disruptions during lockdowns and geopolitical tensions, currency depreciations with an extremely weakening ringgit, and rising international food prices driven by lower supply resulting from food trade protectionism and climate-related risks in food-exporting countries.

Sources: DOSM, MAFI, Bank Islam

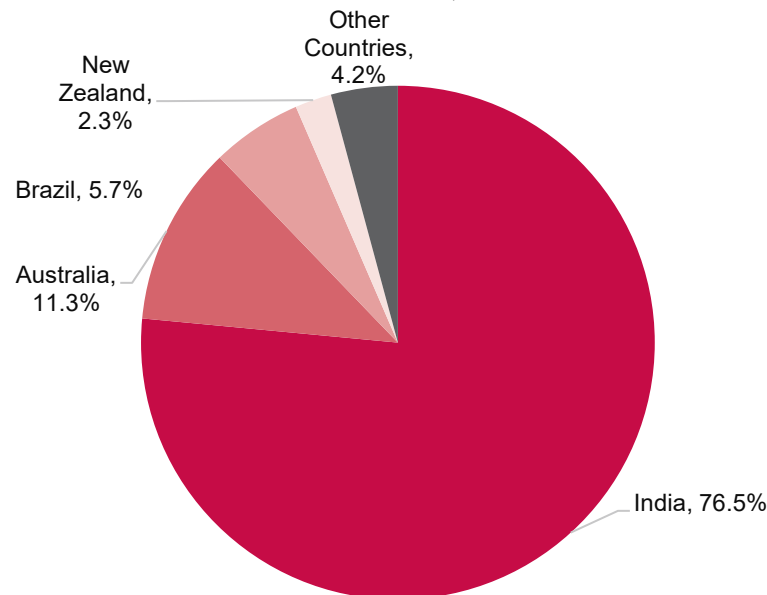
MALAYSIA'S HEAVY RELIANCE ON MEAT IMPORTS



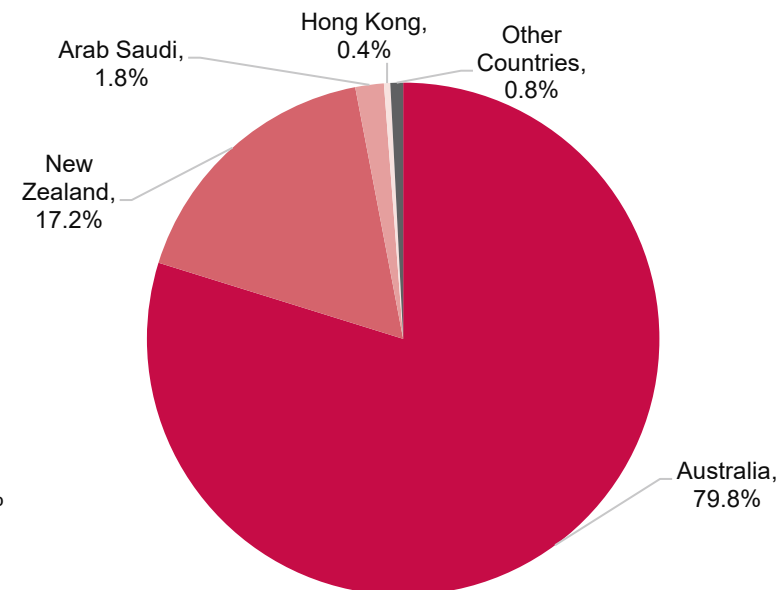
Trade Balance of Meat and Dairy Products, and Poultry Eggs, 2018–2023



Imports of Beef/Buffalo Meat by Countries in 2023, % Share



Imports of Mutton from Major Supplying Countries in 2023, % Share

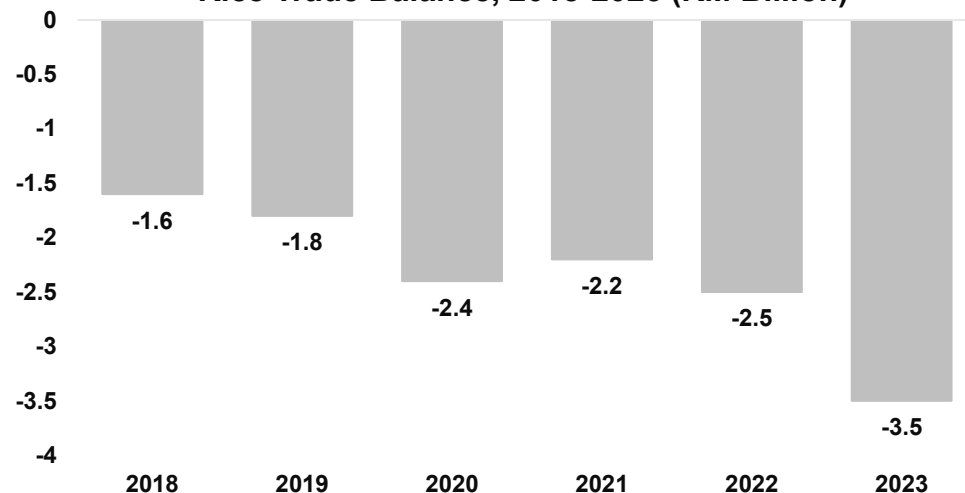


Sources: *Unveiling Malaysia's Agricultural Value Chain from Upstream to Downstream of Agricultural Imports*, Banci 2024 Pertanian, DOSM, Bank Islam

- In 2023, Malaysia continued to record a trade deficit across nearly all categories of livestock products, particularly beef/buffalo meat (-RM3.0 billion), chicken/duck meat (-RM1.4 billion) and dairy products (-RM4.1 billion) which persistently high since 2018. This reflects the country's continued reliance on imports to meet rising domestic demand.
- The insufficient local livestock population to meet domestic demand has increased dependence on imports, thereby affecting the competitiveness of the domestic industry. **Several challenges also limit sustainable meat production, including 1) high feed costs 2) shortage of grazing land 3) difficulty in breeding quality livestock 4) animal disease problems.**
- Malaysia relies heavily on meat imports, as shown in both pie charts. **India was the largest supplier of beef/buffalo meat in Malaysia**, contributing 76.5%, followed by Australia (11.3%) and Brazil (5.7%). Meanwhile, **Australia was the major supplier of mutton to Malaysia** in 2023, accounting for 79.8% of total imports, followed by New Zealand (17.2%) and Saudi Arabia (1.8%).
- Among all agricultural products, **mutton recorded the lowest self-sufficiency ratio (SSR) at just 8.5% in 2024**, down from 10.6% in 2023. Meanwhile, beef's SSR stood at 16.8%, showing an improvement from 15.9% a year earlier.

MALAYSIA'S RISING DEPENDENCE ON RICE IMPORTS AMID DECLINING DOMESTIC PRODUCTION

Rice Trade Balance, 2018-2023 (RM Billion)



Relationship Between Rice Production, Imports, and Requirements, 2018–2023

Year	2018	2019	2020	2021	2022	2023
	'000 Metric Tons					
Rice Production	1,699.80	1,516.30	1,624.50	1,686.40	1,575.00	1,503.20
Import Quantity	797.9	960.3	1,212.40	1,153.70	1,234.20	1,401.20
Domestic Requirement	2,497.70	2,476.60	2,836.90	2,840.10	2,809.20	2,904.40
Import Contribution (%)	31.90	38.8	42.70	40.60	43.90	48.20

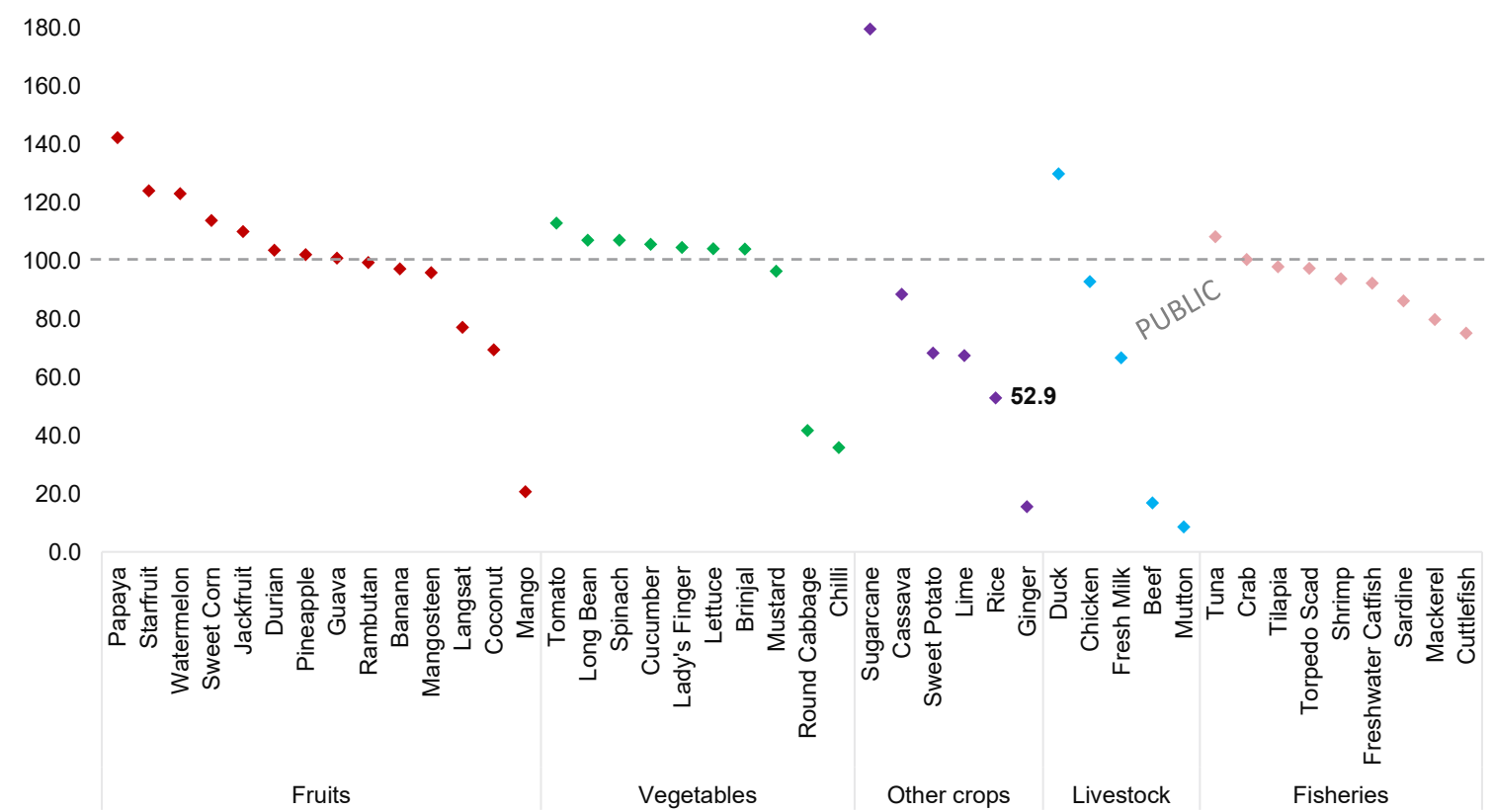
Sources: *Unveiling Malaysia's Agricultural Value Chain from Upstream to Downstream of Agricultural Imports*, Banci 2024 Pertanian, DOSM, Bank Islam

- **Malaysia's rice trade balance continued to record a widening deficit, rising to RM3.5 billion in 2023** from RM1.6 billion in 2018. This reflects the country's rising dependence on rice imports to cover shortfalls in domestic supply. **Domestic rice production recorded a downward trend** with production declining to 1.5 million metric tons in 2023. **The trend points to structural issues in the paddy sector, such as 1) low yield per hectare 2) dependence on older rice varieties 3) small farm sizes.**
- Meanwhile, domestic rice requirements, which representing total **national demand increased steadily from 2.5 million metric tons in 2018 to 2.9 million metric tons in 2023**, in line with population growth and the stable demand for rice as the country's staple food.
- In response to falling domestic production and rising rice requirements, Malaysia was forced to increase rice imports. **Rice imports rose gradually from 797.9 thousand metric tons in 2018 to 1.4 million metric tons in 2023.** The import contribution rate also climbed from 31.9% (2018) to 48.2% (2023), reflecting the country's growing dependence on external rice sources.
- **Nearly RM600 million has been allocated to strengthen Malaysia's rice self-sufficiency ratio (SSR)**, with the bulk directed toward irrigation and infrastructure upgrades. The largest share (RM441.42 million) will goes to irrigation, drainage, and field development, while other funds target soil fertility, mechanization, and productivity programs. **The government aim to raise rice SSR toward the 80% target by 2030 (2024: 52.9%).**

MALAYSIA'S SELF-SUFFICIENCY RATIO (SSR) FOR CRITICAL FOOD ITEMS REMAIN BELOW OPTIMAL LEVELS

Self-Sufficiency Ratio of Selected Commodities in 2024

SSR=100%; full self-sufficiency
SSR>100%; local production is sufficient for local consumption
SSR<100%; local production is insufficient for local consumption, needs to import



- Malaysia's self-sufficiency ratio (SSR) for critical food items remain below optimal levels as demand is more than supply.
- For example, the SSR for rice is only around 52.9% in 2024, while most crops, livestock, and fisheries are below 100%, indicating that local production is insufficient for domestic consumption and imported commodities are needed to meet local demand.
- This means the country still relies heavily on imports for many food staples. Improving SSR is suggested to be a strategic national priority. Therefore, efforts should include:
 - Identifying food items with low SSR but high import value, and focusing resources to boost production
 - Improving yield per hectare through better seed quality, pest control, and technology
 - Reducing post-harvest losses through better storage, cold chain, and distribution logistics.
- Improving SSR not only improves food security but also reduces Malaysia's food import bill and dependence on the global market prices.

Sources: Supply and Utilization Accounts Selected Agricultural Commodities 2020-2024, Bank Islam

MALAYSIA'S SELF-SUFFICIENCY RATIO (SSR) IN KEY FOOD ITEMS (2020-2024)

Agriculture Output		2020	2021	2022	2023	2024
CROPS	FRUITS					
	Coconut	66.6	69.6	71.6	70.3	69.4
	Pineapple	104.7	104.3	102.5	102.7	102.1
	Banana	100.1	102.6	99.3	96.9	97.3
	Watermelon	139.4	139.5	131.9	131.4	123.1
	Mango	20.2	16.2	32.0	19.0	20.6
	Rambutan	98.1	99.4	96.6	100.0	99.4
	Durian	105.2	108.7	108.9	103.9	103.7
	Mangosteen	93.1	93.8	90.5	94.7	96.0
	Jackfruit	109.9	110.8	114.2	109.4	110.1
	Guava	96.9	100.7	98.0	101.8	100.9
	Sweet Corn	105.6	106.3	108.6	110.2	113.9
	Papaya	156.0	146.9	142.3	131.8	142.4
	Starfruit	117.3	116.7	120.1	120.0	124.1
	Langsat	96.6	109.5	101.2	135.3	77.2
	VEGETABLES					
	Round Cabbage	37.5	40.3	45.6	41.0	41.7
	Tomato	123.7	118.9	118.0	117.3	113.0
	Chilli	30.9	29.3	29.7	37.1	35.8
	Cucumber	112.1	111.7	110.6	106.1	105.7
	Mustard	97.6	97.0	95.9	96.8	96.4
	Brinjal	112.3	109.6	106.6	111.0	104.1
	Long Bean	107.2	109.3	106.6	107.8	107.1
	Lady's Finger	102.2	104.3	103.4	103.8	104.6
	Spinach	112.0	112.0	109.6	107.8	107.1
	Lettuce	114.0	107.5	107.3	107.2	104.2

Sources: Supply and Utilization Accounts Selected Agricultural Commodities 2020-2024, Bank Islam

MALAYSIA'S SELF-SUFFICIENCY RATIO (SSR) IN KEY FOOD ITEMS (2020-2024)

Agriculture Output		2020	2021	2022	2023	2024
CROPS	OTHER CROPS					
	Cassava	98.4	100.2	100.5	99.6	88.5
	Sweet Potato	75.6	78.1	73.5	62.4	68.3
	Sugarcane	157.7	149.4	144.6	161.9	179.7
	Ginger	18.9	14.6	15.9	16.9	15.5
	Lime	91.1	82.4	71.5	61.9	67.4
	Rice	62.1	60.9	57.9	56.2	52.9
LIVESTOCK	Beef	21.3	18.9	14.7	15.9	16.8
	Mutton	9.4	10.7	8.7	10.6	8.5
	Chicken	101.7	100.2	93.5	90.2	92.9
	Duck	125.2	130.6	130.9	130.9	129.9
	Fresh Milk	64.2	56.7	57.3	66.8	66.7
FISHERIES	Shrimp	101.7	100.4	96.5	93.8	93.8
	Tuna	108.1	98.8	100.9	108.4	108.3
	Mackerel	88.2	100.7	78.2	74.7	79.8
	Crab	94.3	104.4	97.8	107.9	100.5
	Cuttlefish	96.6	80.0	73.8	74.0	75.1
	Tilapia	99.9	99.0	97.3	98.0	98.0
	Sardine	80.7	74.9	72.1	83.3	86.2
	Torpedo Scad	96.7	93.8	91.6	98.0	97.4
	Freshwater Catfish	98.9	108.3	102.2	101.3	92.3

Sources: Supply and Utilization Accounts Selected Agricultural Commodities 2020-2024, Bank Islam

REDUCE DEPENDENCE ON IMPORTED FOODS BY INVESTING IN LOCAL PRODUCTION



Sources: *Unveiling Malaysia's Agricultural Value Chain from Upstream to Downstream of Agricultural Imports, Banci 2024 Pertanian, DOSM*

- **Investing in local food production can improve food resilience and affordability over the long term and limit rising costs of food** caused by the external factors. This includes:
 - expanding land or using barren land for food farming
 - providing targeted incentives and financing for local farmers and agribusinesses
 - improving irrigation and infrastructure to increase farming efficiency
 - supporting contract farming and vertical integration to connect farmers with markets.
- **Strengthening domestic production reduces reliance on imports, shields consumers from volatile prices, and enhances national food security.**

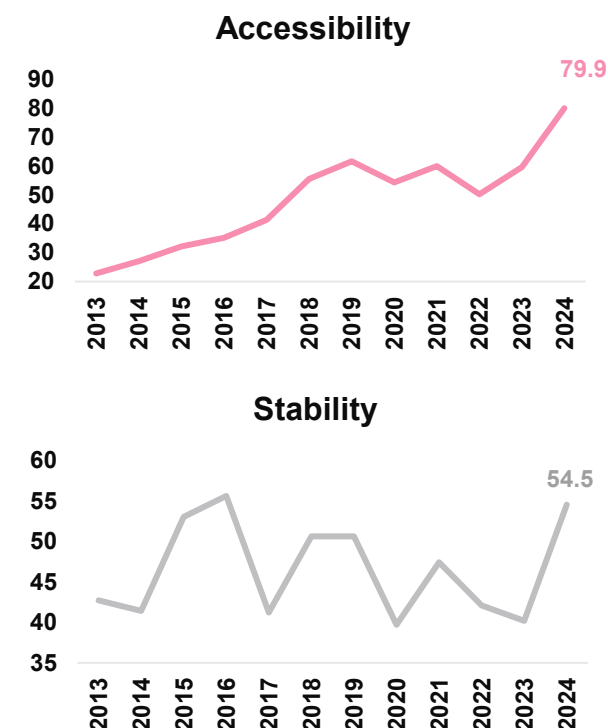
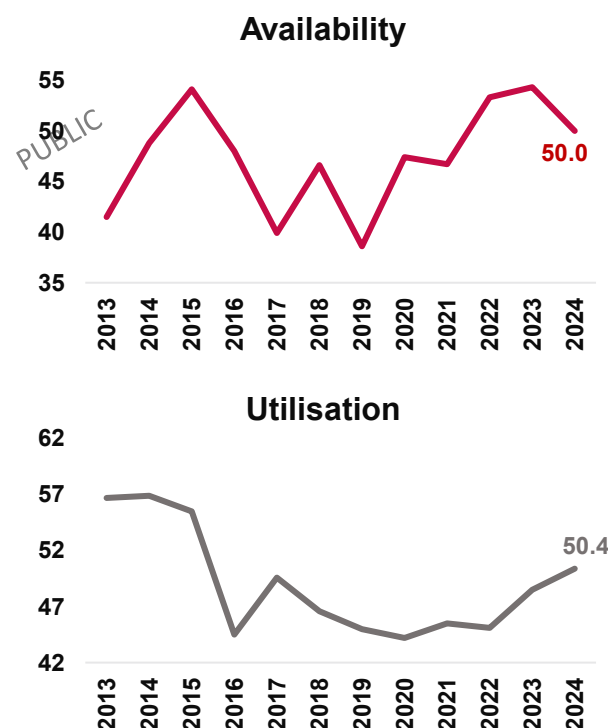
MALAYSIA'S 2024 FOOD SECURITY SCORE IMPROVED BANK ISLAM

MALAYSIA FOOD SECURITY INDEX 2024



Sources: DOSM, Bank Islam

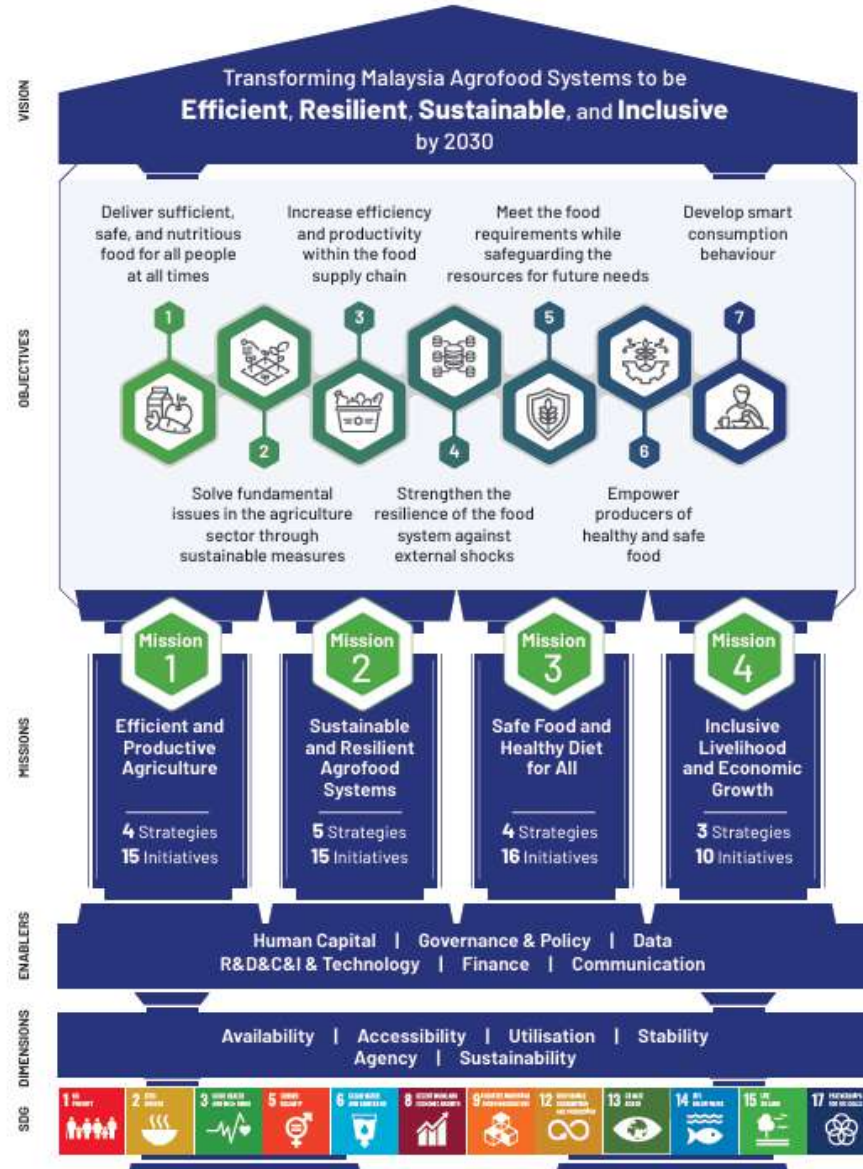
- The Malaysia Food Security Index recorded a score of 61.5 in 2024, improving from 54.5 in 2023. Analysis by dimension shows that the highest index score in 2024 was recorded by the Accessibility Index at 79.9 (2023: 59.6), followed by the Stability Index at 54.6 (2023: 40.2), the Utilisation Index at 50.4 (2023: 48.5), and the Availability Index at 50.0 (2023: 54.3).
- Malaysia scores strongly on food accessibility, reflecting its ability to secure supplies even when domestic output falls short, since imports can readily fill the gap. Yet, on the availability side, the picture is less robust as local production base remains weak and needs significant strengthening to ensure long-term food security.



GOVERNMENT PLAN / TARGET

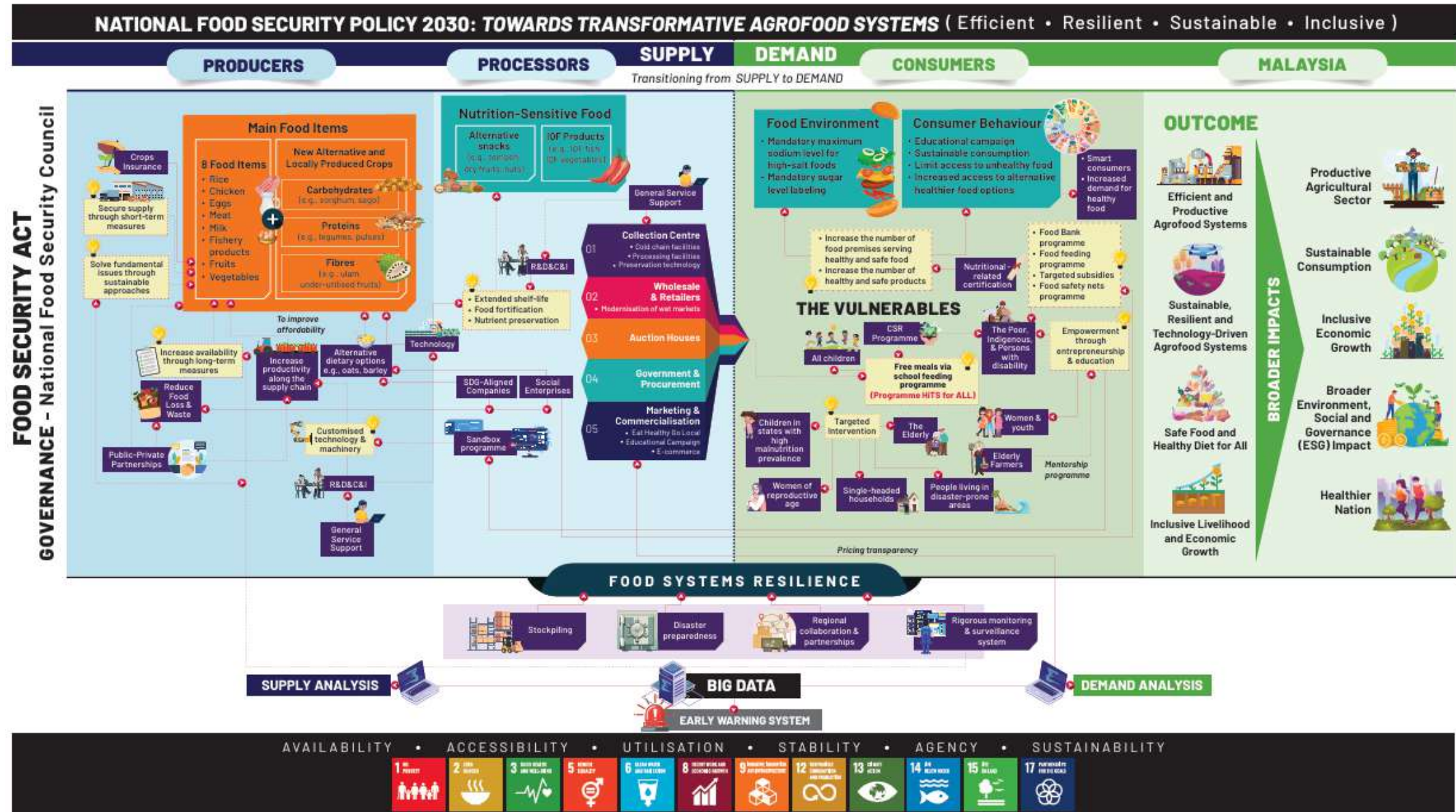
NATIONAL FOOD SECURITY POLICY 2030 (NFSP 2030)

STRATEGIC FRAMEWORK OF NFSP 2030



- National Food Security Policy 2030 (NFSP 2030) is a **comprehensive roadmap that integrates food security, sustainability, resilience, and inclusivity, backed by clear missions, enablers, and SDG alignment.**
- Seven objectives guide the plan**, including ensuring sufficient, safe, and nutritious food, solving structural issues in agriculture, increase efficiency within the food supply chain, and strengthening resilience against external shocks. The framework is also stresses empowering farmers and producers, smart consumption behavior, and resource safeguarding for future generations. These objectives align directly with Malaysia's food security and public health priorities.
- The framework is anchored on **four missions**, namely efficient and productive agriculture, resilient agrofood systems, safe diets, and inclusive livelihoods. Each mission is supported by targeted strategies and initiatives, ensuring both supply-side improvements and demand-side awareness.
- Critical enablers include human capital, governance, data, R&D, finance, and communication. The official policy further stresses technology adoption (smart farming, regenerative practices). These cross-cutting supports ensure that policies are not only implemented but also monitored and adapted effectively.
- The framework adopts **six dimensions**: availability, accessibility, utilization, stability, sustainability, and agency (government/empowerment). This holistic approach ensures food security is measured beyond production, incorporating nutrition, equity, and resilience.
- NFSP 2030 is explicitly **aligned with multiple UN Sustainable Development Goals (SDGs)**, including poverty reduction, zero hunger, climate action, and sustainable ecosystems. This positions Malaysia's agrofood transformation within a global sustainability agenda.

NATIONAL FOOD SECURITY POLICY 2030 (NFSP 2030) PUBLIC



Sources: National Food Security Policy 2030 (NFSP 2030)

The background features a series of diagonal stripes in various shades of red and maroon. Overlaid on these stripes are faint, light-colored circuit board patterns, resembling microchip traces, which add a technological or digital aesthetic to the design.

AGRICULTURE UNDER PRESSURE: CLIMATE CHANGE & GEOPOLITICAL RISKS

FLOOD DAMAGE LOSSES FOR AGRICULTURE SECTOR BY STATE, 2024-2025

		Value of Losses (RM million)	
		2024	2025
	Johor	2.4	13.0
	Kedah	118.2	5.0
	Kelantan	43.8	4.4
	Melaka	0.5	0.5
	Negeri Sembilan	1.2	2.6
	Pahang	8.8	4.3
	Pulau Pinang	0.1	2.6
	Perak	0.3	4.5
	Perlis	0.2	1.2
	Selangor	1.9	9.6
	Terengganu	6.7	1.0
	Sabah	0.7	3.6
	Sarawak	0.5	0.2
	W.P. Kuala Lumpur	-	-
	W.P. Labuan	-	-
	W.P. Putrajaya	-	-

- In 2024, the Department of Statistics Malaysia (DOSM) reported that **floods inflicted RM933.4 million in damages**, marking a 23.0% y-o-y increase from 2023. Although damages moderated in 2025, the 2024 episode highlighted the sector's vulnerability to climate shocks.
- Kedah emerged as the most affected state**, recording RM118.2 million in agricultural losses, equivalent to 63.8% of total sector damages. **Losses were concentrated in paddy** (RM117.5 million) and other crops (RM0.3 million). **Kelantan** ranked second, with losses 2.7x lower than Kedah's, driven mainly by **damage to paddy fields** (RM10.4 million). **Pahang** followed in third place, incurring RM8.8 million in losses, with **fisheries** alone accounting for RM2.2 million.
- Floods remain a recurring climate-related shock that imposes significant costs on the agricultural sector, particularly on staple crops such as rice. **The concentration of production losses in Kedah and Kelantan underscores the structural vulnerability of Malaysia's rice supply chain**, given the states' critical role in national rice production.
- Floods remain one of the most destructive climate risks for Malaysia's agriculture, with **paddy fields and fisheries bearing the brunt**. Floods not only reduce output but also strain food security goals, **making Malaysia more dependent on imports**.



RISING WARNING SIGNALS OVER EL NINO RISKS

'Super' El Nino to bring record temperatures in Malaysia next year, weather agency says

By Reuters

July 20, 2026 12:07 PM GMT+8 · Updated July 20, 2026



El Nino may cut crop yields in Malaysia by at least 8%, minister warns

Reuters

Thu, 11 June 2026 at 6:26 pm MYT
1 min read

Add Yahoo on Google



Sources: Various Sources

PM Anwar Orders Immediate Measures To Mitigate Super El Nino's Impact On Food Security

15/07/2026 07:32 PM



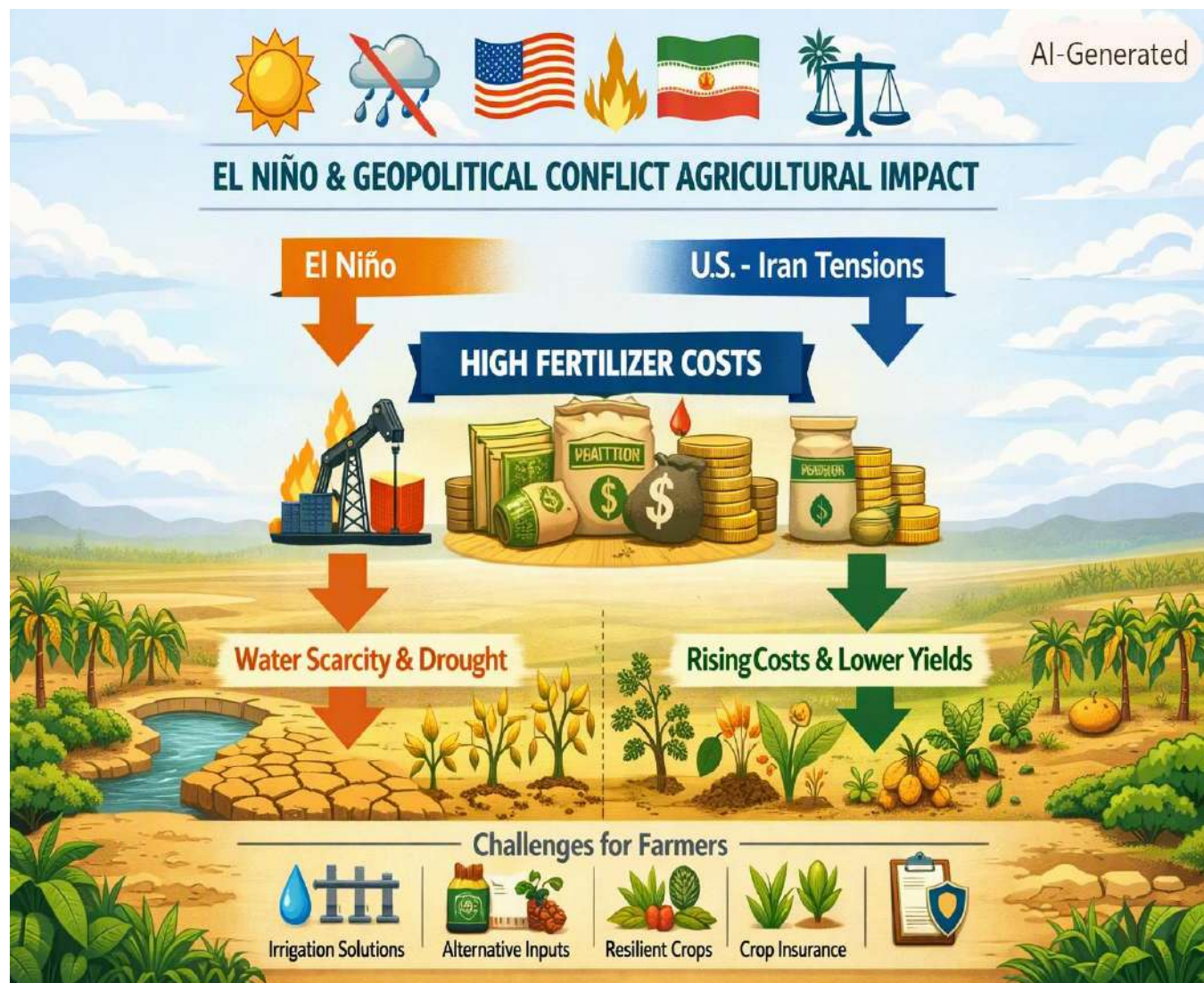
Mat Sabu: Measures in place to protect food supply from El Nino impact



- Floods are not the only threat. **El Niño is also expected to severely impact agricultural output, intensifying pressure on food insecurity if long-term sustainability measures are not implemented to limit the risks.**
- The Malaysia Meteorological Department (MetMalaysia) expect the country could experience record-breaking heat next year, with a “Super El Nino” peaking between March and May 2027, which temperatures potentially surpassing the all-time high of 40.1°C recorded in Perlis in 1998.
- Below-normal rainfall is forecast across much of the country, **raising the risk of prolonged dry spells, drought, and water shortage.** Northern Peninsular Malaysia, along with Sabah and Sarawak as Malaysia's largest palm oil producing states on Borneo island are expected to be among the hardest hit.
- Prime Minister Anwar Ibrahim has ordered urgent measures to mitigate the impact of the forecasted “Super El Niño” starting November 2026, directing the Agriculture and Food Security Ministry (KPKM) to safeguard national food production and farmers' livelihoods.
- Malaysia's response includes a comprehensive set of initiatives including **water resource management, expanded use of smart irrigation technology, development of resilient rice varieties, farmer assistance schemes, stockpiling, controlled-environment farming, and export diversification.**

ECONOMIC RESEARCH

THE DUAL SHOCK: MIDDLE EAST CONFLICT & EL-NINO

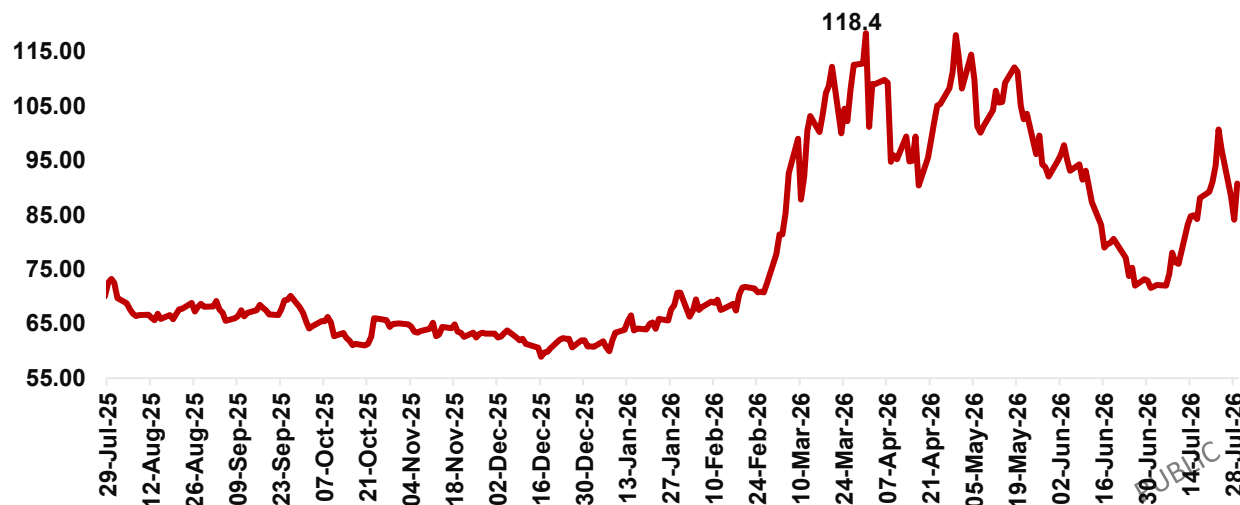


Sources: Image generated with Copilot, Bank Islam

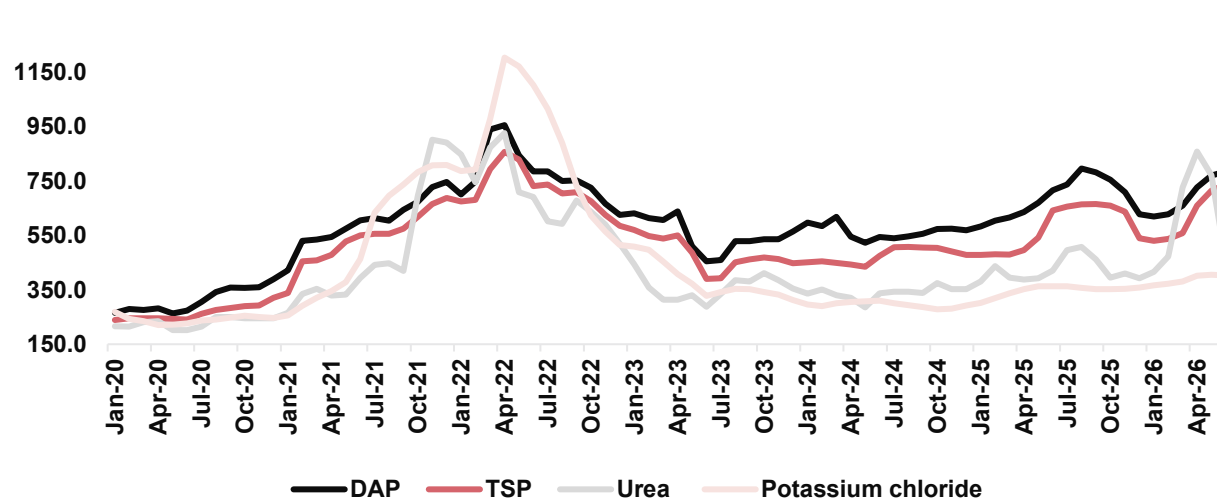
- Malaysia's agricultural supply chain is heading into a more difficult operating environment as two pressures converge. The **conflict in the Middle East has disrupted shipping through the Strait of Hormuz, adding pressure to energy and fertilizer markets across the region.** At the same time, El Nino conditions are now present and expected to strengthen into late 2026, raising the **risk of hotter and drier weather**, with Southeast Asia among the key areas to watch.
- **Energy shocks** stemming from the U.S.-Iran conflict **have driven up production costs, particularly fertilizers, transportation, and logistics, eroding margins for farmers.** Meanwhile, **El Niño conditions are expected to reduce crop yields, particularly paddy, vegetables and fruits through prolonged droughts and heat stress.**
- Together, these forces may **squeeze profitability across both upstream producers and downstream processors in the agrofood value chain.** Rising input costs and lower output translate into weaker farm incomes, higher operating expenses for agribusinesses.
- **Without government intervention** such as price controls, subsidies, or targeted support, these dynamics will inevitably **feed into higher food inflation.**
- Elevated food prices not only **strain household purchasing power** but also **heighten credit risks for agriculture-related businesses, as weaker cash flows increase the likelihood of defaults and non-performing loans.**
- Where food prices remain politically sensitive and many farmers operate on thin margins, **the interaction between these shocks deserves close attention.**

THE RISK FROM THE MIDDLE EAST EXTENDS BEYOND FUEL COSTS

Brent Crude in USD per barrel



Fertilizer Price, USD/mt



- The risk from the Middle East extends beyond fuel costs. **The Strait of Hormuz is also a key route for fertilizer trade**, with roughly one third of global seaborne fertilizer trade at risk under disrupted shipping conditions.
- The **shock is most visible in urea and diammonium phosphate (DAP)**, two widely traded fertilizer products with **direct implications for crops such as rice, maize, sugarcane and oil palm**, where yields depend heavily on timely fertilizer application.
- If fertilizer and fuel costs remain elevated while **El Nino conditions intensify**, farmers will face both **higher production costs and greater uncertainty over yields**. The impact on food prices may not be immediate, but the pressure can build once higher input costs begin to affect farm margins, fertilizer application and output.
- ASEAN including Malaysia sits closest to the full dual shock, facing both the fertilizer channel and the heavier weather risk. Countries in North Asia such as Japan and South Korea are net fertilizer importers and economies that depend on food imports, although rice remains a highly protected domestic staple.
- China has a larger domestic production base and is itself a major fertilizer exporter, making its policy response important for regional supply. **Recent tightening of China's fertilizer export controls could limit replacement supply for import dependent economies and add to regional cost pressures.**

THE FERTILISER CHANNEL

Fertilizer Category	Main Function For Crops	Common Crop Relevance
Organic fertilizers	Add nutrients gradually and help improve soil structure, often from animal or vegetable materials	Used across mixed farming systems, vegetables, fruit crops and smallholder plots
Nitrogenous fertilizers	Support leaf growth, crop vigour and yield formation; urea is the key example	Rice, maize, sugarcane and oil palm, especially during vegetative growth
Phosphatic fertilizers	Support root development, early crop establishment, flowering and seed formation	Rice, maize, sugarcane, cassava, vegetables and plantation crops
Potassic fertilizers	Support water regulation, stress tolerance, fruit quality and crop resilience	Oil palm, fruits, vegetables, cassava, sugarcane and other potassium-demanding crops
NPK/complex fertilizers	Combine two or three major nutrients (N, P, K) in one product	Widely used across rice, maize, sugarcane, oil palm, vegetables and horticulture

- The clearest transmission from the Middle East conflict to Asia's, including Malaysia's agriculture is through fertilizer imports which cover organic, nitrogenous, phosphatic, potassic and NPK or complex fertilizers. These provide a useful way to map how different fertilizer products support crop production and where supply exposure may arise.
- A prolonged Strait of Hormuz disruption would tighten access to Gulf nitrogen supply by delaying cargoes, raising freight and replacement costs, and narrowing delivery windows during the planting season.
- Fertilizer is usually purchased early in the planting cycle, when cash flow constraints are most binding. A sharp increase in import costs can change planting economics quickly, especially for smallholders that cannot hedge prices or buy in bulk.
- The immediate adjustment may come through delayed purchases or lower application rates. The pass through to food prices, if it materializes, would come later through weaker yields, tighter domestic supply or higher import demand. The issue is therefore not only whether supply can be replaced, but also whether replacement cargoes can arrive at the right cost and within the planting window.
- The Gulf channel has also become a logistics issue, not only a pricing issue. Some Gulf fertilizer producers have already shifted cargoes by land to ports outside the Strait of Hormuz, while eastern UAE ports have taken on a larger role as trade routes inside the Gulf became more difficult. These workarounds help keep product moving, but they also add handling, freight and storage costs.

Sources: World Customs Organization, Food and Agriculture Organization, International Fertilizer Association

MALAYSIA HS31 IMPORT PROFILE (2025–2026)

- Based on the latest available global trade data for HS31 (Fertilizers) extends through early 2026 for major economic reporting entities, **Top Global Importers - Brazil (\$14.4B), United States (\$9.67B), and India (\$7.68B) lead annual inbound shipments with Russia (\$15.1B), China (\$9.8B), and Morocco (\$9.34B) anchor global export supply.**
- The latest official full-year customs filings for Malaysia show total HS31 (Fertilizers) imports reached US\$1.33 billion (approx. RM5.69 billion) in 2025. **Due to early 2026 disruptions in the Strait of Hormuz and subsequent export restrictions from China, supply dynamics for both Malaysia and the broader ASEAN region are undergoing major structural shifts into mid-2026.**
- Malaysian local agri-sectors are facing volatile spot prices and actively diversifying suppliers. Under Key Subheadings (HS4):
 - ✓ **HS 3102 (Nitrogenous):** Inbound shipments topped US\$251 million; historically led by China, followed by Russia and regional neighbor Indonesia.
 - ✓ **HS 3104 (Potassic) & HS 3105 (Compounds/NPK):** **Critical for Malaysia's massive palm oil sector;** heavily reliant on Canadian, Russian, and Chinese supply lines
- **Malaysia imports roughly 10% to 15% of its total HS 31 (Fertilizers) directly from the Middle East under normal trade conditions,** primarily sourcing potash from Jordan, urea from Qatar and Saudi Arabia, and NPK compounds from Egypt.
- However, **about one-third (33%) of Malaysia's total fertilizer imports are physically exposed to the Middle East because they must navigate the Strait of Hormuz.**
- The recent escalating U.S.-Iran conflict, the temporary closure of the Strait, and subsequent market reactions are triggering structural shocks to Malaysian agriculture.

Impact	Details
Direct Impact on Fertilizer Supply and Costs	▪ Price Surges: The Ministry of Economy warned that the Middle East conflict is directly forcing domestic fertilizer prices up by 15% to 20%. ▪ The "Hormuz Choke": Over 30% of global urea and critical mineral components are blockaded behind the Strait. Rerouting ships from Jordan or Egypt around the Cape of Good Hope adds 10 to 14 days to transit times, while maritime insurance premiums have nearly tripled. ▪ Order Suspensions: Major local manufacturers (such as union Harvest) were forced to temporarily suspend new orders due to rapid raw material price volatility. ▪ Secondary Chinese Curbs: Because global energy and fertilizer supplies tightened due to the war, China implemented strict domestic hoarding policies, curbing its own nitrogen and phosphate exports—cutting off another critical third of Malaysia's supply.
Upstream Impact on Malaysia's Agricultural Sectors	▪ Palm Oil Industry (Crucial Export Sector) - Fertilizers make up more than 50% of the operational production costs for palm oil planters. Sustained high material costs mean smaller margins for estates. Planters may under-fertilize crops to save costs, which will lead to lower fresh fruit bunch (FFB) yields over the next 12 to 18 months. ▪ Food Crops & Local Vegetables - Local vegetable farms rely heavily on immediate, seasonal applications of NPK and water-soluble fertilizers. The sudden spike in input costs has led to a noticeable drop in local yield stability, inflating the prices of Cameron Highlands produce and other regional agricultural staples. ▪ Livestock and Poultry Feed - While Malaysia does not source significant food or livestock directly from the Middle East, the conflict has driven up global oil prices and shipping logistics. This has triggered an estimated 8% rise in imported animal feed costs (corn and soy meal from South America), squeezing local chicken and egg farmers.
Government Outlook and Safety Net	▪ The Ministry of Agriculture and Food Security (KPKM) expects supply chain volatility to linger for up to two years, despite recent preliminary peace talks aimed at reopening trade corridors. ▪ The government has formally assured the public that immediate supplies are secure until the end of 2026 due to strategic domestic buffer stocks. However, farmers must brace for structurally higher "landed costs" of chemical inputs through the medium term. ▪ The exposure map therefore points to both direct and indirect risks. Certain countries faces the clearest direct exposure to Gulf fertiliser supply, while other import-dependent economies face a secondary risk through replacement costs and supplier availability. China's role is central to that second channel. Its exports can help offset disrupted Gulf supply, but tighter export controls would narrow options for import dependent economies and add to regional cost pressures.

EL-NINO – THE SECOND STRESS POINT

- **El Nino adds a physical production risk to the fertilizer shock.** Fertilizer affects the cost and timing of production, while El Nino affects growing conditions.
- In its latest update, the US National Oceanic and Atmospheric Administration (NOAA) indicated that El Nino conditions are already present and expected to strengthen into the Northern Hemisphere winter of 2026 to 2027. The main concern is a higher probability of hotter and drier conditions, lower rainfall and water stress, although the impact will differ by country, irrigation coverage, crop type and planting calendar.
- **ASEAN including Malaysia remains the more direct focus for the weather risk channel**, as El Nino has a clearer association with dry conditions and crop stress across parts of Southeast Asia.
- **Rice is the first crop to watch because it is politically sensitive, water intensive and central to the food basket.** During the 2015-16 episode, ASEAN-5 rice production fell 3.2% YoY in 2015 and another 6.9% in 2016, leaving output 9.8% below its 2014 level. The International Food Policy Research Institute (IFPRI) also notes that **rice yields fell 4-11% below trend during previous El Nino episodes since 2000 due to low rainfall.** The production impact is therefore unlikely to be uniform, with the severity shaped by rainfall timing, irrigation coverage, crop type and planting calendar.
- **CPO also deserves attention because Indonesia and Malaysia dominate global palm oil production.** The palm oil impact often appears with a lag, as drought stress can reduce fresh fruit bunch yields months after the weather shock. Study found that very **strong El Nino events caused oil palm yield losses of around 3.5 t/ha in Malaysia during 2015/16**, with losses lasting several months depending on event severity.
- This creates a delayed risk to edible oil prices, export earnings and rural incomes. **El Nino can make timely fertilizer use more crucial for protecting yields, but also harder to justify when input costs are higher and rainfall becomes less reliable.**
- If fertilizer and fuel costs remain elevated, **farmers may respond by reducing application, delaying planting or cutting crop maintenance**, even when weather stress argues for more timely input management.

DOUBLE WHAMMY: ENERGY SHOCK & EL-NINO THREATEN AGRICULTURE SECTOR

Area	Energy Shock	El-Nino	Combined Impact
Production	Higher fuel, electricity and irrigation costs increase production expenses	Drought and heat stress reduce crop yields	Lower agricultural output and reduced supply of raw agricultural products
Input Costs	Fertilizer, animal feed and transportation costs rise due to higher energy prices	Increase spending on irrigation, crop protection and water management	Significant increase in overall farming costs, squeezing profit margins
Upstream	Higher costs for agricultural inputs and logistics	Lower planting activities, crop failures and reduced productivity	Lower farm income, weaker cash flows and greater financial stress, especially for smallholders
Downstream	Higher processing, packaging, storage and distribution costs	Shortage of agricultural raw materials disrupts food processing and manufacturing	Food manufacturers face higher costs, lower production and supply chain disruptions
Consumers, Economy	Higher production costs are passed on to consumers	Reduced food supply pushes up food prices	Higher food inflation, greater import dependence and risks to food security
Banking	Rising working capital needs and financing requirements	Higher repayment risks as farmers' incomes decline	Increased credit risk across agriculture, food processing and agriculture-related SMEs

OPPORTUNITIES & RISKS

OPPORTUNITIES

Malaysia: Agriculture Sector Opportunities

AI-Generated



Food security & self-sufficiency

Malaysia's relatively low self-sufficiency ratio (SSR) in key staples such as rice, beef, mutton and dairy highlights scope for investment in domestic production capacity.



Downstream value-addition

Palm oil, rubber, and cocoa offer opportunities in downstream processing (oleochemicals, rubber products, specialty food ingredients).



Agri-tech adoption

Precision farming, smart irrigation, and mechanization can raise yields and reduce reliance on imports.



Halal food industry

Malaysia's strong halal certification framework positions it as a hub for halal food exports, creating financing opportunities in certification, logistics, and processing.



Green financing

Sustainable agriculture projects (*organic farming, climate-resilient crops*) align with ESG mandates, opening avenues for financing.

AI-Generated

Malaysia: Agriculture Sector Risks

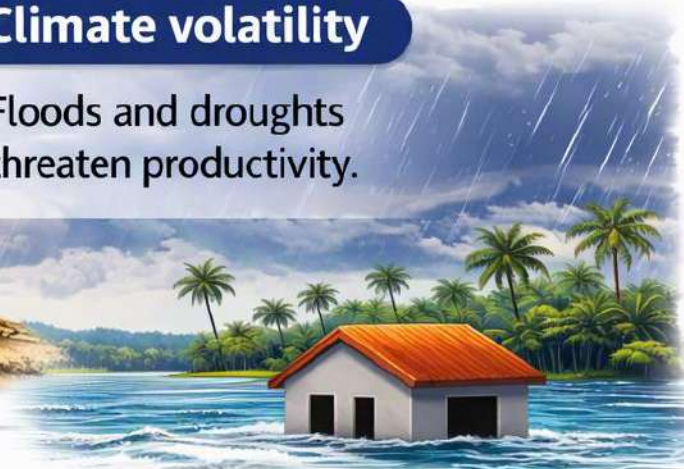
El Niño Impact

- **Upstream:** Lower yields in palm oil, rice, and fisheries due to drought & water stress.
- **Downstream:** Higher costs for food processing, oleochemicals & animal feed



Climate volatility

Floods and droughts threaten productivity.



Import Dependence

Reliance on imported grains and fertilizers



Labor Shortage

Reliance on foreign workers in plantations create vulnerability to policy changes & wage pressures.



Global price volatility

Commodity price swings squeeze margins.



Sources: Image generated with Copilot, Bank Islam

SUMMARY

- Malaysia's agriculture sector has steadily lost ground in GDP contribution, falling from over 25% in the 1970s to just around 6% today. Despite output value rising to RM106.4 billion in 2025, average growth has been sluggish at 0.9% annually over the past decade. This reflects structural transformation toward manufacturing and services but also signals stagnation in agricultural productivity. The decline underscores the need for modernization and policy support to sustain rural incomes and food security.
- Malaysia's food trade deficit has ballooned to RM39.3 billion in 2024, nearly eight times higher than in 2000. Heavy reliance on imports for rice, meat, and dairy exposes the country to global shocks, from supply chain disruptions and currency depreciation to climate risks in exporting nations. The livestock sector is particularly vulnerable, with self-sufficiency ratios for beef and mutton at critically low levels. This dependence raises inflation risks and undermines resilience, making food security a pressing national priority.
- Rice, Malaysia's staple food, illustrates the structural weaknesses in domestic agriculture. Production fell to 1.5 million metric tons in 2023, while imports surged to 1.4 million metric tons, lifting the import share to nearly half of total demand. The self-sufficiency ratio (SSR) for rice stood at just 52.9% in 2024, far below the government's 80% target by 2030. Low yields, outdated varieties, and small farm sizes remain key constraints, requiring urgent investment in irrigation, mechanization, and seed technology to close the gap.
- The U.S.-Iran conflict has raised fertilizer, fuel, and logistics costs, eroding farm margins, while "super El Niño" are expected to reduce yields in paddy, vegetables, fruits and other crops. Together, these forces squeeze profitability across upstream producers and downstream processors, weakening incomes and competitiveness. Rising costs and lower output inevitably feed into food inflation, which pressures household budgets and raises systemic risks. Banks may face increase working capital demands from agribusinesses, while simultaneously confronting higher repayment risks as profitability declines.
- The government has ordered urgent measures to mitigate El Niño, including smart irrigation, resilient rice varieties, farmer assistance schemes, and controlled-environment farming. These initiatives require significant investment in technology, infrastructure, and farmer support programs. While they aim to stabilize food production and reduce import dependence, it also open avenues for banks to provide green financing packages for farmers investing in drip irrigation, smart water systems, or rainwater harvesting, ESG-linked financing, and insurance products tailored to agriculture. Banks may also explore financing alternative inputs for fertilizers such as bio-fertilizers, organic soil enhancers, and locally produced sustainable inputs, capturing new agritech lending opportunities.

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Thank You