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Report Name: Food Service - Hotel Restaurant Institutional

Country: Malaysia

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Report Category: Food Service - Hotel Restaurant Institutional

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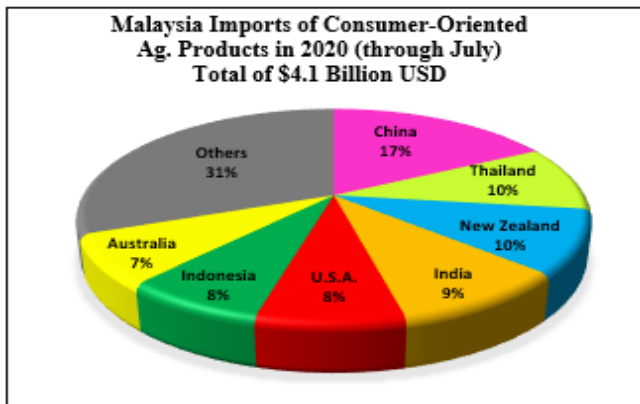
Approved By: William Verzani

Report Highlights:

The COVID-19 pandemic and ensuing movement control orders have severely impacted the Malaysian hotel, restaurant, and institutional (HRI) industry, with national hotel occupancy rates reportedly in a range of 12-20 percent as of July 2020. Despite these headwinds, Malaysian demand for foreign consumer-oriented food and beverage products continues to be robust. Demand for U.S. consumer-oriented food and beverage products has been particularly strong in 2020 with imports through August up 13 percent (compared to the same time the previous year) at \$337 million USD. Best prospective U.S. products for the Malaysian HRI market include dairy, fresh fruit, processed fruit, seafood, pork, and beef.

Executive Summary

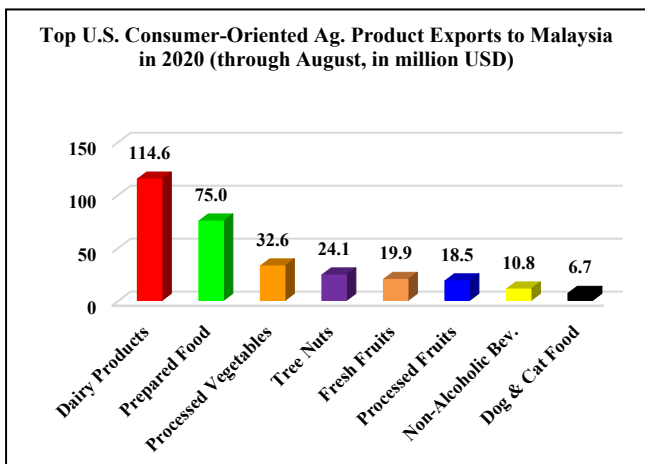
Prior to the COVID-19 pandemic, Malaysia's hotel, restaurant and institutional (HRI) industry was one of the fastest growing sectors in the country's economy. However, because of the pandemic and the ensuing movement control orders, the HRI sector has experienced a major drop in business with national hotel occupancy rates in a range of 12-20 percent as of July 2020. Despite these headwinds, Malaysian demand for foreign consumer-oriented food and beverage products continues to be robust with imports of these products through July up five percent (compared to the same time the previous year) at \$4.1 billion USD.



Source: Trade Data Monitor

Imports of U.S. Consumer-Oriented Products

Malaysian demand for U.S. consumer-oriented food and beverage products has been particularly strong in 2020 with imports through August up 13 percent (compared to the same time the previous year) at \$337 million USD. The United States is currently Malaysia's fifth largest supplier of these products.



Source: U.S. Census Bureau Trade Data

Malaysia Macroeconomics

Population: 32.7 million people; rapidly growing (has doubled since 1980) and is increasingly urbanized

Per Capita Income: \$11,021 in 2019

Real GDP Growth: 4.7 percent in 2019

GDP Composition:

- Agriculture: 8%
- Industry: 37%
- Services: 55%

(Sources: Malaysia Department of Statistics and the Central Bank of Malaysia)

Food Service Industry – Quick Takeaways

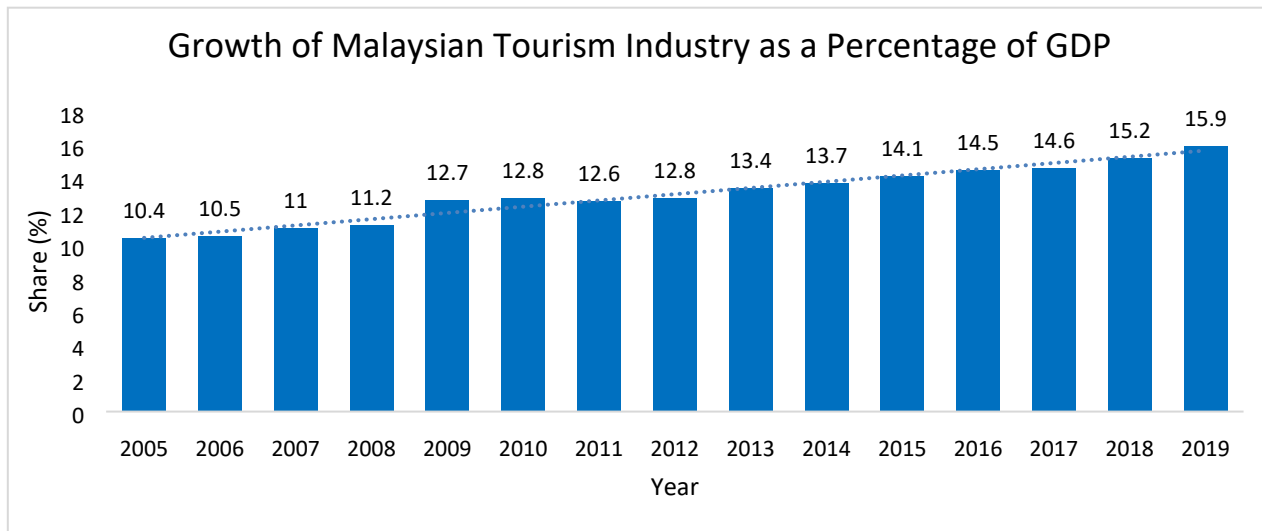
- According to industry contacts, 5-star hotel restaurants in Kuala Lumpur are currently thriving despite the pandemic.
- Malaysia's food service industry is highly diverse with Malay, Indian, Chinese, and Western options all widely available.
- Depending on the imported product, acquiring halal certification can greatly improve marketability in the Malaysian HRI industry, and in many cases is mandatory.

U.S. Exporter Opportunities and Challenges

Strengths	Weaknesses
-U.S. food and agricultural products are trusted and perceived to be of high quality.	-Many products need to be halal certified in the Malaysian market, which can be a complicated process.
Opportunities	Challenges
-A rapidly growing Malaysian HRI sector requires a wide range of imported food products and ingredients. -Rising disposable income in Malaysia is driving demand for premium imported food and beverage products.	-Australia and New Zealand both have free trade agreements with Malaysia and have a strong presence in the country's consumer-oriented food and beverage market.

Market Summary

Prior to the COVID-19 pandemic, Malaysia's hotel, restaurant and institutional (HRI) industry was one of the fastest growing sectors in the country's economy and was driven by robust tourism and increased consumer spending. However, because of the pandemic and the ensuing movement control orders, the HRI sector has experienced a major drop in business with national hotel occupancy rates in a range of 12-20 percent as of July 2020 (according to the Malaysian Association of Hotels). Even with the significant pandemic-induced slowdown, demand for high-quality imported food and beverage products remains strong. This is particularly the case for Malaysian imports of U.S. consumer-oriented food and beverage products through August 2020, which are up 13 percent (compared to the same time the previous year) at \$337 million USD.



Source: FAS Kuala Lumpur Chart with Malaysia Department of Statistics Data

Sector Trends

- The COVID-19 pandemic and ensuing travel restrictions have had a severe impact on the Malaysian HRI industry as it is highly dependent on tourism and consumer expenditures. Industry contacts report that the national hotel occupancy rate as of July 2020 was in the range of 12-20 percent.
- Although the overall industry is struggling, some components of the HRI sector have recovered quickly. For example, 5-star hotel restaurants in Kuala Lumpur are reportedly now enjoying robust business.
- According to Euromonitor, due to the government-imposed COVID-19 safe-distancing precautionary measures, third-party food delivery services have dramatically increased in use in urban areas.
- Malaysia's food service industry is one of the most diverse in the world with a broad range of Asian and Western cuisine widely available in dining formats ranging from food stalls to full-service restaurants.


- A rapidly growing and highly urbanized population is demanding fast and convenient food choices. Additionally, healthy and organic products are becoming very popular.
- Malaysia’s relatively young and educated population traditionally enjoys eating out.
- To attract local and international Muslim tourism, the majority of hotels in the country (including international chains) maintain halal certification (please see the Halal Certification section below).
- American chain restaurants dominate Western cuisine options in Malaysia with at least 18 U.S. franchises in operation.
- Rapid expansion of the HRI industry throughout the country is expected to support steady growth in demand for imported high quality food and beverage products for the next several years.



Halal Certification



To ensure full market access to the Malaysian HRI industry, halal certification is strongly recommended for all imported food and beverage products. Furthermore, many products (e.g. beef or poultry) require halal certification in order to enter the country. As roughly 60 percent of the Malaysian population is Muslim, the majority of hotels, restaurants and catering services work to ensure 100% halal certification.

As a result, they strive to have all food and beverage products used in their establishments halal certified (regardless of whether or not it is actually required for the respective product). Currently, the Department of Islamic Development (JAKIM) is the only authorized entity allowed to issue halal certification for domestic food industry. In the United States, JAKIM has appointed three Islamic institutions to inspect and halal certify food and beverage products for export to Malaysia; the Islamic Food and Nutrition Council of America (IFANCA), the Islamic Services of America (ISA) and the American Halal Foundation (AHF).

<i>Organization & Address</i>	<i>Contacts</i>	<i>Halal Logo</i>
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Source: JAKIM - The Recognized Foreign Halal Certification Bodies & Authorities

Advantages and Challenges for U.S. Exporters

Advantages	Challenges
U.S. food and agricultural products are trusted and perceived to be of high quality.	Many U.S. products need to be halal certified in the Malaysian market, which can be a complicated process.
An expanding Malaysian economy and rapidly growing HRI sector require a wide range of imported food products and ingredients.	Consumer purchasing power may be hindered by rising inflation.
Most imported food and beverage products have low import and customs duties (except for alcoholic drinks).	Australia and New Zealand both have free trade agreements with Malaysia and have a strong presence in the country's consumer-oriented food and beverage market.
A large number of U.S.-style restaurants and cafés operate in major cities, enabling new-to-market U.S. products easier market acceptance.	In addition to Australia and New Zealand, products from China and other ASEAN countries are gaining market share.
The high-end HRI segment maintains high standards of quality and hygiene, which is very positive for U.S. food and beverage prospects.	The majority of Malaysian consumers only dine at high-end restaurants for special occasions.

Road Map for Market Entry

U.S. exporters of food and agricultural products should consider the following when planning to enter the Malaysian HRI market:

- Analyze Malaysian food laws, packaging & labeling requirements and importer criteria for entry into the market. Detailed information on Malaysian regulations and requirements can be found by accessing the [USDA Food Safety and Inspection Service Export Library](#) and the latest [FAS/Malaysia Food and Agricultural Import Regulations & Standards Country Report](#).
- Review the types of U.S. food products that can be readily targeted in the retail market. Consider the price competitiveness of U.S. products compared to similar products available in Malaysia.
- Participate in regional trade shows and trade missions by tapping into the resources offered by [State and Regional Trade Associations](#).
- Develop links with local importers that target the major hotels, restaurants and caterers. U.S. exporters are advised to appoint local distributors or at least a local representative to help guide them through the requirements of Malaysian food regulations and local trading practices.
- After establishing links with importers, strive to educate them (in person if possible) on the qualities of your product/s and supply chain.
- After establishing trade agreements with local importers, conduct market visits, product promotional activities and provide technical assistance (e.g. handling techniques and product formulations) to end-users.
- Maintain strong communication with your local importer to ensure all certificates and import permits are valid and up to date.

Major Hotel & Resort Chains in Malaysia

Name	Website
Doubletree by Hilton Kuala Lumpur	https://www.hilton.com/en/locations/malaysia/kuala-lumpur/doubletree/
EQ Kuala Lumpur	https://www.eqkualalumpur.com/
Grand Hyatt Kuala Lumpur	kualalumpur.grand.hyatt.com
Grand Millennium Kuala Lumpur	www.millenniumhotels.com
Hotel Istana	www.hotelistana.com.my
Hotel Maya Kuala Lumpur	www.hotelmaya.com.my
Intercontinental Kuala Lumpur	https://kualalumpur.intercontinental.com/
Le Meridien Kuala Lumpur	www.lemeridienkualalumpur.com
Mandarin Oriental Kuala Lumpur	www.mandarinoriental.com/kualalumpur
Renaissance Hotels	https://www.marriott.com/hotels/travel/kulrn-renaissance-kuala-lumpur-hotel/
Shangri-La Hotel Kuala Lumpur	http://www.shangri-la.com/kualalumpur/shangrila/

Sheraton Imperial Kuala Lumpur	https://sheraton.marriott.com/
The St. Regis Kuala Lumpur	www.marriott.com/hotels/travel/kulxr-the-st-regis-kuala-lumpur/
The Four Seasons Kuala Lumpur	www.fourseasons.com/kualalumpur/
The Majestic Hotel Kuala Lumpur	www.majestickl.com
The Ritz-Carlton Kuala Lumpur	www.ritzcarlton.com
The Royale Chulan Kuala Lumpur	https://www.royalechulan.com/KualaLumpur/Home.aspx
The Westin Kuala Lumpur	https://www.marriott.com/hotels/travel/kulwi-the-westin-kuala-lumpur/
Traders Hotel Kuala Lumpur	www.shangri-la.com/kualalumpur/traders
W Kuala Lumpur	https://www.marriott.com/hotels/travel/kulwh-w-kuala-lumpur

Competition Chart

Product Category (2019)	Major Supply Sources (2019)	Foreign Supplier Situation	Local Supplier Situation
Beef and Beef Products Net Imports: USD \$485 million	India: 73% Australia: 16% New Zealand: 5% Brazil: 4%	<p>Major foreign suppliers have a significant portion of their beef industry halal certified for export to Malaysia.</p> <p>Beef from India is very cheap and serves the low-end outlets.</p> <p>Australia dominates the higher-end HRI market.</p> <p>Currently, only one U.S. beef plant is halal approved by JAKIM (which severely restricts U.S. access to the local HRI market).</p>	Inadequate supply of local beef.
Pork and Pork Products Net Imports: USD \$61 million	Germany: 46% Spain: 21% China: 8% Belgium: 6%	Currently, EU prices are very competitive, and several EU plants are approved for export to Malaysia.	Domestic demand for pork has grown significantly over the past several years and local industry has struggled to keep-up.
Potatoes - Fresh or	China: 51%	Chinese potatoes are very	Little domestic

Chilled Net Imports: USD \$78 million	Pakistan: 13% U.S.A.: 10% Bangladesh: 9%	price competitive. High quality potatoes from other sources are for high-end retail and HRI markets.	production.
Vegetables - Frozen Net Imports: USD \$29 million	U.S.A.: 25% China: 22% Netherlands: 18% Denmark: 15%	U.S. frozen potatoes are in strong demand for the retail and HRI sectors.	There is a large market for chilled and frozen processed vegetables, particularly potatoes.
Fresh Fruits Net Imports: USD \$553 million	China: 25% South Africa: 23% U.S.A.: 9% Australia: 8%	Highly competitive market.	Malaysia does not grow non-tropical fruits.
Dried Fruits Net Imports: USD \$36 million	U.S.A.: 29% Thailand: 17% China: 13% Indonesia: 12%	U.S. dried fruits are in strong demand for the growing bakery industry.	Limited local production.
Tree Nuts Net Imports: USD \$176 million	Indonesia: 30% U.S.A.: 26% China: 12% India: 9%	Imported nuts are in strong demand for use in the bakery industry.	Limited local production.

Source: Trade Data Monitor

Best Prospective Products for the HRI Industry

U.S. Products	2019 Import Value (January - August) (million USD)	2020 Import Value (January - August) (million USD)	Growth
Dairy Products	\$63.90	\$114.60	79%
Fresh Fruit	\$18.20	\$19.90	9%
Processed Fruit	\$17.70	\$18.50	5%
Fish Products	\$6.40	\$7.90	23%
Pork and Pork Products	\$0.60	\$1.30	116%
Beef and Beef Products	\$0.80	\$0.40	-50%

Source: U.S. Census Bureau Trade Data

Note: Excellent opportunities for U.S. beef exist in the HRI sector provided required Malaysian halal certifications can be obtained.

Key Contacts

A) USDA Foreign Agricultural Service Malaysia

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B) U.S. Dairy Export Council

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Contacts: Dalilah Ghazalay, Regional Director, SEA Marketing & Operations
Email: dali@dairyconnect.biz

C) U.S. Grains Council

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Tel: (60) 3 2093 6826
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Email: usgckl@usgc.com.my

D) U.S. Meat Export Federation

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Email: singapore@usmef.com.sg

E) USA Poultry and Egg Export Council

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#15-04 Liat Towers
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F) Raisin Administrative Committee, Food Export-Midwest, Food Export-Northeast and the Western United States Agricultural Trade Association

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G) U.S. Soybean Export Council

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H) U.S. Wheat Associates

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Fax: (65) 6733 9359
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Email: InfoSingapore@uswheat.org

I) Malaysia Government Websites:

Ministry of Health Food Safety and Quality Division: <http://fsq.moh.gov.my/v6/xs/index.php>

Ministry of Agriculture Department of Veterinary Services: www.dvs.gov.my

Ministry of Finance Customs Headquarters: <http://www.customs.gov.my>

Attachments:

No Attachments