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Retail Food Sector

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Report Highlights:

This report provides U.S. food exporters with a view into the opportunities for their products within Malaysia. It is a road map for U.S. exporters who wish to enter the market but need to gain an understanding of the key channels of distribution and important growth areas for consumer-oriented foods/beverages and edible fishery products in Malaysia.

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1. Malaysia in profile

Malaysia is the third wealthiest country in Southeast Asia with a population of around 23.2 million people. About 61% of its population make up the middle to upper income group of consumers. Its economy has a firm foundation in a mixed economy that comprises strong manufacturing, service and agricultural sectors. Its GDP per capita in 2000 was US\$3,850, up from US\$3,208 in 1998 when it suffered adverse effects from the regional economic downturn. The country managed to return to economic growth of 8.5% in 2000. The trend of economic growth in 1999 and 2000 indicates that the economy is on its way to resume its growth rates of the pre-1997-1998 crisis period. Inflation in 2000 remained low at 1.6%. Based on the favourable external and domestic economic environment, economic analysts forecasts economic growth ranging from 5% to 7% for the year 2001.

2. Food retail market summary

Malaysia has a large and increasingly sophisticated food and beverage market that is supplied by both local and imported products. Trade sources estimate the total retail sales, including non-food products, to be around US\$ 11.6 billion in 2000, excluding wet market, morning market, night market and other non-permanent retail facilities 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.

Total Retail Market Size*		
	Retail Sales (US\$ Billion)	% Change in Sales
1996	11.2	15.5
1997	12.2	8.9
1998	9.8	-19.7
1999	10.5	7.4%
2000	11.6	10.4%
*: 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 recovered from the economic recession which began in late 1997 and continued into 1998. Retail sales increased by 10.4% in 2000.

Malaysia has a sizeable food manufacturing industry. Trade sources estimate the industry's total output in excess of US\$ 9 billion. In 2000, the industry exported around US\$1.8 billion of processed

products. The Table below shows the production of major manufactured food products in Malaysia.

Production of Major Manufactured Food and Beverage Products (Tonnes/Litres)					
	1996	1997	1998	1999	2000
Sweetened condensed milk	190,607	174,673	154,096	165,119	156,984
Canned fish/seafood	33,895	34,598	35,459	34,754	36,119
Refined sugar	1,116,515	1,155,320	1,072,750	1,225,842	1,246,174
Biscuits	114,878	107,017	109,306	122,380	119,421
Soft drinks/carbonated drinks	504,763	513,347	418,362	351,317	392,210
Note: \$ value of production was not published. Source: Department of Statistics					

The Table below provides an overview of the size of the import market for food and beverage products.

Imports of Food and Beverage Products (US\$ million)					
For Home Consumption	1996	1997	1998	1999	2000
Primary products	437	484	500	536	551
Processed products	887	987	993	1,058	1,150
Total	1,324	1,471	1,493	1,594	1,701
Source: Department of Statistics					

Malaysia imported US\$ 1.7 billion of primary and processed food and beverage products for home consumption in 2000. Food imports have been growing by 5% per annum over the past five years. Trade sources comment that imports of primary and processed food products will likely continue to increase over the next five years.

2.1 Malaysia's food 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. No official statistics are available on the current structure of the retail sector. Trade sources estimate that there are around 139,000 retail and wholesale centres in Malaysia, comprising shopping complexes, supermarkets, markets, specialised outlets and traditional retail shops. Trade sources estimate that there are around 500 supermarkets and hypermarkets, 120 convenience stores,

500 petrol station stores and some 90,000 traditional food stores nationwide.

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 Table below provides trade estimates of the 2000 retail market shares by type of business.

Retail Sector Sales by Type of Business (2000)	
Store Type*	Sales (%)
Department stores, supermarkets and hypermarkets	20.0
Provision stores, grocery stores and alike	20.5
Convenience stores	9.3
Household, personal goods and other stores**	50.2
Total	100.0
<p>* : Excludes wet market, morning market, night market and other non-permanent retail facilities. They account for a large proportion of food sales in Malaysia.</p> <p>** : These establishments were not involved in the sale of food and beverage products.</p> <p>Source: Retail Group Malaysia</p>	

The food retail sector is made up of:

1. 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 are growing in numbers.

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.

2. 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.

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.

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.

3. Convenience stores and petrol station stores which are still a new retail store concept in Malaysia. They have around 9% of the total retail sales. These stores are mainly located in major urban centres and along the North-South Highway 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.

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. However, more petrol station stores have been opening in the recent three years, particularly in major urban centres and along the North-South Highway. 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.

Future Growth Rates of the Retail Food and Beverage Sector			
	2001	2002	2003
Supermarkets, hypermarkets, department stores	6% to 10%		
Convenience stores, patrol station stores	Less than 5%		
Traditional stores	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 much slower rate compared to the large modern retail stores. Convenience stores will see a

slow growth over the next three years.

2.2 Advantages and challenges for US exporters

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

Advantages	Challenges
Malaysia's economy has come out of recession with forecasts economic growth ranging from 5% to 7% for the year 2001. In addition, the supermarket and hypermarket sector, where most of the imported processed food products are distributed, is forecasting a growth of between 6% to 10% per annum for the next three years.	The Muslim population (60% of the total population) demands Halal products. US products will have to comply with their religious requirements.
New supermarkets and hypermarkets are continuing to open, providing greater opportunities for imported products to access the middle to high income consumers.	Strong local brands exist which dominate the market to the near exclusion of imported products, e.g. soft drinks, beer and some dairy products.
A wide variety of foreign products already "fit" into local food culture, e.g. temperate fruits and vegetables, french fries, burgers, soft drinks, dairy products, potato snacks.	Some new-to-market US products are not understood by local consumers, e.g. New Age drinks, and so are ignored by consumers.
USA is a major supplier of many imported food products and leads in a number of market segments.	Competition from Australia and New Zealand with their very strong presence in a number of market segments covered under this study
A number of US businesses are well-known in the market, e.g. Kellogg's, Kraft, Heinz, Coca-Cola, Pepsico (Fritolay).	A large number of well known US brands/products are not known to Malaysians.
Aggressive US promotions in Malaysia have successfully raised the profile of a number of US products, e.g. fresh fruits and grocery items.	US products are not always price competitive against similar quality products from Australia and New Zealand.

3. Road map for market entry

3.1 Supermarkets, hypermarkets and department stores

3.1.1 Company profiles

This retail sub-sector has very few large players involved in operating supermarkets and hypermarkets. The Table below provides information on the major retailers involved in the operation of supermarkets and hypermarkets.

Retailer Name and Outlet Type	Ownership	Sales (US\$ million)	No. of Outlets	Location	Purchasing Agent Type
Tops Retail Malaysia Sdn Bhd, supermarket	Royal Ahold, Netherlands	96 (1999)	40	Nationwide	Direct, Agents
Giant TMC Bhd, Supermarket and hypermarket	Dairy Farm International, Hong Kong	250 (2000)	12	Nationwide (Peninsula Malaysia)	Direct, Importer, distributor
The Store Corporation Bhd, supermarket and department store	Listed on the KLSE	254 (2000)	30	Nationwide (Peninsula Malaysia)	Distributor
Carrefour Malaysia Sdn Bhd, hypermarket	French	148 (1999)	5	Key urban centres (Peninsula Malaysia)	Direct, distributor
Ocean Capital Bhd, department store, supermarket and property development	Public listed	50 (1999)	17	Nationwide (Peninsula Malaysia)	Importers, distributors
Jaya Jusco Stores, superstore chain and shopping centre operation	Listed on the KLSE	212 (2000 retail sales) Supermarkets sales grew by 15% in 2000.	7	Key urban centres (Peninsula Malaysia)	Importers, distributors. Direct for some Japanese products.

Tesco Plc, the UK's leading food retailer, recently announced that they have entered into an agreement with Malaysian group, Sime Darby Bhd, to open around 15 hypermarkets in Malaysia. The opening of the stores will depend on future market conditions. Should this materialise, it will present increased opportunities for imported food products to enter the Malaysian market.

3.1.2 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:

- S The financial strength of the company.
- S The number and location of retail outlets.
- S The marketing and promotional strategy and programme of the store.
- S The target customers of the store.
- S The level of interest by the retailer in selling imported US products.
- S The retail management's policy towards:
 - S new imported products and brands.
 - S premium and basic lines and niche products.
 - S volume of sales expected.
 - S promotional support expected of US exporters.
 - S pricing.
 - S listing fees and other costs, if any.
- S 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:

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

3.1.3 Distribution channel

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

	US exporter	
To		To (Main Channel)
Supermarket/hypermarket	Importer	
	Distributor * Some sub-distributors are used to distribute products to the sub-urban and provincial towns.	
	Supermarket/hypermarket	

3.2 Convenience stores and petrol station stores

3.2.1 Company profiles

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.

Retailer Name and Outlet Type	Ownership	Sales (US\$ million)	No. of Outlets	Location	Purchasing Agent Type
Convenience Shopping Sdn Bhd, 7-Eleven convenience stores	Local company	47 (1998)	179	Nationwide	Local distributors

3.2.2 Entry strategy

Convenience stores are mainly located in major urban centres while petrol station stores are located largely along the North-South Highway. This sub-sector commands 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:

- S Price competitiveness of the US products compared to local brands and competitive imported brands.
- S Appropriate product packaging size which should be small to medium to target the

needs of the customers.

- S 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.

3.2.3 Distribution channel

The table below gives an overview of the distribution channel for imported food and beverage products from US exporters to convenience stores.

US exporter
Importer
Distributor
Convenience store

3.3 Traditional food stores

3.3.1 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:

- S 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.
- S 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:

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

3.3.2 Distribution channel

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

Overseas exporter
Importer
Distributor *
Traditional stores

* Some sub-distributors are commonly used to distribute products to the sub-urban areas, provincial towns and rural areas.

4. Competition in the sector

4.1 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:

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

4.2 Competition in the import market

The table below shows the major supply sources for each product covered under this study.

Selected Products Import Market Shares US\$767.6 Million (1999)	
Australia	27.5%
New Zealand	23.2%
USA	8.8%
India	8.0%
China	5.3%
France	4.3%
Denmark	2.7%
Thailand	2.5%
Rest	17.7%

Source: Malaysia Department of Statistics

The above table shows that the import market is dominated by Australia (27.5% import market share) and New Zealand (23.2% import market share). USA had the third largest share of the import market with 8.8%.

It should be noted that in 1999:

- S** Australia was the leading supplier of lamb, dairy products, fresh temperate vegetables, canned fruits and pet foods and second largest supplier of egg products, infant foods and fresh temperate fruits.
- S** New Zealand was the leading supplier of infant foods and second largest supplier of beef, lamb, dairy products and frozen vegetables.
- S** The USA was the leading supplier of potato based snack products, frozen vegetables, wine, and a major supplier of frozen poultry, egg products, breakfast cereals, canned vegetables, fresh temperate fruits, dried fruits, canned fruits and pet foods.

- S India was the leading supplier of beef (frozen).
- S Denmark and the Netherlands dominated the supply of frozen poultry.
- S Breakfast cereals imports were largely from the Philippines and Thailand, manufactured by Kelloggs and Nestlé.

Appendix A provides further details showing the comparative advantages and disadvantages of major supply sources covering the products under this study.

5. Best product prospects

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.

The summary of findings is as follows:

Category A retail market segments are:

- S Poultry, frozen.
- S Breakfast cereals.
- S Infant foods, bottled.
- S Snacks, potato and cereal based.
- S Frozen vegetables.
- S Canned vegetables.
- S Fresh temperate fruits.
- S Dried fruits.
- S Canned fruits.
- S Edible nuts.
- S Fruit juices.
- S Premium bottled fruit drinks, e.g. Snapple.
- S Wine.
- S Pet food.

Category B retail market segments are:

- S Beef and lamb.
- S Infant foods, particularly cereal based infant foods.
- S Fresh temperate vegetables.

Category C retail market segments are:

- S Dairy products.
- S Egg products.
- S Beer.
- S Spirits.

Appendix B provides further details supporting the above findings.

Appendix A: Review of competition in individual market segments

Product	Major import market supply sources	Strengths of key supply countries	Advantages and disadvantages of local companies
<p>Beef</p> <p>Net import: 81,222 tonnes in 1999</p> <p>US\$ 102 million (CIF value)</p>	<p>1. India - 68%</p> <p>2. New Zealand - 14%</p> <p>3. Australia - 14%</p> <p>USA - Minor supplier (1.5% share)</p>	<p>India competes on price and leads in the frozen sector; used by the mass market food service.</p> <p>National branding as a high quality Halal product by Australia and consistent presence in retail stores has created its market leadership in the food retail sector.</p> <p>New Zealand specialises in servicing the high end food service businesses.</p>	<p>Local supply of beef is significant, at around 40,000 tonnes, with a ready mass market. It competes with Indian beef and not the higher quality Australian and New Zealand products demanded by high end food service operators.</p>
<p>Lamb</p> <p>Net import: 12,163 tonnes in 1999</p> <p>US\$ 18 million (CIF value)</p>	<p>1. Australia - 63%</p> <p>2. New Zealand - 36%</p> <p>USA - Negligible supplier (0.4% share)</p>	<p>Australia leads in the market with its high quality price competitive Halal products.</p>	<p>There is a sizeable supply of local mutton, around 14,000 tonnes as well as 11,000 tonnes of goat meat, targeted at the lower end mass market.</p>

<p>Poultry, mainly frozen</p> <p>Net import: 28,825 tonnes in 1999</p> <p>US\$ 39 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Denmark - 28% 2. Netherlands - 21% 3. USA - 19% 	<p>The USA is the major supplier of turkey and turkey parts.</p>	<p>The main supply for poultry is from local source, of around 700,000 tonnes. Consumers still prefer freshly slaughtered chicken and ducks to chilled or frozen poultry products.</p>
<p>Dairy</p> <p>Net import: 191,302 tonnes in 1999</p> <p>US\$ 285 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Australia - 38% 2. New Zealand - 38% 3. France - 4% <p>USA - Minor supplier (2% share)</p>	<p>Australia and New Zealand are price competitive, geographically close and have developed a long standing in the market. They target the food retail, food service and local dairy manufacturing sectors.</p>	<p>Local companies are very strong in liquid milk, sweetened condensed milk, canned milk powders, infant formula, ice cream, yogurt and cultured milk drinks. They are all very strong companies with dominant shares within their market segments.</p>
<p>Egg products</p> <p>Net import: 302 tonnes in 1999</p> <p>US\$ 1 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Belgium - 27% 2. Australia - 24% 3. USA - 14% 	<p>This is a new market and the product is still not understood.</p>	<p>No local production of processed eggs exists. Malaysia has a large local egg farming sector. Imported egg products have difficulty competing in a market where consumers and users prefer the highly affordable local fresh eggs.</p>

<p>Breakfast cereals</p> <p>Net import: 5,153 tonnes in 1999</p> <p>US\$ 17 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Philippines - 42% 2. Thailand - 34% 3. USA/China - 5% each 	<p>Branded market dominated by Nestlé, Kellogg's and Quaker. Nestlé is supplied from the Philippines, Kellogg's mainly from Thailand and Quaker's from China. Post is from the USA, targeting the niche high end market.</p>	<p>Local production is negligible.</p>
<p>Infant food, including dairy products</p> <p>Net import: 17,871 tonnes in 1999</p> <p>US\$ 57 million (CIF value)</p>	<ol style="list-style-type: none"> 1. New Zealand - 36% 2. Australia - 17% 3. Denmark - 13% <p>USA - Minor supplier (4% share)</p> <p>New Zealand and Australia mainly supply ingredients for re-packing in Malaysia.</p> <p>Denmark supplies mainly retail packed products for Dumex.</p>	<p>Branded market. Close to 90% of the market is dominated by dairy products. Nestlé (35% of market share) dominates the infant formula market and follow-up milks. Dumex (28%), Dutch Lady (15%) and New Zealand Dairy Board (9%) are all major players in this market segment.</p> <p>About 10% of the market is made up of baby cereals, canned and bottled baby foods. Canned and bottled Heinz and Gerber products are imported from the USA.</p>	<p>Dumex and Nestlé dairy products are mainly locally produced/packed although they also import retail packed products. They are very strong in the market.</p> <p>Nestlé, locally produced, dominates in the baby cereals segment. Mothers prefer the baby cereals to baby food in cans or bottles.</p>
<p>Snacks; potato and cereal based</p> <p>Net import: 1,525 tonnes</p> <p>US\$ 3.5 million (CIF value)</p>	<ol style="list-style-type: none"> 1. USA - 89% 2. Japan - 9% 	<p>Branded market. USA dominates the import market with its Pringles and Fritolay products.</p>	<p>Local products dominate this snacks market with very widespread national distribution reach. Malaysia's locally produced branded products such as Jack & Jill and Roller Coasters compete on price against imports.</p>

<p>Fresh vegetables, temperate</p> <p>Net import: 154,099 tonnes in 1999</p> <p>US\$ 65 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Australia - 45% 2. Indonesia - 17% 3. China - 13% <p>USA - Minor supplier with 3% of market but a leading supplier of celery.</p>	<p>Australia's high quality produce and its proximity with frequent air-links are its key advantages. 95% of Indonesia's export is for its very price competitive potatoes. China competes on price.</p>	<p>Malaysia dominates the market with its consistent ability to supply good quality, competitively priced temperate vegetables. It is a major supplier to Singapore.</p>
<p>Frozen vegetables</p> <p>Net import: 23,618 tonnes in 1999</p> <p>US\$ 19 million (CIF value)</p>	<ol style="list-style-type: none"> 1. USA - 38% 2. New Zealand -38% 3. Canada - 18% 	<p>USA dominates the market with its frozen potato products, mainly to the food service, although it also supplies other frozen vegetable products (peas, sweet corn, mixed vegetables). New Zealand dominates the mixed vegetables segment. New Zealand and Canada compete on price against the USA.</p>	<p>Malaysia does not produce frozen vegetables.</p>
<p>Canned vegetables</p> <p>Net import: 16,316 tonnes in 1999</p> <p>US\$ 14 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Turkey- 49% 2. China - 26% 3. USA - 12% 	<p>95% of Turkey's export was for high quality canned tomatoes/puree targeted at the local food industry. China supplies competitively priced canned tomatoes to the food industry as well as canned Asian products (mushrooms) which are well known to local consumers. USA leads with its processed vegetables targeted at the food service and its branded canned sweet corn and other products.</p>	<p>Malaysia is strong in supplying baked beans and peas. Most of its vegetable ingredients are imported from the USA.</p>

<p>Fresh fruits, temperate</p> <p>Net import: 204,861 tonnes in 1999</p> <p>US\$ 61 million (CIF value)</p>	<ol style="list-style-type: none"> 1. China - 47% 2. Australia - 18% 3. USA - 17% 	<p>China leads the market with its Fuji apples, Chinese pears and mandarins.</p> <p>Australia and USA are key seasonal suppliers of apples, oranges, grapes, berries and stone fruits. Their products are trusted by consumers.</p>	<p>Malaysia does not produce fresh temperate fruits.</p>
<p>Dried fruits</p> <p>Net import: 9,843 tonnes in 1999</p> <p>US\$ 10 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Egypt - 35% 2. Iran - 32% 3. USA - 15% 	<p>98% of Egypt's exports is for dates. Dates formed 87% of total imports, with major product demand by the Muslims during Hari Raya.</p> <p>Iran competes on price and supplies mainly dates and raisins.</p> <p>USA dominates the market for branded retail packed raisins and prunes with its well known brands (Sun-Maid, Del Monte, Ligo).</p>	<p>Malaysia does not supply dried fruits.</p>
<p>Canned fruits, excluding canned pineapples</p> <p>Net import: 777 tonnes in 1999</p> <p>US\$ 0.8 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Australia - 35% 2. South Africa - 26% 3. USA - 24% 	<p>Around 60% of imports was for canned peaches and this product formed 77% of Australia's total exports. It competes on quality and price.</p> <p>South Africa directly competes with Australia but is less price competitive.</p> <p>USA leads in canned cherries and strawberries demanded by the food service sector.</p>	<p>Canned pineapple dominates the canned fruits market and local products dominate.</p>

<p>Edible nuts</p> <p>Net import: 4,156 tonnes in 1999</p> <p>US\$ 7.6 million (CIF value)</p>	<ol style="list-style-type: none"> 1. China - 48% 2. USA - 27% 3. India - 9% 	<p>China supplies nuts that have a traditional demand from ethnic Chinese such as walnuts and mixed nuts, targeting the food industry. The USA leads in the retail sector with its branded almond, hazelnut and pistachio nuts. India leads with its competitively priced cashew nuts.</p>	<p>Local brands such as Tong Garden, Camel and Tai Sun have a very strong presence in the retail market.</p>
<p>Fruit juices</p> <p>Net import: 3,121 tonnes in 1999</p> <p>US\$ 1.7 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Australia - 32% 2. USA - 19% 3. UK - 8% 	<p>Australian juices dominate the retail market. Its products are of high quality and price competitive. US and UK products do not have as high a profile in the retail sector although their mixed juices are more price competitive compared to Australia.</p>	<p>Malaysian pineapple juice dominates this segment of the market, competing on quality and price.</p>
<p>Other non-alcoholic beverages, including mineral water and soft drinks</p> <p>Net import: 5.9 million litres in 1999</p> <p>US\$ 5 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Indonesia - 44% 2. France - 17% 3. USA - 16% 	<p>Indonesia supplies commodity-style lower end mineral water to Malaysia. France exports mainly mineral water to Malaysia, dominating the premium mineral water market. The French brands of Evian, Volvic and Perrier are brand managed and well known in the market as high quality premium products. US has increased its market share through its premium branded Snapple products.</p>	<p>Local mineral water and soft drinks dominate the market. Malaysia is a major exporter of soft drinks and mineral water to Singapore.</p>

<p>Wine</p> <p>Net import: 3.0 million litres in 1999</p> <p>US\$ 13 million (CIF value)</p>	<ol style="list-style-type: none"> 1. USA - 34% 2. France - 33% 3. Australia - 19% 	<p>USA has improved its market share significantly by its aggressive supply of New World wines at very competitive prices.</p> <p>France, which continues to supply traditional Old World wines, dominates the food service market and competes on quality and price.</p> <p>Australia has developed a higher presence in the retail market because of its price competitive products and strong supply.</p>	<p>Malaysia does not produce any wine.</p>
<p>Beer</p> <p>Net import: 2 million litres in 1999</p> <p>US\$ 27 million (CIF value)</p>	<ol style="list-style-type: none"> 1. Singapore - 66% 2. Mexico - 16% 3. Philippines - 8% <p>USA - Negligible supplier (0.2%), however, Budweiser has been increasing its retail presence.</p>	<p>Singapore is a major re-exporter of foreign beer into Malaysia. Grolsch's and other Belgium beers, Fosters's from Australia as well as Tsing Tao from China are re-exported from Singapore into Malaysia.</p> <p>Niche players include Corona Extra (Mexico) and San Miguel (Philippines).</p>	<p>The market is dominated by local beers. Malaysia has two major breweries that are aggressive brand driven businesses which protect its market.</p>
<p>Spirits</p> <p>Net import: 3 million litres in 1999</p> <p>US\$ 39 million (CIF value)</p>	<ol style="list-style-type: none"> 1. France - 33% 2. UK - 33% <p>USA - Minor supplier (4% share)</p>	<p>The market is dominated by whiskey (47% market share) and brandy (32% market share).</p> <p>France dominates the brandy (96% share) and bitters (89% share) sectors with its well known brands.</p> <p>UK dominates in whiskies (78% share), vodka (45% share) and gin (56%).</p>	<p>Local production is negligible.</p>

<p>Pet food</p> <p>Net import: 10,890 tonnes in 1999</p> <p>US\$ 14 million (CIF value)</p>	<ol style="list-style-type: none">1. Australia - 50%2. USA - 17%3. Thailand - 15%	<p>The market is dominated by Friskies (Australia & USA,) Pedigree (Australia & Thailand) and Whiskas (Australia & Thailand).</p>	<p>Malaysia does not produce processed and packed pet foods.</p>
<p>Source: Malaysia Department of Statistics, market observations and trade comments</p>			

Appendix B: Best product prospects review

Product Category	1995 Imports	1999 Imports	% Change	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness For USA
Beef and lamb	72,076 tonnes	93,385 tonnes	6% growth per annum	No import duties are levied on beef and lamb.	Segmentation between a small market for fresh/chilled products dominated by Australia 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 (fresh and chilled) and India (frozen).
Poultry, mainly frozen	4,849 tonnes	28,825 tonnes	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.

Dairy	185,870 tonnes	191,302 tonnes	Mature market	25% import duty charged on yogurt products. 5% import duty is charged on ice cream and cheese and 2% on butter.	High levels of existing competition for market share amongst key local suppliers make entry difficult and costly. Competition is very strong from Australia and New Zealand	Category C retail market segment, except for ice cream, processed and pizza cheese. This segment is not particularly attractive for U.S. exporters.
Egg products	74 tonnes	302 tonnes	Niche market 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.
Breakfast cereals	5,401 tonnes	5,153 tonnes	Slow growth	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.

<p>Infant food, including dairy products</p>	<p>16,580 tonnes</p>	<p>17,871 tonnes</p>	<p>Static market</p>	<p>No import duties are levied on infant milk.</p>	<p>Food cultural barriers exist. Malaysian mothers appear to prefer cereal based infant foods.</p> <p>Locally prepared and packed dairy products of Nestlé, Dumex and Dutch Baby have a strong hold on the market.</p>	<p>Category B retail market segment for cereal based infant food.</p> <p>This market should not be ignored in future. The USA is already the major supplier for bottled infant food and the market is upgrading on the back of higher disposable incomes.</p>
<p>Snacks; potato and cereal based</p>	<p>Details not reported</p>	<p>1,525 tonnes</p>	<p>Growth market</p>	<p>0% to 7% duty is charged depending on product type.</p>	<p>Local products command a huge share of the market and are well known by Malaysian consumers.</p>	<p>Category A retail market segment.</p> <p>Attractive to stronger U.S. businesses willing to compete with strong local businesses.</p>

Fresh vegetables, temperate	81,315 tonnes	154,099 tonnes	Growth of about 15% per annum	No import duty is charged except on sweet corn, which incurs 8% import duty.	<p>Competition from key established suppliers from Australia, Indonesia and China.</p> <p>Competition also comes in the form of products from Malaysia's own highlands and some Asian countries.</p>	<p>Category B retail market segment.</p> <p>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, Indonesia and China.</p>
Frozen vegetables	17,403 tonnes	23,618 tonnes	Around 7% per annum.	Nil except sweet corn which incurs 12%	Demand is not very varied and revolves around potatoes, peas, sweet corn and mixed vegetables.	<p>Category A retail market for segment.</p> <p>Good prospects exist for certain frozen vegetables supplied by the USA that are in demand from Malaysian consumers.</p> <p>Note: Food service demand is also important.</p>

Canned vegetables	12,343 tonnes	16,316 tonnes	5% 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.
Fresh fruits, temperate	213,683 tonnes	204,861 tonnes	Static market	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. Demand for temperate fruits will rise on the back of rising disposable incomes.

Dried fruits	9,471 tonnes US\$ 3 million (CIF value)	9,843 tonnes US\$ 10 million (CIF value)	Growth in dates imports	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.
Canned fruits, excluding canned pineapples	5,141 tonnes	777 tonnes	Market in decline	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.
Edible nuts	5,016 tonnes	4,156 tonnes	Import market in decline	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. The USA is already the major supplier and the market is upgrading on the back of higher disposable incomes.

Fruit juices	5,858 tonnes	3,121 tonnes	Immature market	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 and is highly sensitive to economic performance of country.	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.
Other non-alcoholic beverages, including mineral water and soft drinks	3.2 million litres	5.9 million litres	Slow growth	25% import duty on soft drinks and 20% on mineral water.	The dominant status of the large local soft drink and mineral water manufacturers, which include strong Coca-Cola and Pepsico bottlers.	Category A retail segment for premium fruit drinks. This market is attractive for U.S. exporters of premium fruit drinks as the market is upgrading on the back of higher disposable incomes.

Wine	1.2 million litres	3.0 million litres	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. Sales tax is levied at 20%.	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 away from spirits.
Beer	4.7 million litres	2 million litres	Declining due to high excise duties.	RM 89.00 (about US\$ 23) per Decalitre Sales tax is levied at 20%.	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 and local competition is very strong.

Spirits	4.5 million litres	3 million litres	Market in decline.	Between RM 553.00 (US\$ 145) and RM 587.00 (US\$ 154) per Decalitre, depending on spirit type. Sales tax is levied at 20%.	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.
Pet food	6,611 tonnes	10,890 tonnes	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						

Appendix C: Contact List of Major Food and Beverage Retailers

Carrefour Malaysia Sdn Bhd
3 Jalan SS 16/1, 47500 Subang Jaya
Selangor
Malaysia
Tel: (03) 56374680
Fax: (03) 56337735

Ocean Capital Bhd
NO. 1-21 Jalan Temoh
41400 Klang
Selangor
Malaysia
Tel: (03) 33439933
Fax: (03) 33430076

Convenience Shopping Sdn Bhd
6th Floor Wisma Antah, Off Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Malaysia
Tel: (03) 2541411
Fax: (03) 2561319

Tops Retail Malaysia Sdn Bhd
9th Floor
Wisma Jerneh
38 Jalan Sultan Ismail
50250 Kuala Lumpur Malaysia
Tel: (03) 21466688
Fax: (03) 21452301

Giant Cash & Carry Sdn Bhd
1st Floor, Giant Office Block
673, US51 Subang Jaya
47500 Petaling Jaya
Selangor
Malaysia
Tel: (03) 56373319
Fax: (03) 56348426

The Store Corporation Bhd
Lot S47 & S48
2nd Floor IOI Mall
Bandar Puchong Jaya
9th Mile 47100 Puchong
Selangor
Malaysia
Tel: (03) 58827373
Fax: (03) 58827378

Jaya Jusco Stores Bhd
4th & 5th Floor, Manara Kausar
Jalan 3/27A Section 1
Badar Bahru Wangsa Maju
53300 Kuala Lumpur
Malaysia
Tel: (03) 41433199
Fax: (03) 41491388

End of report.