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Food Service Malaysia

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Approved by:

David W. Cottrell

U.S. Embassy, Kuala Lumpur

Prepared by:

Stantons, Emms and Sia

Report Highlights:

Malaysia is one of the more affluent nations in Asia with a GDP per-capita of about US\$6,450 in 2006. Malaysia's economy grew by 5.9%, compared to 4.2% growth in 2002. Most economic commentators forecast Malaysia's economy to grow by about 5.7% in 2007 and 2008. Malaysia has a sizeable and rapidly growing food service market today, with projected growth 5% and 6% per annum over the next three to five years. Best product prospects for U.S. suppliers include frozen turkey, breakfast cereals, savoury snacks, frozen potatoes, temperate fresh fruits and fruit juices.

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Table of Contents

1. Malaysia in profile	3
2. Food service market summary	3
2.1 Malaysia's food service sector in overview	4
2.2 Advantages and challenges for US exporters	5
3. Road map for market entry	6
3.1 Sub-sector market entry	6
3.2 Entry strategy.....	13
3.3 Distribution channel	14
4. Competition in the sector.....	15
5. Best product prospects	20

1. Malaysia in profile

Malaysia is one of the more affluent nations in Asia with a GDP per-capita of about US\$6,450 in 2006. Its economy sits on a firm foundation in a mixed economy that comprises strong agricultural, services and manufacturing industries. In 2006, the economy grew by 5.9%, compared to 4.2% growth in 2002. Most economic commentators forecast Malaysia's economy to grow by about 5.7% in 2007 and 2008.

Malaysia has a multi-racial population of around 27.1 million in 2007, all of whom are multi-lingual, speaking at least two languages fluently, including English which is widely used in the business environment. Malaysia still has a young population today, with around 63% being in the 15 year to 64 year age range. Almost 97% of the working population are gainfully employed. Over 60% of the population are in the middle to high income group with a growing purchasing power. Malaysia can be compared to Singapore in the 1980s when improving sophistication and modernisation of local lifestyles were becoming evident, leading to increasing consumption of imported food and beverages from western countries. Today, Malaysia provides a significant pool of active consumers who will continue to modernise their eating habits, leading to increasing consumption of imported food and beverages.

2. Food service market summary

Malaysia has a sizeable and rapidly growing food service market today. Trade sources estimate that the total food service market amount to between US\$ 4.9 billion and US\$ 5.2 billion today. Trade sources comment that the food service market has been growing at a rapid average rate of around 6.5% per annum over the past five years. They indicated that this market is likely to grow at between 5% and 6% per annum over the next three to five years.

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)					
	2002	2003	2004	2005	2006
Meat & meat preparations	223	204	249	273	265
Fish & fish preparations	298	331	478	469	503
Dairy products, eggs & honey	312	312	401	445	449
Edible vegetables	284	281	353	403	451
Edible fruits & nuts	125	119	126	134	145
Coffee, tea, mate & spices	100	89	148	138	205
Processed meat, fish & seafood	36	35	48	50	56
Sugar & sugar preparations	298	278	305	348	454
Processed cocoa products	174	320	383	443	731
Processed cereal products	187	192	273	289	307
Processed vegetables and fruits	63	66	75	82	93

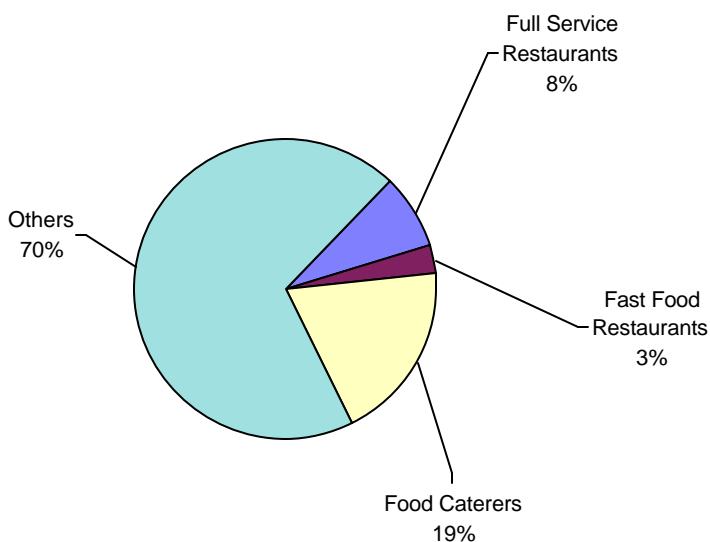
Miscellaneous processed foods	162	173	239	267	288
Beverages	92	111	164	167	185
Total	2,354	2,511	3,242	3,508	4,132
Source: Department of Statistics					

Malaysia imported US\$ 4.1 billion of food and beverage products in 2006. Food imports have been growing on an average of over 15% per annum over the past few years. Trade sources comment that imports of food products will likely continue to grow at similar rates over the next five years.

2.1 Malaysia's food service sector in overview

Malaysia's food service sector targets a local population of about 27 million persons and a large transient population of tourist and business visitors of almost 20 million persons annually. The sector is diverse, with outlets ranging from low end food stalls operating in outdoor areas by the roadside to covered food courts to high end restaurants operating in hotels, as restaurant chains or as single site restaurant businesses.

The food service sector continues to remain fragmented today, with around 70% of the operations being made up of small food service operators such as single site cafes, coffee shops, open air food stalls, food stalls in food courts, eating houses, pubs and bars and other minor food service operators. The Chart below shows the structure of the food service sector in Malaysia today.



In Malaysia it is not unusual to have breakfast, lunch and dinner out daily, as well as snacks in between meals. This is more commonly practiced by young married couples or young single adults who are gainfully employed. It is, however, common for families to have dinner out at least once a week, at the street stalls, food court, coffee shops, low end restaurants and alike. Dining at a high end restaurant is reserved for special occasions such as birthdays, weddings, anniversaries and alike.

The Malaysian cuisine is varied and has historically been influenced by Chinese, Malay, Indian and Middle Eastern cuisines. In recent decades, western cuisines from Europe and the USA have also started to influence the local cuisine. Today, restaurants that offer exotic cuisine from Japan and the USA are gaining popularity amongst the middle to high income consumers.

Although Malaysia's food service sector has largely retained its Asian standards, it is rapidly modernising and upgrading to standards similar to those found in most developed nations. Events such as the Malaysian International Gourmet Festival, held once a year, has encouraged the best restaurants to showcase their finest culinary creations, making Malaysia into one of the fine dining destinations in the region. All the finest restaurants operating in the major cities in Malaysia actively participate in this annual event. US exporters intending to enter the food service sector should consider targeting the dynamic high end restaurant segment operating in the major cities in Malaysia.

2.2 Advantages and challenges for US exporters

The Table below summarises the advantages and challenges for US products in the Malaysian food service sector.

Advantages	Challenges
<p>Malaysia's economy is continuing to grow and the food service sector is also continuing to expand rapidly. Most imported food and beverage products attract low import duties and Customs Duties (except for alcoholic drinks).</p>	<p>The Muslim population (around 60% of the total population) demands <i>Halal</i> products. It will be necessary and advantageous for US products to be <i>halal</i> certified to include this large segment of the population. Halal requirements are not transparent.</p>
<p>US products are already well-known and well represented in the food service market. In addition, an increasing number of US-style restaurants and cafés are opening in Malaysia's major cities. This enables new-to-market US products an easier access into the food service market in Malaysia.</p>	<p>Malaysia, Australia, New Zealand, France, China and other ASEAN countries continue to be strong competitors in the food service market. Their products compete on quality and price against a number of comparable US products.</p> <p>US products are generally perceived as not as price competitive as similar products from countries such as Australia and New Zealand.</p>

Young Malaysians, including young adults, are increasingly adopting US culture and gaining a taste for US cuisines. This is very positive for US food products.	The Malaysian cuisine dominates with a large demand for local products.
The high end segment of the sector is rapidly expanding and upgrading to standards similar to those found in developed countries. This is positive for US food products.	The majority of consumers only dine at high end restaurants for special occasions such as birthdays, anniversaries, weddings and alike.

3. Road map for market entry

3.1 Sub-sector market entry

3.1.1 Restaurants in hotels and resorts

In Malaysia, the 3 star to 5 star hotels usually operate one or more restaurants within their premises, targeted at the hotel guests although walk-in and regular customers form a sizeable and important proportion of their customer base. Restaurants can range from mid-range to high end, depending on the rating of the hotel.

The majority of the 5 star hotels and resorts are located in Kuala Lumpur and in surrounding suburbs in Selangor, Pinang, Kota Kinabalu, Langkawi Island and other major tourist resorts. All the 5-star hotels operate high end fine dining restaurants that serve various cuisines including Chinese, Japanese, Seafood, European, Indian, Italian, Continental, Fusion, BBQ buffet, International buffet, French, Californian and various Asian as well as afternoon teas of various themes. Many of the hotel restaurants are award winning and innovative fine dining establishments.

It should be noted that:

- Fine dining restaurants at 4 to 5 star hotels are usually frequented by Malaysia's middle to high income groups as well as corporate customers. Dining at such restaurants peaks around the festive seasons from November to February each year, covering the Deepavali to the Chinese New Year period. In addition, hotel restaurants are popularly used for celebratory functions, such as anniversaries, annual corporate dinners, business or government functions/events, weddings and other important events.
- Certain award winning fine dining hotel restaurants are places to be seen dining in and are popular with the high income consumers, royalties, celebrities, important government officials and alike.

Imported food and beverages are used by this sub-sector of the market.

Company profiles

The Table below provides information on the major hotels that operate restaurants today.

Name	Sales (US\$ millions)	Outlet Name, Type, & Number of Outlets	Cuisine Type	Purchasing Agent Type
Mandarin Oriental, Kuala Lumpur	Not available.	1) Lai Po Heen 2) Wasabi Bistro 3) Biba's Café 4) Pacifica Grill and Bar 5) Cascade Restaurant and Bar	1) Cantonese 2) Sushi 3) Seafood 4) European cuisine with Asian influence	Local agents
Ritz Carlton, Kuala Lumpur	Not available.	1) Li Yen 2) Lobby Lounge	1) Cantonese 2) Afternoon tea	Local agents
Shangri-La Tanjung Aru, Kota Kinabalu	Not available.	1) Café TATU 2) COAST Restaurant & Bar 3) Naan - Flavours of India	1) Asian and Continental 2) Californian Cuisine 3) Indian	Local agents
Shangri-La Kuala Lumpur	Not available	1) Lafite 2) Lemon Garden Café 3) Shang Palace 4) Zipangu	1) Western 2) Malaysian, Indian, Chinese, Italian 3) Cantonese 4) Japanese	Local agents
Four Seasons Langkawi	Not available.	1) Serai	1) Southern Italy and the Mediterranean	Local agents
The Datai Langkawi	Not available.	1) Pavilion 2) The Dining Room	1) Thai 2) International as well as Malaysian specialties	Local agents
Grand Millennium	Not available.	1) Zing	1) Chinese	Local agents

JW Marriott Kuala Lumpur	Not available.	1) Shanghai 2) Gonbei 3) Shook! 4) third Floor Restaurant	1) Chinese. 2) Japanese 3) Chinese, Italian, Japanese, grill 4) French, Australian, Asian	Local agents
Palace of the Golden Horses, Kuala Lumpur	Not available.	1) Carousel Cafe 2) Cavallini's Italian 3) Kim Ma 4) Kin No Uma	1) International and local 2) Italian 3) Chinese 4) Japanese	Local agents
Renaissance Kuala Lumpur	Not available.	1) Med@Marche 2) Sagano 3) Dynasty 4) Vogue Café 5) Temptations	1) Mediterranean. 2) Japanese 3) Chinese. 4) Pacific Rim 5) Local, Asian, international	Local agents
Hotel Nikko Kuala Lumpur	Not available.	1) Benkay 2) Café Serina Brasserie 3) Toh Lee	1) Japanese 2) International and local 3) Chinese	Local agents
Eastern & Oriental Hotel, Pinang	Not available.	1) Sarkies Corner 2) The 1885	1) International and local 2) Contemporary and afternoon tea	Local agents

3.1.2 Restaurants

Malaysia's restaurant sub-sector, excluding hotel restaurants, is made up of:

- Full service restaurants which are operated by individuals, companies or large corporations. Full service restaurants are made up of mid to high end restaurants that target the middle to high income consumers. The high end restaurants are comparable to the fine dining restaurants operated by the 4 to 5 star hotels, where professional chefs are employed.

Trade sources added that the majority of these restaurants are Asian restaurants with Chinese restaurants dominating the Asian segment of the sector. Other cuisines that are well represented in the Asian restaurant segment are Malay, Indian (various cuisines), Japanese (various cuisines/formats), Indonesian, Peranakan and Thai.

The most prominent cuisines featured in non-Asian restaurants are American-style (family-style restaurants, which mainly operate in chains), Italian, French and generic

“Western”. The other cuisines featured are supplied by niche players that have Mediterranean, Turkish, Persian, Lebanese, Arabic, Indochinese, Australian, Continental, Korean, German or Brazilian menus.

Most of the full service restaurants that have an American menu are franchised operations that have been introduced to Malaysia from the USA, e.g. Chili’s Grill & Bar, Swensen’s, T.G.I. Friday’s and Tony Roma’s.

Some are Asian origin western-style restaurants e.g. Black Canyon (Thai origin), San Francisco Steakhouse (Malaysian origin), The Manhattan Fish Market (Malaysian origin), Secret Recipe (Malaysian origin), Victoria Station Restaurant (Malaysian origin), The Ship (Malaysian origin). These restaurant chains are better able to closely meet the taste preferences of the Asian palate.

The majority of the customers that frequent these restaurants are from the middle to upper income families, business persons and the affluent young working adults. Most of the customers are well-travelled, well-informed, sophisticated, prefer to dine in comfort and enjoy the highest culinary standards in Malaysia.

- Fast food restaurants.

Fast food restaurant chains that operate in Malaysia are fast food or quick service chains that operate with an international menu, e.g. McDonald’s, Pizza Hut, A&W, Burger King, KFC and Nando’s, or an Asian menu, e.g. Yoshinoya Japanese quick service restaurant, Kim Gary Hong Kong-style quick service restaurant.

In addition, there are also a number of café chains that also serve meals, e.g. Coffee Bean & Tea Leaf, San Francisco Coffee (originating from Japan) and the Delifrance chain (originating from Singapore).

The main customers are from the middle income groups who have a demand for quick service. Family groups, young working adults, teenagers and school children are frequent customers of fast food establishments. They prefer the informal, clean and comfortable environment to food courts and other traditional food service outlets.

Imported food and beverages are demanded by this sub-sector of the market.

It should be noted that dining out is promoted on a large scale in:

- November to February, which starts with Deepavali and ends with Chinese New Year, and also includes the US Thanksgiving Day, the Christmas period and the Calendar New Year celebrations. Trade sources comment that the bulk of spending in formal restaurants takes place at this time of the year.
- The Malaysian International Gourmet Food Festival, which usually runs throughout the month of November. The main focus has been on showcasing innovative local and international cuisines, with the objective of stimulating the fine dining sector, raising culinary standards, creating excellence in the food service sector and to increase awareness of Malaysia as a culinary destination for tourists.

Company profiles

The Table below provides information on the major businesses involved in the operation of restaurants today.

Name	Sales (US\$ millions)	Outlet Name, Type, & Number of Outlets	Location	Purchasing Agent Type
TT Resources Bhd	Not available	Tai Thong - 19 outlets Putra Jaya Seafood Restaurant – 1 outlet Chopstick Noodle House – 1 outlet San Francisco Steakhouse – 4 outlets Santini@Suria KLCC – 1 outlet Nuovo Café – 2 outlets	High end restaurant areas and high end shopping malls	Local agents
KFC Holdings (Malaysia) Bhd	\$ 443 (2006, including retail and Singapore KFC operations)	KFC - 385 outlets Rasamas – 13 outlets	Nationwide	Centralised buying
Golden Arches Sdn Bhd	Not available	McDonald's - 172 outlets	Nationwide	Centralised buying
Nando's Chickenland Malaysia Sdn Bhd	Not available	Nando's – 25 outlets	Melaka, Selangor, Kuala Lumpur, Penang	Local agents
A&W (M) Sdn Bhd	Not available	A&W – 34 outlets	Nationwide	Centralised buying
Pizza Hut Restaurants Sdn Bhd	Not available	Pizza Hut – 163 outlets	Nationwide	Centralised buying

Grandpolitian Sdn Bhd	Not available	The Manhattan Fish Market – 13 outlets Tony Roma's – 4 outlets	High end shopping malls in Kuala Lumpur, Selangor, Johor and Penang	Centralised buying
Secret Recipe Cakes & Café Sdn. Bhd	Not available	Secret Recipe – 135 outlets	High end shopping malls in major cities nationwide	Centralised buying
San Francisco Coffee Sdn Bhd	Not available	San Francisco Coffee – 22 outlets	High end shopping malls in major cities	Centralised buying
Coffee Bean & Tea Leaf (M) Sdn Bhd	Not available	Coffee Bean & Tea Leaf – 70 outlets	High end shopping malls in major cities nationwide	Centralised buying

3.1.3 Food catering operators

The food catering sub-sector is made up of:

- Food catering businesses, ranging from small family-run businesses to major businesses. This segment essentially has two types of businesses, the large high end aggressive, sophisticated and well organised caterers and the smaller mid-to-low level caterers.
 - The larger businesses specialise in catering to corporate functions, weddings, anniversaries, major events/conventions, trade exhibitions, private parties and alike.
 - The smaller mid-to-low level caterers services families with demands for regular home delivery meals, budget family functions, weddings, parties and alike. These businesses generally provide local dishes only, usually at a highly affordable price.
- Airline catering businesses. There are currently two major airline catering businesses involved although smaller caterers also exist to service Malaysian Airlines that fly to the smaller airports throughout Malaysia:
 - LSG Sky Chefs Brahim Sdn Bhd, which has the majority of the in-flight catering business that is available at the KLIA. It is estimated to produces up to 42,000 meals a day. Its major customer is Malaysian Airlines.
 - KL Airport Services Sdn Bhd, the alternative airline caterer based in KLIA which also targets the international airlines.

Imported food and beverages are demanded by the higher end food catering companies as well as the airline caterers.

Company profiles

The Table below provides information on the major businesses involved in the catering business today.

Name	Sales (US\$ millions)	Location	Purchasing Agent Type
LSG Sky Chefs Brahim Sdn Bhd	Not available	Catering kitchens at Sepang KLIA Largest airline caterer, serving up to 42,000 halal meals a day.	Local agents and directly from overseas suppliers. All suppliers must supply halal origin ingredients and must have halal certification.
KL Airport Services Sdn Bhd	Not available	Catering kitchens at Sepang KLIA. Second airline caterer.	Local agents and directly from overseas suppliers. Only halal products accepted.
Master Chef Catering Services	Not available	Selangor. Targets corporate and private customers.	Local agents
MasterPlan Catering Sdn Bhd	Not available	Selangor. Targets government offices, embassies, schools, universities, corporate and private customers.	Local agents
Emirex Catering Services Sdn Bhd	Not available	Selangor. Targets corporate and private customers.	Local agents
HM Event Caterers	Not available	Selangor. Targets corporate and private customers.	Local agents

Elite Chefs	Not available	Selangor. Targets high income private customers, western expatriates as well as corporate customers.	Local agents
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3.1.4 Other food service establishments

This sub-sector is made up of traditional eating places such as cafes, coffee houses and snack bars, food courts, coffee shops, canteens, other food stalls, pubs and alike. This is a highly fragmented segment, numbering several hundred thousand of establishments, with mainly small businesses and family owned establishments, employing a small number of staff as well as unpaid family members.

In Malaysia, the first “casual” business enterprise that the majority of Malaysians are most likely to enter into is to open up a food service stall by the road side. Many such enterprises are transient in nature, perhaps with the purpose of earning enough to pay for a particular asset or expense. Should such a business become successful, the individual operator, who may also hold a permanent employment elsewhere, may continue in business for the long term and eventually upgrade to permanent premises.

A large number of these establishments are low to mid level businesses serving largely local everyday dishes at a highly affordable price. These businesses attract the low to middle income consumers who frequent such eating places on a regular basis, some on a daily basis. It is not unusual for Malaysians to have most, if not all, their daily meals, namely, breakfast, lunch, tea and dinner at such an outlet located either near to their home or place of work.

The majority of these businesses use local ingredients with a low demand for imported food and beverages from western countries.

No major businesses exist in this sub-sector of the food service market.

3.2 Entry strategy

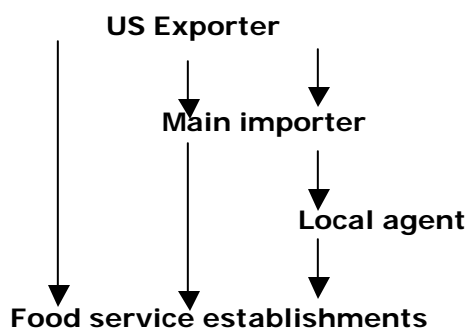
High end restaurants, major caterers and airline caterers are the main users of imported food and beverages, although they will readily use local/Asian products where possible because of the freshness and price competitiveness of local/Asian products. US exporters should consider the following when planning to enter this food service market:

- Review the types of US products that can be readily targeted at the high end food service sector in Malaysia. Consider the price competitiveness of US products compared to local and other imported products.
- Gain a full understanding of the purchasing needs and purchasing criteria of local users in order to closely meet their expectations. Halal certification is essential when targeting the airline caterers.
- Develop links with local importers that target key hotels, high end restaurants and major caterers that demand imported food and beverages.

- Improve local users' and importers' awareness of, and knowledge about, US food, drinks and cuisine by showcasing to the high end food service sector what the US exporters have to offer in terms of food ingredients and drinks for use in the various high end food service channels.
- Conduct US food and beverage promotions with hotel restaurants and high end restaurants, particularly during the year-end festive seasons.

3.3 Distribution channel

The chart below provides an overview of the distribution channel for imported food and beverage products from US exporters to the food service sector.



It should be noted that:

- The larger food service operators have a preference for local importers that are able to meet closely with their purchasing criteria in terms of service, price, quality, health and safety, handling and storage capabilities and ability to supply on short notice.
- The food service establishments purchase small quantities on a frequent basis, preferring to obtain fresh products when required rather than buy in bulk or in advance. Most kitchens lack storage space and for this reason, only small but regular sized orders are placed. Appropriately sized food service packs are preferred by the chefs to the standard retail pack sizes.
- Food service buyers look for consistently reliable service, ability to source for unique or exotic ingredients, high quality and value for money products when making their purchasing decisions and will only deal with importers that are able to meet closely with their requirements. For this reason, most buyers are very reluctant to use new importers' services.
- All food buyers are influenced by the chief chefs' decision when it comes to the types and quality of food ingredients to be purchased largely because the menus are controlled by the chefs. It is important to meet the buyers' service needs as much as the chefs' quality needs.
- The country of origin of the food ingredients is usually not important when purchasing most food ingredients. However, for certain food ingredients, the country of origin is very important to the chefs, especially when the chefs are from countries which

specialise in producing the ingredients, e.g. France for cheese, wine and other French specialties, Australia for beef, Italy for olive oil, pasta and other Italian specialties and USA for beef steaks, ribs and alike. These chefs are familiar with the quality and taste of the ingredients of their source country and prefer to use such ingredients in their dishes.

Tendering is used by the airline catering operators to procure most of their food and beverage requirements.

4. Competition in the sector

The Table below summarises the major supply sources for each product covered under this study, the strengths of the key supply sources and the advantages and disadvantages of local companies that supply to the food service sector.

Product	Major supply sources	Strengths of key supply countries	Advantages and disadvantages of local companies
Beef (fresh, chilled or frozen) Import: 112,197 tonnes US\$ 187 million (CIF value)	1. India - 89% 2. Australia - 3% USA - Negligible supplier (Less than 1%)	India competes on price and dominates the frozen sector; demanded largely by the mass market food service. Australia dominates the fresh/chilled segment (86%) and targets the high end food service sector with its <i>halal</i> beef.	There is insufficient supply of local beef.
Dairy Import: 213,600 tonnes US\$ 405 million (CIF value)	1. New Zealand - 31% 2. Thailand - 27% 3. Australia - 23% USA – Secondary supplier (8% share)	New Zealand leads in milk powder, yoghurt and butter and is the second largest supplier of cheese and third largest supplier of liquid milk. Thailand leads in sweetened condensed milk supply. Australia leads in liquid milk and cheese and is the second largest supplier of milk powder, yoghurt and butter.	Local companies are very strong in sweetened condensed milk, canned milk powders, yogurt and cultured milk drinks. They are all very strong companies with dominant shares within their market segments.
Breakfast	1. Philippines -	Branded market	Nestle (Nestum)

<p>cereals</p> <p>Import: 6,713 tonnes</p> <p>US\$ 14 million (CIF value)</p>	<p>45%</p> <p>2. China - 12%</p> <p>3. USA - 9%</p>	<p>dominated by Nestlé, Kellogg's and Quaker. Nestlé is supplied mainly from the Philippines as well as from China, targeting the mass market. Post, Quaker and Nature's Path are from the USA, targeting the niche high end market.</p>	<p>and Quaker (Quaker Oatmeal) are locally packed from imported ingredients.</p>
<p>Savoury snacks; potato based and other cereal based snacks</p> <p>Import: 6,566 tonnes</p> <p>US\$ 9 million (CIF value)</p>	<p>1. China - 36%</p> <p>2. Indonesia - 15%</p> <p>3. Thailand - 10%</p> <p>USA - Minor supplier (4%)</p>	<p>China, Indonesia and Thailand largely supply Asian type snacks.</p>	<p>Local products dominate this snacks market with very widespread national distribution reach. Malaysia's locally produced branded products such as Jack & Jill, Roller Coasters, Pringles and Twisties compete on price against imports</p>
<p>Fresh vegetables</p> <p>Import: 959,649 tonnes</p> <p>US\$ 343 million (CIF value)</p>	<p>1. China - 32%</p> <p>2. India - 28%</p> <p>3. Thailand - 13%</p> <p>USA - Minor supplier (1%)</p>	<p>China leads in potatoes, cabbages, lettuce, carrots and alike and is the second largest supplier of onions and other temperate vegetables.</p> <p>India leads in the supply of onions.</p> <p>Thailand is the leading supplier of tomatoes, cucumber and other vegetables and the third largest supplier of cabbages.</p>	<p>Malaysia dominates the market with its consistent ability to supply good quality, competitively priced temperate vegetables.</p>
<p>Frozen vegetables</p> <p>Import: 47,428 tonnes</p> <p>US\$ 34 million (CIF value)</p>	<p>1. USA - 29%</p> <p>2. Belgium - 19%</p> <p>3. New Zealand - 17%</p>	<p>USA dominates the import market with its frozen potato products (largely frozen French fries), mainly targeted at the food service, although it also supplies other frozen vegetable products (hash brown,</p>	<p>Malaysia produces some frozen sweet corn. It is not a major producer of frozen vegetables.</p>

		<p>onion rings and alike). It also supplies frozen cut potato under supermarket house brands.</p> <p>Belgium supplies frozen cut potato under supermarket house brands and other private companies' brands.</p> <p>New Zealand supplies frozen vegetables such as peas and mixed vegetables, mainly targeted at the food service sector.</p>	
<p>Fresh fruits, temperate</p> <p>Import: 324,696 tonnes</p> <p>US\$ 87 million (CIF value)</p>	<p>1. China – 45 %</p> <p>2. USA - 16%</p> <p>3. South Africa - 14%</p>	<p>China leads the market with Mandarins, Fuji apples and Chinese pears.</p> <p>USA is the key supplier of grapes, berries and stone fruits, second largest supplier of citrus fruits, mainly oranges, and the third largest supplier of apples.</p> <p>South Africa is the second largest supplier of apples and pears and third largest supplier of grapes.</p>	<p>Malaysia does not produce fresh temperate fruits.</p>
<p>Dried fruits</p> <p>Import: 36,359 tonnes</p> <p>US\$ 28 million (CIF value)</p>	<p>1. Indonesia - 20%</p> <p>2. China - 17%</p> <p>3. Iran - 14%</p> <p>USA – 5th largest supplier (8%)</p>	<p>Indonesia is the largest supplier of other dried fruits.</p> <p>China dominates the Chinese dates segment.</p> <p>Iran is the largest supplier of Middle-eastern dates and figs and the second largest supplier of sultanas.</p>	<p>Malaysia does not supply dried fruits</p>
<p>Edible nuts</p> <p>Import: 41,422 tonnes</p> <p>US\$ 34 million</p>	<p>1. India - 42%</p> <p>2. China - 30%</p> <p>3. Indonesia - 10%</p> <p>USA - Minor supplier</p>	<p>India leads in supplying groundnuts by offering very competitive prices. China is the second largest supplier of groundnuts and leads in</p>	<p>Local brands such as Tong Garden, Camel and Tai Sun have a very strong presence in the market.</p>

(CIF value)	(4%).	the supply of walnuts and pistachio. Indonesia is the third largest supplier of groundnuts.	
Non-alcoholic beverages Import: 32 million litres US\$ 34 million (CIF value)	1. Thailand - 21% 2. China - 7% 3. USA – 6%	Thailand leads in supply of Asian drinks, juices as well as other non-alcoholic drinks. China also supplies Asian drinks. The USA is the second largest supplier of juices to Malaysia with products such as Welch's, Del Monte, Minute Maid, Ocean Spray.	Local branded mineral water, juices, cordials and soft drinks dominate the market.
Wine Import: 6 million litres US\$ 33 million (CIF value)	1. Australia - 44% 2. USA - 14% 3. France – 13%	Australia has developed a higher presence in the market because of its price competitive New World wines and strong brand presence. USA competes on price and supplies well-known brands of New World wines to both the retail and food service sectors. France dominates the food service market and competes on quality and price.	Malaysia does not produce any grape wine.
Beer Import: 9 million litres US\$ 11 million (CIF value)	1. Singapore - 43% 2. China - 9% 3. Indonesia – 7% USA - Minor supplier (2 %)	Singapore is a major re-exporter of foreign beer into Malaysia, including beers from Belgium, Denmark, Germany and Mexico. Most of these are very price competitive beers with brands that are not well-known to the consumers. China exports TsingTao and Yanjing beers to Malaysia. Indonesia beer is	The market is dominated by locally brewed beers. Malaysia has two major breweries that are aggressive brand driven businesses which proactively protect their market shares.

		supplied to the lower end food service sector.	
<p>Spirits</p> <p>Import: 10 million litres</p> <p>US\$ 125 million (CIF value)</p>	<p>1. Singapore – 34%</p> <p>2. UK - 27%</p> <p>3. France - 17%</p> <p>USA - Minor supplier (2% share)</p>	<p>Singapore is a major re-exporter of whiskies to Malaysia.</p> <p>UK dominates in the supply whiskies.</p> <p>France dominates the brandy sector with its well known brands.</p>	<p>Local production is negligible.</p>
<p>Source: Department of Statistics, market observations and trade comments</p>			

5. Best product prospects

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

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 individual US exporters to develop viable markets.

The following tables consider in broad terms which of the 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.

Category A: Products Present in the Market That Have Good Sales Potential

Product category	2002 Imports	2006 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Breakfast cereals	8,516 tonnes US\$ 13 million (CIF value)	6,713 tonnes US\$ 14 million (CIF value)	Declining by 4% per annum. Not a sizeable import market.	5% duty charged on oats products. Other products incur 7% duty.	Strengths of Nestlé and Kellogg's in the market.	Category A. An attractive market for long term development. The breakfast cereals market has not been fully exploited yet and can be further developed and expanded, targeting the high end hotels.
Savoury	3,716	6,566	15%	6% import	Strong	Category A.

snacks; potato based and other cereal based snacks	tonnes US\$ 5 million (CIF value)	tonnes US\$ 9 million (CIF value)	growth per annum. The hotel operators demand small sized single served packs.	duty	competition from price competitive good quality locally produced branded products.	This market continues to be attractive for well-known brands from the USA, particular new product types not yet available in the Malaysian market. US exporters should capitalise on the growth in this market.
Frozen vegetables	35,740 tonnes US\$ 26 million (CIF value)	47,428 tonnes US\$ 34 million (CIF value)	Growing by 7% per annum.	Nil except for frozen sweet corn which attracts 8% import duty, frozen potato flour based products which attracts 7% import duty and frozen products in airtight containers which attracts 8%.	Products are mainly demanded by the food service sector (western style restaurants). Most food service operators still prefer fresh vegetables which are readily available all year round.	Category A. Food service demand continues to be important. Good prospects continue to exist for certain frozen vegetables such as French fries supplied by the USA that are in demand.
Fresh fruits, temperate	309,728 tonnes US\$ 83 million (CIF value)	324,696 tonnes US\$ 87 million (CIF value)	Growing by 1% per annum.	Nil	Largely demanded by high end hotels which demand apples, oranges, grapes, berries and stone fruits	Category A. Opportunities exist for US exporters to target high end hotel operators and high end western-style restaurants.
Non-alcoholic beverages	24 million litres	32 million litres	7% growth per annum.	6% import duty for ready-to-drink juice,	Very strong competition from local products and	Category A. Opportunities exist for US

	US\$ 19 million (CIF value)	US\$ 34 million (CIF value)	The market is dominated by local products which meet closely with consumer taste. Import growth is mainly in unsweetened beverages, including bottled water and fruit juices.	except for grape juice and apple juice which attracts 8% import duty and mixtures of juices which attract 10% import duty. 20% import duty on mineral and aerated water and other non-alcoholic beverages.	brands which meet closely with consumer taste and price expectations.	exporters to supply competitively priced juices (fruits and mixture of fruits and vegetables), sparkling juices (for festive seasons and celebrations) as well as products that can be targeted at the high end hotels and restaurants, airline caterers and major food caterers.
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Category B: U.S. Products not Present in Significant Quantities in the Market That Have Good Sales Potential

Product category	2002 Imports	2006 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Beef (fresh, chilled or frozen)	93,975 tonnes US\$ 115.9 million (CIF value)	112,197 tonnes US\$ 186.5 million (CIF value)	4% growth per annum.	Nil.	The import market is dominated by frozen beef (99%), largely by very price competitive frozen beef from India, demanded by the food service market. The higher end restaurants demand	Category B Opportunities exist for US supplies of fresh/chilled halal beef to the high end food service sector, particularly US-style restaurants that serve beef.

					fresh/chilled beef, which is largely supplied by Australia.	
Dairy	166,606 tonnes US\$ 293 million (CIF value)	213,600 tonnes US\$ 405 million (CIF value)	6% growth per annum. Market growth was seen mainly in milk powders, pizza and grated cheese, processed cheese and ingredients for recombined liquid milk. Market decline was seen in yogurt.	25% import duty charged on yogurt products. 2% import duty is charged on butter. 5% import duty is charged on all cheese types other than processed cheese which attracts 10% import duty.	High levels of existing competition for market share amongst key suppliers, both local and overseas, making new entry difficult and costly.	Category B for cheese products targeted at the food service sector. Good sales potential exist for pizza cheese and other grated cheese demanded by the high end western-style restaurants and hotels. Category C for other dairy products. This segment is not particularly attractive for other dairy products due to local competition.
Fresh vegetables	713,013 tonnes US\$ 209 million (CIF value)	959,649 tonnes US\$ 343 million (CIF value)	7% growth per annum. Fast growing market with large demand for Asian vegetables. Fastest growth seen in lettuce, cabbages, onions. Growth was also seen in	Nil	Competition from local suppliers and China which supply mainly Asian vegetables to the market. The bulk of demand is for Asian fresh vegetables.	Category B. Demand for fresh temperate vegetables will continue to grow as more exotic varieties are introduced to the high end hotel and restaurant chefs.

			potatoes, carrots, cucumbers and other temperate vegetables such as broccoli, asparagus and alike.			
Dried fruits	35,018 tonnes US\$ 20 million (CIF value)	36,359 tonnes US\$ 28 million (CIF value)	Growing slowly by 1% per annum. Mainly bakery sector demand although demand exists from the high end hotels.	5% import duty	Maturing market for traditional dried fruits such as raisins and prunes. Slow grow in dried fruits such as figs, avocado, apricot, apple, peach and other dried fruits.	Category B. Opportunities exist to continue to supply to the bakery and high end hotels, when taken as incremental sales to the retail sector where the USA already has a presence.
Beer	15 million litres US\$ 159 million (CIF value)	9 million litres US\$ 11 million (CIF value)	Declining by 8 % per annum. The market is dominated by locally brewed products.	Import duty of RM5 per litre. Excise Duty of 15% and RM7.40/Ltr	Very strong competition from locally produced well-known brands. Most imports have tentative niche presence as the foreign brands are not well known to consumers.	Category B. Opportunities exist for US exporters to develop a niche market for its brands as alternatives to local beers, targeting the food service sector, particularly the American-style restaurants.
Spirits	6 million litres US\$ 56 million (CIF value)	10 million litres US\$ 125 million (CIF value)	Growing by 11 % per annum. Rapidly growing market. Whiskey imports	Import duty of RM58 per litre for brandy and whiskey and RM55 per litre for rum, gin	High duties on these products and consumer preference for well-known brands of brandy and whiskey make	Category B. Opportunities exist for US exporters to develop the market for US whiskey and

		value)	grew rapidly at 22% per annum while brandy imports grew at 12% per annum.	and vodka. Import duty of RM30 per litre to RM93.5/VP L for other spirits, depending on product type. Excise Duty of 15% and RM 30/Ltr for brandy, whiskey, gin, vodka. Liqueurs and other alcoholic drinks attract Excise Duty ranging from 15% and RM9/Ltr to RM 42.5/Ltr depending on product type.	this a costly market to enter for new-to-market brands.	brandy brands.
Wines	3 million liters US\$ 12 million (CIF value)	3 million Liters US\$3 million (CIF Value)	22% growth per annum. Fast growing market, particularly demanded at weddings and other celebration as more purchasers switch to wine (sparkling and non-sparkling) from spirits	Import duty of RM23 per liter for sparkling wine. Import duty of RM7 per liter for other wines. Excise duty of 15% and RM34/Ltr for sparkling wine or 15% and RM12/Ltr for other grape	Wine is increasingly consumed by the younger generation of adult Malaysian Chinese and Indians, particularly those educated abroad and/or well-travelled.	Category B. Price-competitive wines from competitor countries that that produce similar varietal. Opportunities exist for U.S. exporters to develop a niche market for its brands.

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Category C: U.S. Products not Present in the Market Because They Face Significant Barriers

Product category	2002 Imports	2006 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Dairy	877 tonnes US\$ 0.9 million (CIF value)	619 tonnes US\$ 0.8 million (CIF value)	Declining by 6% per annum. Market is dominated by local fresh whole chicken.	Nil.	The market continues to prefer fresh/chilled poultry to frozen poultry.	Category C. This market continues to be a challenge under conditions where the market is well served by local sources.
Edible nuts	166,606 tonnes US\$ 293 million (CIF value)	213,600 tonnes US\$ 405 million (CIF value)	6% growth per annum. Market growth was seen mainly in milk powders and pizza and grated cheese, processed cheese and ingredients for recombined liquid milk. Market decline was seen in yogurt.	25% import duty charged on yogurt products. 2% import duty is charged on butter. 5% import duty is charged on all cheese types other than processed cheese which attracts 10% import duty.	High levels of existing competition for market share amongst key suppliers, both local and overseas, making new entry difficult and costly.	Category C for other dairy products. This segment is not particularly attractive for other dairy products due to local competition. Category B for cheese products targeted at the food service sector. Good sales potential exists pizza cheese and other grated cheese demanded by the high end western-style restaurants and hotels.

	47,930 tonnes US\$ 29 million (CIF value)	41,422 tonnes US\$ 34 million (CIF value)	Declining by 3% per annum.	Nil except for groundnuts which incurs 5% import duty	Largely demanded by hotels and pubs that prefer small single serve packages.	Category C Strong competition from local brands. This market will be a challenge for US exporters who are unable to compete on price.
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