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Retail Food Sector

Retail Food Malaysia

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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% in 2006, compared to 4.2% growth in 2002. Most economic commentators forecast Malaysia's economy to grow by about 5.7% in 2007 and 2008. Trade sources estimate that total retail sales of food and beverages amount to around US\$ 10 billion today. Projected growth for this sector is estimated at 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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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 retail market summary

Malaysia has a large and growing food retail market that is supplied by local and imported products. Trade sources estimate that total retail sales of food and beverages amount to around US\$ 10 billion today. They added that the food retail sector has been growing at an average rate of 6% per annum over the past five years and forecast that the sector is likely to grow by about 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 over the five years to 2006.

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

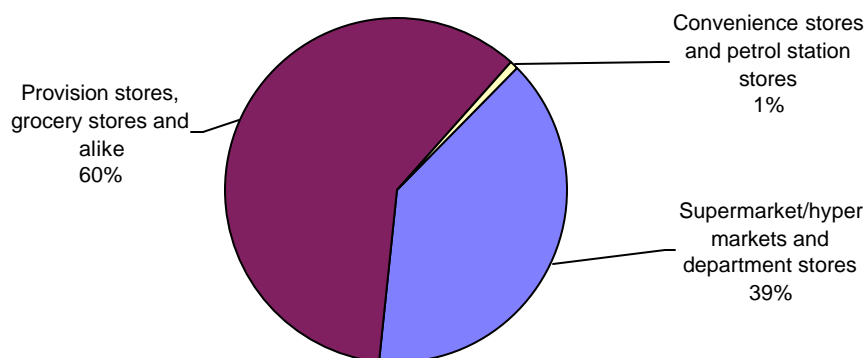
Miscellaneous processed foods	162	173	239	267	288
Beverages	92	111	164	167	185
Total	2,354	2,511	3,242	3,508	4,132
Source: Department of Statistics					

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.

Malaysia has a significant and growing food manufacturing industry. The food manufacturing industry is largely domestic oriented, although a number of the larger companies also target the ASEAN markets and Japanese market with their food products. Trade sources indicated that, in 2006, the food and beverage manufacturing industry amounted to around US\$ 6.3 billion. The industry is involved in the manufacture of alcoholic and non-alcoholic beverages, dairy products, cooking oil, coffee and tea, cereal-based foods, spices and spice mixes, sauces and condiments, processed fish and meat products, chocolate and snacks, baked products and other cooked food preparations, including frozen foods.

2.1 Malaysia’s food retail sector in overview

The food retail sector continues to remain fragmented today, with around 60% being made up of small retailers operating in provision shops, grocery stores and other non-air conditioned sundry shops throughout the country. The Chart below shows the structure of the food retail sector in Malaysia today.



According to Retail Group Malaysia, the bulk of retail food sales are channelled through the traditional stores, such as provision stores, grocery stores, specialty food stores and other sundry shops. This sub-sector commands close to 60% of food sales today. Modern stores such as supermarkets, hypermarkets and department stores with supermarkets only have around 39% share of the retail food market. Convenience stores have remained insignificant, with only about 1% share of the retail food market.

Malaysia's food retail sector is made up of:

1. Large food retail stores such as supermarkets, hypermarkets and department stores

Large food retail stores such as supermarkets, hypermarkets and department stores that also operate supermarkets within the premises are largely located in the major cities and larger towns in Malaysia, where the majority of the middle to high income consumers reside. The major food retailers usually operate chain stores that are strategically located to capture their target consumers. It should be noted that hypermarkets, supermarkets and departmental stores are not permitted to operate for 24 hours a day by the Ministry of Domestic Trade & Consumer Affairs. The major food retail operators active in this sub-sector include:

- The Cold Storage Group which is the largest food retailer in Malaysia in terms of sales, according to Retail Group Malaysia. It operates hypermarkets and supermarkets nationwide under the Giant and Cold Storage brands. The Giant supermarkets and hypermarkets are known as a home-grown brand. Giant is well-known to local shoppers as the store that offers the best value-for-money products. Giant targets the mass market and is today the largest supermarket chain in Malaysia. Cold Storage targets the upper middle to high income shoppers as well as high income expatriates residing in Malaysia. Cold Storage is perceived by local shoppers as a store that targets the well-to-do shoppers as well as western expatriates. It carries a wide variety of local products as well as imported products, especially products from Europe, USA, Canada, Australia, New Zealand, South Africa and some Latin American countries.
- Tesco Malaysia which is the second largest food retailer in Malaysia in terms of sales, according to Retail Group Malaysia. It operates Tesco and Tesco Extra stores in the major cities in Malaysia. Tesco Malaysia is aggressively targeting the mass market with its competitively priced products. It carries mainly locally sourced products as well as a sizeable proportion of imported products, and has the widest selection of price competitive products from the United Kingdom.
- Carrefour Malaysia which is the third largest food retailer in Malaysia in terms of sales, according to Retail Group Malaysia. It operates hypermarket chains that target the mass market with its price competitive products. Carrefour is a well-known foreign hypermarket brand in Malaysia, being one of the first few foreign hypermarket brands to enter Malaysia. It carries a wide variety of local products as well as some imported products, especially products from Europe.
- AEON Malaysia which operates the Jusco Stores nationwide. It is the fourth largest food retailer in Malaysia in terms of sales, according to Retail Group Malaysia. Jusco is also the largest high end department store chain in Malaysia that also operates a full scale supermarket within its stores. Jusco operates high end stores that target the middle to high income shoppers. It carries a wide variety of local premium branded

products as well as imported products, and carries the widest selection of products from Japan.

- The Store which is the fifth largest food retailer in Malaysia in terms of sales, according to Retail Group Malaysia. This department store chain operates a supermarket within its store. It is a home-grown store that targets the mass market with price competitive products. The Store carries largely local products, with some of the more popular imported products that are also carried by competing stores.

The store outlets which target the middle to high income locals and expatriates carry more varieties and higher volumes of imported branded products from western countries such as Australia, New Zealand, the USA, Canada, France, Italy, the United Kingdom and other parts of Europe.

Such products would include fresh produce such as chilled beef and lamb, fresh temperate fruits and vegetables, chilled cold water fish such as salmon, frozen vegetables, sausages, delicatessen meats, pastry and pies, dairy products, high end biscuits and cookies, confectionery such as premium/branded chocolates and candies, potato based snacks, canned fruits, canned soups, canned meat, breakfast cereals, pasta, sauces, spices, dressings, ready meals (frozen), home bakery ingredients, fruit juices, jams and jellies, peanut butter, non-alcoholic beverages and wines, beer and other alcoholic beverages.

In addition, retailers such as Giant, Cold Storage, Carrefour, Tesco, The Store and Jusco carry products under their house/retailer brands which may be priced at 10% or more lower than comparable products, to attract the price conscious customers from the lower to middle income group.

These large retail stores also offer additional services such as in-store "wet markets", bakeries, wine corners, alcoholic beverage corners, health food corners as well as counters serving ready-to-consume meals and snacks to attract more customers to their stores. Other emerging services include on-line internet shopping with home deliveries. All the conveniences offered by these stores have encouraged an increasing number of middle to high income Malaysians to shop for their grocery needs at supermarkets and hypermarkets on an increasingly regular basis.

2. Convenience stores and petrol station stores

Convenience stores and petrol station stores are mainly found in the cities, larger towns and along the North-South highway. The majority of these stores are franchise operations with support from their franchisors in the form of advertising support, staff training, financing, bulk purchasing and distribution facilities.

7-Eleven is the largest convenience store chain operating 24-hour stores. 7-Eleven stores are treated like "tuck shops" by children, teenagers and young adults who usually shop for magazines, newspapers, candies, chips and other snacks, ice cream or other single-serve food and beverages that are consumed "on-the-go". Petrol station stores are also used in a similar manner by drivers and their passengers, who are usually in a hurry and would not normally browse in such stores. For that reason, most individual sales made are small in value.

These air-conditioned stores generally carry a smaller range of popular processed and packaged food and beverage products compared to those carried by the supermarkets/hypermarkets. They also carry microwaveable food products which may be heated at the store for immediate consumption. In addition, convenience stores and petrol

station stores also serve ready-to-consume food and beverages such as sandwiches, fried rice, fried noodles, Nasi Lemak and other Asian cooked dishes, buns and alike, ready-to drink hot coffee or tea, soft drinks and other beverages. They generally do not carry perishable products such as chilled meat, fish and seafood, fresh fruits and vegetables. Most of the products are in single-serve packaging or in smaller packaging size than those carried by the supermarkets/hypermarkets.

However, the retail price of the products is generally higher in convenience stores and petrol station stores than at the supermarkets/hypermarkets.

3. Traditional stores including provision, grocery and sundry shops

Traditional stores continue to make up the largest number of food retailers in Malaysia today. They are commonly found in all the cities, towns and villages in Malaysia. They are made up of open-fronted grocery stores in shop houses or in the dry markets. This sub-sector is dominated by small family-run businesses and target the price sensitive consumers as well as those who seek convenience, particularly those housewives that prefer to shop daily for a small number of grocery items and other daily essentials.

These retail stores generally carry local and Asian products and brands with a small number of the more popular imported food and beverage products from western countries. Their competitive advantage is in their carrying products that are ordinarily demanded by all local households and are retailed at a very competitive price.

It should be noted that these non-air conditioned stores are usually operated as specialist stores that carry only *halal* products targeted at the Muslim community, or mainly Chinese products targeted at the Chinese community or mainly Indian products targeted at the Indian community. A number of stores in the cities and larger towns have up-graded to the mini-market concept by trying to compete against the major supermarkets/hypermarkets, targeting all the races, offering better shopping ambience with more organised shelves, wider aisle, brighter and cleaner environment, check-out counters, more varieties of branded products and alike, while still maintaining the friendly neighbourly atmosphere.

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 is continuing to grow and the food retail market is also continuing to expand. Most imported food and beverage products attract low import duties and Customs Duties (except for alcoholic drinks).	The Muslim population (around 60% of the total population) demands <i>Halal</i> products. US products need to comply with this religious requirement. Halal requirements are not transparent.

<p>US products and brands are already well-known and well represented in the food retail market. In addition, US products have a reputation of being of high quality. This enables new-to-market US products an easier access into the retail market because the major retailers are more willing to carry US products than products from other lesser known countries. In addition, the Cold Storage Group outlets that target western expatriates already carry large quantities and a relatively wide variety of imported food products from the USA.</p>	<p>Malaysia, Australia, New Zealand, France, China, India and other ASEAN countries continue to be strong competitors in the food retail market. Their products compete on quality and price against a number of comparable US products.</p>
<p>Young Malaysians, including young adults, are increasingly adopting US culture and trends. This is positive for US food products.</p>	<p>New-to-market US products do not always fit local demand on taste and packaging size. Please see FAIRS Country Report MY7030 http://www.fas.usda.gov/gainfiles/200708/146291928.pdf for more detailed information on Malaysian food standard and requirements.</p>
<p>Past marketing efforts by US organizations have raised the profile of a range of US products in the eyes of consumers and retailers, e.g. fresh temperate fruits, dried fruits, wine, etc. Such activities serve to not only increase awareness and consumption of US products but also increase the perception of US products as high quality products.</p>	<p>Strong local products and brands exist which dominate their markets to the near exclusion of imported products, e.g. fresh vegetables, chicken, soft drinks, mineral water, cordials, beer, chocolates, biscuits and cookies, cereal-based snacks and some dairy products.</p>
<p>A wide variety of foreign products already "fit" into local food culture, e.g. yoghurt, ice cream, potato and cereal based snacks, infant food, temperate fruits and vegetables, soft drinks and other non-alcoholic drinks such as cordials. This trend will continue into the future as more Malaysians modernise their diets.</p>	<p>Certain US products are not readily accepted by many Malaysians and so are ignored, e.g. turkey, snack products, ready-to-consume prepared meals. These US products do not readily fit into the local food culture.</p>

3. Road map for market entry

3.1 Supermarket, hypermarket and department stores

3.1.1 Company profiles

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

Retailer Name and Outlet Type	Ownership	Sales (US\$ millions)	No. of Outlets	Location	Purchasing Agent Type
Cold Storage and Giant	Local company, subsidiary of Dairy Farm International of Hong Kong	Sales information not released. Largest hypermarket chain.	13 Cold Storage supermarkets and 86 Giant hypermarkets	Nation-wide	Direct sourcing preferred with a number of preferred agents used.
Carrefour	Local company, subsidiary of Carrefour France	Sales not disclosed.	10 hypermarkets	Major cities	Group sourcing direct from suppliers is preferred.
The Store	The Store Corporation Bhd, listed on the stock exchange	Over RM1 billion annually (including non-food sales)	75 department store cum supermarkets	Nation-wide	Sources directly from local suppliers where ever possible for bulk orders. Agents used for smaller orders.
Jusco	Operated by AEON Co (M) Bhd, listed on the stock exchange. Parent company is AEON Group, Japan.	RM2.3 billion in 2006 (including non-food sales)	17 department store, with a significantly large supermarket section	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders.

Tesco	Tesco Stores (Malaysia) Sdn Bhd, joint venture between Tesco UK and Sime Darby Bhd.	Sales not disclosed.	13 Tesco hypermarkets and 6 Tesco Extra hypermarkets	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders.
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3.1.2 Entry strategy

US exporters should treat this sub-sector as a mainstream retail sector to target, particularly those retail outlets that target the high income western and Asian expatriates and middle to high income Malaysians.

The US exporter should consider the following when selecting major retailers to partner with in Malaysia:

- The financial strength of the retailer and its volume of business.
- The level of interest and commitment by the retailer in carrying imported US products.
- The number and location of retail outlets that target western expatriates and middle to high income local consumers.
- The annual marketing program of the retailer.
- The retailer's policy towards:
 - New-to-market imported products and brands.
 - Premium and basic lines and niche products.
 - Volume of sales expected from the US products.
 - Promotional support expected from US exporters.
 - Retail pricing expected for the US products.
 - Listing fees and other costs, if any, imposed on the US exporters.
- The retailer's purchasing policy, i.e. whether they purchase directly from overseas suppliers or via local importers/distributors.

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

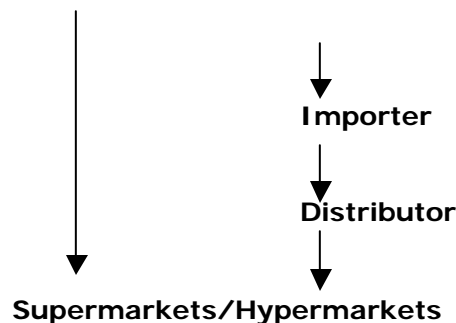
- Where the product fits in the retail market, e.g. as a mass market item, high-end niche item, novelty/exotic item, seasonal festive/gift item, targeted at western expatriates, etc.
- Price competitiveness of the US products versus comparable brands in the market.
- Packaging size and quality that meets with customers' expectations.
- US products which can be easily/readily registered as *Halal* products.
- US products which can be readily accepted as alternatives/substitutes to competing products.

- US products that can be introduced into local food culture.
 - US organic products and health food products that can meet retailer's requirements.
 - US products which provide convenience to customers.
 - The level of promotion, commitment to brand support and consumer education necessary for successful launch and development of a new-to-market product.
- Ability to meet retailer purchasing requirements and specifications.

3.1.3 Distribution channel

The Chart below provides an overview of the distribution channel for imported food and beverage products from US exporters to supermarkets and hypermarkets. It is important to note that the larger retailers prefer buying directly from overseas suppliers where possible to gain better pricing in order to pass cost savings to their customers to remain competitive in the market.

US Exporter



It should be noted that some sub-distributors are also used to distribute products to stores located in the sub-urban areas.

3.2 Convenience stores and petrol station stores

3.2.1 Company profiles

The convenience stores segment is dominated by 7-Eleven stores operated under franchise by Convenience Shopping Sdn Bhd. In addition, there are around 2,600 twenty-four hour petrol station stores nation-wide operated by the other petroleum companies such as Petronas (Mesra), Shell (Select), ExxonMobil (Tiger Mart and Mobil Mart), Caltex (Star Mart) and BHPetrol (BHPetrolmart)

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

Retailer Name and Outlet Type	Ownership	Sales (US\$ millions)	No. of Outlets	Location	Purchasing Agent Type
7-Eleven	Local company, Convenience Shopping Sdn Bhd, operated under license from Southland Corporation	Sales information not released. Largest convenience store operator.	860 outlets of 7-Eleven stores	Nation-wide	Local distributors.

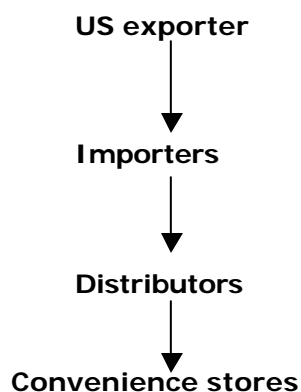
3.2.2 Entry strategy

US exporters should view this as a secondary target providing incremental business, rather than as a main target. They should consider developing distribution reach into this sub-sector through their appointed distributors that service 7-Eleven and the petrol station stores. The new-to-market US exporters should consider the following matters when planning to enter the sub-sector:

- US products (*halal* certified) which are also targeted at the hypermarkets/supermarkets but are packaged in single-serve or smaller sizes.
- US products which target children, young adults and convenience seekers.
- Price competitiveness of the US products versus competing local brands carried by stores operating in this sub-sector.

3.2.3 Distribution channel

The distribution channel for the convenience stores and petrol station stores is similar to that existing for the supermarkets. An example of the distribution channel to convenience store is shown below.



3.3 Traditional stores including provision, grocery and sundry shops

This sub-sector has remained highly fragmented. Although a large number of establishments have remained in business for a considerable number of years, this sub-sector is also characterised by operators that enter and exit the sub-sector on a frequent basis. Because of the nature of this sub-sector, no single establishment dominates.

3.3.1 Entry strategy

US exporters should treat this sub-sector as a very low priority retail sector to target. US exporters that wish to enter this sub-sector should supply highly price competitive products that:

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

New-to-market US exporters should also carefully select major local distributors that have wide distribution capabilities which reach into this sub-sector.

3.3.2 Distribution channel

Traditional stores source their imported food and beverage products through local importers, wholesalers, distributors or sub-distributors. Trade sources comment that this sub-sector is well-served by the larger and more developed distributors with an established and complicated sub-distributor network because a large number of these stores are located throughout the width and depth of the country, many demanding small and irregular volumes of products.

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.

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 retail sector with its <i>halal</i> beef and strong presence in retail stores.	There is insufficient supply of local beef.

<p>Whole chicken, frozen</p> <p>Import: 619 tonnes</p> <p>US\$ 0.8 million (CIF value)</p>	<p>1. China - 41%</p> <p>2. Denmark – 29%</p> <p>3. USA – 16%</p>	<p>The import market is very small with a very low and fickle demand base.</p> <p>Demand for local chicken dominates due to market preference for fresh/chilled chicken available at a very competitive price.</p>	<p>Malaysia is a major producer of chicken. Local chicken is very price competitive. Local consumers still prefer fresh or chilled chicken to frozen chicken.</p>
<p>Dairy</p> <p>Import: 213,600 tonnes</p> <p>US\$ 405 million (CIF value)</p>	<p>1. New Zealand - 31%</p> <p>2. Thailand - 27%</p> <p>3. Australia - 23%</p> <p>USA – Secondary supplier (8% share)</p>	<p>New Zealand leads in milk powder, yoghurt and butter and is the second largest supplier of cheese and third largest supplier of liquid milk.</p> <p>Thailand leads in sweetened condensed milk supply.</p> <p>Australia leads in liquid milk and cheese and is the second largest supplier of milk powder, yoghurt and butter.</p>	<p>Local companies are very strong in sweetened condensed milk, canned milk powders, infant formula, yogurt and cultured milk drinks. They are all very strong companies with dominant shares within their market segments.</p>
<p>Breakfast cereals</p> <p>Import: 6,713 tonnes</p> <p>US\$ 14 million (CIF value)</p>	<p>1. Philippines - 45%</p> <p>2. China - 12%</p> <p>3. USA - 9%</p>	<p>Branded market 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>Nestle (Nestum) and Quaker (Quaker Oatmeal) are locally packed from imported ingredients.</p>
<p>Infant food, excluding dairy products</p> <p>Import: 20,448 tonnes</p> <p>US\$ 64 million (CIF value)</p>	<p>1. Netherlands - 20%</p> <p>2. New Zealand - 16%</p> <p>3. Thailand – 13%</p> <p>USA – Minor supplier (3%)</p>	<p>The market is dominated by cereal based infant food (excluding dairy products).</p> <p>The Netherlands, New Zealand and Thailand are minor suppliers in the market.</p>	<p>Nestle Malaysia's products dominate the cereal based infant food segment (excluding dairy products).</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>Baked products</p> <p>Import: 15,742 tonnes</p> <p>US\$ 23 million (CIF value)</p>	<p>1. China - 35%</p> <p>2. Indonesia - 19%</p> <p>3. Thailand - 14%</p> <p>USA - Minor supplier (3%)</p>	<p>China supplies a variety of Nabisco biscuit products to Malaysia as well as some China biscuit brands. Indonesia supplies Danone's biscuit products. Thailand supplies Japanese type biscuits.</p>	<p>Malaysian products dominate both the cakes and sweet biscuits segments with its branded price competitive products such as Julie's, Munchy, Hup Seng, Hwa Tai and Danone's products e.g. Chipsmore, Jacob's and alike.</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. India leads in the supply of onions. 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</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, mainly targeted at the food service, although it also supplies other frozen vegetable</p>	<p>Malaysia produces some frozen sweet corn. It is not a major producer of frozen vegetables.</p>

(CIF value)		<p>products (hash brown, onion rings and alike). It also supplied 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 on a large scale.</p>
<p>Edible nuts</p> <p>Import: 41,422 tonnes</p>	<p>1. India - 42%</p> <p>2. China - 30%</p> <p>3. Indonesia - 10%</p> <p>USA - Minor</p>	<p>India leads in supplying groundnuts by offering very competitive prices.</p> <p>China is the second largest supplier of</p>	<p>Local brands such as Tong Garden, Camel and Tai Sun have a very strong presence in the</p>

US\$ 34 million (CIF value)	supplier (4%).	groundnuts and leads in the supply of walnuts and pistachio. Indonesia is the third largest supplier of groundnuts.	retail market.
Sugar confectionery Import: 12,994 tonnes US\$ 22 million (CIF value)	1. China - 35% 2. Indonesia - 31% 3. Thailand – 18% USA – Negligible supplier (Less than 1%)	China is strong in supplying price competitive hard boiled candies that have a traditional demand from local consumers. Indonesia supplies Mentos, Sunkist, Fox's and various lower quality Indonesian brands. Thailand supplies Cloud 9, Nabisko Kopiko, Strepsils, Jack n Jill and various Thai brands.	Malaysia supplies a large variety of products targeted at local consumers, including Dino, Camel, Santa, Hacks, Hudson's and alike.
Chocolates Import: 7,201 tonnes US\$ 41 million (CIF value)	1. Thailand - 19% 2. Australia - 11% 3. China - 10% USA – Secondary supplier (8%)	Thailand supplies Nestle products such as Kit Kat. Australia supplies Mars, Time Out, Twix, Skittles, M&M and alike. China supplies Snickers and Kraft Oreo bars. All these countries target the mass market.	Malaysia produces a number of chocolate products. Local manufacturers mainly target consumers that prefer chocolates in conveniently packed single serve bars as well as large bars. Locally manufactured chocolates include well known brands such as Cadbury, Vochelle and Beryl's.
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	Local branded mineral water, juices, cordials and soft drinks dominate the market.

		Welch's, Del Monte, Minute Maid, Ocean Spray.	
<p>Wine</p> <p>Import: 6 million litres</p> <p>US\$ 33 million (CIF value)</p>	<p>1. Australia - 44%</p> <p>2. USA - 14%</p> <p>3. France – 13%</p>	<p>Australia has developed a higher presence in the retail market because of its price competitive New World wines and strong brand presence.</p> <p>USA competes on price and supplies well-known brands of New World wines to both the retail and food service sectors.</p> <p>France dominates the food service market and competes on quality and price.</p>	<p>Malaysia does not produce any grape wine.</p>
<p>Beer</p> <p>Import: 9 million litres</p> <p>US\$ 11 million (CIF value)</p>	<p>1. Singapore - 43%</p> <p>2. China - 9%</p> <p>3. Indonesia – 7%</p> <p>USA - Minor supplier (2 %)</p>	<p>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.</p> <p>China exports TsingTao and Yanjing beers to Malaysia.</p> <p>Indonesia supplies to the lower end food service sector.</p>	<p>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.</p>
<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 whiskey 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>Pet food</p> <p>Import: 21,406</p>	<p>1. Thailand - 50%</p> <p>2. Australia - 21%</p> <p>3. USA - 17%</p>	<p>The market is dominated by Friskies (Australia) Pedigree</p>	<p>Malaysia does not produce any processed and</p>

tonnes US\$ 27 million (CIF value)		(Australia & Thailand) and Whiskas (Thailand) and Purina (Thailand & USA). Thailand also supplies very price competitive CP Smartheart (Thai brand) and Australia also supplies Cesar.	packed pet foods.
Source: Department of Statistics, market observations and trade comments			

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 Malaysia 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 based on higher disposable incomes and related changing eating habits. The breakfast cereals market has not been fully exploited yet and can be further developed and expanded.
Savoury snacks; potato based and other cereal based snacks	3,716 tonnes US\$ 5 million (CIF value)	6,566 tonnes US\$ 9 million (CIF value)	15% growth per annum. Fast growing small market for branded import products, increasing popularity amongst young children and teenagers.	6% import duty	Strong competition from price competitive good quality locally produced branded products.	Category A. 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	47,428 tonnes US\$ 34 million	Growing by 7% per annum.	Nil except for frozen sweet corn which attracts	Products are mainly demanded by the food service sector	Category A. Good prospects continue to exist for certain

	(CIF value)	(CIF value)		8% import duty, frozen potato flour based products which attracts 7% import duty and frozen products in airtight containers which attracts 8%.	(western style restaurants) as most consumers still prefer fresh vegetables which are readily available all year round.	frozen vegetables supplied by the USA that are in demand by Malaysian consumers. Note: Food service demand continues to be important.
Fresh fruits, temperate	309,728 tonnes US\$ 83 million (CIF value)	324,696 tonnes US\$ 87 million (CIF value)	Growing by 1% per annum. The market is dominated by citrus fruits (49%), particularly oranges and Mandarins . Apples (26%), pears (15%) and grapes (8%) are the next most popular temperate fresh fruits and today form part of the local diet. Stone fruits, berries and other temperate	Nil	The market has started to stagnate for fresh temperate fruits such as apples, pears and oranges. Growth in demand is still being seen in oranges, mandarins and apples as well as stone fruits and berries while demand is declining for grapes and pears.	Category A. Opportunities exist for US exporters to capitalise on growth in the berries and stone fruits segment as consumers are becoming more familiar with them. Opportunities also exist for supply of mandarins and tangerines which are in huge demand around the Chinese New Year periods. Potential exists for new varieties of apples, pears and oranges to create impetus for further growth.

			fruits are still considered too exotic and have not been adopted as part of the local diet.			
Edible nuts	47,930 tonnes US\$ 29 million (CIF value)	41,422 tonnes US\$ 34 million (CIF value)	Declining by 3% per annum. The market is dominated by peanuts (83%) which have been declining by 3% per annum. Consumers have largely switched to potato based snacks.	Nil except for groundnuts which incurs 5% import duty	The market is dominated by groundnuts which is experiencing declining demand. Declining demand also experienced for hazelnuts, chestnuts and pistachio with slow growth in cashew, almond and walnut.	Category A for almonds, hazelnut and pistachio. The USA is the largest supplier of almonds and a major supplier of hazelnut and pistachio. Category C for other edible nuts. Strong competition from local brands for other edible nuts.
Non-alcoholic beverages	24 million litres US\$ 19 million (CIF value)	32 million litres US\$ 34 million (CIF value)	7% growth per annum. The market is dominated by local products which meet closely with consumer taste. Import growth is mainly in un-sweetened	6% import duty for ready-to-drink juice, except for grape juice and apple juice which attracts 8% import duty and mixtures of juices which attract 10% import duty.	Very strong competition from local products and brands which meet closely with consumer taste and price expectations.	Category A. Opportunities exist for US exporters to supply 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 growing health food and organic food segments of the market.

			beverages , including fruit juices.	20% import duty on mineral and aerated water and other non-alcoholic beverages .		
Pet food	9,675 tonnes US\$ 12 million (CIF value)	21,406 tonnes US\$ 27 million (CIF value)	Rapidly growing at 24% per annum.	Nil	It is increasingly fashionable for the middle to upper income groups to own exotic pet dogs and cats. Few constraints/ barriers exist under conditions where disposable income is growing.	Category A. This market continues to be attractive for the USA and US exporters should capitalise on the growth in this market.

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.	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.

					The higher end restaurants demand fresh/chilled beef, which is mainly 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 infant milk powder, cheese products targeted at the food service sector. Good sales potential exists particularly for retail packed infant milk powder, pizza cheese and other grated cheese. Category C for other retail packed dairy products. This segment is not particularly attractive for other retail packed dairy products.
Infant food, excluding dairy products	19,274 tonnes US\$ 52 million (CIF value)	20,448 tonnes US\$ 64 million (CIF value)	Growing by 1% per annum. Slow growing market. Dominated by cereal products (68%) with the balance largely made up of bottled puree	Nil	Nestlé's strength in the market. Young mothers appear to prefer easy-to-prepare cereal based infant foods that are similar to traditional baby foods.	Category B. Attractive for US exporters wishing to take advantage of the convenience demanded by young working mothers. The USA is already the major supplier for branded bottled infant food and the market is

			fruits and puree vegetables Products are mainly demanded by convenient seeking well-informed young mothers from middle to upper income group.			market is continuing to upgrade on the back of higher disposable income and increasing sophistication of young mothers.
Baked products	11,225 tonnes US\$ 20 million (CIF value)	15,742 tonnes US\$ 23 million (CIF value)	8% growth per annum. Fast growing market, popular amongst all consumers, particularly cakes and sweet biscuits consumed as a snack food.	6% on gingerbread, sweet biscuits, waffles and wafers, unsweetened biscuits. Nil for other baked products.	Strong competition from price competitive good quality locally produced branded products.	Category B. US exporters should capitalise on the growth in this market. US exporters should consider exporting unique and exotic products of acceptable taste and flavour, products that are not readily available in this region.
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	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 varieties are adopted into local food culture, particularly

			<p>growth seen in lettuce, cabbages, onions. Growth was also seen in potatoes, carrots, cucumbers and other temperate vegetables such as broccoli, asparagus and alike.</p>			<p>broccoli, cauliflower, carrots and asparagus.</p>
Dried fruits	<p>35,018 tonnes</p> <p>US\$ 20 million (CIF value)</p>	<p>36,359 tonnes</p> <p>US\$ 28 million (CIF value)</p>	<p>Growing slowly by 1% per annum. Mainly bakery sector demand. Consumer demands mainly dates, figs, prunes and raisins which are traditional snacks. The younger generation of consumers prefer cereal and potato based snacks instead of dried fruits.</p>	5% import duty	<p>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.</p>	<p>Category B.</p> <p>US exports dominate the raisins segment and continue to have a significant share in dried prunes. Opportunities exist to supply to the growing health food and organic food segments of the retail market.</p>
Sugar	10,466	12,994	Growing	15%	Strong	Category B.

confection	tonnes US\$ 18 million (CIF value)	tonnes US\$ 22 million (CIF value)	by 5% per annum. Consumers, particularly the younger generation, are attracted by the temptingly packaged and fun looking novelty products.	import duty charged	competition from products made locally.	Opportunities exist in supplying novelty products targeted at the younger generation, particularly products which are not yet available in the market.
Chocolates	7,212 tonnes US\$ 23 million (CIF value)	7,201 tonnes US\$ 41 million (CIF value)	Very slow decline. Market is dominated by locally made branded chocolates that meet closely with consumer demands.	15% import duty charged	Strong competition from locally manufactured branded products.	Category B. Opportunities exist in supplying gift chocolate and exotic chocolate products to meet festive demands.
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	10 million litres US\$ 125	Growing by 11 % per annum. Rapidly	Import duty of RM58 per litre for brandy	High duties on these products and consumer preference for well-known	Category B. Opportunities exist for US exporters to

	(CIF value)	million (CIF value)	growing market. Whiskey imports grew rapidly at 22% per annum while brandy imports grew at 12% per annum.	and whiskey and RM55 per litre for rum, gin and vodka. Import duty of RM30 per litre to RM93.5/V PL 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.	brands of brandy and whiskey make this a costly market to enter for new-to-market brands.	develop the market for US whiskey and 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 v	Import duty of RM23 per liter for sparkling wine. Import duty of	Wine is increasingly consumed by the younger generation of adult Malaysian Chinese and Indians,	Category B. Price-competitive wines from competitor countries that produce

			y demanded at weddings and other celebration as more purchasers switch to wine (sparkling and non-sparkling) from spirits	RM7 per liter for other wines. Excise duty of 15% and RM34/Ltr for sparkling wine or 15% and RM12/Ltr for other grape wines.	particularly those educated abroad and/or well-travelled.	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
Whole chicken, frozen	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.
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 and pizza and grated cheese,	25% import duty charged on yogurt products. 2% import duty is charged on butter. 5%	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 retail packed dairy products. This segment is not particularly attractive for other retail packed dairy products. Category B for infant milk powder, cheese

			processed cheese and ingredients for recombined liquid milk. Market decline was seen in yogurt.	import duty is charged on all cheese types other than processed cheese which attracts 10% import duty.		powder, cheese products targeted at the food service sector. Good sales potential exists particularly for retail packed infant milk powder, pizza cheese and other grated cheese.
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