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Malaysia

Exporter Guide

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Report Highlights:
Malaysia's economy is stabilizing and its GDP for 2000 is forecasted at 5.8%. Tarriffs are low for most imported products, ranging from 0-20%. New retail outlets, which are good venues for imported products, are continuing to open, providing better access to consumers.

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SECTION I. MARKET OVERVIEW

Malaysia with a population of around 22.2 million people is one of the most developed nations in Southeast Asia. About 61 percent of its population makes up the middle to upper income group of consumers. Its economy has a firm foundation that comprises strong manufacturing, service and agricultural sectors. Malaysia is on its way to economic recovery with economic growth projected at 5.8 percent for 2000. Its GDP per capita in 1999 was US$3,248 and expected to reach US$3,393 in 2000. To curb inflation, the Malaysian government has instituted several regulatory measures through its many price stabilization programs including controlling the prices of essential food items.

Malaysia is politically and economically stable and open to foreign trade. Transportation, communications, banking and health services are modern and efficient.

The Malaysian food and beverage market is becoming increasingly sophisticated supplied by both local and imported products. The strong economic growth in the late 80's and early 90's has contributed to major changes in consumer purchases and consumption patterns. Malaysians living in urban areas are relatively brand conscious, and they prefer to shop in stores which offer them convenience and good product selections.

Advantages and Challenges for U.S. Suppliers

Advantages	Challenges
Malaysia’s economy is stabilizing and its GDP for 2000 is forecasted at 5.8%.	The Muslim population does not consume non-halal products. It thus limits the country’s demand for non-halal products from foreign sources.
More than 36% of the population is less than 15 years of age. The majority of them are expected to participate in tomorrow’s consumer market.	Malaysian consumers are price-sensitive. US products are not always price-competitive when compared to local products and imports from other neighboring countries.
The Malaysian market for imported food and beverages continues to be liberalized. Tariffs are low for most products, ranging from 0-20%.	US products face strong competition from Australia, New Zealand and China.
New retail outlets are continuing to open, providing better access to consumers on a nationwide basis. These businesses are looking for new imported products for their retail outlets.	Strong local brands which have foreign origins, e.g., Nestle, Walls ice-cream, Coca-Cola command strong positions in their market segments.

A wide variety of foreign products already "fit" into local food culture, e.g., temperate fruits and vegetables, infant formula, soft drinks and ice-cream.	Malaysia's consumers in the urban areas are well exposed to foreign products and understand product quality based on their comparisons with equivalent products.

SECTION II. EXPORTER BUSINESS TIPS

Business Customs

Malaysians are accustomed to doing business with foreigners and readily accommodate foreign business manners. Younger businessmen are prepared to start new business relationships with foreign companies without the advantage of a personal meeting. These businessmen also prefer to communicate with foreign suppliers electronically.

Prior to initiating any export sales to Malaysia, it would be advantageous to conduct a market survey with particular reference to the competitive environment. It is common for foreign exporters to appoint a local sales agent / importer to distribute their goods, expedite clearance of goods from ports and draw on existing networks of wholesalers and retailers. Regular visits by U.S. exporters to the market are also critical to enhance business relationships.

General Consumer Tastes and Preferences

Malaysia is a multiracial society consisting of three major races. The Malays account for 60% of the population, with Islam as the official religion; slightly more than 30% of Malaysians are Chinese who may be Buddhist or Christian. Indians form the remaining 10% of the population and they are largely Hindus.

Lunch and dinner meals consist mainly of rice together with two or three meats/fish and vegetable dishes that are prepared according to the styles and tradition of various communities. The Malays and Indians prepare their dishes with hot spices while Chinese prefer to stir-fry. Religious affiliation affects food consumption in Malaysia. Muslims do not eat pork, and only eat meat products that have been certified *halal*, and beef is not eaten by many Buddhists and Hindus. Thus, *halal* chicken meat is popular among all consumers.

Food Standards and Regulations

Malaysian health and food labeling requirements are fairly liberal. The labeling requirements specify that imported and domestically produced processed food items must be labeled in English or Bahasa Malaysia. Labels must contain the following information:

- An appropriate description of the product;
- A list of ingredients in descending order of proportion by weight;
- If the item contains any animal product, a statement as to the presence of such animal products (beef, pork, lard, gelatins, etc.,)
- If the item contains any alcohol, a statement as to the presence of alcohol;
- The minimum net weight of the product; in the case of a product packed in liquid, the minimum drained weight of the food;
- The name and address of the manufacturer;

- The name and address of the importer (this can be affixed at the time of import);
- A statement of shelf life or expiry dates.

Certain food additives, preservatives, and artificial colorings approved for use in the United States may not be permitted in Malaysia. In addition, products with labels which include phrases such as “Contains No palm Oil” or “Contains No Tropical Oils” will not be allowed for import. (Please see FAIRS Report (MY0036) for more detailed information on the labeling requirements and allowable ingredients and preservatives for packaged foods sold in retail outlets).

General Import and Inspection Procedures
All food consignments are subject to random checking and sampling at 28 entry points all over the country to ensure food items imported into the country are safe and comply with the prescribed standards and regulations. All meat, poultry and dairy product shipments must be accompanied by appropriate USDA documentation. All beef and poultry products must be certified *halal* and the products must originate from slaughterhouses which have been inspected and approved by the Malaysian veterinary and religious authorities. (It is important to know that U.S. plants must list and show the products they intend to export to Malaysia during the inspection visits by the Malaysian veterinary and religious authority; as only products that are certified *halal* during the inspection visits are allowed to be imported into Malaysia). Other food items which contain any animal products must be clearly marked.

Documentation and other formalities with authorities at entry points are normally handled by international freight forwarders. Provided all necessary documents are in order, no problems or delays should occur in clearance of goods. (Please see FAIRS Report MY0036 for more detailed information on import procedures).

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Consumer-oriented Foods and Beverages & Edible Fishery Products
In 1999, the total import of consumer-oriented products to Malaysia was valued at US$1,285 million. Total import from the United States was worth US$135 million, representing 10% of the market share.

Australia and New Zealand are the major competitors for this category in the Malaysian market. Temperate fresh fruits and vegetables, beef, dairy products, wine from these countries were able to garner top placings due to competitive prices, lower freight costs and shorter shipping times. China is also a strong contender in the fresh fruits segment.

While Malaysia is a producer of tropical fruits and fresh vegetables, it also imports these items from Thailand and Indonesia to meet the demand of Malaysian households. Processed foods from these countries such as canned fruits, fruit juices and dried fruits are easily available in retail outlets.

Malaysia is self-sufficient in pork and poultry (meat/eggs) production. Chicken parts and chicken wings are imported periodically to meet the demand from local processing industry and consumers. Major suppliers of chicken parts and chicken wings are USA and Denmark.

Malaysia is a net importer of seafood products with an annual import valued at US$253 million in 1999. While some supply of fresh and frozen fish comes the East Coast of Peninsular Malaysia, Malaysia imports a substantial amount of fish and seafood products from Thailand ($69 million) and Indonesia ($59 million).

Distribution for consumer-ready food products
Private companies are the major entities in the food distribution system. Food importers and commissioned agents place orders with foreign suppliers and distribute to supermarkets/grocery stores and hotels in the cities and to sundry shops in the rural areas. Several of the larger supermarket chains are beginning to import directly from overseas.

Most products from the United States enter through the ports of Klang, Penang and Johor (Port of Tanjung Pelepas). Transhipment of food products through Singapore has declined with improvement in shipping facilities offered by major ports in Malaysia. The newly developed high tech Westport, situated in Port Klang has further enhanced Malaysia as a shipping hub. Down south, the Port of Tanjung Pelepas (PTP), is causing a stir in Singapore with main liner operators relocating some of their operations from Singapore to Malaysia.

Malaysia has 7 international airports, including the newly opened Kuala Lumpur International Airport (KLIA), one of the biggest and modern airports in the region. Malaysia’s highway network is the backbone of the country’s transport system as 90% of passenger and cargo movements are by roads. Almost every town in Malaysia is linked by roads, and products move efficiently between cities and rural areas. The road system is complemented by railway lines which connect the north, south, west and east coasts of Peninsular Malaysia.

Food Retail Sector
Modern retail stores which hold about 20% share of the grocery market are currently gaining a foothold**.** This type of modern retail outlet is generally located in urban areas where a large number of middle to upper income consumers reside; and they regularly shop at these places. They buy large quantities of food and beverage products at any one visit but generally do not shop at supermarkets on a daily basis. Kuala Lumpur is the only city center in Malaysia where middle to upper income consumers shop at supermarkets to the exclusion of wet markets for their fresh produce.

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

The retail sector has very few large players involved in operating supermarkets and hypermarkets. Trade sources comment that the top five supermarkets and hypermarkets are Tops, Giant, Wellsave, The Store and Carrefour. The Table below provides information on the major retailers involved in the operation of supermarkets and hypermarkets.

Retailer Name and Outlet Type	Ownership	No. of Outlets	Location	Purchasing Agent Type
RA-PPB (Tops) Retail Sdn Bhd, supermarket and bakery	Dutch company with local partners	40	Nationwide	Direct, Agents
Giant TMC/DFI Supermarket and hypermarket	Local individuals and Hong Kong company	11 To check	Klang Valley and Johor	Direct, Importer, distributor
The Store Corporation Bhd, supermarket and department store	Public listed	30	Nationwide (Peninsula Malaysia)	Distributor
Carrefour Malaysia Sdn Bhd, hypermarket	French	6	Key urban centers (Peninsula Malaysia)	Direct, distributor
Jaya Jusco Stores, superstore chain and shopping center operation	Public listed with Japanese shareholders	8	Key urban centers (Peninsula Malaysia)	Importers, distributors. Direct for some Japanese products.
Ocean Capital Bhd, department store and supermarket and property development	Public listed	15	Nationwide (Peninsula Malaysia)	Importers, distributors.
Fajar Retail Enterprise Sdn Bhd, supermarket and department store	Local company	17	Nationwide (Peninsula Malaysia)	Importers, distributors.

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

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

Food Service Sector
The food service sector in Malaysia is highly fragmented with a large number of small to medium sized players in the market. According to trade sources, over 80% of the food service establishments are made up of small family-owned businesses or individual proprietors.

The table below provides trade estimates of the structure of the food service market today.

Structure of Food Service Market in 1999 (Estimated Sales of US$3,450 Million)	
Full service family style restaurants	25%
Food and drinks hawker stalls	25%
Fast food restaurant chains	10%
Coffee shops	15%
Hotel and resorts	20%
Catering services	5%
Total	100%
Source: Trade Estimates	

Rapid urbanization and changing lifestyles have brought changes to local eating habits. Demand for instant and convenience foods is on the rise as working women have little time to prepare their family meals. Malaysian consumers, particularly those in the 20-40 age group who can afford and are willing to pay for the price of convenience, have a preference for semi-prepared foods and/or takeaway meals. This growing trend has brought about a new era of food retailing in the country. Supermarket and hypermarket stores now have a section of takeaway foods where consumers will just pick what they want and pack them into meal boxes to take away.

Besides the usual hawker stalls / food stalls located in residential and urban areas, Western fast food chains like McDonald, Kentucky Fried Chicken, Burger Kings, Pizza Huts, etc are located strategically in large shopping malls all over Malaysia. Local franchised chains such as Marrybrown, Sugar Bun and Dave’s Deli , which offer similar menus as the KFC and McDonald outlets, are also expanding rapidly. Competition among these quick service restaurants (QSRs) is intensive with QSRs outdoing each other by offering "Value Meals", "Toys Promotions"and "Buy One Free One Promotions". Seventy percent of customers who patronize quick service restaurants are students in the "teen" market.

The fastfood sector will experience the fastest growth of between 20% to 30% per annum. More outlets will open over the next three years to cater to growing demands for convenience of eating out. Full service restaurants will see growth of between 10% and 30% over the next three years. Business entertainment has started to pick up, following a sharp decline in 1998 and 1999 due to economic downturn. Food and beverage outlets in hotels and resorts are likely to improve over the next three years since the Government of Malaysia has targeted tourism as an important growth area.

Food Processing Sector
Domestic investments in the food and beverage sector grew from US$97 million in 1997 to US$122 million in 1998 and foreign investments soared from US46 million to US$95 million. This burgeoning food processing industry caters to both the domestic and export markets.

The pegging of the Malaysian ringgit against the US dollar at RM3.8 (vs. 2.5 pre-crisis) has helped stabilize the economy and has made the country's exports more competitive in the global market. Importers of Malaysian-made products pay much less for the goods now due to the steep differential in the exchange rate and Malaysian exporters get more ringgits for the dollars they receive for their exports. Major processed food items for exports included bakery products, baked beans, canned curry chicken and beef, canned tuna fish, sardines, instant noodles, canned tropical fruits, fruit juices, milk drinks, soya products, chilli and tomato sauces, biscuits, breakfast cereals, chocolate products, snack foods such as chips and candies, and gourmet foods. These products are produced in conformation with *halal* requirements which are acceptable by Muslim consumers worldwide.

Various trade organizations such as the Federation of Malaysian Manufactures and the government agency, Malaysia External Trade Development Corporation (MATRADE) is aggressive in promoting, assisting and developing Malaysia's food industry for the export markets. Marketing seminars, workshops and training programs are routinely organized to improve international marketing skills and assist food processors in finding new markets overseas. The Malaysian Government has extended certain facilities such as the Export Credit Refinancing to marketing and exporting entities including trading houses to assist these small and medium enterprises to market and distribute their products overseas.

Participation in international food shows by Malaysian food processors has also brought about universal recognition of Malaysian ethnic foods such as "satay" (barbecue meat and sauce) and "roti canai" (pancakes). Local companies are encouraged to use franchising as a tool to expand their business. With the expansion of the domestic food processing sector, it should create some market opportunities for U.S. ingredients like spices and flavorings, dried fruit and nuts; dried beans, peas, and lentils; fruit juice concentrates and beverages bases.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- Fresh fruits and vegetables
- Snack Foods
- Halal meat and preparations
- Tree nuts: almonds and pistachios
- Processed Fruit and vegetables
- Wine
- Seafood
- Miscellaneous food preparations

SECTION IV. KEY CONTACTS AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting high value products to Malaysia, please contact the Office of Agricultural Affairs at the U.S. Embassy in Kuala Lumpur at the following address:

Office of the Agricultural Affairs
U.S. Embassy - Kuala Lumpur
APO AP 96535-8152
Tel : (011-60-3) 2168-4985/2168-4884
Fax : (011-60-3) 2168-5023
email: agkualalumpur@fas.usda.gov

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service homepage: http://www.fas.usda.gov.

Malaysian Regulatory Agencies / Other Trade Contacts
Director
Veterinary Public Health
Dept of Veterinary Services,
8th Floor, Block A, Wisma Chase Perdana,
Off Jalan Semantan, Bukit Damansara,
50630 Kuala Lumpur
Tel : (011-60-3) 254-0077/252-1854
Fax : (011-60-3) 253-5804
http://agrolink.moa.my/jph

Director
Food Quality Control Division
Ministry of Health Malaysia
4th Floor, E Block, Office Complex
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur
Tel : (011-60-3) 253-3462
Fax : (011-60-3) 253-7804 / Http://dph.gov.my

Director General of Customs
Royal Customs and Excise Headquarters Malaysia
Ground Floor - 7th Floor, Block 11
Kompleks Pejabat Kerajaan
Jalan Duta, 50596 Kuala Lumpur
Tel : (011-60-3) 651-6088
Fax : (011-60-3) 651-2605
http://www.customs.gov.my

A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (US$Mil) / U.S. Market Share (%)	4215 / 11%
Consumer Food Imports From All Countries (US$Mil) / U.S. Market Share (%)	1285 / 10%
Edible Fishery Imports From All Countries (US$Mil) / U.S. Market Share (%)	253 / 2%
Total Population (Millions) / Annual Growth Rate (%)	22.2 / 2.4%
Urban Population (Millions) / Annual Growth Rate (%)	*12.2 / 4.5%*
Number of Major Metropolitan Areas	9
Size of Middle Class (Millions) / Growth Rate (%) (estimate)	15 / 2.5
Per Capita Gross Domestic Product (US Dollars)	3, ,393
Unemployment Rate (%)	3.0%
Per Capita Food Expenditures (U.S. Dollars)	800
Percent of Female Population Employed	44.2%
Exchange rate (US$1 = X.X local currency)	US$ = 3.8RM

TABLE B. Consumer Food & Edible Fishery Product Imports

Malaysia Imports	Imports from the World			Imports from the U.S.			U.S Market Share		
(In Millions of Dollars)	1997	1998	1999	1997	1998	1999	1997	1998	1999
CONSUMER-ORIENTED AGRICULTURAL TOTAL	1,556	1,129	1,285	188	127	135	12	11	10
Snack Foods (Excl. Nuts)	47	26	36	4	2	2	8	8	6
Breakfast Cereals & Pancake Mix	13	8	16	1	1	1	7	8	4
Red Meats, Fresh/Chilled/Frozen	159	109	124	4	2	2	2	2	2
Red Meats, Prepared/Preserved	13	6	9	3	1	2	20	24	24
Poultry Meat	27	22	39	2	3	8	7	15	19
Dairy Products (Excl. Cheese)	346	251	263	7	6	6	2	2	2
Cheese	13	9	11	1	1	1	4	4	7
Eggs & Products	3	2	2	1	1	1	9	13	11
Fresh Fruit	126	81	90	35	21	16	27	26	18
Fresh Vegetables	205	173	188	7	3	3	3	2	2
Processed Fruit & Vegetables	112	79	98	24	17	19	21	21	20
Fruit & Vegetable Juices	12	8	10	2	1	2	15	12	23
Tree Nuts	14	7	10	5	2	3	37	33	27
Wine & Beer	15	14	19	1	1	2	5	8	12
Nursery Products & Cut Flowers	5	3	3	1	1	1	8	11	1
Pet Foods (Dog & Cat Food)	14	15	14	3	3	3	24	18	20
Other Consumer-Oriented Products	431	317	354	91	63	65	21	20	18
FISH & SEAFOOD PRODUCTS	328	221	253	9	4	4	3	2	2
Salmon	11	5	8	1	1	1	0	2	1
Surimi	2	2	5	1	1	1	1	10	2
Crustaceans	64	50	49	1	1	1	0	0	1
Groundfish & Flatfish	38	21	30	1	1	1	2	3	3
Molluscs	9	5	7	1	1	1	5	0	1
Other Fishery Products	203	138	155	7	3	3	4	2	2
AGRICULTURAL PRODUCTS TOTAL	4,495	3,594	3,738	585	349	410	13	10	11
AGRICULTURAL, FISH & FORESTRY TOTAL	5,011	3,974	4,215	628	382	449	13	10	11

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

TABLE C. Top 15 Suppliers of Consumer Foods & Edible Fishery Products

Malaysia - Imports

CONSUMER-ORIENTED AGRICULTURAL TOTAL ($1,000)

	1997	1998	1999
Australia	279,928	207,744	233,036
New Zealand	244,318	175,759	192,383
China (Peoples	155,247	118,060	150,068
United States	187,975	127,141	134,615
India	136,800	91,597	103,820
Thailand	91,671	59,026	93,244
Indonesia	44,813	36,540	50,608
Netherlands	58,400	52,945	49,570
Singapore	41,132	34,262	37,058
Denmark	39,318	32,315	32,670
France	22,944	23,142	21,622
Hong Kong	29,873	17,876	20,807
United Kingdom	28,925	14,963	18,687
Ireland	37,427	15,818	18,094
Germany	18,011	11,267	12,898
Other	139,374	110,956	115,457
World	1,556,194	1,129,444	1,284,650

FISH & SEAFOOD PRODUCTS ($1,000)

	1997	1998	1999
Thailand	109,916	68,992	87,556
Indonesia	50,572	58,775	48,223
India	32,399	15,133	19,908
Taiwan (Estimat	16,247	7,942	10,853
China (Peoples	4,720	2,841	9,603
New Zealand	9,250	7,046	9,040
Burma	10,494	5,756	8,333
S.Afr.Cus.Un	1,890	4,809	7,349
Vietnam	8,593	5,405	6,621
United Kingdom	11,019	6,979	5,935
Japan	11,524	5,756	5,117
United States	8,716	4,247	4,083
Norway	2,509	1,738	3,223
Bangladesh	5,768	4,073	2,913
Singapore	3,277	3,228	2,830
Other	40,804	18,312	21,427
World	327,729	221,030	253,019

Source: United Nations Statistics Division