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# Malaysia

## Retail Sector Report

### 1999

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#### Report Highlights:

**Malaysia has a large and increasingly sophisticated food and beverage market that is supplied by both local and imported products. Trade sources estimate that the total retail sales, including non-food products, amounted to US\$9.8 billion in 1998.**

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Exchange Rate: US\$1.00 = RM3.80

## 1. Introduction

This study has been prepared for the Foreign Agricultural Service, American Embassy, Kuala Lumpur by Stanton, Emms & Sia. It has been prepared to provide US exporters wishing to enter the Malaysian retail food sector with:

- A concise snapshot of the retail market situation in Malaysia.
- A road map for market entry into the retail sector in Malaysia.
- A summary of the competitive situation surrounding the retail sector in Malaysia.
- A review of best prospects in the retail market in Malaysia.

As required by the project brief, the following product categories have been covered by this study:

- Snack foods, defined as corn and potato based products.
- Breakfast cereals.
- Red meat, defined as beef and lamb.
- Poultry.
- Dairy products and eggs.
- Fresh fruits.
- Prepared fruits, defined as fruit juices, canned fruits and dried fruits.
- Fresh vegetables.
- Prepared vegetables, defined as frozen and canned vegetables.
- Nuts.
- Beverages, defined as soft drinks, mineral water, beer, wines and spirits.
- Infant foods, defined as infant milk and other infant foods.
- Pet food, defined as dog food, cat food and other pet food.

The reader should note that the aim of this study is to provide a broad based overview of Malaysia's retail market for the above mentioned products. Readers should not view this report as a detailed market study.

## 2. Malaysia in profile

Malaysia is the third wealthiest country in Southeast Asia. It has a population of around 22.2 million people. Its population is projected to grow to 29.8 million by the year 2020, according to the United Nations Development Programme. Today, around 56% of the total population reside in urban centres with the balance living in rural areas.

Most of Malaysia's households are economically active and independent. Only less than 114,000 households live below the poverty line.

The population is well educated. About 61% of its population make up its middle to upper income group of consumers. In addition, the Government announced that there are around 51,000 high income expatriates living in Malaysia, mainly in the Klang Valley, Penang and Johor. Unlike the other large Southeast Asian nations, Malaysia has a nation-wide consumer base that encompasses both urban and rural areas.

In addition, a significant proportion of the population is young. Children aged less than 15 years form 36% of the total population. The majority of these people are expected to participate in tomorrow's consumer market.

The Malaysian economy has a firm foundation in a mixed economy that comprises strong manufacturing, service and agricultural sectors. Like most countries in Asia, it was adversely affected by the regional economic downturn in 1998. Its economy contracted by 7.5% in 1998 although inflation remained low at around 2.5%. That year, its GDP per capita fell to US\$3,208, from US\$4,287 in 1997.

On the positive front, the country managed to return to economic growth of 4.1% in the second quarter of 1999, ending five consecutive quarters of contraction. The growth was largely due to the resilience of the real economy, based on strong manufacturing and agricultural output.

Latest government forecasts for economic performance in 1999 suggest a growth of 1%, indicating that Malaysia will be out of the recession by the end of this year. The government forecasts economic growth of 5% for the year 2000.

Malaysia's development policies and strategies are well entrenched and have turned it into one of the wealthiest countries in Asia today, with an even spread of middle class consumers who reside in both urban and rural areas. Some analysts comment that Malaysia's future long-term development path will ultimately see it develop into a nation/economy that is similar to that seen in Australia today.

### 3. Retail market summary

#### 3.1 Retail market size in overview

Malaysia has a large and increasingly sophisticated food and beverage market that is supplied by both local and imported products. Trade sources estimate that the total retail sales, including non-food products, amounted to RM 37.2 billion (US\$ 9.8 billion) in 1998. This does not include sales from wet markets, morning markets, night markets and non-permanent stalls, operated by individual proprietors, which can account for a very large proportion of food sales in Malaysia. Trade sources estimate that they may form as much as 50% of total food and beverage retail sales in Malaysia.

The Table below gives an indication of the total size of the retail sector over the past 5 years, covering food and non-food sales. The details below were provided by trade sources, based on estimates, as no organisation or government body monitors the whole of the Malaysian retail sector.

<b>Total Retail Market Size*</b>		
	<b>Retail Sales (US\$ Billion)</b>	<b>% Change in Sales</b>
1994	8.2	-
1995	9.7	18.3
1996	11.2	15.5
1997	12.2	8.9
1998	9.8	-19.7

\*: Excludes wet market, morning market, night market and other non-permanent retail facilities. They account for a large proportion of food sales in Malaysia.

Source: Retail Group Malaysia

The Table above indicates that the retail sector has been growing for the past few years except for 1998. In late 1997, Malaysia went into an economic recession for the first time in ten years. Retail sales were negatively affected by the economic recession, resulting in declined sales in 1998.

A recent survey conducted by Retail Group Malaysia showed that the large scale retail operators such as supermarkets and hypermarkets enjoyed favourable growth of around 4.1% during the first half of 1999, in line with the improvement in the country's economy and indicating higher consumer confidence. All other types of retail stores showed a decline in sales during that period.

The economic downturn which occurred in 1998 had some impacts on consumption of certain items, e.g. breakfast cereals, red meat, dairy products, fresh temperate fruits, fruit juices and mineral water. These items were affected because falling consumer confidence saw consumers retrench to local alternatives or reduce their consumption

It should be noted that none of the food and beverage markets collapsed as they did in countries such as Thailand and Indonesia. In most cases, the food and beverage market remained larger than recorded in 1995 or 1996. Contrary to the general trend seen in 1998, some food and beverage markets actually expanded in that year. These included frozen poultry, fresh temperate vegetables, canned vegetables, imported beer, wines and dog/cat food.

### **3.2 Food and beverage consumption over the past five years**

The market for the food and beverage products covered by this study amounts to more than 1.2 million tonnes in 1998. Of this, about 580,000 tonnes (48%) are imported, valued at US\$ 477 million on a CIF market entry price basis.

The government's GATT Uruguay Round commitments have opened most sectors of the market to imported products over the last 3 years. Today, there are few official barriers to import of foreign made food and beverage products. Appendix A to this report provides an overview of the tariffs that are levied on the products covered by this study.

Malaysia has seen some large changes in the size of most of its retail food market segments over the past 5 years. Most segments covered by this study have seen growth. In some cases, e.g. fresh vegetables, frozen vegetables, fruit juices, frozen poultry, infant foods and pet foods, the increases in market size have been large as a result of a combination of the impact of market liberalisation and increasing affluence.

The Table below provides an overview of the changes in food and beverage consumption through a comparison of consumption in 1994 and 1998. Appendix B to this report provides a more detailed consumption trend of these products, covering the five years from 1994 to 1998.

<b>Malaysian Food and Beverage Market Trends - 1994 to 1998</b>					
<b>Product</b>	<b>1994</b>		<b>1998</b>		<b>% Change (Tonnes)</b>
	<b>Volume</b>	<b>Value</b>	<b>Volume</b>	<b>Value</b>	
Snack foods (based on potatoes and cereals)	2,000 tonnes, mainly local products	Value not reported.	3,500 tonnes, mainly local products	Value not reported	3% growth per annum
Breakfast cereals and cereal beverage powders	4,314 tonnes imported	RM 26 million (CIF value)	3,324 tonnes imported	RM 32 million (CIF value)	Decline in 1996 to 1998
Red meat, beef and lamb	62,312 tonnes imported	RM 270 million (CIF value)	82,555 tonnes imported	RM 424 million (CIF value)	6% growth per annum
Poultry, frozen	2,110 tonnes imported	RM 10 million (CIF value)	19,386 tonnes imported	RM 86 million (CIF value)	Very fast growth

Malaysian Food and Beverage Market Trends - 1994 to 1998					
Product	1994		1998		% Change (Tonnes)
	Volume	Value	Volume	Value	
Dairy products - Canned and bagged milk powders (Not infant formula)	38,927 tonnes, mainly local products	Value not reported	31,084 tonnes, mainly local products	RM 315.6 million (Producer Sales Value)	Static/ declining market.
Dairy products - UHT milk beverages	59,121 tonnes of local products	Value not reported	72,101 tonnes, mainly local products	RM 133 million (Producer Sales Value)	4% growth per annum.
Dairy products - Cupped yoghurt and drinking varieties (including cultured milk drinks)	300 tonnes, mainly local products	Value not reported	300 tonnes, mainly local products	Value not reported	Static market.
Dairy products - Ice cream	30,000 tonnes, mainly local products	Value not reported	33,000 tonnes, mainly local products	Value not reported	Slow growth
Dairy products - Butter	4,210 tonnes imported	RM 21 million (CIF value)	2,591 tonnes imported	RM 20 million (CIF value)	Variable/ declining market
Dairy products - Cheese	2,721 tonnes imported	RM 22 million (CIF value)	3,237 tonnes imported	RM 35 million (CIF value)	3% to 4% growth per annum

Malaysian Food and Beverage Market Trends - 1994 to 1998					
Product	1994		1998		% Change (Tonnes)
	Volume	Value	Volume	Value	
Eggs	Dominated by local eggs. Imported 208 tonnes in processed eggs.	Local sales value not reported. Imports valued at RM 11 million (CIF value)	Dominated by local eggs. Imported 238 tonnes in processed eggs	Local sales value not reported. Imports valued at RM 2 million (CIF value)	Very slow growth for imported products.
Fresh fruits, temperate varieties only	190,385 tonnes imported	RM 257 million (CIF value)	219,716 tonnes imported	RM 298 million (CIF value)	3% growth per annum
Prepared fruits, canned	9,940 tonnes imported. Local canned pineapple has a strong presence.	Imports valued at RM 13 million (CIF value). Local sales value not reported.	1,159 tonnes imported. Local canned pineapple has a strong presence.	Imports valued at RM 5 million (CIF value). Local sales value not reported.	Demand has declined for canned fruit from China.
Prepared fruits, juices	4,853 tonnes imported	RM 20 million (CIF value)	7,042 tonnes imported	RM 31 million (CIF value)	8% to 10% growth per annum.
Prepared fruits, jellies/jams	765 tonnes imported	RM 15 million (CIF value)	2,105 tonnes imported	RM 12 million (CIF value)	Very fast growth
Prepared fruits, dried	6,312 tonnes imported	RM 12 million (CIF value)	5,025 tonnes imported	RM 14 million (CIF value)	Market is static or in decline.
Fresh vegetables, temperate varieties only	81,456 tonnes imported	RM 120 million (CIF value)	147,852 tonnes imported	RM 255 million (CIF value)	Growth of about 15% per annum

<b>Malaysian Food and Beverage Market Trends - 1994 to 1998</b>					
<b>Product</b>	<b>1994</b>		<b>1998</b>		<b>% Change (Tonnes)</b>
	<b>Volume</b>	<b>Value</b>	<b>Volume</b>	<b>Value</b>	
Prepared vegetables, canned	12,299 tonnes imported	RM 26 million (CIF value)	17,962 tonnes imported	RM 47 million (CIF value)	8% to 10% per annum.
Prepared vegetables, frozen	12,955 tonnes imported	RM 31 million (CIF value)	23,455 tonnes imported	RM 68 million (CIF value)	Around 15% per annum.
Nuts	4,940 tonnes imported	RM 30 million (CIF value)	3,913 tonnes imported	RM 24 million (CIF value)	Static/declining market
Soft drinks, carbonated and non-carbonated	390 million litres in local production	Value not reported	418 million litres in local production	RM 638 million (Producer sales figure)	Very slow growth
Mineral water, still and sparkling	Dominated by local production. Imports amount to 3.1 million litres.	Local sales value not reported. Imports valued at RM 5 million (CIF value).	Dominated by local production. Imports amount to 2.8 million litres.	Local sales value not reported. Imports valued at RM 4 million (CIF value).	Market is static or in decline.
Beer	Dominated by local production. Imports amount to 4.3 million litres.	Valued at around US\$ 120 million. Imports valued at RM 14 million (CIF basis)	Dominated by local production. Imports amount to 6.0 million litres.	Local production valued at US\$285.4 million. Imports valued at RM 24 million (CIF basis)	Market is static for local beer. Imported beer grew at around 8% per annum.

<b>Malaysian Food and Beverage Market Trends - 1994 to 1998</b>					
<b>Product</b>	<b>1994</b>		<b>1998</b>		<b>% Change (Tonnes)</b>
	<b>Volume</b>	<b>Value</b>	<b>Volume</b>	<b>Value</b>	
Wines	0.8 million litres imported.	RM 12 million (CIF basis)	1.6 million litres imported.	RM 31 million (CIF basis)	High rates of growth.
Spirits	4.1 million litres imported	RM 197 million (CIF value)	2.9 million litres imported	RM 109 million (CIF value)	Market in decline.
Infant milk	15,970 tonnes imported	RM 141 million (CIF value)	15,397 tonnes imported	RM 203 million (CIF value)	Static market
Infant food	Local production of about 2,000 tonnes of cereal based products.  380 tonnes imported.	Local sales value not reported.  Imports valued at RM 4 million (CIF value)	Local production of between 2,200 to 2,400 tonnes of cereal based products. 2,105 tonnes imported.	Local sales value not reported.  Imports valued at RM 28 million (CIF value)	Slow growth for local products.  Very high rates of growth for imports.
Dog and cat food	4,233 tonnes imported	RM 15 million (CIF value)	13,309 tonnes imported	RM 59 million (CIF value)	High rates of growth.
Foreign exchange rate: RM 3.80 : US\$ 1.00 Note: No detailed information or estimates are available about other pet foods. Source: Trade sources and government data					

### 3.3 Retail sector in overview

The retail sector in Malaysia is highly fragmented with a large number of small to medium sized players in the market. According to trade sources, over 85% of the retail establishments involved in the food and beverage trade are made up of small family-owned businesses or individual proprietors. The retail sector is made up of the following types of establishments:

- Traditional stores such as provision shops, grocery shops and alike which command around 20% of the total retail sector's sales. They form the largest number of stores in Malaysia and can be found everywhere throughout Malaysia, in urban and rural areas. They sell mainly local products.
- C Modern retail stores such as supermarkets and hypermarkets which command around 20% of the total retail sales. These stores are mainly located in the major urban centres and growing in numbers. They sell a wide range of food and beverage products, both local and imported.
- C Convenience stores and petrol station stores which are still a very new retail store concept in Malaysia. They are made up of a very small number of stores and have around 9% of the total retail sales. These stores are mainly located in major urban centres to capture busy customers who seek convenience. They concentrate on selling a small range of convenience food of medium to small sized packaging, usually single serve sizes. Imported products form a small proportion of their product lines.

No official statistics are available on the current structure of the retail sector. The latest available official statistics on Malaysia's retail sector is for 1993, based on a nationwide survey conducted by the Department of Statistics. The Table below provides a profile of the retail sector 1993.

<b>Size of Malaysia's Retail Sector (1993)</b>			
<b>Business type</b>	<b>Number of Businesses</b>	<b>% No. of Businesses</b>	<b>Total Sales (US\$'000)</b>
Department stores, supermarkets, hypermarkets	472	Negligible	1,654,811
Provision stores, grocery stores and alike	97,095	63	3,410,001
Convenience stores	116	Negligible	38,316
Household, personal goods and other stores*	56,397	37	12,307,308
<b>Total</b>	<b>154,080</b>	<b>100</b>	<b>17,410,436</b>
*: These establishments were not involved in the sale of food and beverage products. Source: Department of Statistics, Malaysia (Latest official survey)			

In 1993, Malaysia had 154,080 retail outlets, generating total sales of RM 66.2 billion (US\$17.4 billion). According to the Department of Statistics, around 63% of the total number of retail stores were located in urban areas which generated around 89% of the total nation's retail sales. The Table above shows that, in 1993, over 60% of the retail stores were made up of traditional stores such as provision shops, grocery shops and alike. Modern retail stores such as supermarkets and hypermarkets as well as convenience stores formed a very negligible part of the retail sector in 1993.

The Table below gives an indication of the profile of the retail sector today, based on trade estimates.

<b>Retail Sales by Type of Business</b>		
<b>Store Type*</b>	<b>1998 Sales (%)</b>	<b>1993 Sales (%)</b>
Department stores, supermarkets, hypermarkets	20	9
Provision stores, grocery stores and alike	21	20
Convenience stores	9	-
Household, personal goods and other stores**	50	71
Total	100	100
* : Excludes wet market, morning market, night market and other non-permanent retail facilities.		
** : These establishments were not involved in the sale of food and beverage products.		
Source: Retail Group Malaysia		

Today modern retail stores, particularly supermarkets and hypermarkets, command a large share of the food and beverage retail market in Malaysia. Trade sources comment that modern retail stores have experienced the fastest growth in recent years, seen mainly in major urban centres. An increasing number of Malaysians are shopping at these stores, particularly the affluent middle to upper income group of consumers, because these large retail stores offer a wide range of sophisticated food and beverage products. Their products are mainly made up of high quality, branded goods sourced from both local and overseas suppliers.

These modern retail stores are also introducing new and additional services within their stores such as in-store bakeries, café/food service areas and ready prepared meals to attract more customers to their stores. Trade sources comment that, as a result of this growing trend in shopping at supermarkets and hypermarkets, more such modern retail stores are expected to open in future in Malaysia, particularly supermarkets.

Traditional stores still continue to command a significant share of the retail market mainly because new stores are opening in new housing developments and new townships that are appearing in the Klang Valley and along the North-South highway, particularly in the states of Selangor, Negri Sembilan, Melaka and Johor.

The majority of Malaysians continue to shop from traditional stores as these types of outlets are conveniently located near to their homes or places of work. These stores sell all the commonly demanded food and beverage products, both branded and unbranded, which are familiar to the majority of consumers in Malaysia. Most of these retailers continue to source their products from local suppliers to remain price competitive.

In contrast, although convenience stores have grown in number over the past five years, a number of convenience store chains have closed down in 1997/98 due to the negative effects of the recent economic downturn. More petrol station stores have been opening in the recent two years, particularly in major urban centres. These store concepts are still at the introductory stage and most shoppers do not automatically turn to these stores for their shopping needs. The limited range of products offered by these stores also act as a barrier to attracting more customers to these stores.

The Table below provides an indication of the future growth rate of the retail sector by type, based on trade estimates.

<b>Future Growth Rates of the Retail Food and Beverage Sector</b>			
	<b>2000</b>	<b>2001</b>	<b>2002</b>
Supermarkets, hypermarkets, department stores	5 %	5 %	3 %
Convenience stores, petrol station stores	3 %	3 %	3 %
Traditional stores	2 %	2 %	2 %
Source: Trade estimates			

Trade sources comment that the large modern retail stores such as supermarkets and hypermarkets will continue to see the fastest growth over the next three years. The traditional stores will continue to grow but at a slower rate compared to the large modern retail stores. Convenience stores will see a slow growth over the next three years.

### 3.4 Advantages and challenges for US exporters

The Table below summarises the opportunities and threats for US products in the Malaysia food and beverage retail sector.

<b>Opportunities</b>	<b>Threats</b>
Malaysia's economy is coming out of recession with growth forecast of 5% for the year 2000.	The Muslim population limits demand for non-halal products from foreign sources. These include products which are not prepared in a halal manner as well as more obvious products such as those containing alcohol and pork.
The Malaysian market for imported food and beverages continues to be liberalised. Tariffs are now low for most products. Few official barriers exist for imported food and beverages.	Strong local brands which have foreign origins, e.g. Nestlé, Walls ice cream, Coca-Cola and Carlsberg, command strong positions in their markets.
61% of Malaysia's population of 22.2 million comprise of the nation's middle to upper income group. The population is well educated and is growing at more than 2% per annum.	Other local producers of "me-too" copies of foreign products affect the market for imports.
More than 36% of the population is under 15 years of age. The majority of them are expected to participate in tomorrow's consumer market.	Price sensitivity of consumers and importers.

<b>Opportunities</b>	<b>Threats</b>
The market for imported food and beverages is large and demand continues to grow.	Malaysia's large geographical area requires a strong distribution network to supply all urban areas.
A wide variety of foreign products already "fit" into local food culture, e.g. temperate fruits and vegetables, infant formula, soft drinks and ice cream.	Limited availability of importers/distributors for imported products, especially for speciality products.
New retail outlets are continuing to open, providing better access to consumers on a nationwide basis. These businesses are looking for new imported products for their retail outlets.	Malaysia's consumers in the urban areas are well exposed to foreign products and understand product quality based on their comparisons with equivalent products.
The English language has a strong footing in Malaysia although the younger people are inclined to speak Bahasa Malaysia.	Competition from Australia, New Zealand and some European countries. China for fruits and nuts.

The Table below summarises the strengths and weaknesses of US products in the Malaysia food and beverage retail sector.

<b>Strengths</b>	<b>Weaknesses</b>
USA has a strong position in many market segments.	US products are only found in major supermarkets and hypermarkets.
Past US promotions in Malaysia have raised the profile of some US products, e.g. fresh fruits.	Most US brands are not known to Malaysian retailers and consumers.
US businesses are active in Malaysia's market, e.g. Kellogg's, Kraft, Heinz, Coca-Cola, Pepsico (Fritolay).	US products are not always price competitive when compared to local products and imports from other countries.
	US products do not always "fit" readily into Malaysia's food culture.
	A limited number of US companies/brands are active in Malaysia's market.

#### **4. Road map for market entry**

##### **4.1 Supermarkets, hypermarkets and department stores**

###### **4.1.1 Sub-sector profile**

Supermarkets and hypermarkets are made up of large self service stores which sell a wide variety of food and beverage products, including perishables such as fresh milk, fresh fruits, vegetables, fish and seafood and meat. Most products in the supermarket are well known high quality branded products, comprising of both locally manufactured and imported products. A selected number of household and personal care products are also sold.

This type of modern retail outlet is generally located in urban areas where a large number of middle to upper income consumers reside and they regularly shop at these retail outlets. They buy large quantities of food and beverage products at any one visit but generally do not shop at supermarkets on a daily basis. Kuala Lumpur is the only city centre where consumers shop at supermarkets to the exclusion of wet markets for their fresh produce. Other than Kuala Lumpur, most Malaysians who shop at supermarkets and hypermarkets also shop at traditional retail outlets.

In addition, the majority of western and Japanese expatriates shop at this type of retail outlet. Expatriates generally buy imported products and only choose local alternatives if imports are not available. In contrast, local customers prefer to buy local brands which are familiar to them except where local alternatives are not available. However, Malaysians who have been abroad, such as business persons who have lived abroad or students who have studied abroad, tend to prefer imported products to local products, particularly brands that they have been exposed to when living abroad.

Unlike supermarkets, department stores sell a wide variety of household and personal goods. Such stores are organised into departments which are responsible for selling different groups of consumer products. Some department stores also operate a supermarket within the same shopping complex. Supermarkets within the department stores play an important role in attracting customers into their stores.

These large modern retail stores operate for about 12 hours a day, seven days a week. Some establishments are only closed for major Malaysian holidays such as the Hari Raya and Chinese New Year holidays.

#### 4.1.2 Retail presence of local and imported food and beverage products

The Table below provides an overview of the retail presence in supermarkets and hypermarkets of both local and imported food and beverages in the categories covered by this study. Local products dominate in most of the market segments covered by this study.

Overview of the Retail Market Presence of Local and Imported Foods and Beverages							
Product Category	Relative Retail Presence in Malaysia's Supermarkets/Hypermarkets						
	Very High	High		Moderate		Low	Non Existent
Snack foods	Local					Imports	
Breakfast cereals			Imports				Local
Red meat						Imports	Local *
Poultry	Local					Imports	
Dairy products		Local				Imports	
Eggs		Local					Imports
Fresh fruits		Local		Imports			
Prepared fruits				Local	Imports		
Fresh vegetables	Local				Imports		
Prepared vegetables				Local	Imports		
Nuts				Local		Imports	
Soft drinks	Local					Imports	
Mineral water	Local					Imports	
Beer				Local		Imports	
Wines						Imports	Local
Spirits						Both	
Infant milk		Local	Imports				
Other infant foods						Imports	Local
Dog food					Imports		Local
Cat food					Imports		Local
Other pet food						Imports	Local
*: Local red meat is commonly retailed via Malaysia's wet markets. Source: Market observations conducted in Kuala Lumpur/Klang Valley, Melaka and Johor Baru							

### **4.1.3 Company profiles**

This retail sub-sector has very few large players involved in operating supermarkets and hypermarkets. Trade sources comment that the top five supermarkets and hypermarkets are Tops (1998 sales: US\$ 40.9 million), Giant (1998 sales: US\$ 172.8 million), Wellsave (1997 sales: US\$ 19.1 million), The Store (1998 sales: US\$ 248 million) and Carrefour (sales undisclosed).

The Table below provides information on the major retailers involved in the operation of supermarkets and hypermarkets.

<b>Retailer Name and Outlet Type</b>	<b>Ownership</b>	<b>Sales (US\$ million)</b>	<b>No. of Outlets</b>	<b>Location</b>	<b>Purchasing Agent Type</b>
RA-PPB (Tops) Retail Sdn Bhd, supermarket and bakery	Dutch company with local partners	40.9 (1998)	46	Nationwide	Direct, Agents
Giant TMC Bhd, Supermarket and hypermarket	Local individuals and Hong Kong company	172.8 (1998)	7	Klang Valley and Johor	Direct, Importer, distributor
DFI Supermarket (Malaysia) Sdn Bhd-Wellsave, supermarket	Local and multinational shareholders	19.1 (1997)	8	Key urban centres (Peninsula Malaysia)	Direct, Importer, distributor
The Store Corporation Bhd, supermarket and department store	Public listed	248 (1998)	30	Nationwide (Peninsula Malaysia)	Distributor
Carrefour Malaysia Sdn Bhd, hypermarket	French		5	Key urban centres (Peninsula Malaysia)	Direct, distributor
Jaya Jusco Stores, superstore chain and shopping centre operation	Public listed with Japanese shareholders	142.4 (1999 retail sales)	6	Key urban centres (Peninsula Malaysia)	Importers, distributors. Direct for some Japanese products.
Ocean Capital Bhd, department store and supermarket and property developemnt	Public listed	50.2 (1999)	15	Nationwide (Peninsula Malaysia)	Importers, distributors.
Sogo Pernas Department Store Sdn Bhd, department store and supermarket	Local and Japanese companies	61.7 (1998)	1	Kuala Lumpur	Importers, distributors. Direct for some Japanese products.
Fajar Retail Enterprise Sdn Bhd, supermarket and department store	Local company	4.5 (1997)	17	Nationwide (Peninsula Malaysia)	Importers, distributors.

#### 4.1.4 Entry strategy

At first sight, supermarkets and hypermarkets appear to be the easiest entry target for new-to-market US exporters as they already sell a wide range of imported food and beverage products which are targeted at the sophisticated middle to high income urban customers. However, US exporters should carefully select major retailers that are best positioned to sell imported US food and beverage products. The US exporters should consider the following when selecting major retailers:

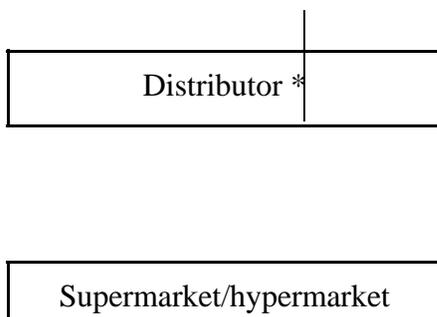
- , The financial strength of the company.
- , The number and location of retail outlets.
- , The marketing and promotional strategy and programme of the store.
- , The target customers of the store.
- , The level of interest by the retailer in selling imported US products.
- , The retail management's policy towards:
  - new imported products and brands.
  - premium and basic lines and niche products.
  - volume of sales expected.
  - promotional support expected of US exporters.
  - pricing.
  - listing fees and other costs, if any.
- , The store's purchasing policy, i.e. whether they purchase directly from overseas suppliers or via local importers/distributors. It is important to note that some supermarkets and hypermarkets buy directly from overseas suppliers as well as from local importers and distributors. All other types of retailers buy from local importers and distributors.

In addition, US exporters should consider the following matters when planning to enter this retail sub-sector:

- , Location of their target customer base.
- , Price competitiveness of the US products compared to local brands and other major imported brands.
- , US products which can be accepted as alternatives to local and other imported products.
- , US products which can easily fit into local food culture.
- , US products which provide convenience for customers.
- , The level of promotion and consumer education necessary for successful long term presence in the market.
- , Ability to meet retailer purchasing requirements and specifications.

#### 4.1.5 Distribution channel

The Chart below gives an overview of the distribution channel for imported food and beverage products from US exporters to supermarkets and hypermarkets.



\* Some sub-distributors are used to distribute products to the sub-urban and provincial towns.

It is important to note that some supermarkets and hypermarkets buy directly from overseas suppliers as well as from local importers and distributors unlike the rest of the retailers which buy from local importers and distributors. Some larger retailers have the policy of buying directly from overseas suppliers where possible and cut out local agents in order to pass cost savings to their customers to be more price competitive in the market.

## 4.2 Convenience stores and petrol station stores

### 4.2.1 Sub-sector profile

Convenience stores and petrol station stores are self service stores which concentrate on selling convenience food and beverage products as well as a small range of other products such as personal care, magazines and newspapers. These types of retail outlets are still a relatively new retail store concept in Malaysia. They are mainly located in urban centres to capture busy convenience seeking customers.

Petrol station retail stores are a very new retail concept in Malaysia. They are only patronised by motorists who drive in to buy petrol and do a small amount of “shopping on the run”.

Other convenience stores’ customers are mostly walk-in purchasers seeking to purchase small quantities of very specific food and beverage products. They generally visit convenience stores on an ad hoc basis, except for children who use such stores as they do tuck shops for snacks and drinks, etc. These stores generally operate for 24 hours a day, seven days a week. Such retail outlets currently have a small, although growing, customer base.

#### 4.2.2 Company profile

This retail sub-sector is still underdeveloped and at an infant stage of development. The main convenience store is 7-Eleven although other smaller local convenience stores exist.

The Table below provides information on the major retailer involved in the operation of convenience stores.

<b>Retailer Name and Outlet Type</b>	<b>Ownership</b>	<b>Sales (US\$ million)</b>	<b>No. of Outlets</b>	<b>Location</b>	<b>Purchasing Agent Type</b>
Convenience Shopping Sdn Bhd, 7-Eleven convenience stores	Local company	41.2 (1997)	143	Nationwide	Local distributors

### 4.2.3 Retail presence of local and imported food and beverage products

The Table below provides an overview of the retail presence in convenience stores of both local and imported food and beverages in the categories covered by this study. Local products dominate most of the market segments covered by this study.

Overview of the Retail Market Presence of Local and Imported Foods and Beverages							
	Relative Retail Presence in Malaysia's Convenience Stores						
Product Category	Very High	High		Moderate		Low	Non Existent
Snack foods	Local					Imports	
Breakfast cereals*				Imports			Local
Red meat	No presence						
Poultry	No presence						
Dairy products				Local		Imports	
Eggs	No presence						
Fresh fruits	No presence						
Prepared fruits						Loc/Imp	
Fresh vegetables	No presence						
Prepared vegetables						Local	Imports
Nuts				Local		Imports	
Soft drinks	Local					Imports	
Mineral water	Local					Imports	
Beer*				Local		Imports	

Overview of the Retail Market Presence of Local and Imported Foods and Beverages							
	Relative Retail Presence in Malaysia's Convenience Stores						
Product Category	Very High	High		Moderate		Low	Non Existent
Wines	No presence						
Spirits	No presence						
Infant milk*						Loc/Imp	
Other infant foods*						Imports	Local
Dog food	No presence						
Cat food	No presence						
Other pet food	No presence						
*: No presence in petrol station stores Source: Market observations conducted in Kuala Lumpur.							

#### 4.2.4 Entry strategy

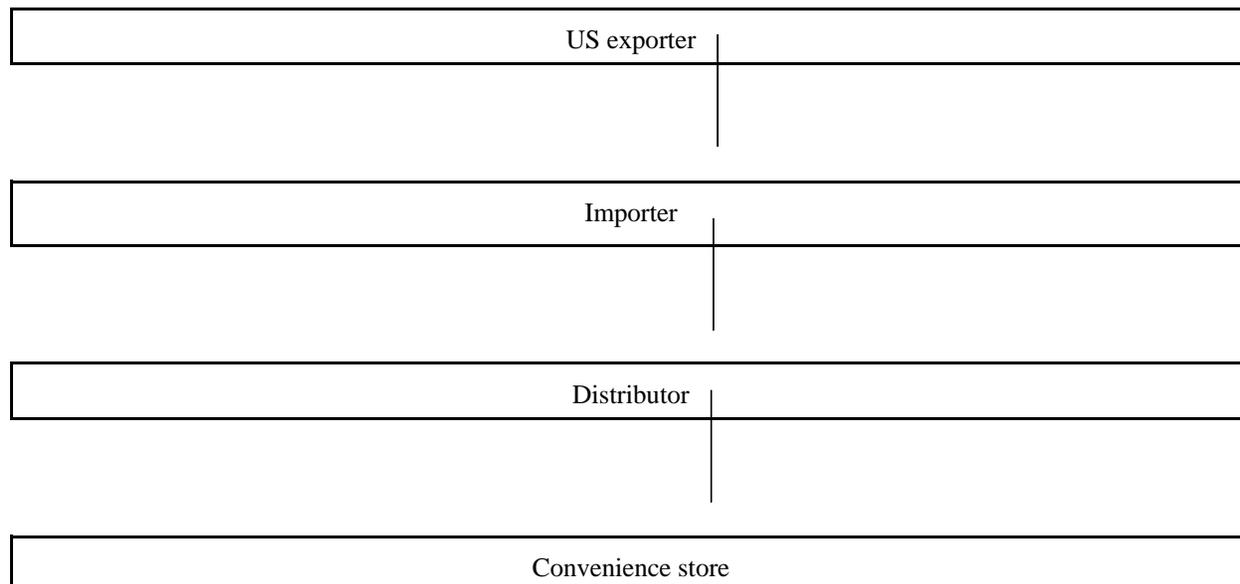
Convenience stores and petrol station stores are still a relatively new retail store concept in Malaysia. The major convenience store in Malaysia is 7-Eleven (1997 sales: US\$ 41.2 million). Convenience stores are mainly located in major urban centres and command a very small share of the total food and beverage retail market, targeting busy customers who seek convenience. US exporters should treat this sub-sector as providing incremental business for them rather than as a mainstream retail sector target.

The new-to-market US exporters should consider the following matters when planning to enter the convenience store sector:

- , Price competitiveness of the US products compared to local brands and competitive imported brands.
- , Appropriate product packaging size which should be small to medium to target the needs of the customers.
- , Innovative products to meet customers' demand for convenience, e.g. frozen prepared foods which can be heated up using a microwave oven or oven toaster.

## 4.2.5 Distribution channel

Convenience stores source their imported food and beverage products through local importers and distributors, like most small retail businesses in Malaysia. The Chart below gives an overview of the distribution channel for imported food and beverage products from US exporters to convenience stores.



## 4.3 Traditional stores

### 4.3.1 Sub-sector profile

Malaysia's traditional stores include provision shops, grocery shops, wet markets, mini markets and other similar retail outlets which sell a limited range of food and beverage products on a small scale. They generally sell local products and brands with low to no presence for imported products, depending on the target customers and the location of the store.

All these retail outlets generally operate for around 9 hours a day, 6 days a week. Wet markets operate for shorter hours, usually for around 3 hours a day, seven days a week. They operate in the early hours of the morning and sell exclusively fresh produce such as vegetables, fruits, fish and meat or at night to sell fresh fruits and vegetables.

These types of traditional retail outlets are commonly found throughout Malaysia, in both urban and rural areas. The majority of Malaysian consumers purchase their food and beverage products from such traditional stores. The customers range from low income to high income groups who generally buy small quantities of food and beverage products at each visit. They visit these stores on a very regular basis each week.

These retail outlets suit the needs of a large number of Malaysian shoppers as they are conveniently located close to where they live or work. In addition, they sell mainly food and

beverage products which are commonly demanded and well known to the majority of Malaysian consumers. These retail outlets also operate at a lower cost than the larger modern retail stores and so are able to offer price competitive range of food and beverages. Some of these retail stores have gained the trust and confidence of their regular customers over the quality of their products. As a result, some have become major retail outlets in their respective markets, i.e. towns/suburbs. Trade sources comment that the number of small retail stores are growing, with the growth in new housing developments and new townships, particularly in the Klang Valley and along the North-South Highway in the states of Selangor, Negri Sembilan, Melaka, and Johor. Most of these retail outlets are made up of grocery/provision shops and mini markets.

#### 4.3.2 Retail presence of local and imported food and beverage products

The Table below provides an overview of the retail presence in provision shops and grocery stores of both local and imported food and beverages in the categories covered by this study. Local products dominate in most of the market segments covered by this study.

Overview of the Retail Market Presence of Local and Imported Foods and Beverages							
	Relative Retail Presence in Malaysia's Provision Shops/Grocery Stores						
Product Category	Very High	High		Moderate		Low	No Presence
Snack foods	Local					Imports*	
Breakfast cereals					Imports*		Local
Red meat	No presence, fresh meats are sold in wet markets						
Poultry	No presence, fresh meats are sold in wet markets						
Dairy products		Local				Imports*	
Eggs		Local					Imports
Fresh fruits		Local		Imports			
Prepared fruits				Local		Imports*	
Fresh vegetables	Generally no presence, fresh produce are sold in wet markets						
Prepared vegetables				Local		Imports*	
Nuts				Local		Imports*	
Soft drinks	Local					Imports*	
Mineral water	Local					Imports*	
Beer				Local		Imports*	
Wines	No presence						

Overview of the Retail Market Presence of Local and Imported Foods and Beverages							
	Relative Retail Presence in Malaysia's Provision Shops/Grocery Stores						
Product Category	Very High	High		Moderate		Low	No Presence
Spirits						Both	
Infant milk		Local				Imports*	
Other infant foods						Imports*	Local
Dog food						Imports	Local
Cat food						Imports	Local
Other pet food	No presence						
*: In mini markets only. Source: Market observations conducted in Selangor, Melaka and Johor							

The only imported products which have achieved nationwide distribution are fresh temperate fruits such as apples and oranges. Apart from wet markets and mini markets, most of these traditional retail outlets do not sell highly perishable products such as fish, seafood and meat. Those with refrigerated display units sell a very limited range of frozen products such as vegetables, French fries, burgers, ice cream and alike.

Mini markets, although not truly a traditional store type, are included in this sub-sector as they display similar characteristics to traditional stores. They are essentially much smaller versions of supermarkets with partly or fully self service facilities, selling a limited range of food and beverage products, including perishables as well as a limited range of household and personal care products. They are usually located in larger towns and in suburban areas. They sell a larger range of imported products compared to the provision and grocery shops, e.g. imported infant food, fruit juice and beer.

### 4.3.3 Entry strategy

The traditional stores sub-sector is large but highly fragmented. Imported food and beverage products have a low presence in these stores.

New-to-market US exporters should carefully select major local distributors that have wide distribution capabilities nationwide, e.g. Dutch Baby Milk, Yeo Hiap Seng and Fraser & Neave which have successfully penetrated into the provincial areas with their products. In order to maintain a successful long term presence, US exporters need to take advantage of these local companies' distribution capabilities and experience as well as the close relationships that have been built up between them and the small retailers.

They should target the following types of stores:

- , Mini markets as they target the more adventurous customers from the middle to upper income groups. They generally sell the widest variety of imported food and beverage products within this sub-sector.
- , Provision and grocery stores located in larger towns and suburban areas. These retail stores also serve customers who also shop at modern retail stores such as supermarkets and hypermarkets.

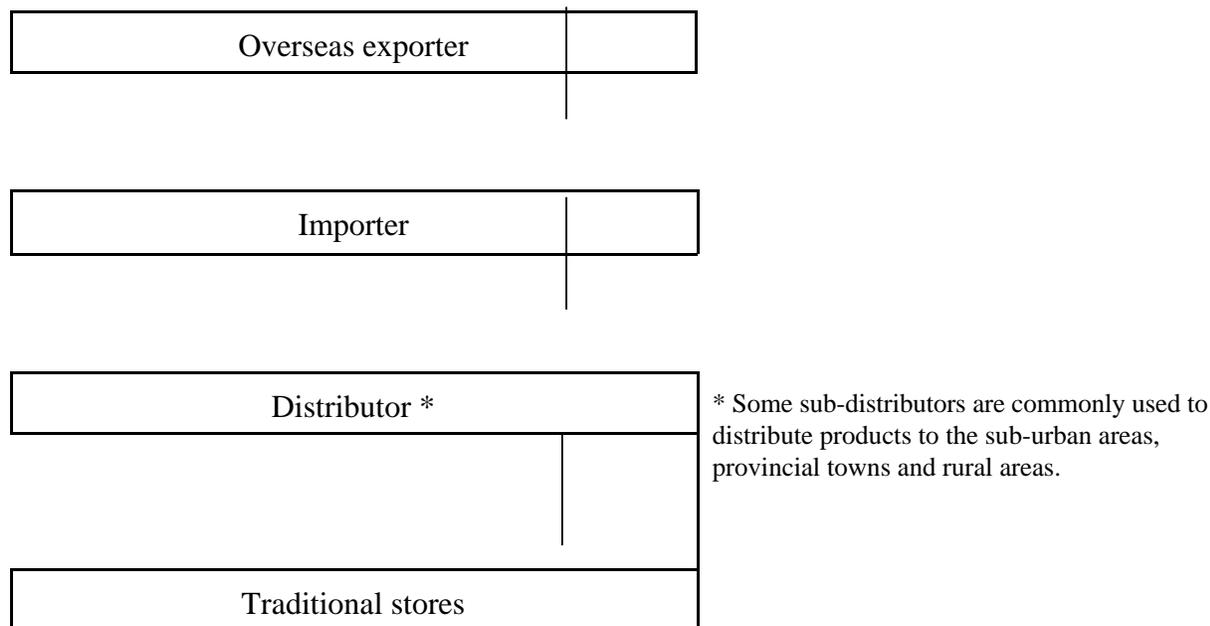
US exporters should supply products that:

- , can be accepted as alternatives to local products and brands.
- , can easily fit into the local food culture.

**4.3.4 Distribution channel**

Traditional stores source for their food and beverage products through local distributors or sub-distributors. Where imported food and beverage products are purchased, these are sourced from importers and distributors or sub-distributors.

The Chart below gives an overview of the distribution channel for imported food and beverage products from overseas exporters to traditional stores.



**5. Competition in the sector**

**5.1 Review of major brands in the market**

Competition in Malaysia's retail food and beverage market is complex. It revolves around a number of factors including price, demand-pull for well known products, supply-push for items that are not necessities or are less well known products and the ability to access retail shelf space on a nationwide basis. Both local and imported products are involved in the market.

The following Table provides details of the key local and foreign brands that are available in the Malaysian market in 1999. In some cases, brand-name owners, rather than individual brand-name, are noted in the Table. Imported brands are identified by the country name that follows the brand-name. The reader should note that many of the key players in the market are foreign branded products that are manufactured or packed locally.

<b>Product Category</b>	<b>Major Players</b>	<b>Minor Players</b>
Snack foods	Various Local Brands	Fritolay (USA) Pringles (USA)
Breakfast cereals	Kelloggs (Thailand & Australia) Nestlé (Philippines) Quaker (Asian products)	Post (USA) Sanitarium (Australia) Uncle Toby's (Australia) Weetabix/Alpen (UK) Tesco (UK)
Red meat, beef and lamb.	National branding by Australia, USA and New Zealand	India (Unbranded)
Poultry.	Various local brands.	US brands - Frozen turkey US brands - Frozen duck US brands - Frozen goose
Dairy products - Canned and bagged milk powders (Not infant formula)	Nestle (Local packed and imported). Dumex New Zealand Dairy Board. Dutch Baby. Fraser & Neave Mead Johnson (Imported)	Snow Brand (Imported) Sustagen (Imported) Wyeth (Imported)

<b>Product Category</b>	<b>Major Players</b>	<b>Minor Players</b>
Dairy products - UHT liquid milk	Nestlé Dutch Baby Susu Lembu Asli	Various brands from Australia Country Goodness (NZ).
Dairy products - Cupped yoghurt	Nestlé Dutch Baby Marigold	Elle & Vire (France) Fresh n' Fruity (NZ) Yoplait (Australia)
Dairy products - Drinking yoghurt (including cultured milk drinks)	Nestlé Malaysia Milk brands Sunglo	-
Dairy products - Ice cream	Walls (Unilever Malaysia and ASEAN) Nestlé (Local and imported) Kings	Haagen Dazs (USA) Buds (USA) Tip Top (NZ) Bulla (Australia)
Dairy products - Butter	Various brands from Australia, New Zealand, France and Denmark.	-
Dairy products - Cheese	Kraft (Australia) New Zealand Dairy Board	Other brands mainly from Australia, France and Denmark.
Eggs	Various Local Brands	-
Fresh fruits, temperate varieties only	Seasonal national branding by USA, France, Australia, New Zealand China brands	Various country sources, including South Africa, Chile and Canada.
Prepared fruits, canned	Various local and Thai brands Del Monte (USA) S&W (USA)	-
Prepared fruits, juices	Berri (Australia) Various brands from Australia and EU countries.	Various brands of Belgium sparkling juices.

<b>Product Category</b>	<b>Major Players</b>	<b>Minor Players</b>
Prepared fruits, jellies/jams	Local brands Hero (Switzerland) St Dalfour (France) Smuckers (USA) Chivers (UK) Steffi's Choice (EU) IXL (Australia)	Tesco (UK) Bonne Maman (France)
Prepared fruits, dried	Sunsweet USA) Sun Maid (USA)	Ligo (USA) Simplot (Australia)
Fresh vegetables, temperate varieties only	High Profile Branding Not Evident	
Prepared vegetables, canned	S&W (USA) Green Giant (USA)	Del Monte (USA)
Prepared vegetables, frozen	McCain (USA and Canada) Watties (NZ)	Maple Leaf (Canada)
Nuts	Tong Garden Local unbranded packs.	Planters (USA) Fisher (USA)
Soft drinks	Coca-Cola/Fraser & Neave Pepsi Cola Schweppes	Other locally bottled foreign and local brands. Various imported brands.
Mineral water, still and sparkling	Various Local Brands	Evian (France) Volvic (France) Perrier (France)
Beer	Guinness Anchor brands. Carlsberg brands.	San Miguel (Philippines) Asia Brewery (Philippines) Various specialty brands from Belgium . Fosters (Australia)
Wines	Various brands from Australia, the USA and France.	Various brands from Italy, New Zealand, Chile and South Africa

Product Category	Major Players	Minor Players
Spirits	High-End spirit brands from various countries.	Various local brands.
Infant milk	Nestlé.	Various brands
Infant foods	Nestlé	Heinz (USA) Gerber (USA) Milupa (Germany) Maeil (South Korea)
Dog food	Pedigree (Thailand & Australia) Alpo (Australia & USA)	-
Cat food	Whiskas (Australia) Friskies (Australia)	-
Source: Market observations conducted in Kuala Lumpur/Klang Valley, Melaka and Johor Baru		

It should be noted that the brand portfolio of most Malaysian retail outlets, including both large and small sized businesses, has been standardising over the past 5 years. As a result, there are now far fewer brands available when compared to 3 years ago. Whilst this trend has been happening in most major retailers, Jaya Jusco and some of the outlets of Top's supermarkets, especially those with expatriate clientele, have a large range of brands available.

The standardised brand portfolio appears to arise from the fact that local supermarket operators now have a better knowledge of their clientele and have, in some cases, been practising category management for some, if not all, of the product lines that are carried.

The key retailers recognise that Malaysian brands, many of which are well known foreign brands produced in Malaysia, are in high demand and so represent the most profitable use of their shelf space. This has allowed powerful companies such as Nestlé, Fraser & Neave (Coca-Cola) and Dutch Baby (Friesland) to build a stronger position in the market. Nestlé is one company that has been expanding its product portfolio through the introduction of new local and foreign products to the market.

## 5.2 Local companies with a strong position in the food and beverage market

Malaysia has a strong local food and beverage industry which supplies products that dominate the markets for snack foods (potato and cereal based products), poultry, dairy products, eggs, fresh tropical fruits and vegetables, soft drinks, mineral water and beer.

While businesses competing in the fresh produce segments compete on being able to supply competitively priced locally known products, the processed food and beverage businesses are

generally competing in markets where brands are important.

It will be noted from the review of major brands in the previous section that there are a number of Malaysian businesses with a strong position in their markets. The largest companies are:

- Nestlé Malaysia, which has a wide range of local and imported products in the market.
- Dumex Malaysia, a powdered milk specialist.
- Dutch Baby Milk Industries, a dairy processing company.
- New Zealand Milk Products, a subsidiary of the New Zealand Dairy Board.
- Fraser & Neave, a beverage company with strong links to Coca-Cola.
- Unilever Malaysia, manufacturer of Wall's ice cream.
- Tong Garden, a subsidiary of a leading Singapore based snack producer.
- Permanis, the largest Pepsi-Cola bottler in Malaysia.
- Yeo Hiap Seng, a large local food company and bottler of Schweppes soft drinks.
- Guinness Anchor, a large brewery.
- Carlsberg, a large brewery.

All of these businesses have brand-driven business strategies, strong and knowledgeable management teams, products which meet closely with local demand requirements, strong physical distribution networks and the financial resources to support their dominant market shares in the segments in which they operate.

These companies, their products and brands are a key challenge for any products competing in their market segments. They are aggressive brand-driven competitors that support their products in the market. New entrants generally find it difficult to enter the market segments in which these companies are the dominant players.

### 5.3 The advantages and disadvantages of local products

The Table below provides an overview of the advantages and disadvantages of local products when in competition with imported products, including those sourced from the USA.

Advantages of Local Products	Disadvantages of Local Products
<ul style="list-style-type: none"> <li>• Product “fits” local food culture. Suppliers are generally more sensitive to local demand requirements.</li> <li>• Well known brands which are popular with large numbers of Malaysian consumers.</li> <li>• Pricing is generally lower than competing imports.</li> <li>• Taste meets closely with local requirements</li> <li>• Packaging size is often more appropriate to Malaysian requirements.</li> <li>• Retailers readily accept local products.</li> <li>• Malaysian made products are generally better supported than those which are imported by independent distributors.</li> <li>• Malaysian products dominate in shorter shelf life segments, e.g. yoghurt, liquid milk and ice cream.</li> <li>• Local soft drinks, mineral water and beer are more price competitive because of the production and distribution economies of scale that are available to local producers.</li> </ul>	<ul style="list-style-type: none"> <li>• Unable to supply temperate climate products.</li> <li>• Packaging is not always as attractive and innovative as imports.</li> <li>• Product portfolio variety in Malaysia is more limited than those seen in developed countries, e.g. the USA.</li> <li>• Limited supplies of local ingredients undermines the ability of some food and beverage businesses to innovate.</li> <li>• Cannot always service demand from the 51,000 expatriates residing in Malaysia in 1999.</li> </ul>

Most Malaysian food businesses lack aggressive R&D abilities. There is a tendency to copy foreign products rather than develop new local products. This is a threat to imported products which build a successful market in Malaysia. For example, the local breweries developed and launched their own version of ice beer after imports established some demand for the product.

## 5.4 The major foreign supply countries today

The Table below provides an overview of the retail market presence of food and beverage products that are imported from Malaysia's key foreign supply countries.

<b>Overview of the Retail Market Presence of Imported Foods and Beverages</b>						
	<b>Relative Retail Presence in Malaysia's Supermarkets/Hypermarkets</b>					
<b>Product Category</b>	<b>Very High</b>	<b>High</b>		<b>Moderate</b>		<b>Low</b>
Snack foods						<b>USA</b>
Breakfast cereals		<b>ASEAN</b>			<b>USA</b>	<b>Aus</b>
Red meat				<b>Aus/India</b>		<b>NZ</b>
Poultry						<b>USA</b>
Dairy products					<b>Aus/NZ</b>	<b>EU/Jap</b>
Eggs	<b>No Imports Noted</b>					
Fresh fruits, temperate		<b>China</b>	<b>USA/Aus</b>		<b>NZ</b>	<b>Others</b>
Prepared fruits				<b>USA</b>		
Fresh vegetables, temperate					<b>Aus</b>	<b>EU</b>
Prepared vegetables				<b>USA</b>		
Nuts						<b>USA</b>
Soft drinks						<b>Various</b>
Mineral water						<b>France</b>
Beer						<b>Various</b>
Wines	<b>Aus</b>	<b>USA</b>			<b>Others</b>	
Spirits			<b>EU</b>			<b>Others</b>
Infant milk				<b>EU</b>	<b>USA</b>	<b>Others</b>
Infant foods			<b>USA</b>		<b>German</b>	<b>S.Korea</b>
Dog food					<b>Various</b>	
Cat food					<b>Aus</b>	
Key: Aus: Australia, German: Germany, ASEAN: ASEAN free trade area countries, NZ: New Zealand EU: Western European countries. Jap: Japan. Source: Market observations conducted in Kuala Lumpur/Klang Valley, Melaka State and Johor State.						

Imports dominate the markets for breakfast cereals, red meat, nuts, wines, alcoholic spirits, infant foods and dog and cat foods. Imports also participate extensively in the markets for fresh fruits and vegetables, canned fruits and vegetables, and infant milk. Niches also exist for imported products in the markets for poultry (frozen items), snacks foods, ice cream, yoghurt, soft drinks, mineral water and beer.

Local food and beverage manufacturers such as Nestlé, Dumex, Dutch Baby, New Zealand Milk Products, Unilever Malaysia (Wall's ice cream), Guinness Anchor (a brewery) and Carlsberg are also large importers of finished branded products. Nestlé imports from a large number of countries including Australia, the UK and other ASEAN countries. Unilever imports ice cream from Indonesia, Thailand and the UK. Carlsberg imports beer from Hong Kong and Denmark. Such activities have boosted imports in some segments, e.g. breakfast cereals, dairy products, beer, infant milk and dog and cat food, and have added to the strengths of these businesses in the market.

### 5.5 Review of competition in individual market segments

The following Table provides information about the key supply countries in each market segment covered by this study and reasons for their strengths in the markets.

Product	Market Size	Major Supply Countries	Reasons for Strengths of the Key Supply Countries
Snack foods, potato and cereal based products	Not reported. Trade sources comment that imports are very small	Pepsico USA (Fritolay) snacks have a very small share of the market.  Local products command a huge market share in 1999.	Pepsico Foods has a strategy which includes expanding its markets in the ASEAN region, including Malaysia. Its main thrust in Malaysia is currently linked to exports of U.S. products.  A number of Malaysian companies have been manufacturing potato and cereal based snacks since the 1980s. Their success in promoting and distributing their products has reduced the impact of imports in this market.

Product	Market Size	Major Supply Countries	Reasons for Strengths of the Key Supply Countries
Breakfast cereals	3,324 tonnes imported in 1998	<ol style="list-style-type: none"> <li>1. Philippines - 42.4%</li> <li>2. Thailand - 19.1%</li> <li>3. USA - 12.3%</li> </ol>	<p>Nestlé has invested in the Philippines as its base for ASEAN region production of breakfast cereals. Nestlé has been manufacturing breakfast cereals in South East Asia since the 1980s.</p> <p>Kelloggs has invested in Thailand to produce breakfast cereals for the ASEAN region. This company has operations in Malaysia and is also importing breakfast cereals from other countries, including the USA, Australia, China and South Korea.</p> <p>Kraft Foods, which has a strong marketing presence in South East Asia, is importing Post cereals from the USA.</p>
Red meat, beef and lamb	82,555 tonnes imported in 1998	<ol style="list-style-type: none"> <li>1. India - 59.2%</li> <li>2. Australia - 22.1%</li> <li>3. New Zealand - 15.6%</li> </ol> <p>The USA is a minor supplier with just 0.6% of the market in 1998.</p>	<p>This market is segmented between a small fresh/chilled market and a large frozen market.</p> <p>India dominates the frozen segment, which supplies mass market demand for competitive meat supplies.</p> <p>Australia and New Zealand are important suppliers of fresh/chilled red meats as well as frozen products. These two countries are generally more price competitive than other sources outside Asia, e.g. the USA and Europe.</p>
Poultry, frozen	19,476 tonnes imported in 1998.	<ol style="list-style-type: none"> <li>1. USA - 30.4%</li> <li>2. Denmark - 26.2%</li> <li>3. Netherlands - 20.9%</li> </ol>	<p>Liberalisation of the markets has allowed larger US and European frozen poultry suppliers to enter and develop the Malaysian market. Currently, most of these products are used by Malaysia's food service sector. Small quantities of U.S. frozen turkey, goose and duck are present in major supermarkets.</p>

Product	Market Size	Major Supply Countries	Reasons for Strengths of the Key Supply Countries
Dairy products - Canned and bagged milk powders (Not infant formula)	31,084 tonnes in total. Retail packaged imports not separately identified.	Market share details not available. Market leaders are:  1. Nestlé. 2. Dumex. 3. Dutch Baby.	The key companies involved in this market have invested in production plants in Malaysia. They pack powdered milk in Malaysia and import canned milk powder from countries such as New Zealand, Denmark and the Netherlands.
Dairy products - UHT milk beverages	Small quantities imported in 1998.	Australia and New Zealand are currently the only foreign suppliers to a market which is dominated by locally manufactured products.	The market was recently opened but is still subjected to controls. This limits the impact of imported products in a market supplied by very strong local producers. The main barrier for imports is however competition from companies such as Nestlé and Dutch Baby.
Dairy products - Cupped (eating) yoghurt and drinking yoghurt	Minuscule imports in 1998.	Australia and New Zealand are currently the only foreign suppliers to a market which is dominated by locally manufactured products..	This small market is dominated by the products of very strong local producers. Foreign suppliers find it difficult to compete with the local products of Nestlé and Dutch Baby.
Dairy products - Ice cream	2,552 tonnes imported in 1998	1. Thailand - 62.7% 2. USA - 14.6% 3. Indonesia - 7.9%	Local producers, Nestlé and Wall's (Unilever), are importing some of ice cream products from their operations in Thailand and Indonesia.  U.S. ice cream supplies niche demand for higher quality branded ice creams, e.g. Haagen Dazs and Buds.
Dairy products - Butter	2,591 tonnes imported in 1998	1. Australia - 55.9% 2. New Zealand - 31.2% 3. Denmark - 1.0%  The USA supplied 0.02% of Malaysia's butter in 1998.	Australia and New Zealand have long established links to the market and supply good quality price competitive butter.  Note: Locally produced margarine is very strong and has marginalised butter as a product in the market. Margarine is manufactured by strong local businesses that are brand managing their products in the market.

Product	Market Size	Major Supply Countries	Reasons for Strengths of the Key Supply Countries
Dairy products - Cheese	3,237 tonnes imported in 1998	1. Australia - 43.9% 2. New Zealand - 38.0% 3. France - 3.9%  The USA is a secondary supplier with a market share of 3.1% in 1998.	The key brands in the market are Kraft (Australia), Chesdale (New Zealand) and President (France).  Australia and New Zealand dominate the key price-sensitive processed cheese markets.
Eggs	238 tonnes of processed eggs imported	Foreign suppliers do not supply significant quantities to Malaysia's retail channels.	Imported eggs have difficulty competing in a market which is well supplied by local producers.
Fresh fruits, temperate varieties only	219,716 tonnes imported in 1998	1. China - 37.4% 2. USA - 21.9% 3. Australia - 20.2%	China dominates because it supplies traditional fruits, e.g. Mandarin Oranges and Chinese variety pears, which have a strong demand in Malaysia. China has also been supplying good quality Fuji apples supported by a good cool chain distribution system. These are becoming popular with Malaysian consumers.  The USA and Australia are key seasonal suppliers of a broad range of non-tropical fruits, e.g. oranges, apples, pears (especially for Australia) and grapes, which are in high demand in retail channels.

Product	Market Size	Major Supply Countries	Reasons for Strengths of the Key Supply Countries
Prepared fruits, canned	1,159 tonnes imported in 1998.	1. Thailand - 27.2% 2. Australia - 20.1% 3. USA - 20.1%	<p>Thailand dominates because of its proximity to Malaysia, competitive price, links to local distributors and its products, which are generally based on tropical and sub-tropical fruits that are well known to Malaysians.</p> <p>Australian and U.S. supplies compete with temperate canned fruits. U.S. products are generally branded products, e.g. Del Monte and S&amp;W, whilst Australian products compete more on price and quality.</p>
Prepared fruits, juices	7,042 tonnes imported in 1998	1. Australia - 18.5% 2. USA - 11.7% 3. Brazil - 11.6%	<p>Australian juices dominate the retail market with some competition mainly from European products. Australian products are price competitive high quality products, whereas those from Europe are more like commodity products.</p> <p>U.S. and Brazil products do not have a high profile in major retailers.</p>
Prepared fruits, jellies/jams	2,105 tonnes imported in 1998	1. Australia - 24.3% 2. USA - 12.6% 3. Switzerland - 7.2%	<p>Australia dominates by supplying high quality price competitive products.</p> <p>U.S. products are active in supplying the retail and food service markets. The highest profile brand is Smuckers.</p> <p>Switzerland's Hero brand has built a higher end niche based largely on its product quality. This brand is active in both the retail and food service markets.</p>
Prepared fruits, dried	5,025 tonnes imported in 1998	1. USA - 52.2% 2. Turkey - 12.7% 3. Iran - 9.8%	<p>The retail market for dried fruits has a mix of commodity and packaged products. The USA dominates the market based on its supply of packaged raisins and prunes. It also leads in the dried apricot segment.</p>

<b>Product</b>	<b>Market Size</b>	<b>Major Supply Countries</b>	<b>Reasons for Strengths of the Key Supply Countries</b>
Fresh vegetables, temperate varieties only	147,852 tonnes imported in 1998	1. Australia - 47.3% 2. Netherlands - 36% 3. New Zealand - 11.8%  The USA is a secondary supplier with 3.8% share of the market in 1998.	The market leaders have long established distribution links with Malaysia. Australia's proximity and frequent air-links are key advantages in its efforts to build markets for its perishable product.
Prepared vegetables, canned	17,962 tonnes imported in 1998	1. China - 42.9% 2. Turkey - 26.4% 3. Thailand - 7.7%  The USA is the fourth largest supplier with a market share of 6.1%.	China and Thailand supply canned vegetables which are well known to Malaysians or have traditional demand.  Turkey is not active in the retail market. Its tomato products have demand in other markets.  The USA is the major supplier of branded canned vegetables which mainly target the expatriate market through retail channels.
Prepared vegetables, frozen	23,455 tonnes imported in 1998	USA - 50.7% New Zealand - 25.4% Canada - 11.8%	Major U.S. and Canadian frozen vegetable suppliers dominate the large market for potato products.  New Zealand concentrates on supplying vegetables other than potatoes. The USA is also active in the supply of such products.

Product	Market Size	Major Supply Countries	Reasons for Strengths of the Key Supply Countries
Nuts	3,913 tonnes imported in 1998.	<ol style="list-style-type: none"> <li>1. China - 53.0%</li> <li>2. USA - 21.2%</li> <li>3. India - 7.4%</li> </ol>	<p>The retail market for nuts has a mix of commodity and packaged nuts.</p> <p>China supplies nuts that have traditional demand from Malaysia's ethnic Chinese population, e.g. commodity chestnuts, almonds, walnuts.</p> <p>The USA supplies a similar portfolio of nuts to China, although some of its products are branded and packaged.</p> <p>India is a key supplier of commodity cashew nuts.</p>
Soft drinks	Minimal compared to local production of more than 418,000 tonnes.	Locally produced soft drinks dominate this market. They have developed a firm footing in the market to the near exclusion of imports.	The brands of Coca-Cola, Pepsico and a number of other foreign soft drinks manufacturers are being produced in Malaysia.
Mineral water.	<p>2.8 million litres imported in 1998.</p> <p>Malaysia is now a large producer of mineral water.</p>	<ol style="list-style-type: none"> <li>1. France - 50.3%</li> <li>2. Singapore - 20.8%</li> <li>3. Indonesia - 20.5%</li> </ol>	<p>The French brands of Evian, Volvic and Perrier are brand managed in the Malaysian market. This underpins their continued survival in the market in the face of high quality local competition.</p> <p>Singapore is mainly a re-exporter of foreign mineral waters and Indonesia supplies commodity products to Malaysia.</p>

<b>Product</b>	<b>Market Size</b>	<b>Major Supply Countries</b>	<b>Reasons for Strengths of the Key Supply Countries</b>
Beer.	6.0 million litres imported.  Malaysia is a large producer of beer.	1. Singapore - 86.5% 2. Australia - 2.2% 3. Philippines - 2.1%  The USA's market share was 0.4% in 1998.	The majority of beer imported to Malaysia is brought in by Malaysia's two largest breweries, which import their own brands from Singapore and Hong Kong (1.6%).  The other imported beers have a tentative niche presence in the market, primarily because of the strong position of the two largest breweries in Malaysia.
Wines	1.6 million litres imported in 1998.	1. France - 37.8% 2. Australia - 25.1% 3. USA - 19.8%	The three market leaders have an equal presence in the retail market. France dominates the food service segment and competes on quality. All countries run marketing campaigns and their distributors attempt to maintain reasonable prices under conditions where high duties exist. These suppliers appear to have benefited from a switch away from higher cost spirits.
Spirits	2.9 million litres imported in 1998	1. UK - 38.3 % 2. France - 36.0% 3. Italy - 7.5%  The USA supplied 3.7% of the market in 1998.	This market is controlled by aggressive British and French brands. It is underpinned by traditional demand for these brands, in particular brandy, cognac and Scotch whisky. These product have good demand from Malaysia's ethnic Chinese males.
Infant milk	15,970 tonnes in retail packs in 1998	1. New Zealand - 30.7% 2. Netherlands - 16.9% 3. Ireland - 5.8%  The USA supplies minuscule quantities of infant milk powder.	This market is dominated by brands owned by key multinational companies, some of which have invested in Malaysia.  The main supplier is Nestlé. Other high profile suppliers include Dutch Baby, Dumex, Wyeth, Mead Johnson and Abbott Laboratories. All of these suppliers operate as brand managers in Malaysia.

Product	Market Size	Major Supply Countries	Reasons for Strengths of the Key Supply Countries
Infant foods (Not infant formula)	2,105 tonnes imported in 1998	1. Australia - 25.6% 2. USA - 14.4% 3. Germany - 6.8%	Imported supplies are dominated by Heinz and Gerber branded canned and bottled products from Australia and the USA. Germany supplies dry packaged baby food under the Milupa brand.
Dog and cat food	13,309 tonnes imported in 1998	1. Australia - 60.7% 2. USA - 14.8% 3. Thailand - 8.7%	Pedigree and Alpo brands dominate dog foods in the retail market. The cat food market is dominated by the Whiskas and Friskies brands.  All brands are supplied by Australia. Some Alpo branded products are imported from the USA. Some Pedigree products are imported from Thailand.
Source: Official government trade data, market observations and trade interviews			

## 6. Best prospects

### 6.1 Market attractiveness review

Retailers comment that there is now a strong possibility that the markets for most processed foods and beverages can grow at between 2% and 5% per annum over the next three years. This positive view is provided based on the facts that Malaysia's economic performance is bouncing back from the sharp downturn seen in 1998 and consumer confidence is improving.

The retail market for most processed foods and beverages has remained resilient throughout the economic downturn. This situation is also very positive for future processed food and beverage market development. The main products which lost ground during the downturn were products with a lack of fit in local food culture and higher cost luxury items.

The main aim of this study is to make a broad based assessment of the attractiveness of the target market segments for U.S. products and rank each segment in accordance with the following criteria:

- Category A: U.S. products are available in significant quantities in the market segments which have good sales potential.
- Category B: U.S. products not present in significant quantities in market segments which have good sales potential.
- Category C: U.S. products not present in market segments because they face significant barriers

The following Table considers in broad terms which of the Malaysian food market segments covered by this study are attractive for U.S. products to develop over the next three years. The Table also ranks each sector according to the above referred criteria.

It should be noted that this market attractiveness review has been developed from a broad study of the Malaysian market and not detailed market studies of each segment. As a result, the reader should not construe it as the results of a full and detailed market study into opportunities for U.S. products. This assessment considers in broad terms the likely strategic direction of each market segment but does not consider or provide advice on the strategies or tactics that will be needed by US exporters to develop viable markets.

<b>Product Category</b>	<b>1994 Imports</b>	<b>1998 Imports</b>	<b>% Change</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Snack foods	2,000 tonnes, mainly local products.  (Value not reported)	3,500 tonnes, mainly local products.  (Value not reported)	3% growth per annum	0% to 7% duty is charged depending on product type.	Local products command a huge share of the market and are well known by Malaysian consumers.	Category B retail market segment.  Attractive to stronger U.S. businesses willing to compete with strong local businesses.
Breakfast cereals	4,314 tonnes imported  RM 26 million (CIF value)	3,324 tonnes imported  RM 32 million (CIF value)	Decline in 1996 to 1998	5% duty charged except on products containing cocoa, which incur 7% duty.	Nestlé and Kelloggs breakfast cereals and their strengths in the market.	Category A retail market segment.  An attractive market for long term development based on higher disposable incomes and related changing eating habits.

<b>Product Category</b>	<b>1994 Imports</b>	<b>1998 Imports</b>	<b>% Change</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Red meat, beef and lamb.	62,312 tonnes imported.  Local supplies are small.  RM 270 million (CIF value)	82,555 tonnes imported.  Local supplies are small.  RM 424 million (CIF value)	6% growth per annum  Market is in a growth phase.	No import duties are levied on beef and lamb.	Segmentation between a small market for fresh/chilled products dominated by Australia and New Zealand and a large frozen market dominated by India.	Category B retail market segment.  High attractiveness for major exporters that are willing and able to compete with Australia, New Zealand and India.
Poultry, frozen.	2,110 tonnes imported  RM 10 million (CIF value)	19,386 tonnes imported  RM 86 million (CIF value)	Very fast growth	No import duties are levied on poultry imports.	The local poultry industry is very strong.  Malaysians generally prefer fresh poultry, which is widely available.	Category A retail market segment.  Niche retail demand exists for frozen turkey.  Note: Food service demand is likely to be the main area of development for frozen poultry products.

<b>Product Category</b>	<b>1994 Imports</b>	<b>1998 Imports</b>	<b>% Change</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Dairy products - Canned and bagged milk powders (Not infant formula)	38,927 tonnes  Industry sales value not reported	31,084 tonnes, including local and imported products.  Industry sales value: RM 316 million.	Static or declining market.	No import duty is charged on imported milk powders.	High levels of existing competition for market share amongst key local suppliers make entry difficult and costly.	Category C retail market segment.  This segment is not particularly attractive for U.S. exporters.
Dairy products - UHT milk beverages	No imports, product was banned.  Local output is 59,121 tonnes.  Sales value not reported	Minimal imports compared to local output of 72,101 tonnes.  Sales value not reported	4% growth per annum.	No import duty is imposed.  Entry is currently controlled by licence and quota.	Strong local suppliers and the strengths of retail packed milk powders are the main barrier to entry by foreign products.	Category C retail market segment.  This segment is not particularly attractive for U.S. exporters. High levels of existing competition for market share make entry difficult and costly.

Product Category	1994 Imports	1998 Imports	% Change	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness For USA
Dairy products - Cupped (eating) yoghurt, drinking yoghurt (including cultured milk drinks) and frozen yoghurt.	300 tonnes  Sales value not reported	300 tonnes  Sales value not reported	Static market.	25% import duty charged.	Strong local brands.  Yoghurt is a niche product. Local producers have some difficulty developing the market.  Frozen yoghurt is not understood by local consumers.	Category C retail market segment.  Generally unattractive for U.S. exporters. A frozen yoghurt niche exists but is experiencing difficulties in market development because the product competes as part of the ice cream segment.
Dairy products - Ice cream	30,000 tonnes  Imports of 3,065 tonnes, valued at RM 18 million (CIF value)	33,000 tonnes  Imports of 2,591 tonnes, valued at RM 24 million (CIF value)	Slow growth.	5% import duty is charged.	Strong local producers, e.g. Wall's (Unilever), Nestlé and King's exist.  ASEAN made ice cream is also imported by these businesses.	Category B retail market segment.  Attractive for continued development of the market for specialty products from the USA.

Product Category	1994 Imports	1998 Imports	% Change	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness For USA
Dairy products - Butter	4,210 tonnes  RM 21 million (CIF value)	2,591 tonnes  RM 20 million (CIF value)	Market in decline.	2% import duty is charged.	Local margarine is very strong. Butter, although liked by consumers, is a niche product.	Category C retail market segment.  Generally unattractive for U.S. exporters because of high levels of competition from local margarine and price competitive Australian and New Zealand products in the retail market.
Dairy products - Cheese	2,721 tonnes imported  RM 22 million (CIF value)	3,237 tonnes imported  RM 35 million (CIF value)	Slow growth (3% to 4% per annum).	5% import duty is charged	Competition is very strong from Australia and New Zealand  Demand is oriented towards processed cheese, mainly the sliced variety.  Note: Food service demand is a key part of the market.	Category B retail market segment.  Attractive for suppliers of processed cheese that can compete with Australian and New Zealand.  Limited potential may also exist for U.S. natural cheese.

<b>Product Category</b>	<b>1994 Imports</b>	<b>1998 Imports</b>	<b>% Change</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Eggs	208 tonnes imported  RM 11 million (CIF value)	238 tonnes imported	Very slow growth	2% import duty charged	Local egg producers are very strong in the market. Fresh eggs are preferred.	Category C retail market segment  No retail market for imports, which are mainly food ingredients.
Fresh fruits, temperate varieties only	180,006 tonnes imported  RM 257 million (CIF value)	219,716 tonnes imported  RM 299 million (CIF value)	3% growth per annum	5% except oranges which incur no import duty.	Few barriers exist for popular products such as apples, pears, oranges and grapes.	Category A retail market segment.  This is one of the most attractive market segments for the USA to develop.

<b>Product Category</b>	<b>1994 Imports</b>	<b>1998 Imports</b>	<b>% Change</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Prepared fruits, canned	9,940 tonnes imported  RM 13 million (CIF value)	1,159 tonnes imported  RM 10 million (CIF value)	Demand has declined for canned fruit from China.	6% to 10% depending in product type, except for on pineapple which incurs 5% plus RM 2.20 (US\$ 0.58) per kilogram.	Fresh fruits, both tropical and temperate varieties, are very widely available and are generally preferred by Malaysian consumers.	Category A retail market segment.  Changes in the diet and an increase in demand for convenient products should underpin long term prospects for U.S. canned fruits, which are supplied by committed businesses.
Prepared fruits, juices	4,853 tonnes imported  RM 20 million (CIF value)	7,042 tonnes imported  RM 32 million (CIF value)	8% to 10% growth per annum.	6% to 10% depending on product, except on pineapple juice which incurs 30%.	The retail market for pure juices is still niche like. The product is not in the mainstream diet of most Malaysians.	Category A retail market segment.  This market is likely to become more dynamic in future as Malaysians start to understand these products. Opportunities will exist for development by the U.S. pure juice suppliers.

<b>Product Category</b>	<b>1994 Imports</b>	<b>1998 Imports</b>	<b>% Change</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Prepared fruits, jellies/ jams	765 tonnes imported  RM 15 million (CIF value)	2,105 tonnes imported  RM 12 million (CIF value)	Very fast growth	No import duties are levied on jellies/ jams.	Locally packed jams are lower priced than imports, although lower in quality.  Demand for imported packed products is still niche like.	Category A retail market segment.  Jams/jellies are already popular with many Malaysians. As disposable incomes continue to rise in future, it is expected that more will upgrade to higher quality products from the developed world, e.g. the USA.
Prepared fruits, dried	6,312 tonnes  RM 12 million (CIF value)	5,025 tonnes  RM 14 million (CIF value)	Market is static or in decline.	10% except for Dates, which incur no import duty.	Mature traditional demand exists with no major stimulant to boost growth potential.	Category A retail market segment.  Attractive to U.S. suppliers with market driven approach to business with Malaysia.

<b>Product Category</b>	<b>1994 Imports</b>	<b>1998 Imports</b>	<b>% Change</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Fresh vegetables, temperate varieties only	81,456 tonnes imported  RM 105 million (CIF value)	147,852 tonnes imported  RM 255 million (CIF value)	Growth of about 15% per annum	No import duty is charged except on sweet corn, which incurs 8% import duty.	Competition from key established suppliers from Australia, New Zealand and the Netherlands.  Competition also comes in the form of products from Malaysia's own highlands and some Asian countries.	Category B retail market segment.  Demand for temperate vegetables will continue to rise on the back of rising disposable incomes. This will provide opportunities for U.S. suppliers able to compete with Australia, New Zealand and the Netherlands.
Prepared vegetables, canned	12,299 tonnes imported  RM 26 million (CIF value)	17,962 tonnes imported  RM 47 million (CIF value)	8% to 10% per annum.	2% to 8% import duty is charged depending on product type.	Demand is very specific and does not include many products. Mushrooms, sweet corn, tomatoes (food service demand), baked beans, peas and some Chinese products comprise the bulk of demand.  The bulk of vegetables consumed by Malaysians are fresh.	Category A retail market segment.  US suppliers are likely to find some future opportunities exist for certain products which "fit" in Malaysian food culture, but not the whole range of products that are available in the USA.

<b>Product Category</b>	<b>1994 Imports</b>	<b>1998 Imports</b>	<b>% Change</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Prepared vegetables, frozen	12,955 tonnes imported  RM 31 million (CIF value)	23,455 tonnes imported  RM 67 million (CIF value)	Around 15% per annum.	Nil except sweet corn which incurs 12%	Demand is not very varied and revolves around potatoes, peas, sweet corn and mixed vegetables.	Category A retail market for segment.  Good prospects exist for certain frozen vegetables supplied by the USA that are in demand from Malaysian consumers.  Note: Food service demand is also important.
Nuts	4,940 tonnes imported  RM 29 million (CIF value)	3,913 tonnes imported  RM 24 million (CIF value)	Static market	Nil, except products containing coconut	Mature traditional demand (including food ingredient demand) exists with no major stimulant to boost growth potential.	Category A retail market segment.  This market should not be ignored in future. The USA is already the major supplier and the market is upgrading on the back of higher disposable incomes.

<b>Product Category</b>	<b>1994 Imports</b>	<b>1998 Imports</b>	<b>% Change</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Soft drinks	Imports are minimal.  390 million litres in local production	Imports are minimal  418 million litres in local production	Very slow growth	25% import duty levied.	The dominant status of the large local soft drink manufacturers, which include strong Coca-Cola and Pepsico bottlers.	Category C retail segment.  This market is generally unattractive for U.S. exporters because it is difficult and costly to enter and develop the market.
Mineral water, still and sparkling	3.1 million litres imported.  RM 5 million (CIF value)	2.8 million litres imported.  RM 4 million (CIF value)	Market is static or in decline.	20% import duty levied.	High quality local brands exist.  Demand for imports is niche like with leading French brands well supported in the market.	Category C retail segment.  Not attractive for U.S. exporters because of the high level of competition from local products. It is unlikely that any form of sustainable niche market could be developed under current demand conditions.

Product Category	1994 Imports	1998 Imports	% Change	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness For USA
Beer	4.3 million litres imported  RM 14 million (CIF value)	6 million litres imported.  RM 23 million (CIF value)	Around 8% per annum.	RM 89.00 (about US\$ 23) per Decalitre	The two key local brewers, Guinness Anchor (a Heineken company) and Carlsberg Malaysia are very aggressive businesses. Most of Malaysia's foreign beers are imported by these businesses from Singapore and Hong Kong.  Other imported beers are niche products.	Category C retail market segment.  Not particularly attractive for companies not currently involved in the market. Duties and taxes imposed on alcoholic drinks are high as a general deterrent to consumption in a country with a majority Muslim population.
Wines	0.8 million litres imported  RM 12 million (CIF value)	1.6 million litres imported  RM 31 million (CIF value)	High rates of growth.	RM 120.00 (about US\$ 32) per Decalitre for still wines. Sparkling wines incur RM 425.00 (about US\$ 112) per Decalitre.	Duties on alcoholic drinks moderate consumption.  Wine may have benefited from a switch from use of spirits, e.g. brandy, at celebrations, e.g. ethnic Chinese weddings.	Category A retail market segment.  This is an attractive market for U.S. exporters underpinned by increasing disposable incomes as well as the apparent switch from away from spirits.

Product Category	1994 Imports	1998 Imports	% Change	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness For USA
Spirits	4.1 million litres imported.  RM 196 million (CIF value)	2.9 million litres imported.  RM 109 million (CIF value)	Market in decline.	Between RM 553.00 (US\$ 145) and RM 587.00 (US\$ 154) per Decalitre, depending on spirit type.	High duties on these products and adverse exchange rates have damaged this market.  Demand is very specific. Brandy/ cognac and Scotch whisky are the key products demanded and consumed.	Category C retail market segment.  Unattractive for U.S. exporters due to well entrenched local demand traits and strong brand managed competition.
Infant milk	15,970 tonnes imported in retail packs.  RM 141 million (CIF value)	15,397 tonnes imported in retail packs.  RM 203 million (CIF value)	Static market.	No import duties are levied on infant milk.	Locally prepared and packed products of Nestlé, Dumex and Dutch Baby have a strong hold on the market.	Category B retail market segment.  Potentially attractive for brand managers seeking to develop markets into the long term in the face of competition from local businesses.

<b>Product Category</b>	<b>1994 Imports</b>	<b>1998 Imports</b>	<b>% Change</b>	<b>Import Tariff Rate</b>	<b>Key Constraints Over Market Development</b>	<b>Market Attractiveness For USA</b>
Infant foods	380 tonnes imported in retail packs.  RM 4 million (CIF value)	2,105 tonnes imported in retail packs.  RM 29 million (CIF value)	Very high rates of growth.	No import duties are levied on infant milk.	Food cultural barriers exist. Malaysian mothers appear to prefer cereal based infant foods.	Category A retail market segment.  This market should not be ignored in future. The USA is already the major supplier and the market is upgrading on the back of higher disposable incomes.
Dog and cat food	4,233 tonnes imported  RM 11 million (CIF value)	13,309 tonnes imported  RM 59 million (CIF value)	High rates of growth.	No import duties are levied on dog food.	Few constraints/ barriers exist under conditions where disposable incomes are growing.	Category A retail market segment.  Attractive for committed suppliers wishing to actively develop markets on a long term basis.
Source: Information from trade sources and government data						

## 6.2 Summary of findings

Category A retail market segments are as follows:

- Breakfast cereals.
- Poultry, frozen.
- Fresh fruits, temperate varieties.
- Prepared fruits, canned.
- Prepared fruits, juices.
- Prepared fruits, jellies/jams.
- Prepared fruits, dried.
- Prepared vegetables, canned.
- Prepared vegetables, frozen.
- Nuts.
- Wines.
- Infant foods.
- Dog and cat food.

Category B retail market segments are as follows:

- Snack foods, i.e. potato and cereal based products.
- Red meats, i.e. beef and lamb.
- Ice cream.
- Cheese, particularly processed cheese.
- Fresh vegetables, temperate vegetables.
- Infant milk.

Category C retail market segments are as follows:

- Canned and bagged milk powders, not infant formula.
- UHT milk beverages.
- Yoghurt in all forms.
- Butter.
- Eggs.
- Soft drinks.
- Mineral water, still and sparkling.
- Beer.
- Spirits

**APPENDIX A MALAYSIAN IMPORT DUTIES**

<b>Malaysian Import Duties</b>	
<b>Product Category</b>	<b>Import Duty Levied on Non-ASEAN Products</b>
Snack foods, cereal and potato based.	Nil to 7% depending on product type
Breakfast cereals	5%, except for products containing cocoa which incur 7%
Red meat, beef and lamb.	Nil
Poultry.	Nil
Dairy products - Canned and bagged milk powders (Not infant formula)	Nil
Dairy products - UHT liquid milk	Nil (Controlled by licence and quota)
Dairy products - Cupped yoghurt	25%
Dairy products - Drinking yoghurt (including cultured milk drinks)	25%
Dairy products - Ice cream	5%
Dairy products - Butter	2%
Dairy products - Cheese	5%
Eggs	2%
Fresh fruits, temperate varieties only	5% except oranges which incur no duty
Prepared fruits, canned	6% to 10% depending on product, except for pineapple which incurs 5% plus RM 2.20 (US\$ 0.58) per kilogram.
Prepared fruits, juices	5% to 10% depending on product, except on pineapple juice which incurs 30%.
Prepared fruits, jellies/jams	Nil
Prepared fruits, dried temperate types	10% except for Dates which incur no import duty.
Prepared fruits, frozen	RM 760 (US\$ 200) per tonne, except pineapple which incurs RM 793 (US\$ 208) per tonne.
Fresh vegetables, temperate varieties only	Nil except sweet corn which incurs 8%
Prepared vegetables, canned	2% to 8% depending on product.
Prepared vegetables, frozen	Nil except sweet corn which incurs 12%

<b>Malaysian Import Duties</b>	
<b>Product Category</b>	<b>Import Duty Levied on Non-ASEAN Products</b>
Nuts	Nil, except products containing coconut
Soft drinks	25%
Mineral water, still and sparkling	20%
Beer	RM 89.00 (about US\$ 23) per Decalitre
Wines (In bottles)	RM 120.00 (about US\$ 32) per Decalitre for still wines. Sparkling wines incur RM 425.00 (about US\$ 112) per Decalitre.
Spirits, i.e. brandy/cognac, whisky, rum, gin or vodka	Between RM 553.00 (US\$ 145) and RM 587.00 (US\$ 154) per Decalitre, depending on spirit type.
Infant milk	Nil
Infant foods	Nil
Dog food	Nil
Cat food	Nil
Other pet food	Nil
Source: Ministerial Announcement on October 29, 1999, and Malaysian Customs Tariff Schedule 1999/2000	

**APPENDIX B MALAYSIAN FOOD AND BEVERAGE MARKET TRENDS - 1994-1998**

<b>Malaysian Food and Beverage Market Trends - 1994 to 1998</b>					
<b>Product Category</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Snack foods (based on potatoes and cereals)	2,000 tonnes, mainly local products	Trade estimates not available	Trade estimates not available	Trade estimates not available	3,500 tonnes, mainly local products
Breakfast cereals and cereal beverage products	4,314 tonnes imported	5,401 tonnes imported	10,430 tonnes imported	4,946 tonnes imported	3,324 tonnes imported
Red meat, beef and lamb	62,312 tonnes imported	72,076 tonnes imported	90,156 tonnes imported	96,063 tonnes imported	82,555 tonnes imported
Poultry, frozen	2,110 tonnes imported	4,849 tonnes imported	8,195 tonnes imported	14,139 tonnes imported	19,386 tonnes imported
Dairy products - Canned and bagged milk powders (Not infant formula)	38,927 tonnes, mainly local products	39,054 tonnes, mainly local products	37,967 tonnes, mainly local products	41,347 tonnes, mainly local products	31,084 tonnes, mainly local products
Dairy products - UHT milk beverages	59,121 tonnes, mainly local products	61,413 tonnes, mainly local products	67,344 tonnes, mainly local products	77,228 tonnes, mainly local products	72,101 tonnes, mainly local products

<b>Malaysian Food and Beverage Market Trends - 1994 to 1998</b>					
<b>Product Category</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Dairy products - Cupped yoghurt and drinking varieties (including cultured milk drinks)	300 tonnes, mainly local products	350 tonnes, mainly local products	400 tonnes, mainly local products	300 tonnes, mainly local products	300 tonnes, mainly local products
Dairy products - Ice cream	30,000 tonnes, mainly local products	32,000 tonnes, mainly local products	35,000 tonnes, mainly local products	38,000 tonnes, mainly local products	33,000 tonnes, mainly local products
Dairy products - Butter	4,210 tonnes imported	4,669 tonnes imported	842 tonnes imported	3,643 tonnes imported	2,591 tonnes imported
Dairy products - Cheese	2,721 tonnes imported	2,786 tonnes imported	3,437 tonnes imported	4,385 tonnes imported	3,237 tonnes imported
Eggs	Dominated by local eggs. Imported 208 tonnes in processed eggs.	Dominated by local eggs. Imported 74 tonnes in processed eggs	Dominated by local eggs. Imported 186 tonnes in processed eggs	Dominated by local eggs. Imported 307 tonnes in processed eggs	Dominated by local eggs. Imported 238 tonnes in processed eggs
Fresh fruits, temperate varieties only	190,385 tonnes imported	213,683 tonnes imported	392,154 tonnes imported	231,344 tonnes imported	219,716 tonnes imported
Prepared fruits, canned	9,940 tonnes imported. Local canned pineapple has a strong presence.	5,141 tonnes imported. Local canned pineapple has a strong presence.	10,575 tonnes imported. Local canned pineapple has a strong presence.	3,048 tonnes imported. Local canned pineapple has a strong presence.	1,159 tonnes imported. Local canned pineapple has a strong presence.

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Prepared fruits, juices	4,853 tonnes imported	5,858 tonnes imported	7,688 tonnes imported	9,792 tonnes imported	7,042 tonnes imported
Prepared fruits, jellies/jams	765 tonnes imported	1,270 tonnes imported	1,908 tonnes imported	2,236 tonnes imported	2,105 tonnes imported
Prepared fruits, dried	6,312 tonnes imported	9,471 tonnes imported	6,621 tonnes imported	6,506 tonnes imported	5,025 tonnes imported
Fresh vegetables, temperate varieties only	81,456 tonnes imported	81,315 tonnes imported	129,439 tonnes imported	132,525 tonnes imported	147,852 tonnes imported
Prepared vegetables, canned	12,299 tonnes imported	12,343 tonnes imported	12,656 tonnes imported	13,612 tonnes imported	17,962 tonnes imported
Prepared vegetables, frozen	12,955 tonnes imported	17,403 tonnes imported	25,627 tonnes imported	24,431 tonnes imported	23,455 tonnes imported
Nuts	4,940 tonnes imported	5,016 tonnes imported	6,222 tonnes imported	6,448 tonnes imported	3,913 tonnes imported
Soft drinks, carbonated and non-carbonated	390 million litres in local production	417 million litres in local production	504 million litres in local production	512 million litres in local production	418 million litres in local production
Mineral water, still and sparkling	Dominated by local production. Imports amount to 3.1 million litres.	Dominated by local production. Imports amount to 3.2 million litres.	Dominated by local production. Imports amount to 3.3 million litres.	Dominated by local production. Imports amount to 4.7 million litres.	Dominated by local production. Imports amount to 2.8 million litres.

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Beer	Dominated by local production. Imports amount to 4.3 million litres.	Dominated by local production. Imports amount to 4.7 million litres.	Dominated by local production. Imports amount to 6.0 million litres.	Dominated by local production. Imports amount to 5.3 million litres.	Dominated by local production. Imports amount to 6.0 million litres.
Wines	0.8 million litres imported.	1.2 million litres imported.	1.0 million litres imported.	1.2 million litres imported.	1.6 million litres imported.
Spirits	4.1 million litres imported	4.5 million litres imported	4.0 million litres imported	3.4 million litres imported	2.9 million litres imported
Infant milk	15,970 tonnes imported	15,837 tonnes imported	19,391 tonnes imported	17,057 tonnes imported	15,397 tonnes imported
Infant foods	Local production of about 2,000 tonnes of cereal based products.  380 tonnes imported.	No estimates of local production available.  743 tonnes imported.	No estimates of local production available.  1,184 tonnes imported.	No estimates of local production available.  2,667 tonnes imported.	Local production of between 2,200 to 2,400 tonnes of cereal based products.  2,105 tonnes imported.
Dog and cat food	4,233 tonnes imported	6,611 tonnes imported	11,261 tonnes imported	11,586 tonnes imported	13,309 tonnes imported
Source: Trade sources and government data					