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## Malaysia

### Market Development Reports

### Malaysian Food Manufacturing Industry

### 1999

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## Introduction

This study has been prepared for the US Agricultural Trade Office by Stanton, Emms & Sia. It has been prepared to provide US exporters of food ingredients with:

- ! A review of Malaysia's food manufacturing industry and its products.
- ! A review of Malaysia's market for ingredients used by food manufacturers.
- ! Feedback from users of food ingredients on the decision making process adopted by food manufacturers as well as their interest in US food ingredients.
- ! A review of future scenarios for the food manufacturing industry with key points for consideration in developing export strategies as well as highlighting future prospects for US exporters to Malaysia.

The study concentrated on profiling Malaysia's higher processed food sectors. For this reason, sectors which process most local agricultural products are not covered in any detail.

In the report, food ingredients, as defined in the U.S. Agricultural Trade Office's project brief, refer to two broad categories of products used by food manufacturers. These are as follows:

- ! Food used as ingredients.

These products include meat products, fish and seafood, dairy products, vegetable and vegetable products, fruit and fruit products, herbs and spices (not chemical flavours), cereals and cereal products, pulses and pulse products, fats and oils, cocoa and its products, sugars and sugar derivatives and starch and starch derivatives.

- ! Food additives and other chemicals.

These products include colours, emulsifiers, enzymes, essential oils and plant extracts, flavours and aromas, hydrocolloids and gelling systems, sweeteners and yeast and yeast derivatives used in food production and other chemicals used by food manufacturers.

The reader should note that the aim of this study is to provide a broad based overview of Malaysia's food manufacturing industry and its demand for food ingredients, as defined above. Readers should not view this document as a detailed market study.

## Foreign exchange note

The Malaysian Ringgit (RM) figures which have been used in the preparation of this report were translated to US\$ at a rate of RM 3.80: US\$1.00.

## Executive summary

### Malaysia in profile

Malaysia is the third wealthiest country in Southeast Asia. Its 1997 GDP per-capita was US\$ 4,287. About 36% of the population are aged 15 years and below, which represents a sizeable pool of future consumers who will be an important driver for increased consumption of higher processed food and beverages in future.

About 61% of its population make up its middle to upper income group of consumers. Unlike the other large Southeast Asian nations, Malaysia has a nationwide consumer base which encompasses both urban and rural areas.

Malaysia's population is also multicultural and multi-ethnic. Local food manufacturers take this into account when developing new foods for the Malaysian market. Of major importance is the fact that more than 50% of the population are Muslims so the majority of foods which are produced in Malaysia are *halal* in nature.

The Malaysian economy has a firm foundation in a mixed economy which comprises strong manufacturing, service and agricultural sectors. In 1997, its economy grew at 7.7% with inflation of between 3% and 4%.

Like most countries in Asia, it has been adversely affected by the regional economic downturn in 1998. Latest government forecasts for economic performance in 1998 suggest a downturn of about 4.8% will occur. On a positive front, 1999 is expected to see a recovery with about 1% GDP growth forecast for that year.

### The food manufacturing industry

Malaysia's food manufacturing industry comprises over 3,500 businesses with a total output in excess of US\$ 9 billion. Major industries include the manufacturing of edible oil products (Sales of US\$ 5,881 million), dairy products (Sales of US\$ 335 million), cocoa, chocolate and sugar confectionery products (Sales of US\$ 232 million), soft drinks (Sales of US\$ 227 million), fish and seafood products (Sales of US\$ 218 million), biscuits (Sales of US\$ 200 million), cereal flour (Sales of US\$ 185 million) and baked products other than biscuits (Sales of US\$ 150 million).

The industry is one of the most dynamic in Southeast Asia. Unlike the Philippines, Indonesia and Thailand, monopolies are rare in Malaysia and there is a high degree of competition amongst local companies of all sizes. The market has few real trade barriers so competition between local and imported products is also high. This, and the export orientation of many businesses, underpins the high level of innovation which exists in the industry today.

Malaysian exports of food and beverages, including agricultural and fisheries products, were valued at US\$ 4,067 million in 1997. The main higher processed food and beverage exports were soft drinks, biscuits, beer, wheat-based noodles, sugar confectionery, sauces, canned peas and beans, ice cream, chocolate confectionery and powdered milks. The industry's export targets are worldwide.

Malaysia aims to become the world's leading production centre for *halal* processed foods and beverages. This is

supported by Nestlé which has established its global centre of excellence for *halal* food production in Malaysia. This is promoted by the government based on the fact that Malaysia *halal* processed food and beverages are well received throughout the Islamic world.

### **The food ingredient market**

Imports of food ingredients comprised 2,009,728 tonnes of products, up from 1,367,385 tonnes in 1993. Imports were valued at more than US\$ 900 million in 1997. Import growth has occurred in most categories.

Many of the market segments are competitive with large numbers of supply countries involved in some segments. More than 80% of imports are supplied by just 10 countries. Of these, Australia, Thailand, the USA, India and New Zealand supplied over 60% of imports in 1997.

The USA's share of the market for imports was about 12% in 1997. It leads the market for cereal and cereal products and oil seeds/edible oils. It is also a leading supplier of fruits, vegetables and chemicals and additives.

### **ASEAN initiatives affecting food industry development**

Malaysia is a member of ASEAN (Association of South East Asian Nations). The other members were Brunei, Indonesia, Laos, Myanmar (Burma), Philippines, Singapore, Thailand and Vietnam at the time of writing.

Malaysia is fully committed to liberalisation of its markets under the ASEAN Free Trade Area (AFTA) accords between the ASEAN members. In addition to this, its commitments to GATT/WTO have already established the lowest trade barriers in Southeast Asia, after low tariff Singapore and Brunei.

Several multinational food manufacturers are operating in Malaysia to take future benefit from AFTA. These investors include Nestlé, Groupe Danone (France), Unilever, CPC/AJI, Campbell Soup and Pepsico Foods. While many of these businesses have long had operations in Malaysia, their new strategy, and some investments made since 1992, are oriented towards manufacturing products in Malaysia for the larger ASEAN regional market tomorrow.

AFTA is a major force for change on the industry in Southeast Asia. It offers tariff reductions, with average tariffs of between 0% and 5% by 2003 for the major ASEAN economies, and the elimination of non-tariff barriers for products originating from within ASEAN. This is the foundation from which many medium to large sized Malaysian food and beverage manufacturers will operate tomorrow.

Malaysia will continue to develop as a key ASEAN location for quality export oriented food and beverage manufacturing tomorrow. The key reasons for this are the opportunities which arise from AFTA, Malaysia's promotion of itself as a high quality food manufacturing location and centre of excellence for *halal* food products, its strong infrastructure and educated workforce.

### **Regulatory environment for food ingredients**

Malaysia has been liberalising its import markets since the late 1980s in line with its commitments to the GATT Uruguay Round. Today, it has some of the lowest tariff rates in Southeast Asia and a very limited range of other trade barriers for food ingredients.

Most of its tariff rates are now below 5% and many are zero rated. Its highest tariffs of around 20% are levied on imported products which directly compete with local agricultural sectors, including the edible oil, cocoa, fruits and vegetables.

Import licensing exists for a range of products, including meat and poultry, rice, sugar, liquid milk, coffee beans and some cereal products. Most of these licences are no longer used as trade barriers but are mechanisms which are used as part of import quality control over foods and to ensure the government is fully aware of large transactions which occur in staple foods, such as rice and cereal flour, as part of its monitorship of the country's food security.

Malaysia has comprehensive food regulations which cover food ingredients from both local and foreign sources. These regulations are well enforced and are regularly updated to bring them into line with new products and production practices.

It also has regulations which regulate the use of the word "halal" on food and beverage products. These regulations have an indirect impact on the food ingredient market because *halal* foods must contain *halal* ingredients if they are to be officially recognised as *halal* by the authorities. These regulations are also enforced through testing of food and beverage products.

### **Feedback from food ingredient users**

Trade interviews performed with high profile trade respondents indicated that most of them were interested to use US food ingredients in their products, including those who do not use any at the time of the interviews, i.e. November and December 1998.

Malaysia is an open market for food ingredients which meet with local purchasing criteria. The ability to supply *halal* ingredients is very important. Most Malaysian businesses produce *halal* food and beverages so they can maximise on the opportunities that are available in the whole of Malaysia's population. This is also an important criteria for companies which export *halal* foods. Quality and price are also important factors which affect purchasing decisions about food ingredients.

Most respondents stated that it is important for US suppliers to attend local food exhibitions, promote their products to Malaysian businesses on a one-to-one basis and provide user support in the form of technical support, free samples and product information. They also pointed out that all queries raised by them should be promptly attended to as part of the service support required from US suppliers.

### **Future opportunities for US exporters**

Opportunities do exist for US food ingredient suppliers to export their products to Malaysia. The key sectors which are targets for US exporters are dairy processing, soft drink manufacturing, fish and seafood processing,

flour milling, biscuit and other baked product manufacturing, noodle manufacturing and brewing.

Other important sectors with smaller sized demand for imported products include edible oil processing, chocolate product manufacturing, soybean product manufacturing, vegetable canning, sugar confectionery manufacturing, cereal and potato snack manufacturing and meat processing.

Most buyers require their ingredients to be *halal* in nature so US exporters with an interest in developing a long term market in Malaysia will need to consider this requirement when planning their future export promotion drives.

## 1. Malaysia in profile

### 1.1 Malaysia, the third richest ASEAN nation

Malaysia is the third richest ASEAN (Association of South East Asian Nations) country with a GDP per-capita of US\$ 4,287 today. Its current population is about 20.7 million and this is projected to grow to 29.8 million by the year 2020 according to the United Nations Development Programme (UNDP). Today, around 56% of the total population reside in urban centres with the balance living in rural areas. The Table below provides the age profile of the population in Malaysia.

Malaysia's Age Profile	
	Percentage Aged
0 - 14 years	36
15 - 60 years	54
60 - 65 years	6
65+ years	4
Source: Population Data, 1998, UNDP	

The Table above highlights that a significant proportion of the population is young, with children less than 15 years old forming 36% of the total population. According to the United Nations, most of the developed world has a lower percentage of persons under the age of 15 years, i.e. 18.8%.

Malaysia therefore has more than 7 million of future consumers in today's young population. The majority of these new consumers are expected to participate in tomorrow's consumer market. This is because today's market is already broad based, encompassing both urban and rural consumers. Trade sources comment that this is an important driver for increased consumption of higher processed food and beverages in the future.

Malaysia's population is multi-ethnic and multi-religious. This affects local food consumption in a number of ways because each group has some beliefs which underpin their own food culture. The following factors have to be taken into account by local food manufacturers when developing new products for the Malaysian market:

- ! More than 50% of the population are Muslims. While this group is mainly dominated by ethnic Malays, it also includes ethnic Indians and Chinese.

These persons are permitted to consume only foods which are *Halal*.

Meats and poultry ingredients must be derived from animals which have been slaughtered in accordance with Islamic rights.

A number of products are not *halal*. Some examples are pork and alcohol, including ingredients such as gelatine and colours with an alcoholic base.

- ! A sizeable population of Hindus and Buddhists exists in Malaysia. The majority of Hindus are Indian whereas Buddhists are found in a number of different ethnic groups. Consumers in these groups are careful not to consume beef because of their beliefs.
- ! As all persons are able to consume *halal* products, except in the case of Hindus and Buddhists who do not consume *halal* beef products, most Malaysian food products targeting the nation-wide market are *halal* in nature.

## 1.2 The consumers today

Today, most of Malaysia's households are economically active and independent. Only less than 114,000 households live below the poverty line.

The Table below provides an overview of the country's wealth profile.

<b>Income/Wealth Profile of Malaysia</b>	
High income group (earning in excess of RM\$4,000 per month)	8%
Middle income group (earning between RM\$751 and RM\$4,000 per month)	53%
Low income group (earning less than RM\$750 per month)	39%
Note : RM\$3.80 : US\$1 Source: SRM Media Index Q2, 1996	

According to the latest household survey conducted by the Department of Statistics for 1995, the mean monthly gross household income was RM 2,007. It also showed that the average income for urban residents was RM\$ 2,596, compared to RM\$ 1,300 for the rural residents.

This indicates that although the urban residents command a significantly higher income, economically active people include many Malaysians who reside in rural areas. This fact sets Malaysia aside from the other large ASEAN nations, e.g. Thailand and Indonesia, where urban residents have been the main beneficiaries of past economic growth.

Ten years of rapid economic growth, with GDP exceeding 8% per annum and inflation hovering around 3%, has created a significant group of wealthy middle income consumers, commonly referred to as the "Asian Middle Class". Asian and Western culture and values meet and mix to make this middle class group into *new* Malaysians who are better educated, well informed and cosmopolitan with a preference for sophisticated products and services.

While Malaysians adopt many Western food ideas and eating habits, they also retain many of the Asian

characteristics and cultures inherent in their upbringing. This group already forms a significant consumer market for a broad range of processed food and beverages. They are very important in shaping the market development of the future, based on their high purchasing power when compared to that seen in the other large ASEAN nations.

### 1.3 Malaysia's economic performance

Malaysia ranks amongst Asia's wealthiest countries on a GDP per-capita basis. It has developed into a modern nation with a firm foundation of a mixed economy made up of strong manufacturing and service sectors. The Table below shows the composition of Malaysia's GDP in 1997.

<b>Malaysia's GDP by Economic Activity - 1997</b>	
Manufacturing	35.7%
Wholesale & retail trade and restaurants & hotels	12.3%
Agriculture, forestry and fishing	11.9%
Finance, insurance, real estate & business services	9.8%
Transport, storage and communication	7.5%
Mining and quarrying	6.7%
Construction	4.8%
Electricity, gas and water	2.5%
Other services	8.8%
Source: Department of Statistics	

According to the Ministry of Finance, the economy grew at 7.7% in 1997. However, Malaysia was not spared from the effects of the recent regional economic crisis. In mid-to-late 1998, it was hit with a currency crisis which has more recently pushed its economy into a recession for the first time in 10 years.

The government has implemented currency controls to stop speculative currency trading and the consequent wildly fluctuating exchange rates which were causing problems for some Malaysian businesses. Recent reports suggest that these measures have moderated the economic downturn. The government's latest forecast for economic performance in 1998 predicts a downturn of about 4.8%. On a positive front, 1999 is expected to see a recovery with economic growth of about 1% forecast for that year.

### 1.4 Malaysia's future

Malaysia's economic downturn is likely to be similar to that seen in the past in the developed nations of North America, North Western Europe and Australasia rather than the dramatic downturn in economic fortunes as seen in Indonesia and Thailand.

Contrary to recent press reports which were heavily reported by the international media, Malaysia will not turn into another Myanmar (Burma).

Malaysia and Myanmar were both British colonies which received their independence when they were heavily dependent on agriculture for most of their gross domestic product. Today, there are significant differences between the two nations. It should be noted that:

- ! Today, Myanmar is a very poor undemocratic nation with a living standard close to some African nations. In developmental terms, it is at least 40 years behind Malaysia. Myanmar's GDP per-capita is about US\$ 765, compared to Malaysia's US\$ 4,287 in 1997.
- ! The Myanmar government does not have clear policies or strategies towards raising the living standard of its people, unlike Malaysia which has had such policies in place since its independence in 1957. Unlike Malaysia, real wealth and spending power are concentrated in a very small section of Myanmar's population today.
- ! Malaysia's development policies and strategies are well entrenched and have turned it into one of the wealthiest countries in Asia today, with an even spread of middle class consumers who reside in both urban and rural areas.

Some analysts comment that Malaysia's future long term development path will ultimately see it develop into a nation/economy which is similar to that seen in Australia today.

## 2. The food manufacturing industry

### 2.1 The industry in overview

Malaysia's food and beverage processing industry comprises more than 3,500 businesses with total output in excess of US\$ 9 billion today. Of these businesses, medium to large scale firms are estimated by the government to number between 1,300 to 1,400 firms.

The businesses involved range from small family-owned businesses to large businesses which are listed on the Kuala Lumpur Stock Exchange or operate as subsidiaries of foreign or multinational businesses. Most businesses serve very localised markets while a few medium to large businesses dominate the market on a nationwide basis.

The Table below shows the latest available data on the total size of the food and beverage manufacturing industries in Malaysia.

<b>Gross Value of Major Food and Beverage Manufacturing Industries - 1991 to 1995</b>				
	<b>Food Manufacturing</b>		<b>Beverage Industries</b>	
<b>Year</b>	<b>No. establishments</b>	<b>Sales (US\$ Million)</b>	<b>No. establishments</b>	<b>Sales (US\$ Million)</b>
1991	1,324	4,676.8	62	265.0
1992	1,297	5,091.1	56	259.7
1993	1,400	5,326.3	53	251.1
1994	1,406	6,752.4	53	291.1
1995*	3,172	8,990.8	104	345.6
* Based on an official survey which was conducted by the Department of Statistics.				
Source : Department of Statistics				

Total industry sales saw steady growth over the 5 year period to 1995.

The Table below provides details of the major food and beverage industries' output from 1993 to 1997.

<b>Major Food and Beverage Industries' Output - Selected Sectors (Tonnes)</b>					
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
Sweetened condensed milk	181,274	212,518	200,242	190,607	174,673
Infant milk powder	18,048	16,195	14,498	19,240	16,545
Full cream powdered milk	36,343	38,927	39,054	37,967	41,347
Milk drinks	55,124	59,121	61,413	67,344	77,228
Canned pineapples	41,639	40,851	35,582	30,274	31,114
Canned fish	15,737	16,913	15,485	19,444	19,479
Frozen prawns/shrimps	10,767	11,359	12,781	14,451	15,119
Crude coconut oil	14,937	20,116	20,990	16,409	14,154
Margarine	25,156	24,973	25,622	28,141	26,572
Blended cooking oil	45,538	59,386	54,852	64,238	86,637
Rice milling	466,644	470,348	475,185	399,454	396,058
Wheat flour	621,294	672,006	713,188	692,257	720,240
Biscuit	93,793	99,503	108,810	114,878	107,017
Refined sugar	957,406	1,001,742	1,052,498	1,116,515	1,155,320
Carbonated beverages	247,876	265,681	257,073	341,177	339,547
Non-carbonated beverages	88,250	124,220	159,978	163,586	173,800
Source: Department of Statistics					

The following processing sectors exhibited the fastest growth in output over the period from 1993 to 1997:

- C Non-carbonated beverages.
- C Blended cooking oil.
- C Milk drinks.
- C Frozen prawns/shrimps.
- C Carbonated beverages.
- C Canned fish.

The Malaysian food and beverage manufacturing industry has a broader base than many of Southeast Asia's food and beverage processing industries. The following factors have contributed to the production diversity found in the industry today:

- ! The presence of a wide range of high quality imported processed food and beverages because of the relatively low import duties on most of these products. This has stimulated the introduction of new foods to local production by local businesses seeking to benchmark imported products which have become popular with local consumers, e.g. biscuits and confectionery.
- ! Malaysia's more open trading environment has stimulated the use of imported ingredients by its local manufacturing industry. This has enabled the industry to experiment and introduce a wide range of new processed products to the market, e.g. prepared frozen foods, processed meats and new age beverages.
- ! Malaysia aims to be the international centre for "*halal*" food production. Malaysia's accreditation on *halal* (the product can be consumed by Muslims) products is highly respected and recognised by most Islamic nations. This allows Malaysian based companies to penetrate these markets with ease with their *halal* certified food and beverage products. This has created a challenge for the food industry to produce *halal* certified foods and beverages targeted at the Muslim markets worldwide. Today, Malaysia has one of the widest range of processed *halal* foods in the world.

The Table below provides recent sales data for selected product categories.

<b>Sales of Selected Processed Food and Beverages - 1997</b>		
	<b>Tonnes</b>	<b>Sales (US\$ Million)</b>
Frozen prawns	15,119	76.4
Canned fish	19,479	28.6
Canned sweetened condensed milk	174,673	115.5
Infant milk	16,545	48.3
Full cream milk powder	41,347	89.8
Milk beverages ('000 Litres)	77,228	37.2
Canned pineapple	31,114	19.1
Whole rice	345,500	96.6
Parboiled rice	15,910	6.1
Wheat flour	720,240	186.0
Shortening	54,803	20.9
Vegetable ghee	18,539	7.6
Blended cooking oil	91,408	50.6

Other cooking oil	61,189	38.6
Margarine	26,572	19.4
Biscuits	107,017	109.3
Prawn/fish crackers (snacks)	20,967	19.8
Other snack products	20,628	45.7
Confectionery and sweets	28,394	42.9
Sweetened chocolate products	19,490	45.6
Popcorn	872	1.3
Refined sugar	1,155,320	330.3
Carbonated soft drinks	339,547	144.3
Non-carbonated soft drinks	173,800	59.4
Source: Department of Statistics (Published August 1998)		

It should be noted that a number of companies operate in a wide range of sectors. These businesses are larger businesses which dominate the markets in which they operate. They include:

- C Nestlé (Malaysia) Berhad.
- C CPC/AJI (Malaysia) Sdn Bhd.
- C Unilever (Malaysia) Holdings Sdn Bhd.
- C Fraser & Neave (Malaya) Sdn Bhd.
- C Yeo Hiap Seng (Malaysia) Berhad.
- C Mamee-Double Decker (Malaysia) Berhad.
- C Lam Soon (M) Berhad/Ace Canning Corporation Sdn Bhd.

Groupe Danone (France) is another foreign group which is expanding its business from a strong position in the local biscuit market. Its main local subsidiary is known as Britannia Brands (M) Sdn Bhd.

The following section profiles the key sectors in the food and beverage manufacturing industry and reviews their industry sophistication levels and their recent industry developments.

## 2.2 Profiles of key sectors in the food and beverage manufacturing industry

### 2.2.1 Edible oils and margarine

Industry Size and Sophistication	Industry Structure	Key Industry Drivers	Recent Industry Development	Future Industry Status						
<p>Industry sales in 1995 (US\$'000):</p> <table border="0"> <tr> <td>Palm oil</td> <td>5,616,216</td> </tr> <tr> <td>Coconut oil</td> <td>17,127</td> </tr> <tr> <td>Other vegetable and animal oils and fats</td> <td>248,060</td> </tr> </table> <p>(Source : Department of Statistics)</p> <p>Both commodity/basic and high quality branded products are produced.</p> <p>Products produced include palm olein &amp; stearin, acid oil/glycerine, cooking oil such as corn oil, soya oil, coconut oil, vegetable ghee, linseed oil, olive oil, palm oil, sesame oil, nutmeg oil and dough fat, edible fats, shortening, speciality fats, confectionery coating fats, chocolate fat, creaming/filling fats, emulsified fats, margarine and alike.</p>	Palm oil	5,616,216	Coconut oil	17,127	Other vegetable and animal oils and fats	248,060	<p>Over 209 businesses are involved in the processing of the country's palm oil crop while over 30 businesses are involved in the processing of coconut oil, other vegetable oils and animal fats.</p> <p>The industry has a small number of large businesses which are involved in the production of edible oils targeted at the Malaysia and worldwide markets.</p> <p>Major edible oil manufacturers include Lam Soon (M) Bhd, Unilever (Malaysia) Holdings Sdn Bhd, Yee Lee Corporation Bhd and Sime Darby Bhd.</p>	<p>Malaysia has a strategic advantage of being the world's largest palm oil producer and exporter. The huge plantation base with large supplies has encouraged the industry to build on this advantage, by developing new edible oil products through pure and applied R&amp;D, with products mainly targeted at worldwide export markets. The R&amp;D arm of the palm oil industry is supported by Palm Oil Research Institute of Malaysia (PORIM), part of the Ministry of Primary Industries.</p>	<p>R&amp;D activities into vitamin rich cooking oils and fats targeted at retail consumers.</p> <p>The industry is attempting to enhance palm oil by upgrading its international image through promoting its nutritional values and segmenting its market around new products.</p>	<p>The industry is well entrenched and well supported by the government. It will remain a very important food industry into the future.</p> <p>While R&amp;D activities continue to drive future product development, its mass market for palm oil is very large and will continue to be profitable.</p>
Palm oil	5,616,216									
Coconut oil	17,127									
Other vegetable and animal oils and fats	248,060									

### 2.2.2 Dairy products

Industry Size and Sophistication	Industry Structure	Key Industry Drivers	Recent Industry Development	Future Industry Status
<p>Industry sales in 1995 (US\$'000): Ice cream 32,575 Other dairy products 302,825 (Source : Department of Statistics)</p> <p>Most dairy products are of high quality and branded, including international brands. There are some low end ice cream and liquid milk products which are produced by small businesses and targeted at the low end market.</p> <p>Products produced include ice cream, ice cream mix, yoghurt, UHT milk, fresh pasteurised milk, sterilised milk, full cream milk powder, sweetened condensed milk, evaporated milk, infant formula, yoghurt drink and dairy blends. Both plain, flavoured and vitamin and mineral fortified products are produced.</p> <p>Most infant formula is imported and packed locally except for Nestlé's Lactogen brand which is manufactured in Malaysia.</p>	<p>The milk processing sector is dominated by 4 large companies, all with foreign links/ownership. They are Nestlé (Malaysia) Bhd, Dutch Baby Milk Industries (Malaya) Bhd, Dumex (Malaysia) Sdn Bhd and Premier Milk (Malaya) Sdn Bhd.</p> <p>Small to medium sized local companies also exist.</p> <p>The ice cream sector is fragmented with small to large businesses involved. The ice cream industry is dominated by Nestlé Cold Storage (M) Bhd (various brands), F&amp;N Dairies (M) Sdn Bhd (Magnolia brand), King's Creamery (M) Sdn Bhd (Kings brand) and Unilever (Malaysia) Holdings Sdn Bhd (Walls brand) with their household brands.</p>	<p>The milk products market, i.e. milk powder, sweetened condensed milk and evaporated milk, is very large and at the mature stage with slow growth.</p> <p>The other segments are very dynamic. This brand-driven market has placed pressure on the major industry players to aggressively promote their brands to maintain market shares. Activities also include new product introduction, particularly in the ice cream, yoghurt and dairy beverage sectors.</p>	<p>Product innovation and new product and packaging introduction underpin attempts to maintain/gain market shares, especially in the ice cream, yoghurt and milk drinks sectors.</p>	<p>The industry will remain very important to the major players. The mature sector, i.e. milk powder and alike, is recessionary proof and will remain the bulk of the industry.</p> <p>The dynamic ice cream, yoghurt and milk drinks sector will see the major players continuing to develop and introduce new products under very competitive market conditions.</p>

### 2.2.3 Cocoa, chocolate and sugar confectionery

Industry Size and Sophistication	Industry Structure	Key Industry Drivers	Recent Industry Development	Future Industry Status						
<p>In 1995, industry sales were valued at US\$232 million according to the Department of Statistics. The Department's reported sales for key sub-sectors for 1997, as follows :</p> <table border="0" data-bbox="286 502 824 603"> <tr> <td>Chocolate products</td> <td>US\$ 45.6 million</td> </tr> <tr> <td>Sugar confectionery</td> <td>US\$ 42.9 million</td> </tr> <tr> <td>Cocoa powder</td> <td>US\$ 16.0 million</td> </tr> </table> <p>The level of industry sophistication varies from the very basic products targeted at the low end market to high quality internationally recognised branded products.</p> <p>Products produced include chocolates, chocolate confectionery, chocolate couverture, chocolate cookies, cocoa butter, chocolate beans, cocoa powder, cocoa chips/rice, assorted lollipops, bubble gum, candy, sugar confectionery, cough drops, jelly chews, soft gummies, minties, sweets and toffee.</p>	Chocolate products	US\$ 45.6 million	Sugar confectionery	US\$ 42.9 million	Cocoa powder	US\$ 16.0 million	<p>In 1995, the industry had around 67 establishments, ranging from small to large sized businesses.</p> <p>The cocoa industry includes medium to large sized businesses which process the local cocoa crop. The chocolate manufacturing industry is dominated by 4 brand driven companies, namely Cadbury Confectionery (M) Sdn Bhd, Chocolate Products Manufacturing Sdn Bhd, Nestlé (Malaysia) Bhd and Upali (M) Sdn Bhd.</p> <p>The sugar confectionary is fragmented and has a large number of small to medium sized players with only a small number of large businesses involved which include Hudson Malaysia Sdn Bhd, Darry's Confectionery Sdn Bhd, Hacks(M) Sdn Bhd and Inbisco (M) Sdn Bhd.</p>	<p>Economic growth over the past 10 years have provided opportunities for market growth and expansion locally.</p> <p>The key areas of the market and export business are driven by companies with brand managed business strategies.</p>	<p>The most dynamic sector is the chocolate and chocolate products sector. New high quality products/ brand have been introduced in recent years to compete with imported chocolates.</p> <p>The sugar confectionery sector has also seen new product types/varieties introduced to compete with imports.</p>	<p>Major manufacturers will continue to develop their businesses under increasingly competitive market conditions. Future A&amp;P and R&amp;D activities by these major players will ensure that they remain strong in the local market.</p> <p>The industry will likely see more new entrants in the long term as the industry is still in a growth stage of development.</p> <p>Imports are expected to provide increased competition in future, especially from ASEAN based companies.</p>
Chocolate products	US\$ 45.6 million									
Sugar confectionery	US\$ 42.9 million									
Cocoa powder	US\$ 16.0 million									

**2.2.4 Carbonated and non-carbonated soft drinks**

Industry Size and Sophistication	Industry Structure	Key Industry Drivers	Recent Industry Development	Future Industry Status
<p>In 1995, industry sales were valued at US\$226.6 million according to the Department of Statistics. Latest statistics released by The Department of Statistics showed sales for major sectors as follows for 1997:</p> <p>Carbonated soft drinks - US\$ 144.3 million Non-carbonated soft drinks - US\$ 59.4 million</p> <p>The level of industry sophistication varies from the very basic products targeted at the low end market to high quality internationally recognised branded products.</p> <p>Products produced include fruit flavoured drinks, cordials, cola, Asian drinks, local fruit drinks, isotonic sports drinks, soft drinks, shandy, soya bean milk, sparkling juice, sparkling flavoured water, tonic food drinks and vitaminised drinks.</p>	<p>In 1995, there were around 84 companies involved in this industry. Small to large sized businesses are involved.</p> <p>The industry is dominated by 5 large brand-driven companies with nationwide distribution, namely Fraser &amp; Neave (Malaya) Sdn Bhd, Yeo Hiap Seng (Malaysia) Bhd, East Coast Bottling Sdn Bhd, Permanis Sdn Bhd and Ace Canning Corp. Sdn Bhd.</p> <p>The small to medium sized manufacturers have very localised markets with limited distribution coverage.</p>	<p>Economic growth over the past 10 years have provided opportunities for market growth and expansion locally.</p> <p>Brand driven competitive market has put pressure on major manufacturers to introduce new products and new brands to aggressively gain/maintain market shares.</p> <p>Large manufacturers are involved in the production of mass market brands, including Pepsi Cola, Seven Up (Permanis), Coca-Cola (Fraser &amp; Neave) and Orangina (East Coast Bottling).</p>	<p>Product innovation and new product/ packaging introductions underpin attempts to gain market share.</p> <p>The carbonated soft drinks, Asian drinks and range of new age beverage segments have seen the most activities in the past 5 years.</p>	<p>The industry will continue to innovate and introduce new products in a very competitive market environment.</p> <p>The large players are entrenched in the market and will continue to dominate the industry because of the strong performance of their main brands, the broad based product ranges and their inherent distribution strengths.</p>

## 2.2.5 Fish and seafood

Industry Size and Sophistication	Industry Structure	Key Industry Drivers	Recent Industry Development	Future Industry Status				
<p>In 1995, industry sales were valued at US\$217.8 million according to the Department of Statistics. Latest statistics released by the Department revealed 1997 sales for selected sub-sectors, as follows:</p> <table border="0"> <tr> <td>Frozen prawns</td> <td>US\$ 76.4 million</td> </tr> <tr> <td>Canned fish</td> <td>US\$ 28.6 million</td> </tr> </table> <p>The level of industry sophistication varies from production of unbranded commodities to export quality processed products. The majority of businesses are mainly involved in the basic processing of prawns/shrimps into frozen products. Only a few are involved in canning and the production of higher processed products such as surimi, breaded fish, fish finger, fish sausage and alike.</p> <p>Products produced included frozen prawns/shrimps (cooked and uncooked), fish balls, canned fish and seafood, preserved local fish products, pickled prawn, dried fish and seafood, salted fish, fish burger, frozen tempura prawns, fish cake, prawn floss, squid and prawn luncheon meat, surimi, breaded fish, fish sausage and fish fingers.</p>	Frozen prawns	US\$ 76.4 million	Canned fish	US\$ 28.6 million	<p>In 1995, there were around 57 businesses involved in this industry.</p> <p>It is an export oriented industry which is highly fragmented, with many small to medium sized family owned businesses and a few large locals involved.</p> <p>The larger companies include A. Clouet &amp; Co (KL) Sdn Bhd, Ace Canning Corp. Sdn Bhd, Yeo Hiap Seng (Malaysia) Bhd, Rex Canning Co. Sdn Bhd, Mafipro Sdn Bhd and Tropical Canning Corp. Sdn Bhd.</p> <p>Major export markets include Japan, Australia, USA and Western Europe.</p>	<p>Marine fisheries are a major economic activity. The large catch, particularly prawns, has enabled the fish and seafood processing industry to build on this advantage.</p> <p>Export oriented products such as surimi, canned and frozen fish and seafood have also been developed based on the local catch and imported fish and seafood.</p>	<p>In an attempt to rekindle consumer interest in processed fish and seafood products, canned fish with Asian spices and using Asian recipes have been developed and introduced into the market.</p> <p>Surimi production was only introduced in recent years for export markets and the product is gaining local consumer interest. The industry is, however, generally undynamic and lacks R&amp;D support.</p>	<p>Major manufacturers such as Ace Canning, Rex Industry and A. Clouet will be pressured to innovate and introduce new products to compete in the local market for processed food products and to stimulate interest in fish and seafood products.</p> <p>Both canned and frozen products have a positive future in Malaysia's home market. Under such circumstances, more R&amp;D activities are likely to take place in future.</p>
Frozen prawns	US\$ 76.4 million							
Canned fish	US\$ 28.6 million							

## 2.2.6 Biscuits

Industry Size and Sophistication	Industry Structure	Key Industry Drivers	Recent Industry Development	Future Industry Status
<p>The total sales of the industry in 1995 was US\$ 199.6 million.</p> <p>The level of industry sophistication varies from production of unbranded local-style biscuits targeted at the low end market to export quality branded products. The majority of businesses are mainly involved in the production of plain unbranded biscuits with very localised distribution. Only a few companies are involved in the branded high end market.</p> <p>Biscuits produced include plain cream crackers, sugar cracker, wheatmeal cracker, cheese crackers, oatmeal biscuits, digestive, egg rolls, wafers, chocolate chip cookies, chocolate coated biscuits, cream sandwich biscuits, assorted biscuits, butter cookies, Danish cookies, American cookies, sesame cookies, coconut cookies, peanut cookies, almond butter cookies, cashewnut butter cookies, pineapple jam cookies, pandan flavoured butter cookies and alike.</p>	<p>The industry is highly fragmented with more than 300 companies involved in 1995. A large number of family owned small to medium sized businesses supply localised markets.</p> <p>The industry is dominated by 4 major brand driven companies with nationwide distribution, namely Britannia Brands, Hwa Tai Food Industries, Perfect Food Industries and Khong Guan Biscuit Factory (Johore).</p> <p>The larger companies also export to the Middle East, Australia, Canada, USA, UK, Southeast Asian countries, Hong Kong, Taiwan, Japan, China, Mauritius, Maldives, Ghana, Nigeria, Russia and Papua New Guinea.</p>	<p>Economic growth over the past 10 years provided opportunities for market growth and expansion in the local and regional markets.</p> <p>Competition from lower priced "me too" products in the local market have placed pressure on the larger companies to improve their product quality and expand export markets in recent years.</p>	<p>Britannia Brands (formerly Nabisco) established the quality benchmark which resulted in the wholesale upgrading of the image and quality of Malaysian biscuits.</p> <p>All major biscuit manufacturers have upgraded their product image in the local market.</p> <p>The "Me too" products of smaller businesses have become quite prominent over the past 10 years.</p>	<p>Malaysia is ASEAN's high quality biscuit manufacturing centre.</p> <p>Its industry will continue to upgrade product lines to compete in the local and overseas market. More R&amp;D activities will take place to achieve this.</p> <p>Smaller businesses will continue to operate to serve localised demand with their lower quality biscuits.</p>

## 2.2.7 Flour milling

Industry Size and Sophistication	Industry Structure	Key Industry Drivers	Recent Industry Development	Future Industry Status
<p>In 1995, total sales by the industry amounted to US\$ 185.1 million. According to the Department of Statistics, wheat flour sales in 1997 amounted to US\$186 million, based on the production of 720,240 tonnes of wheat flour.</p> <p>The industry is involved in producing commodities, supplying Malaysian industry in accordance with users' specifications, as well as producing branded packaged products.</p> <p>Products manufactured include wheat flour and its allied products, flour in retail packings, various cake mixes, pre-mixes and alike.</p>	<p>There were 13 flour milling operations in 1995.</p> <p>The industry supplies mainly to the local market, targeting the noodle, bakery and biscuit manufacturers by supplying according to each manufacturer's unique specifications.</p> <p>The industry is dominated by 2 major players, namely Federal Flour Mills Bhd and Malayan Flour Mills Bhd. These companies export some of their products to Thailand, Brunei, Myanmar, Vietnam and Singapore.</p>	<p>Demand-pull market conditions from the noodle, bakery and biscuit industries have sustained the flour milling industry.</p> <p>The industry is oligopolistic and does not have to aggressively market its products to maintain its market shares as long as it closely satisfies industrial users' needs.</p> <p>In addition, the retail market price of flour is monitored by the government. At present the industry is placed under pressure to maintain retail prices under unfavourable economic conditions.</p>	<p>The industry faces constraints from retail price controls over flour which results in low profit margins.</p> <p>Most flour millers are owned by diversified companies which have been more interested in investing in more profitable activities in the Malaysian economy, e.g. property development, hotels and palm oil plantations.</p>	<p>The industry will remain important to the major flour millers. The businesses involved are well entrenched in the industry and will continue to attempt to satisfy their industrial users' demands.</p> <p>R&amp;D activities will be determined by the noodle, biscuit and bakery industries' needs and expectations, as well as future consumer for cereal based products.</p>

**2.2.8 Baked products other than biscuits**

<b>Industry Size and Sophistication</b>	<b>Industry Structure</b>	<b>Key Industry Drivers</b>	<b>Recent Industry Development</b>	<b>Future Industry Status</b>
<p>In 1995, the total industry sales amounted to US\$ 150.4 million.</p> <p>The industry sophistication varies from the production of basic unbranded baked products, mainly by the small family owned businesses to high quality branded products by the medium to large businesses.</p> <p>Products produced include daily baked bread, local buns, breadsticks, cakes, fruit cakes, layer cakes, mooncakes, pastries, pies and tarts, pineapple shortcake, swiss roll, wafer rolls, layer cake and other local cakes as well as frozen cakes and baked products.</p>	<p>In 1995, there were 782 businesses involved in the industry. It is highly fragmented with a large number of small family owned businesses with very localised markets.</p> <p>Only 2 brand-driven large local businesses operate on a national basis with their baked products, namely Gardenia Bakeries and Quality Bakers.</p> <p>A few medium sized companies operate retail bakery outlets and at supermarkets on a localised basis such as Angel Bakery Sdn Bhd, The Federal Bakery, Delifrance Food (M) Sdn Bhd and Season Confectionery &amp; Bakery Sdn Bhd. Standard Confectionery Sdn Bhd is involved in producing frozen cakes and pies as well as fruit cakes, mainly for the retail market.</p> <p>Angel, Seasons and Standard also export to Australia, Hong Kong, Singapore, Taiwan, Japan, Brunei, Saudi Arabia, Kuwait, Bahrain, Philippines and Fiji.</p>	<p>Economic growth over the past 10 years provided opportunities for market growth and expansion in the local and regional markets.</p> <p>Competition from lower priced products in the local market have placed pressure on the larger companies to improve their product quality and increase their A&amp;P activities to support their brands.</p>	<p>Increasing number of retail bakery outlets has developed in major urban centres in recent years. This is a nationwide phenomena.</p> <p>New product types have been introduced to compete in the local market, most of which are western-style cakes and baked products.</p>	<p>This industry, including its smaller "me too" producers, will continue to innovate and introduce new products.</p> <p>The 2 major bakeries and some local businesses serving city based markets are well entrenched in the Malaysia market and will remain strong under a very competitive environment.</p> <p>Singapore (Population: 3 million) will become an important focus for daily baked product exporters over the next 10 years.</p>

### 2.2.9 Meat processing

Industry Size and Sophistication	Industry Structure	Key Industry Drivers	Recent Industry Development	Future Industry Status
<p>The industry's sales amounted to US\$ 146.8 million in 1995.</p> <p>The industry has businesses operating in 4 distinct areas; livestock slaughtering and processing, integrated poultry production linked to fast food chains and retail outlets, meat and poultry canning and speciality meat production.</p> <p>The industry produces a very wide variety of meat and poultry products ranging from basic unbranded chilled or frozen meat and poultry products to high end processed and branded products. Products include whole dressed chicken, bone-in chicken, chilled or frozen processed chicken products in various flavours including local flavours, beef meat balls, chicken roll, beef/chicken patties, burger, canned meat, chicken nuggets, sausages, frankfurters, freeze-dried meat, meatloaf and various delicatessen products.</p>	<p>The industry had 52 businesses in 1995. It includes small to large sized local businesses. The industry mainly concentrates on supplying the local market.</p> <p>Exporters are generally involved in meat canning and fast food sector supply. Small quantities of speciality meats (halal) are also exported to high-end food outlets in Singapore and Brunei.</p> <p>Major companies include Mac Food Services Sdn Bhd, Ayamas Food Corporation Bhd, Prima Agri-Products Sdn Bhd, Yeo Hiap Seng (Malaysia) Bhd, Mafipro Sdn Bhd, Dindings Poultry Processing Sdn Bhd, Ace Canning Corporation Sdn Bhd and Solid Side Food Industries Sdn Bhd.</p>	<p>Economic growth and related growth in personal incomes underpins increased consumption of meat and poultry.</p> <p>Since 1990, growing urban affluence has also enabled the industry to develop and introduce a sizeable range of frozen and chilled products, including convenience foods. Expansion of chilled and frozen display unit in local supermarkets has facilitated these developments.</p> <p>Exports to Singapore is also an important driver for some businesses.</p>	<p>The industry which produces higher processed meat and poultry items is dynamic. Other businesses are less dynamic.</p> <p>Attempts to develop new business included new product development, brand driven distribution and involvement in retailing through butcher's shop chains and food service outlets.</p>	<p>Industry foundations are strong and large businesses are well entrenched in this profitable sector. Development will continue on the back of the trend towards increased meat and poultry consumption.</p> <p>Increased affluence and the demand for more convenience in the urban areas provides significant opportunities for future business development.</p>

## 2.2.10 Noodles

Industry Size and Sophistication	Industry Structure	Key Industry Drivers	Recent Industry Development	Future Industry Status
<p>In 1995, the industry's sales amounted to US\$ 120.8 million.</p> <p>Industry sophistication varies from the production of basic unbranded fresh noodles to higher quality branded instant noodles in cups or bowls.</p> <p>Most of the small businesses are involved in the production of fresh noodles for very localised distribution.</p> <p>The larger businesses are involved in the production of a variety of noodles and generally have a nationwide distribution coverage and are involved in the export markets.</p> <p>Products produced include fresh noodles, dried noodles, instant noodles, glass noodles (pea/bean starch products), mee suah (wheat and soy noodles) and rice vermicelli.</p>	<p>There were around 348 businesses involved in the industry in 1995. It is highly fragmented with a large number of family-owned small to medium sized businesses involved in traditional noodle production.</p> <p>3 brand-driven companies dominate the instant noodle industry today with their household brands, namely Nestlé (Malaysia) Bhd, Pacific Food Products Sdn Bhd and Yeo Hiap Seng (Malaysia) Bhd. All these major players are involved in the export markets which include the Southeast Asian countries, Hong Kong, Taiwan, USA, Australia, New Zealand, UK, Japan, Switzerland, the Middle East countries, South Africa, Canada and France.</p>	<p>The instant noodle industry operates in a "supply push" brand-driven market. Their activities are well supported by A&amp;P and R&amp;D activities.</p> <p>The traditional noodle industry operates in an undynamic "demand-pull" market which is based on traditional demand from food service operators and household users.</p>	<p>New product introductions by major players in the instant noodles sector in an attempt to stimulate market growth. For example, instant noodles in cups and bowls and new exotic flavours are recent introductions into the market.</p>	<p>The successful brand-driven producers are entrenched in the industry for the long term. They will concentrate on the instant noodle market which exhibits the greatest potential for future growth in both the Malaysian and export markets.</p> <p>The small to medium sized companies will continue to operate, targeting localised demand for both traditional and instant noodles. The more innovative medium sized companies will attempt to expand their business by venturing into export markets.</p>

**2.2.11 Alcoholic beverages, including beer**

<b>Industry Size and Sophistication</b>	<b>Industry Structure</b>	<b>Key Industry Drivers</b>	<b>Recent Industry Development</b>	<b>Future Industry Status</b>
<p>In 1995, the industry's sales amounted to US\$ 118.9 million.</p> <p>The industry sophistication level varies from the production of local alcoholic spirits to high quality branded beer and stouts.</p> <p>Products produced include beer and stout, non-alcoholic malt beverages, shandy, brandy, whisky, vodka, cocoa liquor, gin, rum, tequila, samsu and other local alcoholic spirits.</p>	<p>There were 20 manufacturers involved in the industry in 1995.</p> <p>Two breweries exist and both are listed companies, namely Guinness Anchor Bhd and Carlsberg Brewery Malaysia Bhd. They dominate the Malaysian beer and stout market and are also involved in exporting to overseas markets such as Singapore (a major market for Carlsberg), the Maldives, Sri Lanka, Cambodia, Laos, Myanmar and Hong Kong.</p> <p>The other companies are small to medium sized businesses involved in the production of alcoholic spirits, mainly for the Malaysian market.</p>	<p>Economic growth over the past 10 years provided opportunities for market growth and expansion in the local and regional markets. Opportunities have, however, been reduced by the frequent implementation of new and higher excise duties on beer and other products. Local retail prices are now amongst the highest in the world.</p> <p>"Supply push" is important for the breweries' products under conditions of high local excise tax rates at retail level.</p> <p>Locally produced spirits compete in a market which prefers well-known imported brands which are well supported by retail-based promotional activities.</p>	<p>New product introductions by breweries in an attempt to stimulate market growth. These activities escalated after the last major round of tax increases.</p> <p>New products include ice beer, non-alcoholic malt drinks, light beers and beer types introduced from Europe.</p>	<p>The two breweries are well entrenched in a profitable beer and stout market. These companies will remain dominant in future based on their well-known brands and marketing and distribution strengths. They will continue to stimulate the market by developing and introducing new products.</p> <p>The future direction of this sector depends largely on the future policies and tolerance of Malaysia's Muslim dominated government.</p>



### 2.3 Other food manufacturing sectors

The Table below provides some information about other food manufacturing sectors in Malaysia.

Sector	Number of Businesses in 1995	Output Value US\$ Millions in 1995	Industry Structure
Canning and preserving of fruits and vegetables	212	95.1	This industry is very fragmented with a large number of small manufacturers, mainly involved in preserving activities. The canning companies are mainly large local businesses. These include Lee Pineapple Co. Pte Ltd and Yeo Hiap Seng in the canned fruits sector and Campbell Cheong Chan (M) Sdn Bhd, Mafipro Sdn Bhd and Ace Canning Corporation Sdn Bhd in the canned vegetables sector.
Refined sugar	5	302.8	Dominated by large locals with localised market presence such as Malayan Sugar Manufacturing Company Bhd, Kilang Gula Felda Perlis Sdn Bhd and Central Sugars Refinery Sdn Bhd.
Rice and its products	340	217.9	Highly fragmented with a large number of commodity oriented local millers involved. The numerous small mills have 85% of national milling capacity. Most businesses are involved in rice milling, with very little value-added output.
Coffee	134	48.5	Highly fragmented with a large number of small family owned businesses involved in producing unbranded or simple branded local ground coffee powders. A small number of local businesses, such as Gold Choice Food Industries Sdn Bhd and Chop Aik Cheong, produce localised branded products.  The instant coffee segment is dominated by the products of Nestlé (Malaysia) Bhd.
Tea	10	8.9	Small industry with a few small businesses involved. Dominated by a large brand-driven local manufacturer, Boh Plantations Sdn Bhd ("Boh"), which owns tea plantations in Malaysia. Boh is R&D driven and also owns and operates some high-end tea shops.

Spices and curry powder	112	34.4	Highly fragmented with mainly small sized family owned businesses operating with a commodity orientation. A few medium sized businesses are attempting to brand manage their products, such as Merrychef Foods Sdn Bhd and Rafflesia Food Trading Sdn Bhd.
Other products, e.g. sauces, seasonings, spreads and traditional foodstuffs	171	228.3	This is not an industry but is made up of many food industries not elsewhere classified by the Department of Statistics. It is highly fragmented with mainly small to medium sized family owned businesses. A small number of large locals and subsidiaries of foreign companies are also involved. These lead in their industry sectors and include Campbell Cheong Chan (M) Sdn Bhd, Ace Canning Corporation Sdn Bhd, CPC/AJI (M) Sdn Bhd and Zaitun Industri Sdn Bhd.
<p>Note: The number of establishments include all businesses of all sizes. Source: Department of Statistics, Malaysia.</p>			

**Some points to note about the above sectors are:**

- ! Industry sophistication varies from the basic unbranded commodity products which are targeted at the localised low income group to the highly sophisticated branded products which are targeted at both the nationwide market and export markets.
- ! Research and development activities are generally conducted by the aggressive large locals, subsidiaries of foreign companies and medium sized companies with an export orientation. These activities are undertaken to introduce new products and packaging to the local market in an attempt to gain market share.
- ! Most of the larger companies involved in the above sectors are active exporters of their products.

## 2.4 Profiles of key food manufacturers and their products

### 2.4.1 Yeo Hiap Seng (M) Bhd (YHS)

#### Company Background

YHS is a public listed company. It began operations in Malaysia in 1957. Today, it is one of the major food and beverage manufacturing companies in Malaysia. Its Yeo's brand is a household brand in Malaysia, Singapore and Brunei.

It has one of the best distribution network in Malaysia, enabling its products to reach the most remote parts of Malaysia. Its facilities are strategically located all over Malaysia. It is involved in the development of new products.

It owns several food and beverage manufacturing companies, a farm in Malaysia and a company in China which manufactures instant noodles targeted at the China market.

It is affiliated to Yeo Hiap Seng Limited in Singapore, a listed company which is partly owned by Groupe Danone (France).

#### Products Produced

YHS produces (brands):

- C Instant noodles (Cintan).
- C Asian sauces (Cintan, Yeo's).
- C Asian drinks (Yeo's, Slimsoy).
- C Sports drinks (H-Two-O).
- C Asian health drinks (Yeo's).
- C Carbonated soft drinks (Fizzi).
- C Fruit juices and drinks (Yeo's).
- C Canned meat, chicken & beef (Yeo's).
- C Canned fish (Yeo's).
- C Canned vegetables, Asian (Yeo's).
- C Canned fruits, Asian (Yeo's).
- C Sweetened condensed milk, evaporated milk and sweetened creamer (Yeo's).
- C Processed meat (Biffi).

#### Financial Performance in Summary

##### By Business Activity (US\$Million)

	Sales		Profit	
	1996	1995	1996	1995
Food	111.1	103.8	*6.7	*6.2
Farm	13.1	9.7	*	*

\* Group profit.

##### Sales by Territory (%)

	1996	1995
Malaysia	NA	NA
Other	NA	NA

NA: Not available.

#### Distribution Coverage

Apart from Malaysia, it also has important markets in Singapore, Brunei, Australia, Canada, France, Hong Kong, United Arab Emirates, Bahrain, Kuwait, New Zealand, China, UK, USA, Saudi Arabia, Qatar, Oman, Switzerland and Taiwan.

### 2.4.2 Ace Canning Corporation Sdn Bhd (Ace Canning)

#### Company Background

Ace Canning was incorporated in 1972. It is a large local company with very strong nationwide distribution of its products. It is a subsidiary of Lam Soon Oil and Soap Manufacturing Sdn Bhd, a major edible oil producer.

Ace Canning is involved in the manufacture of canned foodstuffs and Tetrapak drinks. It is actively involved in R&D activities to introduce new products/packaging to develop its market shares in Malaysia. It has leading brands in the local market for canned foods and non-carbonated soft drinks.

It is also actively involved in developing export markets for its products.

#### Financial Performance in Summary

##### By Business Activity (US\$Million)

	Sales		Profit	
	1996	1995	1996	1995
F&B	17.7	17.2	Loss	Loss
Sales by Territory (%)			1996	1995
Malaysia			NA	NA
Other			NA	NA
NA: Not available				

#### Products Produced

Ace Canning produces the following:

- C Canned beans and peas.
- C Canned curried meat products.
- C Canned sardines.
- C Oriental sauces.
- C Curry sauces.
- C Chilli sauces.
- C Peanut butter.
- C Canned tropical juices.
- C Isotonic drinks.
- C Tetra-pak soft drinks.
- C Soyabean milk.
- C Fruit jams.

Its popular brands in Malaysia include Acefood (Canned Foods) and Drinho (Soft Drinks). Other brands include Isomax, Soyfresh and Jelly Ho!

#### Distribution Coverage

Its export markets include:

- C Singapore
- C Brunei
- C Australia
- C Canada
- C China
- C Fiji
- C Japan
- C South Korea
- C Kuwait
- C Maldives
- C Mauritius
- C New Zealand
- C Oman
- C Papua New Guinea
- C Qatar
- C Saudi Arabia
- C Sri Lanka
- C United Arab Emirates
- C UK
- C USA.

### 2.4.3 Chocolate Products (Malaysia) Bhd (Chocolate Products)

#### Company Background

Chocolate Products is a public listed company. It was incorporated in 1970. It was the first fully-integrated cocoa processing and chocolate manufacturing operation in Malaysia. Today, it is the leading producer and exporter of quality cocoa powder, cocoa butter and chocolate.

Together with its subsidiary, Darry's Confectionery Sdn Bhd which manufactures sweets and wafers, it is a leading confectionery manufacturer in Malaysia. It also has manufacturing facilities in China, producing chocolates. It is actively involved in R&D to introduce new products into the market to keep ahead of the competition.

In the early 1990's, it curtailed production of licensed Van Houten branded products and began production under Vochelle, its own Swiss brand.

#### Products Produced

Chocolate Products manufactures the following:

C	Cocoa mass/liquor
C	Cocoa butter
C	Cocoa powder
C	Chocolates
C	Bubble gum
C	Biscuits
C	Sweets (manufactured by Darry's)
C	Cocoa beverage powder
C	Fortified food beverages.

Its brands include Vochelle, Darry's, CP, Liselle, Gajah, Kiki, Zebra and Vico, some of which are household names.

It also distributes the following brands; Gylilian, Chupa Chups, Domaco and Pez.

#### Financial Performance in Summary

##### By Business Activity (US\$Million)

	Sales		Profit	
	1998	1997	1998	1997
Manufacturing	175	110	Loss	4.7
<b>Sales by Territory (%)</b>			<b>1998</b>	<b>1997</b>
Malaysia			NA	NA
Other NA: Not available			NA	NA

#### Distribution Coverage

Its export markets include:

C	Singapore
C	Japan
C	South Korea
C	Hong Kong and China.
C	Taiwan
C	Thailand
C	Brunei
C	Philippines
C	Indonesia
C	Australia
C	Netherlands
C	USA
C	Bahrain
C	Egypt
C	Iran
C	Jordan
C	Lebanon
C	France
C	Germany

### 2.4.4 Yee Lee Corporation Bhd (Yee Lee)

#### Company Background

Yee Lee is a public listed company. It was incorporated in 1973 as a manufacturer of edible oils.

Its subsidiary, Yee Lee Edible Oils Sdn Bhd, is the principal manufacturing arm of the group which is mainly involved in the manufacture of edible oils and its products. The group also owns a mill which crushes fresh palm oil fruits to produce crude palm oil. The group is also involved in the manufacture of PET bottles. It is actively involved in R&D to produce new products and packaging for the local and export markets.

The company has a well developed distribution network in Malaysia, with 15 strategically located branches servicing over 20,000 retail outlets. Each branch has its warehouse, marketing team and vehicles.

#### Products Produced

Yee Lee manufactures the following:

C	RBD palm olein
C	RBD palm oil
C	RBD palm stearine
C	Double fractionated palm olein
C	Crude palm oil
C	Shortening
C	Ghee
C	Margarine
C	PFAD
C	Blended cooking oil
C	Soybean oil
C	Natural mineral water
C	Distilled drinking water
C	Vermicelli

Its brands include Red Eagle, Vecorn, Vesoya, Blue Diamond, Plum Flower, Vesawit, Red Spot, Red Fan, Lemon Brand, Yee Lee, Beena, Spritzer, Vepine, Veco.

#### Financial Performance in Summary

##### By Business Activity (US\$Million)

	Sales		Profit	
	1997	1996	1997	1996
Manufacturing	*72	26	*7	*3
Trading		39		
*Group result				
Sales by Territory (%)			1997	1996
Malaysia			70%	70%
Other			30%	30%

#### Distribution Coverage

Although Yee Lee is reported to make better margins in the local market, it exports about 30% of its total production to:

C	Australia and New Zealand
C	Canada
C	China
C	Denmark
C	France
C	Germany
C	India
C	Australia
C	Netherlands
C	UK
C	Middle East countries
C	South Korea
C	Singapore
C	Indonesia
C	Taiwan
C	Japan
C	Hong Kong.

### 2.4.5 Nestlé (Malaysia) Bhd (Nestlé)

#### Company Background

Nestlé is a public listed company. The company was incorporated in 1983 although Nestlé has been trading in Malaysia since 1912. It operates as a group with several subsidiaries involved in the manufacture of food and beverage products for food service and retail distribution. The ultimate holding company is Nestlé SA, Switzerland.

Nestlé is one of the most dynamic companies in Malaysia today. It is an aggressive innovator and brand manager which has successfully introduced several household names. It has a distribution strength in Malaysia which is second to none. Trade sources comment that it probably controls 50% of Malaysia's food market. Its strategy is to make Malaysia the regional supply centre for its core products and the global supplier of Nestlé branded *halal* products to the world.

#### Products Produced

Nestlé manufactures the following:

C	Sweetened condensed milk
C	Milk powder
C	Infant formulae
C	Infant cereals
C	Fresh milk
C	UHT milk
C	Yoghurt
C	Juices
C	Instant coffee
C	Instant noodles and rice vermicelli
C	Fortified food drinks
C	Sauces
C	Chocolate products
C	Dehydrated soups.
C	Ice cream.

Its brands include Milkmaid, Teapot, Nestle, Nespray, Everyday, Lactogen, Milo, Nestum, Nescafe, Maggi, Nestum, Kit Kat, Smarties, Bonus and Nan.

#### Financial Performance in Summary

##### By Business Activity (US\$Million)

	Sales		Profit	
	1996	1995	1996	1995
Manufacturing & marketing	487	435	62.4	59.4
<b>Sales by Territory (%)</b>			<b>1996</b>	<b>1995</b>
Malaysia			80 - 90%	90%
Other			10 - 20%	10%

#### Distribution Coverage

It exports to:

C	Singapore
C	Hong Kong
C	Taiwan
C	USA
C	Australia
C	New Zealand
C	Japan
C	Philippines
C	Sri Lanka
C	Austria
C	Maldives
C	Switzerland
C	Indonesia
C	Middle East countries
C	South Africa
C	Other European countries

### 2.4.6 Perfect Food Industries Bhd (Perfect Food)

#### Company Background

Perfect Food is a public listed company. The company was incorporated in 1978. It is mainly involved in the manufacture of biscuits although in recent years it has increased its involvement in property development.

It is one of the more aggressive and innovative of the local biscuit manufacturers. It operates from a factory with a capacity to produce 16,000 metric tons of biscuits per annum.

It has a distribution network which comprises of 6 distributors and 27 agents to serve the local and export markets.

#### Products Produced

Perfect Food manufactures the following products:

- ☐ Wafers
- ☐ Peanut crackers
- ☐ Cheese sandwich biscuits
- ☐ Peanut sandwich biscuits
- ☐ Cheese crackers
- ☐ Assorted biscuits
- ☐ Love letters
- ☐ Wheat crunch
- ☐ Wheat crackers.

Its products are sold under the "Julie's" brand, a key brand in Malaysia's biscuit market.

#### Financial Performance in Summary

##### By Business Activity (US\$Million)

	Sales		Profit	
	1995	1994	1995	1994
Manufacturing & marketing	15	13	1.4	1.4

##### Sales by Territory (%)

	1995	1994
Malaysia	55%	NA
Other	45%	NA
NA : Not available		

#### Distribution Coverage

It exports to:

- ☐ Singapore
- ☐ Canada
- ☐ Taiwan
- ☐ Hong Kong
- ☐ Australia
- ☐ Brunei
- ☐ Cambodia
- ☐ China
- ☐ Philippines
- ☐ Thailand
- ☐ Vietnam
- ☐ Middle East countries.
- ☐ USA

### 2.4.7 Mamee-Double Decker (M) Bhd (Mamee)

#### Company Background

Mamee is a public listed company. The company was incorporated in 1991 although the founding family started the business in the early 1970s. It is mainly involved in the manufacture of instant noodles, snack food, confectionery, soft drinks and cultured milk drinks. It is also involved in the cultivation, processing and export of cocoa beans.

Its noodle business, Pacific Food Products Sdn Bhd, is reputed to be the second largest instant noodle manufacturer in Malaysia. Its snack products business, Kilang Makanan Mamee Sdn Bhd, is currently the snack food market leader. Its beverage business is operated under East Coast Bottling Sdn Bhd. Mamee also owns a noodle production facility in China.

It is actively involved in R&D with regular new product and packaging introductions to stay ahead of the competition. It is also actively involved in developing its export markets.

#### Products Produced

The following products are manufactured:

- C Instant noodles
- C Noodle snacks
- C Prawn crackers
- C Chicken crackers
- C Rice crackers
- C Confectionery
- C Potato chips
- C Soft drinks
- C Cultured milk drinks.

Its brands include Mamee, Double Decker, Nicolet, Cristos, Alpha, Smax, Mr. Potato, Nutrigen and Cheers.

#### Financial Performance in Summary

##### By Business Activity (US\$Million)

	Sales		Profit - All Activities	
	1997	1996	1997	1996
Manufacturing	36.8	33.3	2.4	2.9
Plantation	0.3	0.2		

##### Sales by Territory (%)

	1997	1996
Malaysia	70%	88%
Other NA : Not available	30%	12%

#### Distribution Coverage

It exports to Singapore, Australia, Bahrain, Brunei, Canada, China, Egypt, Fiji, Guam, Hong Kong, Indonesia, Ireland, Macau, Madagascar, Maldives, Mauritius, Netherlands, New Zealand, Oman, Sweden, UK, USA, Western Samoa and some Pacific island nations.

### 2.4.8 Carlsberg Brewery Malaysia Bhd (Carlsberg)

#### Company Background

Carlsberg is a public listed company. The company was incorporated in 1969 as a public company. It is mainly involved in the manufacture of beer, stout and shandy.

It commenced production in 1971 with the Carlsberg Green Label beer in late 1972. Today, Carlsberg Green Label Pilsner is the leading brand in the market.

It is reported to have around 64% of the beer market and around 50% of the malt liquor market in Malaysia.

It is actively involved in R&D to introduce new products and packaging to stay ahead of the competition. Recent introductions include Malaysia's first light beer, non-alcoholic malt based vitamin-enriched beverage and ice beer.

#### Products Produced

Carlsberg manufactures the following:

- C Beer
- C Stout
- C Shandy
- C Non-alcoholic malt beverages

Its brands include:

- C Carlsberg Special Brew
- C Carlsberg Green Label
- C Tuborg Gold
- C Royal Stout
- C Jolly Shandy
- C Carlsberg Reserve
- C Nutrimalt
- C Carlsberg Ice Beer

#### Financial Performance in Summary

##### By Business Activity (US\$Million)

	Sales		Profit	
	1997	1996	1997	1996
All activities	199	177	42	34
<b>Sales by Territory (%)</b>			<b>1997</b>	<b>1996</b>
Malaysia			NA	NA
Other			NA	NA
NA : Not available				

#### Distribution Coverage

It exports to:

- C Singapore, regarded as part of its home territory.
- C Brunei
- C Vietnam
- C Thailand
- C Maldives
- C Sri Lanka
- C Cambodia
- C Laos
- C Myanmar

### 2.4.9 Ayamas Food Corporation Bhd (Ayamas)

#### Company Background

Ayamas is a public listed company. The company was incorporated in 1985. It is involved in the total poultry integration business, being the largest in Malaysia. It is the chicken processing arm of the KFC Holdings (Malaysia) Bhd. It also owns Ayamas Convenience Food Stores Sdn Bhd which has outlets throughout the country.

Apart from being the principal supplier of chicken parts and further processed chicken products to all KFC restaurants and Ayamas food/store outlets, it also supplies to local supermarkets/hypermarkets and to export markets. Its products are processed under strict Muslim rites and are all *halal*.

Its processing plants in Port Klang have a current capacity to process an average of 1.5 million birds per month. It is an innovative and aggressive brand manager, actively involved in R&D to introduce new products and packaging into the market. Today, it is the market leader in processed poultry products.

#### Products Produced

Ayamas manufactures the following:

- C Freezer-to-fryer range: frozen/raw products, i.e. nuggets, meatballs, fritters, burgers and drummets.
- C Freezer-to-fryer range: frozen/cooked products, i.e. lite loaf, satay with sauce, kiev.
- C Frozen/raw products, i.e. cocktail sausages, frankfurters, sausages, meatballs, fingers and roasters.

It retails its products under the "Ayamas" brand.

#### Financial Performance in Summary

##### By Business Activity (US\$Million)

	Sales		Profit	
	1996	1995	1996	1995
All activities	80	70	5.2	4.5
<b>Sales by Territory (%)</b>			<b>1996</b>	<b>1995</b>
Malaysia			NA	NA
Other NA : Not available			NA	NA

#### Distribution Coverage

It exports to:

- C Japan
- C China
- C Hong Kong
- C Singapore
- C Indonesia
- C Brunei
- C Mauritius
- C Denmark
- C Middle East countries

### 2.4.10 Britannia Brands (Malaysia) Sdn Bhd (Britannia Brands)

#### Company Background

The company was incorporated in 1959. It previously traded under the name of Nabisco but changed its name to Britannia Brands in 1990. It is today part of Groupe Danone (France). It is mainly involved in the manufacture of biscuits.

The company is the largest biscuit manufacturer in Malaysia. Its brands are very well known in Malaysia, Singapore and Brunei. Its biscuits have become daily necessities in many households in these markets.

It is an aggressive brand manager and is actively involved in introducing new products and packaging into the market.

#### Financial Performance in Summary

##### By Business Activity (US\$Million)

	Sales		Profit	
	1996	1995	1996	1995
All activities	31.1	30.9	2.8	2.5
Sales by Territory (%)			1996	1995
Malaysia			NA	90
Other			NA	10
NA: Not available				

#### Products Produced

Britannia Brands manufactures biscuits under the following brands:

- C Lu (Petits Coeurs, Little Teddies, Chit Chat, Frutana, Chipsmore, Choc Fudge)
- C Thye Hong (All Time Favourite assorted biscuits, Cookie Jar, Chocolate Cream)
- C Jacob's (Weetameal, Cream Crackers, Oatmeal, Digestive, Krakermeal)

It is also involved in marketing the following imported products:

- C Volvic mineral water
- C Ole snacks
- C Agnesi pasta

#### Distribution Coverage

Its main market is in Malaysia where it has a very strong nationwide distribution network.

It is also involved in the following export markets:

- C Singapore
- C Brunei
- C Bangladesh
- C Canada
- C China
- C Hong Kong
- C Indonesia
- C Cambodia
- C Maldives
- C Mauritius
- C Myanmar
- C Philippines
- C Sri Lanka
- C Taiwan
- C Thailand
- C Vietnam

**2.4.11 A. Clouet & Company (Kuala Lumpur) Sdn Bhd (A. Clouet)****Company Background**

The company was incorporated in 1959. It is mainly involved in the distribution and marketing of canned foodstuffs. Its products are manufactured by a related company, Mafipro Sdn Bhd, which is reported to have sales in the region of US\$ 19 million per annum.

Its major brand, Ayam, is a very well known brand in Malaysia, Singapore and Brunei. It relies on its very strong distribution networks to maintain its market share.

In recent years, it has become more aggressive in attempting to develop its market by introducing new canned products. These are developed locally through a proactive R&D program.

**Financial Performance in Summary****By Business Activity (US\$Million)**

	Sales		Profit	
	1997	1996	1997	1996
All activities	31.8	29.5	1.0	0.7
<b>Sales by Territory (%)</b>			<b>1997</b>	<b>1996</b>
Malaysia			NA	NA
Other NA: Not available			NA	NA

**Products Produced**

The following products are manufactured by Mafipro:

C	Canned fish
C	Canned meat
C	Canned vegetables
C	Canned fruits
C	Canned green pepper
C	Canned sauces
C	Canned spices.

Its products are marketed under the brands of Ayam, Duchef and Buyer's.

**Distribution Coverage**

It is involved in the following export markets:

C	Australia
C	Belgium
C	Brunei
C	Canada
C	Denmark
C	France
C	Hong Kong
C	Indonesia
C	Japan
C	South Korea
C	Mauritius
C	Morocco
C	Netherlands
C	New Zealand
C	Singapore
C	Spain
C	Sweden
C	Switzerland
C	Taiwan
C	Thailand
C	UK
C	USA

**2.5 ASEAN initiatives affecting food industry development**

ASEAN, the Association of South East Asian Nations, was formed in 1967. Its current members are Brunei, Indonesia, Laos, Malaysia, Myanmar (Burma), Philippines, Singapore, Thailand and Vietnam. Cambodia is likely to be admitted as a member once its internal political turmoil has subsided.

ASEAN has seen a history of government sponsored industrial co-operation in the region marred by disputes between governments. Three key industrial co-operation schemes have been introduced and superseded since the 1970's. Trade sources comment that these schemes were largely unsuccessful in attracting regionally oriented investment because they were bureaucratic and inflexible. As a result, many companies now have operations in each ASEAN country which were established to avoid the barriers which existed to intra-ASEAN trade.

Today, ASEAN has two different schemes and agreements which may affect the future structure and strategic direction of the food manufacturing industry. These include:

- ! The ASEAN Free Trade Area (AFTA), which is now in its sixth year of implementation, offers tariff reductions and the elimination of non-tariff barriers for manufactured and agricultural goods originating from ASEAN member states.

Full implementation of AFTA, with average tariffs of between 0% and 5%, is planned by 2008. Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand have undertaken to comply with the main goals of AFTA by 2003. Vietnam has undertaken to comply with the goals by 2006 and Laos and Myanmar by 2008.

According to a press release from the ASEAN Secretary General in mid-October 1998, about 84% of all tariff lines are now covered by the AFTA CEPT (Common Effective Preferential Tariff) scheme. This amounts to about 46,000 items on which tariff rates for trade within ASEAN have now fallen to an average of around 5.4%. Products which fall outside of the 46,000 items are mainly unprocessed products/agricultural raw materials produced in ASEAN for which member states have sought protection because of the undeveloped nature of the producing industries.

Officially, "ASEAN content" for the purposes of qualifying for lower tariffs under the AFTA CEPT scheme is achieved by manufactured products only "if at least 40% of its content originates from any ASEAN member state".

The average tariff rate is expected to fall to less than 4% by the year 2000. Most higher processed foods manufactured within ASEAN are now covered by the AFTA scheme.

- ! The ASEAN Industrial Co-operation Agreement (AICO) which became operational in November 1996.

The AICO establishes the foundation for co-operative arrangements between a minimum of two participating companies from two different ASEAN countries. It offers the AICO approved participating companies:

- < Tariff privileges under which they may receive approval to trade at preferential duty rates of between 0% and 5%.
- < Official local content accreditation and, in some cases, other non-tariff incentives available from the ASEAN member nations which are involved in the AICO arrangement.

The AICO has been developed to allow companies operating in ASEAN the opportunity to collaborate with one another to enhance their production, distribution and marketing economies of scale.

In addition to AFTA and AICO, the member states of ASEAN are currently formulating another arrangement known as the ASEAN Investment Area (AIA). When launched in 1999 or the year 2000, the AIA is expected to allow investors to take a more flexible ASEAN-wide view of their investment strategy. It should benefit businesses investing in a regional network of factories and operations and wishing to accrue new economies of scale on a regional basis.

Trade sources now consider that the main future stimulus for industrial development will be private sector investments ahead of the full implementation of the AFTA. Change is, in fact, already evident. A number of key foreign businesses have increased their investments in ASEAN or entered the region as an investor for the first time:

- ! Nestlé was one of the few businesses to invest under the now defunct ASEAN Joint Venture Investment Scheme (AIJV). As a result, Nestlé's AIJV businesses now enjoy low tariff entry throughout ASEAN for soysauce powder produced in Singapore, breakfast cereals (from Philippines), non-dairy coffee creamer (from Thailand), sugar confectionery (from Indonesia) and chocolate products (from Malaysia).
- ! Groupe Danone of France is producing biscuits in Indonesia and Malaysia for export to other parts of ASEAN.
- ! Kellogg's is producing breakfast cereals in Thailand for export to other parts of ASEAN.
- ! Kraft is attempting to gain low tariff access for its Indonesian cheese to Thailand. This is being done as part of an agreement which should see its Sugus sugar confectionery brands manufactured in Thailand for ASEAN-wide distribution.

Other businesses, including Campbell Soups and Pepsico Foods, have also invested in ASEAN to benefit from improved future low tariff access to the ASEAN regional markets.

Several of the above mentioned multinational food manufacturers are operating in Malaysia to take future benefit from AFTA. These investors include Nestlé, Groupe Danone (France), Unilever, CPC/AJI and Campbell Soup. While some of these businesses have long had operations in Malaysia, their new strategy, and some investments made since 1992, are oriented towards manufacturing products in Malaysia for the larger ASEAN regional market tomorrow.

While the ASEAN Free Trade Area and private sector reaction are important regional stimuli for future development of its food manufacturing industry, exporters should also be aware of the policies and activities of specific governments to develop their home industries. In particular, Malaysia will continue to develop as a key ASEAN location for quality export oriented food and beverage manufacturing tomorrow because of:

- ! Its government's strong commitment to AFTA and market liberalisation in general. There are limited barriers for imported ingredients when compared to those of the other large ASEAN countries.
- ! The opportunities which arise for Malaysian based companies operating within AFTA, a market area of more than 490 million persons today. Malaysian processed food and beverages are well regarded by many persons in Southeast Asia's middle and upper income groups.
- ! Its promotion of itself as a high quality food manufacturing location which is supported by a strong broad based home market, including Singapore and Brunei, its strong infrastructure and educated workforce.

- ! Its prowess as a *halal* food and beverage producers and exporter, including its future progress towards becoming a world centre of excellence for *halal* food products. ASEAN has a large number of Muslims which form a regional home base for Malaysia's *halal* food and beverage manufacturing industry tomorrow.

## 2.6 Food and beverage exports from Malaysia

The Malaysia industry is a key exporter of processed agricultural products, fishery products and food and beverages. Exports of such products are valued at about US\$ 4.1 billion today. The Table below provides details of the structure of this export trade.

<b>Malaysian Agriculture, Fisheries, Food and Beverage Exports</b>		
	<b>US\$ Million</b>	<b>%</b>
Meat and poultry	22	0.5
Dairy products and eggs	72	1.8
Fish and seafood	212	5.2
Cereals and cereal products	103	2.5
Fruits and vegetables	137	3.4
Sugar and sugar products	56	1.4
Coffee, tea cocoa and spices	207	5.1
Processed foods	109	2.7
Beverages	63	1.5
Edible oils, crude and processed	3,086	75.9
<b>Total</b>	<b>4,067</b>	<b>100.0</b>
Note: Excludes live animal and animal feed exports of US\$ 270 million. Source: Department of Statistics, Malaysia		

Malaysia's exports are diverse, involving a large number of businesses. Food manufacturers utilise imported ingredients which are ultimately exported from Malaysia as part of their processed products. The main sectors involved in this type of activity are:

- C Dairy processing and re-packing.
- C Fish and seafood businesses involved in canning processed products.
- C Noodle manufacturers.
- C Biscuit manufacturers.
- C Cereal and potato snack manufacturers.
- C Sugar confectionery manufacturers.
- C Manufacturers of other processed foods, e.g. canned foods, sauces and seasonings.
- C Breweries.
- C Soft drink manufacturers.

Other sectors which have smaller production output for exports include chilled meat and poultry processors, frozen cake manufacturers and frozen processed food manufacturers.

Malaysia is one of ASEAN's leading exporters of processed food and beverages derived from imported ingredients. The Table below provides details of the major exports, inclusive of volumes exported and the number of recipient countries in 1997. According to the Department of Statistics, these exports were worth more than US\$ 188 million.

<b>Malaysian Processed Food &amp; Beverage Exports in 1997</b>		
	<b>Tonnes</b>	<b>Number of Countries Supplied</b>
Non-alcoholic drinks ('000 Litres)	64,397	42
Biscuits	26,819	64
Beer ('000 Litres)	23,813	24
Wheat-based noodles	12,534	51
Chewing gum and other sugar confectionery	10,963	57
Sauces (Derived from soy beans and tomatoes)	7,692	40
Canned peas and beans	5,330	24
Ice cream	4,695	6
Chocolate confectionery	3,330	40
Powdered milks (Repacked in Malaysia)	1,749	9
Source: Department of Statistics, Malaysia		

The companies involved in the above export trade include Nestlé, Dumex, Unilever's Food Divisions, Carlsberg, Mamee Double Decker, Britannia Brands (Groupe Danone), Perfect Food Industries, Cadbury, Chocolate Products (Malaysia), A Clouet & Co (KL), Ace Canning Corporation, Fraser & Neave and Yeo Hiap Seng.

Exports have an important impact on the Malaysian market for food ingredients because:

- ! Malaysia's use as an export base by major food and beverage manufacturers, such as Nestlé, CPC and Groupe Danone, and local companies benchmarking these larger companies' products and imported finished products underpins its sophisticated demand for a broad range of food ingredients.
- ! Malaysian exporters have important customers throughout Asia and the Middle East, where it is recognised as a supplier of quality "*halal*" foods, i.e. products which Muslims are permitted to consume under the tenets of Islam. Nestlé Malaysia's operations are its group's worldwide centre of excellence in *halal* food manufacturing. As a result, Malaysia's demand for *halal* ingredients is significant.

- ! Malaysia's home market territory includes some neighbouring countries. It is important to note that Singapore (Population: 3.1 million) and Brunei (Population: 300,000) are major recipients of Malaysian processed food and beverages. Indeed, the Malaysian subsidiaries of Nestlé, CPC-AJI and Carlsberg view Singapore as part of their home market territory. Taken together with Malaysia, such businesses have a home market comprising over 24 million of the ASEAN region's most affluent consumers today.

### **3. The country's food ingredient market**

#### **3.1 Food ingredient imports in overview**

Imports of food ingredients comprised 2,009,728 tonnes of product in 1997, up from 1,367,385 tonnes in 1993. The Table below provides details of the import trends between 1993 and 1997.

<b>Food Ingredient Imports by Product Category - 1993 to 1997 ('000 Tonnes)</b>					
	<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>
Chemicals	922.4	889.2	863.4	648.3	602.6
Cereals and cereal products	106.1	133.1	73.3	55.9	46.5
Cocoa and cocoa products	0.9	1.1	1.3	0.9	1.1
Colours	23.3	26.7	22.2	17.1	14.8
Enzymes	1.3	0.7	1.0	0.8	0.8
Essential oils and plant extracts	1.4	2.0	1.4	0.8	0.5
Fats and oils	197.9	124.6	119.7	379.4	352.2
Fish and seafood	94.9	94.6	51.6	55.9	52.9
Flavours and aromas	1.4	1.8	1.3	0.2	0.2
Fruits	63.1	76.7	49.5	24.8	33.6
Herbs and spices	20.1	18.1	19.6	19.7	14.9
Hydrocolloids and gelling systems	1.0	0.4	1.4	0.3	0.2
Meat products	85.3	81.6	71.2	61.0	53.9
Milk products	153.6	188.1	158.9	36.8	7.5
Nuts and seeds	64.9	75.5	58.4	52.7	44.3
Pulses and their products	50.7	55.4	55.1	45.2	14.2
Starch and starch derivatives	131.4	120.0	113.6	76.4	71.9
Sugar and sugar derivatives	20.5	19.8	21.0	16.7	11.6
Other sweeteners	1.8	2.2	1.8	2.2	2.0
Vegetable products	52.4	51.9	37.3	35.9	36.3
Yeast and yeast derivatives	15.3	11.0	4.4	2.6	5.2
<b>Total</b>	<b>2,009.7</b>	<b>1,974.5</b>	<b>1,727.4</b>	<b>1,533.6</b>	<b>1,367.2</b>
Source : Department of Statistics					

In addition to the above, the import of emulsifiers, recorded in dollar value only, amounted to US\$ 3.1 million, up from US\$2.8 million in 1993.

### 3.2 Key sources of supply

Malaysia's imported food ingredients were worth about US\$ 900 million in 1997. The Malaysia food

manufacturing industry sources its food ingredients from all over the world. The increasingly sophisticated consumer market has put pressure on the food and beverage manufacturing industry to upgrade its products and introduce new products in order to remain competitive against imported processed products.

Today, many market segments are competitive, with up to 48 supply countries involved in some segments. The Table below provides details about the number of supply countries and identity of the key supply countries for each product category.

<b>Product</b>	<b>1997 Import Value in US\$ Millions</b>	<b>Number of Countries Involved</b>	<b>Key Supply Countries</b>
Chemicals	145.8	20	Japan and USA.
Cereals and cereal products	46.2	25	Australia, USA, Thailand and Argentina.
Cocoa and cocoa products	1.5	11	Singapore, Netherlands, USA, Indonesia and Australia.
Colours	15.9	26	Australia, India, Singapore, Brazil, China, Taiwan and USA.
Emulsifiers	3.1	14	Germany, USA, Finland, Singapore, UK and Japan.
Enzymes	4.3	22	Denmark, Finland, USA and Belgium.
Essential oils and plant extracts	6.1	22	USA, Japan and Singapore.
Fats and oils	117.4	19	Indonesia, Argentina, Brazil and USA.
Fish and seafood	2.2	48	India and Indonesia.
Flavours and aromas	4.3	25	Indonesia, China, Hong Kong and Singapore.
Fruits	33.0	25	Australia, China, Thailand and USA.
Herbs and spices	17.7	25	China, Indonesia and India.
Hydrocolloids and gelling systems	5.6	23	China, Singapore and USA.
Meat products	100.6	20	Australia, New Zealand and India.
Milk products	223.8	18	Australia and New Zealand.
Nuts and seeds	30.8	23	China, India, Indonesia, Italy, Myanmar, Turkey, Thailand, Switzerland, USA and Vietnam.
Pulses and their products	17.7	29	China, USA, Australia, Myanmar, Turkey, Thailand and Vietnam.

Starch and starch derivatives.	79.1	31	Thailand, USA, Japan, Singapore and Taiwan.
Sugar and sugar derivatives	7.4	24	Thailand and Australia.
Other sweeteners.	0.9	11	France, Indonesia, South Korea and Thailand.
Vegetable products	33.0	18	USA, Thailand, China, Australia and India.
Yeast and yeast derivatives.	5.2	14	China, France and UK.
Total	901.6		
Source: Department of Statistics			

Trade and government sources comment that:

- ! 10 countries supply more than 80% of Malaysia's food imports. Of these, Australia, Thailand, USA, India and New Zealand supplied over 60% of imports in 1997.
- ! Australia is the market leader. It supplied about 20% of Malaysia's needs in 1997. While it only leads in the markets for imported fruit and sugar products, it is one of the top three suppliers of meat and meat products, dairy products and cereals and cereal products. It is also a supplier of chemicals and colours to Malaysia.
- ! Thailand's share of the market was about 15% in 1997. It is a key supplier of fish and seafood, rice, fruits, sugar, starch and vegetables.
- ! The USA's share of the market was about 12% in 1997. It leads the market for imported cereals and cereal products and oil seeds/edible oils and is a key supplier of fruits and vegetable products. It competes with Japan for the position of leading supplier of chemicals and additives to the Malaysian food manufacturing industry.
- ! India's market share was about 8% in 1997. It is the leading supplier of meats and second largest supplier of spices to Malaysia. It is also a key supplier of vegetables and fish and seafood.
- ! New Zealand's market share was about 7% in 1997. It is the leading supplier of dairy products and is a key supplier of meats and fruits.
- ! While the key suppliers of chemicals and additives are the USA and Japan, supplies are quite fragmented and other important suppliers include Taiwan, China, Singapore and the EU countries.

### 3.3 Regulatory environment for food ingredients

### 3.3.1 Malaysia's food import regulations

All goods to be imported into Malaysia have to be declared in writing to the Customs and Excise Department. The Customs Act 1967 allows importers to appoint agents to act on their behalf. The appointed agents must seek approval from the Director General of Customs to act for the importer. The following types of duties are leviable on goods imported into Malaysia:

- ! Import duty. The import duty varies according to the categories of goods imported as indicated in the Customs Duties Order 1996. The Table below provides an indication of the range of import duties leviable on some key product groups considered by this study.

<b>Overview of import duty rates - Malaysia</b>	
Meat products	0%
Dairy products	0% to 25%
Spices and herbs	0%
Cereals and starches	0%
Vegetable gums & saps	0%
Edible oils	0% to 20%
Fish and seafood	0% to 20%
Sugars	0%
Cocoa ingredients	15% to 30%
Nuts	15% to 30%
Vegetables and pulses	0% to 20%
Fruits and fruit juices	0% to 20%
Yeasts	0% to 25%
Other chemicals	Mainly 0%
Vitamins	0%
Source: The Malaysian Trade Classification and Customs Duties Order	

Sales tax. The rate of sales tax leviable are stated in the Sales Tax (Rate of Tax) Order 1972 and the Sales Tax (Rate of Tax) Order 1997. Three rates of tax at 5%, 10% or 15% are leviable on the gross value of all goods imported, except those which are exempt under the Sales Tax (Exemption) Order 1998. The following beverages are subject to a sales tax of 15% ad valorem:

- C Beer.
- C Ale.
- C Stout and porter.
- C Intoxicating beverages.

Certain goods are, however, prohibited from import. The Customs (Prohibition of Imports) Order 1998 consists of four schedules, namely:

- ! First Schedule which:
  - C Lists goods which are absolutely prohibited from import. This include intoxicating liquors containing any lead, all genus of Piranha fish and turtle eggs from all countries.
  - C Lists countries from which importation of all goods are absolutely prohibited, e.g. in accordance with UN trade sanctions.
  
- ! Second Schedule which lists goods which are prohibited from import unless an import licence is granted by the Director General of Customs. The following products are subject to import licensing:
  - C Poultry live or dead or any part thereof. The approving authority is the Veterinary Department.
  - C Meat and offal, fresh or preserved, frozen or chilled of buffaloes, cattle, sheep and goat. The approving authority is the Veterinary Department.
  - C Rice and padi, including rice flour, rice polishings, rice bran and rice vermicelli. The approving authority is the Ministry of Agriculture.
  - C Sugar. The approving authority is the Ministry of International Trade and Industry.
  - C Liquid milk in any form, including flavoured milk recombined or reconstituted. The approving authority is the Ministry of International Trade and Industry.
  - C Liquid sterilised flavoured milk, including flavoured milk recombined or reconstituted. The approving authority is the Ministry of International Trade and Industry.
  - C Cabbage (round). The approving authority is the Federal Agricultural Marketing Authority.
  - C Coffee, not roasted. The approving authority is the Federal Agricultural Marketing Authority.
  - C Cereal flours of wheat or of meslin (including atta flour) in packings exceeding 5 kilograms and in packings not exceeding 5 kilograms. The approving authority is the Ministry of International Trade and Industry.
  
- ! Third Schedule which lists goods which are prohibited from import except in the manner specified in the Order. For example, this applies to the listing of food products above where import licence must be obtained before import is permitted.
  
- ! Fourth Schedule which lists goods which are prohibited for import except under the manner specified in the order. For example, import permits are required to be obtained from the Director General of Veterinary Services for the import of:
  - C Milk and milk products.
  - C Animal fats and oils.
  - C Sausages and alike.

Phytosanitary certificates issued by an authorised official in the exporting country are required for plant products, such as peas, beans, cashew nuts, groundnuts, maize, spices, rice which are carriers of the Khapra beetle. Other plant and fruit products are subject to inspection by the Department of Agriculture.

### 3.3.2 Malaysia's food regulations in overview

Malaysia regulates its sale and use of food through the Food Act, 1983. This Act, which comes under the jurisdiction of the Ministry of Health, is in place to protect the public against health hazards and fraud in the

preparation, sale and use of food.

The provisions of this Act are regulated under the Food Regulations 1985 which provide regulations on:

- ! Standards and particular labelling requirements.
- ! Food additives and nutrient supplement.
- ! Packages for food.
- ! Incidental constituents.

Any food ingredient which does not comply with the provisions of this Act or any regulation thereunder is prohibited from importation into Malaysia.

### 3.3.3 Food additive and nutrient supplement

Food additive and nutrient supplement is regulated under Part V of the Food Regulations 1985. They are classified under the following headings:

- ! Food additive.
- ! Preservative.
- ! Colouring substance.
- ! Flavouring substance.
- ! Flavour enhancer.
- ! Antioxidant.
- ! Food conditioner.
- ! Nutrient supplement.

Under the Food Regulations 1985, only permitted food additive and nutrient supplement are allowed for use in food. Where permitted for use in food, the maximum quantity used must not exceed the specifications as provided in the regulations.

Detailed listings of permitted, as well as specifically prohibited, food additives and nutrient supplements, and the maximum permitted proportions, are provided from the Sixth Schedule to the Twelfth Schedule to the Food Regulations 1985.

### 3.3.4 Regulations affecting *halal* food

As the Malaysian population is dominated by Muslims, the emphasis on the need to meet the requirements of this large consumer group cannot be disregarded. Foods permitted for consumption by Muslims are referred to as *halal* food and beverages. It should be noted that Muslims in Malaysia look for the *halal* certification displayed on food packaging and in food outlets as assurance that the food products are suitable for consumption by them.

*Halal* products do not contain certain food ingredients which are prohibited from use by consumers under the tenets of Islam. Common examples are pork products, alcoholic products, alcohol based products and products from animals which have not been slaughtered/prepared in accordance with Islamic rites.

The use of the *halal* certificate is regulated by the Trade Descriptions Act, 1972 (Use of *Halal* Expression) Order 1975. The *Halal* certificate is issued by the Food Research Unit of the Islamic Affairs Division, Islamic Centre.

Apart from Malaysia, the *halal* certification issued from Malaysia is also recognised and highly regarded by most Muslim nations of the world as an assurance that Malaysian food products marketed as *halal* products are actually *halal* in nature. This is important to bear in mind as Malaysia aims to be the main producer of *halal* foodstuffs targeted at the large, still unexploited worldwide Muslim markets.

### **3.3.5 Malaysian regulations are regularly updated**

The Malaysia Government's policy is to keep its food regulations up-to-date and in line with all new aspects of food technology. Updates on its regulations are published through the issuance of official Subsidiary Legislation Supplements which gazette all amendments and additions to current legislation.

*For this reason, we advise US food ingredient exporters to check on the most recent legislation as there are likely to be changes in future. This is important because any new food ingredient being introduced to existing products requires Government approval before the products can be released to the markets.*

## **4. Feedback from users**

The information provided in this section is derived from trade interviews performed in November and

December 1998. The interviews were performed with high profile trade respondents to obtain feedback on the decision making process adopted by food manufacturers and the future potential for US food ingredient suppliers in Malaysia.

It should be noted that the information provided about some of the companies listed below and their operations in this report was derived from desk research and not from trade interviews. The interviews which were conducted concentrated specifically on ingredient purchasing criteria and interest in the USA as a source of supply.

Senior personnel from the following establishments were interviewed for this purpose:

- C Yeo Hiap Seng (M) Bhd
- C Ace Canning Sdn Bhd
- C Pacific Food Products Sdn Bhd
- C Chocolate Products Manufacturing Sdn Bhd
- C Yee Lee Corporation Bhd
- C Nestlé Products Sdn Bhd
- C Perfect Food Industries Bhd
- C J.C. Food & Snack (M) Sdn Bhd

The following sections summarise the feedback received from each of the trade respondents interviewed.

#### **4.1 Yeo Hiap Seng (M) Bhd**

This company is involved in the manufacture of processed meat and poultry products, canned fish, fruits and vegetables, noodles, carbonated and non-carbonated soft drinks.

##### **4.1.1 Company's interest in US food ingredients**

The Logistics Manager of the company stated that the company is interested in using US food ingredients. Currently, it already uses certain ingredients from the USA. These include skimmed milk powder, green peas, soya beans, flavours and seafood.

##### **4.1.2 Purchase decision making**

US suppliers must meet its purchasing criteria and requirements to be successful in selling their food ingredients to the company. The key criteria are:

- C Specifications.
- C Delivery.
- C Service.
- C Price and terms of trade.

##### **4.1.3 Marketing tips for US food ingredient suppliers**

According to the Logistics Manager, there are no problems for US food ingredient suppliers to enter the Malaysian market. He stated that the focus of US suppliers should be on promotional activities.

In general, most trade buyers know who the suppliers of different food ingredients are so promotional

activities should serve to update buyers' knowledge about:

- C The product range available to them.
- C Current research and development which may be of interest to them.

Support services from US suppliers should include the provision of brochures, free samples, technical support and promotional support, where applicable.

## **4.2 Ace Canning Corporation Sdn Bhd**

This company manufactures canned fish and seafood, soups and seasonings, spreads and other foodstuffs as well as non-carbonated soft drinks.

### **4.2.1 Company's interest in US food ingredients**

The Purchasing Executive stated that his company is interested to evaluate and source the following food ingredients from US suppliers:

- C Flavours.
- C Colours.
- C Emulsifiers.
- C Sweeteners.
- C Beans.

### **4.2.2 Purchase decision making**

He stated that US suppliers have to comply with the Malaysian Food Act when supplying ingredients to the company. Price and access to products are very important factors affecting the company's purchasing decisions. The company prefers to buy through local agents who can handle orders and complaints, if any arise.

### **4.2.3 Marketing tips for US food ingredient suppliers**

He stated that Malaysia practices free trade. Today, most countries have diplomatic relations with Malaysia and over the years Malaysia has lifted trade embargo on countries that were once deemed unfriendly. There should be no problems for US food ingredient suppliers to enter the Malaysian market.

He suggested that US suppliers should target the food manufacturers if they supply raw materials and additives. Others that supply finished products should concentrate on targeting the food service, catering and supermarket sectors which have demand for such products.

He stated that the company generally sources from local agents in Malaysia. If no local agents are available for certain food ingredients, the company searches for information about the required items and their sources through food and beverage trade magazines. US suppliers should advertise in food and beverage trade magazines so that Malaysian buyers are kept up-to-date about new food ingredients.

The company needs samples to evaluate new ingredients and technical support is expected from food ingredient suppliers as part of their service package to the company.

### **4.3 Pacific Food Products Sdn Bhd**

This company is involved in the manufacture of instant noodles, noodle snacks, other snacks and confectionery products.

#### **4.3.1 Company's interest in US food ingredients**

The company currently uses US food ingredients in its products. The Factory Manager stated that the company is very interested to use all types of ingredients which meet with the company's needs and requirements.

#### **4.3.2 Purchase decision making**

He stated that all aspects of normal purchasing criteria apply when making purchasing decisions on the company's ingredient requirements.

The company buys from agents in Malaysia and Singapore. It would like to deal directly with US suppliers because he thought the company may be able to get a better service than it obtains from their local agents.

#### **4.3.3 Marketing tips for US food ingredient suppliers**

He commented that there is no problem for US ingredient suppliers to enter the Malaysian market; US ingredients are already distributed in the market. He stated that US suppliers should target all sectors of the food industry because ingredient demand is large.

He is aware that advertising and promotional activities are already in place for US food ingredients. The company receives a lot of food and beverage trade magazines which indicates this to be the case.

He also commented that US ingredient suppliers should exhibit in food exhibitions. He added that whenever he attends the food exhibitions, he comes across the same exhibitors each time with the same products. There should be more variety and product selection at such exhibitions to stimulate the interest of Malaysian ingredient buyers.

He also suggested that the US trade office should hold seminars/talks/get-togethers at which food ingredient suppliers can introduce their latest products to Malaysian food and beverage manufacturers. This will provide local buyers with a better insight into latest trends in food ingredients and food products available in the USA. Local food manufacturers can assess the potential use of such ingredients in their products as well as any new end-products for use in their product portfolio.

He confirmed that hands-on technical support is welcomed by the company in helping to develop new products using new food ingredients. He cautioned that US suppliers' technical personnel will have to be professional in providing any technical assistance. It is the company's policy that its product formulations be kept confidential under all circumstances.

Other support in the form of free samples and brochures is expected for ingredient evaluation purposes. Prompt replies to all enquiries is also very important.

### **4.4 Chocolate Products Manufacturing Sdn Bhd**

This company is involved in the manufacture of chocolate products and confectionery.

#### **4.4.1 Company's interest in US food ingredients**

The Commercial Manager stated that the company already uses California almonds and hazelnuts from an importer. It is currently interested to evaluate/source US milk powder and malt extract.

#### **4.4.2 Purchase decision making**

The company's purchasing criteria for buying food ingredients is as follows:

- i. Quality which must be internationally accepted.
- ii. Competitive price.
- iii. Good service.

#### **4.4.3 Marketing tips for US food ingredient suppliers**

He stated that there is no problem for US food ingredient to be supplied in Malaysia as US product quality is generally accepted by Malaysian users. Malaysia does not place any restriction on US food ingredients.

He added that the best way for US food ingredients to be marketed in Malaysia is to hold exhibitions with products which should be readily available to visitors at the food exhibitions. Suppliers should hold food exhibitions at least once a year. He also stated that sales contacts/calls with a technical catalogue are often the best way to promote specific ingredients.

His company would like to receive brochures for ingredients supplied from the USA and expects to receive technical support from its regular suppliers.

### **4.5 Yee Lee Corporation Bhd**

This company is involved in the manufacture of edible oils.

#### **4.5.1 Company's interest in US food ingredients**

The General Manager stated that some food ingredients used by the company are from the USA. It uses citric acid, antioxidant, lactose and other preservatives and additives from the USA. The company is also seeking other new functional food ingredients and is very interested to source them from the USA.

The company is not interested to source for oilseeds from the USA because the import duty for such products is very high. Edible oil products derived from imported oil seeds can only be targeted at a niche market. Very high levels of advertising and promotional activities are also required to launch and sustain such products in the market. These factors make venturing into other oil products unattractive for the company.

Palm oil is the company's preferred edible oil because it is a known product which is competitive in Malaysia's retail market.

#### **4.5.2 Purchase decision making**

The company uses local agents to source for food ingredients. If the required volume is large, the company will source directly from its supplier. Price, quality and service are important factors affecting the company's purchasing decisions.

The company welcomes any technical help to develop/introduce new products into the market with the use of new food ingredients where R&D support will be needed. The company prefers to work with suppliers that provide such services.

#### **4.5.3 Marketing tips for US food ingredient suppliers**

He stated that there is no problem for US food ingredients to enter the Malaysian market. He believes that US food ingredients are doing very well in Malaysia based on his knowledge of the US products which are already available to local food manufacturers.

The currency controls which have fixed the Malaysian ringgit to US dollar exchange rate are beneficial to the USA. It is easier to do business with the USA than with USA's competitors such as Japan and Europe. The fixed Ringgit to US\$ exchange rate provides more stability and facilitates better cost control. The Yen and European exchange rates continue to fluctuate frequently which is very difficult for the company to control when making decisions about purchasing ingredients from these parts of the world.

He also suggested that the US suppliers should:

- ! Target all food industry and food catering sectors as these as all high volume/value sectors in Malaysia with strong demand for imported food ingredients.
- ! Exhibit their products regularly at food exhibitions. He attends food exhibitions to research new ingredients and product ideas. It is advisable that US suppliers, together with the locally appointed agents, make sales calls on major local food manufacturers after each exhibition that they attend.

He commented that the US trade office should arrange seminars or other get-togethers to introduce/launch new US food ingredients to major food manufacturers/buyers in Malaysia.

The company is open to new ideas and welcome any new product introduction from the USA which it can adopt/incorporate into its product lines.

## **4.6 Nestlé Products Sdn Bhd**

This company is the most aggressive food manufacturing company in Malaysia. It produces a wide range of food and beverage products targeted at both the local and overseas markets.

### **4.6.1 Company's interest in US food ingredients**

The Purchasing Manager stated that the company is interested to source for food ingredients from the USA.

At the moment it buys garlic from the USA. It is open to evaluating other food ingredients from the USA, such as milk solids, fruits and vegetables. However, it prefers to locally source for flavours, colours and additives.

### **4.6.2 Purchase decision making**

The important considerations when purchasing food ingredients are as follows:

- i. The food ingredient must have a *halal* certification.
- ii. The quality must meet the standard of the company's specifications.
- iii. The service of the supplier must meet company expectations.
- iv. The price must be competitive.

#### **4.6.3 Marketing tips for US food ingredient suppliers**

He stated that he can foresee two problems for US food ingredient suppliers in entering the Malaysian market; they are:

- C The physical distance of the supplier from Malaysia.
- C The ability to meet the *halal* certification requirement.

He suggested that US suppliers should target the food manufacturing industry. He added that a direct one-to-one promotional approach is more appropriate when it comes to promoting ingredients to buyers. This is more important than other A&P activities. He also stated that food ingredient suppliers should exhibit their products at food exhibitions.

He stated that it is usually expected that suppliers provide brochures, free samples and necessary product information to potential buyers. Technical support should also be provided if the company needs this.

### **4.7 Perfect Food Industries Bhd**

This company is involved in the manufacture of biscuits and cookies.

#### **4.7.1 Company's interest in US food ingredients**

The Research and Development Manager stated that the company currently uses Cheddar cheese from the USA. The company is interested to evaluate/use other food ingredients from the USA. The food ingredients must be relevant for use in the company products.

#### **4.7.2 Purchase decision making**

The purchase considerations of the company are as follows:

- C Quality is foremost.
- C Price. The company must be comfortable with the offer.

When the order quantity is large, the company prefers to source directly from the supplier whereas small orders are always sourced from local agents.

#### **4.7.3 Marketing tips for US food ingredient suppliers**

He does not see any problems for US ingredients in the Malaysian market. He suggested that US suppliers should target all food sectors as they are all sizeable.

He added that advertising and promotional activities should be conducted by US suppliers. They should also

exhibit their products at food exhibitions because representatives of most food companies attend such exhibitions to identify new suppliers and ingredients.

The company expects technical support from US suppliers. Any hands-on assistance will be welcomed if available. Free samples, brochures and detailed product specifications should be provided to facilitate evaluation of new ingredients.

#### **4.8 J.C. Food & Snack (M) Sdn Bhd**

The company is involved in the manufacture of corn snacks, rice snacks and potato chips. Its well known brand, namely Wise, is marketed by Borden Foods (M) Sdn Bhd. The products are marketed both locally and in overseas markets.

##### **4.8.1 Company's interest in US food ingredients**

The Technical Manager of the company did not indicate whether they are interested to use US food ingredients in their products.

##### **4.8.2 Purchase decision making**

She stated that ingredient selection and access are important criteria which affect her company's buying decisions.

##### **4.8.3 Marketing tips for US food ingredient suppliers**

She advised that:

- ! Malaysia's food regulations and foreign exchange considerations are some factors that should be considered by US ingredient suppliers when entering the Malaysian ingredient market.
- ! US suppliers should exhibit their products at food exhibitions as part of their promotional activities.

She stated that her company would expect US suppliers to provide brochures, free samples and technical support to support their evaluation of US food ingredients.

## **5. Future scenarios for the industry**

### **5.1 Malaysia's food industry and its demand for ingredients today**

Today, Malaysia has Southeast Asia's most dynamic higher processed food and beverage market and industry. It should be noted that:

- ! The number of products and brands in the market and competition levels surpasses that seen in neighbouring Singapore, which is in itself a major market for Malaysian products.
- ! The markets and industries in Thailand, the Philippines and Indonesia differ radically from that seen in Malaysia.

Most higher processed food and beverage market segments in these three countries are monopolised by one or two large businesses, usually a powerful local family business or a subsidiary of a multinational company.

In contrast, Malaysia has a diverse range of businesses, products and brands involved in all industry sectors, except brewing which is dominated by two foreign businesses.

- ! The effects of the economic downturn on consumption of higher processed food and beverages manufactured in Malaysia has been limited.

This is because Malaysia's downturn has not been as dramatic as that seen in neighbouring Thailand and Indonesia. In these countries, high levels of unemployment and retail price inflation have occurred over the past 18 months. This has not happened in Malaysia.

The main impact of the Malaysian economic downturn has largely been on "big ticket" items such as housing, cars, overseas holidays and the use of foreign education.

Malaysia is Southeast Asia's leading biscuit and chocolate confectionery exporter and one of the region's largest exporters of noodles, beer, soft drinks and sugar confectionery.

Some other key facts about the market and industry are as follows:

- ! Malaysia's food output is valued at US\$9 billion.
- ! Total imports of food and beverages were valued at more than US\$ 900 million.
- ! Exports of food and beverages are valued at about US\$ 4.1 billion. This figure includes edible oil product exports valued at about US\$ 3.0 billion.

Malaysia therefore represents an important market for any food ingredient supplier with a view to developing its markets in Southeast Asia.

## 5.2 The key forces for change on the food industry

The Malaysian food market is a sophisticated nationwide market based on one of Southeast Asia's wealthiest populations. Muslim consumers form more than 50% of the population. This is the base from which all food and beverage manufacturers operate. As an example, Nestlé Malaysia requires that all of its food ingredients are certified as *halal* products.

The main forces for change affecting the Malaysian food industry are:

- ! Demand pull from sophisticated local consumers for high quality value-for-money foods and beverages. This include traditional foods and non-traditional foods which are now entrenched in the Malaysian diet. Most Malaysian consumers are concerned about taste, price, packaging quality and

use-by-dates. They also react well to high quality advertising and promotional activities in retail outlets.

! Malaysia has a good education system which underpins market sophistication. Health consciousness is high and has its effects on some areas of demand. This is expected to increase in future. Government healthy eating campaigns exist. These are effective as a change agent because the incidence of diabetes and heart disease is increasing and is well publicised by the local press and other media.

! New investment by food and beverage companies in Malaysia as a home base for their Malaysia and, importantly, ASEAN regional operations. Existing businesses also have investment programs. The key objectives of these programs are:

- C Maximising on production economies of scale.
- C New product and brand development, including "me too" product development by small and medium sized businesses.
- C Upgrading existing product images and packaging.
- C Merger and acquisition activities.

New and enhanced existing products will largely be pushed into the market by industry in future. The success of these activities will, however, depend on their ability to meet closely with tomorrow's sophisticated consumer demand traits. In this respect, the Malaysian market is now very similar to that which exists in some parts of the Developed World.

! Malaysia's open market. Today, it has the lowest trade barriers amongst ASEAN's group of large nations (Indonesia, Malaysia, Myanmar, Philippines, Thailand and Vietnam) and this increases competition between local and imported finished products. This is expected to increase in future as the ASEAN Free Trade Area becomes fully implemented and will be a major stimulus for local industry to "remain ahead of the competition". Malaysia's highly positive attitude towards GATT/WTO liberalisation also has similar positive implications for the future.

! Malaysia's sophisticated food laws and enforcement activities. These laws are constantly under review and so put pressure on Malaysian food and beverage manufacturers to maintain up-to-date high quality manufacturing processes.

! The Malaysian government's activities to the enhance local agricultural sector. The government is attempting to increase processing of local produce into higher processed foods. This is already happening with poultry and pineapple through large integrated businesses but the government sees the need for this to occur with other sectors, e.g. fruits, vegetables, spices, fish and seafood and various meats.

! Export market potential, inclusive of Malaysia's goal to become the world's leading producer of *halal* higher processed foodstuffs. Today, the Malaysian food and beverage industry has already developed competitive advantages as a supplier to Asia and the Muslim markets on a worldwide basis. This is expected to continue in future with the Developed World as a key target for increased future exports.

! Modernisation of Malaysia's nationwide distribution channels. While usage of supermarkets, hypermarkets and convenience stores is still low compared to the Developed World, the majority of Malaysia's upper and middle income groups now shop in such outlets. The retail and distribution industry will consolidate from its fragmented base today but will need to take into account the

inherent lower income demand which exists for a broad range of processed foods and beverages. Food manufacturers will have to deal with the changing distribution power base as it evolves over the next 10 years or so.

### **5.3 Malaysia's future economic prospects and its consumer market**

#### **5.3.1 The economy today**

Malaysia's economy remains one of the strongest in Asia despite the impact of its economic downturn. Its GDP per-capita for 1998 is forecast at between US\$ 3,300 and US\$ 3,400 which makes it Asia's sixth wealthiest country after Japan, Singapore, Hong Kong, Taiwan and South Korea. This forecast is significantly higher than the 1998 GDP forecasts for Indonesia (US\$ 380), the Philippines (US\$ 847) and China (US\$ 785).

The Malaysian consumer market is underpinned by a mixed economy which is supported by an open trading environment, a modern legal system similar to that existing in the UK and Australia, one of the best educated workforces in Asia and strong infrastructure.

Its competitive strengths lie in its large manufacturing sector, agriculture, its sizeable oil and gas, service sector and tourism sector. Its major manufacturing industries produce computers and other electronic equipment and parts, food and beverages, textiles, timber products and chemicals. It is among the world's leading producers of palm oil, cocoa, rubber, pepper and timber. These industrial sectors supply both the local and export markets.

Malaysia's export markets are diverse because its businesses have a world-wide target. Its major export destinations are ASEAN, the USA, North Western Europe, Japan and China/Hong Kong.

#### **5.3.2 Malaysia's economic downturn**

Malaysia officially moved into recession in 1998 for the first time since the mid-1980's. Economic performance for 1998 is forecast at a 5% decline in GDP, down from 7.8% growth in GDP in 1997.

Malaysia's recession started after the economic turmoil in other parts of Asia caused a large fall in the value of its currency against the US\$, the collapse of the Kuala Lumpur Stock Exchange index and spin-off problems for a limited number of its banks and larger companies. The reader should note that Malaysia avoided most of the problems seen in Thailand and Indonesia because its banking system is well regulated, foreign currency borrowings were low and its property market had not "overheated" to the extent it had in other parts of Asia, e.g. Bangkok..

While the government is taking action to strengthen the local banking sector, Malaysia does not have the large "bad loan scenario" as seen in other parts of Asia. The sector is also strong because it includes strong foreign bank networks with a long history of involvement in Malaysia.

The latest range of forecasts for economic performance in 1999 range from a further decline in GDP of around 1.2% to a slight growth in GDP of about 0.5%. Analysts comment that economic growth will only be realised in 1999 if Malaysia's export markets in North America and Europe remain buoyant and there is some improvement in demand for its products and services in the Asian region.

The most recently released economic data is generally positive when compared to much of the data currently

being released in neighbouring Thailand and Indonesia:

- ! Malaysia's exports continue to rise on the back of demand for its manufactured products from developed world countries.
- ! Its foreign reserves are now US\$ 24 billion.
- ! Only 66,000 persons out of a total work force of over 8 million persons have lost their jobs since January 1998. Malaysia has long had a labour shortage so many of these persons should be able to find some form of alternative employment.
- ! Its trade surplus is continuing to rise. The official surplus for the first 10 months of 1998 was reported as US\$ 1.7 billion.
- ! Retail price inflation is stable at between 5% and 6% per annum.

On the negative side:

- ! Production output is reported to fallen by about 10% in the 12 months to 31 August 1998. As Malaysians have stopped spending on "big ticket" items, a sizeable proportion of this is reported to arise from a reduction in output from the local car industry (see following section on the recession and the local consumer market).
- ! Imports are continuing to fall. No data is available on the exact structure of the fall. Analysts are concerned that it may include raw materials used by Malaysian manufacturers rather than the effect of the "Buy Malaysia - Consume Malaysia" campaign against the consumption of imported products.
- ! The wholesale price inflation of around 11% per annum. This figure indicates that retail price inflation could rise to double digit figures at some stage in the future.

### **5.3.3 The impact of the economic downturn on the food market and industry**

Malaysians last experienced an economic downturn in the mid-1980s. That event was sparked off by a speculative bubble in Malaysia and Singapore which led to an outflow of investment funds, the closure of businesses and unemployment in both countries.

When the Thai economy plunged into recession in mid 1997, many Malaysians feared the worse because they remembered the domino effect of Singapore's problems in the mid 1980s. This resulted in an immediate change in attitudes as consumers became highly conservative in spending their discretionary income.

Today, the individual Malaysian's biggest worry is loosing his/her job. As a result, many persons are paying off loans, cutting back on what they now see as excessive spending and increasing their savings. Businesses are also involved in this activity. This is a very similar situation to that which would occur if a recession occurs in the Developed World.

Sources in Malaysia's food manufacturing industry comment that they do not foresee any major adverse effects from the economic downturn. They point out that:

- ! Malaysian families have sufficient income to continue eating what they want to eat. They will

reduce spending on "big ticket" items, e.g. housing, cars and foreign holidays, and some other luxury items, e.g. imported foreign products. They continue to spend on the broad range of processed foods and beverages which are well entrenched in local food culture.

- ! The "Eat Malaysia - Buy Malaysia" campaign is influencing large sections of the population to turn to locally manufactured products. As a result, demand for certain imported finished products has slumped in 1998.
- ! Some local businesses are reacting to the new demand by upgrading the quality of their products and packaging. This trend will also be beneficial for exports to the quality conscious Singapore market at a time when its consumers are also affected by their country's own economic downturn.

Trade sources see these general market traits as very good for their businesses. The higher profile of Malaysian products will have a positive long term impact on local food and beverages which meet closely with the demands of local consumers.

The increase in consumption of local products, as opposed to imported finished products, is a very positive driver for food ingredient imports. This is especially important for ingredients required for the manufacture of products which are popular with the Malaysian consumers.

#### **5.4 The currency controls and political stability**

Two issues dominated international press reports about Malaysia at the time of writing this report, i.e. late November/early December 1998. These were:

- ! Malaysia's currency controls.

The currency controls are a temporary measure which were instituted to control funds flows linked to speculative trading in Malaysia's financial markets.

The nature of the controls is currently under review and Taiwan's controls are being studied as a possible alternative to controlling large speculative trading in Malaysia's financial markets. The government is also actively monitoring the fixed exchange rate and will adjust if it moves out of line with world currency market expectations.

Trade sources in Malaysia are generally happy with the controls because they have increased stability in the country's exchange rate against the US\$. Large companies with long term investments in Malaysia do not see the controls as a barrier to further investment or their continued ability to trade.

Most trade sources and economic analysts believe that the current rate of Ringgit 3.80 to US\$ 1.00 is reasonable when compared to other currencies and the strength of the Malaysian economy. The only detractors from this are persons who were formerly involved in trading financial market instruments in Malaysia.

- ! The trial of the former Deputy Prime Minister Anwar Ibrahim and related political activities of Malaysia's political opposition.

The international press has generally blown this aspect of Malaysian political life out of proportion

to its long term significance.

The current Malaysian political system is based on a parliament which is elected in a manner similar to the British Government on a "first past the post" basis. Elections are regularly held on a "free and fair" basis in accordance with the constitution.

Opposition members frequently win parliamentary seats and have taken control of various Malaysian states, individual constituencies and individual cities and towns. For example, the states of Kelantan and Sabah and, even, the capital city has been governed by opposition politicians for long periods of time over the past 15 years.

The current Prime Minister has been compared to President Suharto of Indonesia. This comparison is both incorrect and inappropriate because Suharto never receive the mandate of the Indonesia people through a national election.

A more appropriate comparison would be the former German chancellor, Mr Helmut Kohl, or Mrs Margaret Thatcher, a former UK Prime Minister, both of whom won several elections and lead the governments in their respective countries' parliaments for well over a decade.

Dr. Mahathir Mohamed won elections based on the ability of his broad-based governing coalition to bring about change in the lives of ordinary Malaysians at a time when Malaysia had the potential to grow.

The current situation existing in Malaysia is largely the product of politicians who saw an opportunity to create widespread publicity to air their minority views. Most Malaysians are fully aware of this, have a good knowledge of the background of these persons and parties and will be able to take a rational view of their choices at the next parliamentary election.

Aside from strengths exhibited by one opposition party which currently controls Kelantan state, the new opposition coalition is a grouping of persons/parties with unclear and diverse policies on how Malaysia should be governed in future. It is therefore unlikely that this coalition will win a majority of seats in the next parliamentary election.

## **5.5 Key points to consider in developing export strategies**

US exporters need to fully understand potential customers' demand needs and how to service them. Key supply-side points which need to be considered by US food ingredient exporters are as follows:

- ! The competitive strengths of existing suppliers, both local and foreign. Malaysia imports food ingredients, additives and chemicals from all over the world, including Australia, Thailand, the USA, India, New Zealand, the EU and other Asian countries, including Japan and China.
- ! The competitive strengths of foreign suppliers with marketing offices and other businesses in Malaysia, neighbouring Singapore and other parts of the region.
- ! The different level of suppliers' buying power existing between multinational manufacturers, large local manufacturers, importers and medium to small sized manufacturers operating in Malaysia.
- ! The different channels which are needed to service different industries, e.g. direct buying by large

food manufacturers and localised channels needed to service smaller manufacturers.

The following demand side factors also need to be considered:

- ! The need to satisfy Malaysia's demand for *halal* certified ingredients. This is of overriding importance to any ingredient supplier seeking to develop a long term and substantial business as a supplier to local food and beverage manufacturers.
- ! The high degree of inertia which exists amongst buyers towards changing suppliers and supplies. This is not a significant barrier to committed suppliers because Malaysian businesses are generally interested in evaluating new product sources.
- ! Large businesses' expectations that all of their suppliers :
  - C Have local presence.
  - C Be well established in their respective businesses.
  - C Be technically competent.
  - C Be financially sound
  - C Be accessible.
- ! The real meaning of product quality. It is important that suppliers fully understand each buyer's definition of quality rather than assuming that the buyer's definition is the same as the seller's. The definition of quality varies significantly throughout the Malaysian food and beverage industry.

## 5.6 Future prospects for US ingredient suppliers to Malaysia

Malaysia is one of ASEAN's most important markets for imported food ingredients. Demand comes mainly from the country's major food processors and its highly fragmented noodle and baked product sectors which have a high total demand for wheat flour.

The major sectors which are targets for US exporters to Malaysia are:

- ! Dairy processing.
- ! Soft drink manufacturing.
- ! Fish and seafood processing.
- ! Flour milling.
- ! Biscuit manufacturing.
- ! Other baked product manufacturing.
- ! Noodle manufacturing.
- ! Brewing.

The following large sectors, which mainly use local ingredients, are also important targets for food ingredients which are not produced by Malaysia:

- ! Edible oils, e.g. additives and chemicals.
- ! Chocolate confectionery, e.g. dairy ingredients, fruits, nuts and malt extract.

The following smaller manufacturing sectors should not be ignored by US exporters as they also utilise some imported food ingredients:

- ! Soy sauce and other soybean product manufacturing.
- ! Vegetable canning.
- ! Sugar confectionery manufacturing.
- ! Cereal and potato snack manufacturing.
- ! Meat processing.

The key targets in all of the above sectors are the market leaders, key processed food and beverage exporters and large suppliers of ingredients to the fragmented noodle and baked products sectors, e.g. Malaysia's flour millers.

### **Key Malaysian Food & Beverage Manufacturers Address List**

A. Clouet & Co (K.L.) Sdn Bhd  
Lot 11 Persiaran Sabak Bernam,  
Hicom Industries Area,  
Sector B Section 26  
40000 Shah Alam,  
Selangor  
Malaysia

Tel: (603) 511 1069  
Fax: (603) 511 1988  
Products: Canned foods.

Ace Canning Corporation Sdn Bhd  
Lot 5, Jalan 205,  
P.O. Box 8,  
46050 Petaling Jaya, Selangor,  
Malaysia  
Tel : (603) 791 2755  
Fax : (603) 791 1328  
Products : Canned foods and beverages.

Amoy Canning Sdn Bhd  
Jalan Klang 7 Km,  
58000 Kuala Lumpur,  
Malaysia  
Tel: (603) 872 8011  
Fax: (603) 781 3492  
Products: Canned foods and beverages.

Ayamas Food Corporation Bhd  
Level 17 Wisma Idris  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia  
Tel : (603)367 3263  
Fax : (603) 365 6462

Britannia Brands (Malaysia) Sdn Bhd  
(Groupe Danone)  
126A Jalan Skudai,  
81200 Tampoi, Johor Bahru.  
Johor, Malaysia  
Tel : 607 237 5545  
Fax : 607 236 7094  
Products : Biscuits and snacks

Cadbury Confectionery (M) Sdn Bhd  
P.O. Box 7043,  
40700 Shah Alam, Selangor,  
Malaysia  
Tel : (603) 559 1192  
Fax (603) 559 0959  
Products : Chocolate & related products

Carlsberg Brewery Malaysia Berhad  
55 Persiaran Selangor,

Section 15,  
40000 Shah Alam,  
Selangor,  
Malaysia  
Tel: (603) 559 1621  
Fax: (603) 559 4369  
Products: Beer

Central Sugars Refinery Sdn Bhd  
Batu Tiga,  
40000 Shah Alam, Selangor,  
Malaysia  
Tel: (603) 559 1414  
Fax: (603) 558 8792  
Products: Refined sugar.

Chocolate Products (Malaysia) Bhd  
Manufacturing Unit  
P.O. Box 61,  
12700 Butterworth,  
Penang,  
Malaysia  
Tel : (604) 333 7711  
Fax : (604) 331 7639  
Products : Chocolates & confectionery

Cheong Chan (Hup Kee) / Campbell Soups S.E.A.  
P.O. Box 51,  
46700 Petaling Jaya, Selangor,  
Malaysia  
Tel: (603) 791 3486  
Fax: (603) 791 7023  
Products: Sauces and canned foods.

Cold Storage (Malaysia) Berhad  
Cold Storage Food Manufacturing Division  
c/o Menara Cold Storage, 10th Floor,  
Jaya Shopping Centre,  
Jalan Semangat,  
46100 Petaling Jaya, Selangor  
Malaysia  
Tel: (603) 758 8988  
Fax: (603) 758 1291  
Products: Chilled foods.

CPC / AJI (Malaysia) Sdn Bhd  
Lot 1989 Block C,  
Jalan Segambut,  
51200 Kuala Lumpur  
Malaysia

Tel: (603) 626 4233  
Fax: (603) 621 1855  
Products: CPC branded grocery items.

Dewina Food Industries Sdn Bhd  
Suite 9.2, 9th Floor,  
Menara Aik Hua Cangkat,  
Jalan Raja Chulan,  
50200 Kuala Lumpur,  
Malaysia  
Tel: (603) 825 6351  
Fax: (603) 825 6352  
Products: Traditional foods and sauces.

Dumex (Malaysia) Sdn Bhd  
1 Jalan 205,  
46050 Petaling Jaya, Selangor,  
Malaysia  
Tel : (603) 791 3322  
Fax : (603) 791 3561  
Products : Infant formula and milk powders

Dutch Baby Milk Industries (Malaya) Bhd  
13 Jalan Semangat,  
46200 Petaling Jaya, Selangor,  
Malaysia  
Tel : (603) 756 7477  
Fax : (603) 755 2985  
Products : Milk and related products

East Coast Bottling Sdn Bhd  
P.O. Box 251,  
25730 Kuantan,  
Pahang,  
Malaysia  
Tel: (609) 566 1005  
Fax: (609) 566 5303  
Products: Soft drinks

Federal Flour Mills Berhad  
16th Floor, Wisma Jerneh,  
38 Jalan Sultan Ismail,  
50250 Kuala Lumpur,  
Malaysia  
Tel: (603) 242 4077  
Fax: (603) 241 4059  
Products: Flour and edible oils.

Fraser & Neave (Malaya) Sdn Bhd  
95 Jalan Yew,

Off Jalan Sungei Besi,  
55100 Kuala Lumpur,  
Malaysia  
Tel: (603) 221 1077  
Fax: (603) 221 1226  
Products: Soft drinks (Coca-Cola) and ice cream.

Gan United Cannery Sdn Bhd  
35/35A&B Jalan Persisiran Perling,  
Taman Perling,  
81200 Johor Baru,  
State of Johor  
Malaysia  
Tel: (607) 236 0496  
Fax: (607) 236 0503  
Produces: Canned foods, spreads and sauces.

Guinness Anchor Bhd  
Sungei Way Brewery,  
P.O. Box 144,  
46710 Petaling Jaya,  
Selangor,  
Malaysia  
Tel: (603) 776 3022  
Fax: (603) 774 0986  
Products: Beer

Hudson Malaysia Sdn Bhd  
Lot 14 Jalan 225,  
46100 Petaling Jaya, Selangor,  
Malaysia  
Tel: (603) 755 4144  
Fax: (603) 756 2359  
Products: Sugar confectionery.

Hwa Tai Food Industries Berhad  
12 Jalan Jorak,  
Kawasan Perindustrian Tongkang Pecah,  
83010 Batu Pahat,  
Johor Darul Taksim,  
Malaysia  
Tel : (607) 415 1685  
Fax : (607) 415 1135  
Products : Biscuits

J.C. Food & Snack (M) Sdn Bhd  
368-8, 3½ Mile Jalan Besi  
507100 Kuala Lumpur, Malaysia  
Tel : (603) 781 1698  
Fax : (603) 781 4034

Product : Potato snacks

Kart Food Industries Sdn Bhd  
Lot 11, Jalan Bawang Putih 24/34,  
Seksyen 24,  
40300 Shah Alam, Selangor,  
Malaysia  
Tel: (603) 541 4199  
Fax: (603) 541 7948  
Products: Frozen traditional foods.

Keebler Company (Malaysia) Sdn Bhd  
2019-2020 Kawasan MIEL,  
Prai Industrial Estate (Phase Tiga),  
13600 Prai,  
Penang, Malaysia  
Tel : (604) 390 7699  
Fax : (604) 390 8202  
Products : Snacks

Khong Guan Biscuit Factory (Johor) S/B  
PLO 16, Senai Industrial Estate,  
81400 Senai,  
Johor Darul Takzim,  
Malaysia  
Tel : (607) 599 1320  
Fax : (607) 599 2991  
Products : Biscuits

Lam Soon (M) Berhad  
P.O. Box 8, Petaling Jaya,  
Selangor Darul Ehsan,  
Malaysia  
Tel : (603) 791 2755  
Fax : (603) 791 2572  
Products : Edible oils and their products.

Mac Food Services (M) Sdn Bhd  
7 Jalan SS 13/5,  
Subang Jaya,  
Selangor Darul Ehsan,  
Malaysia  
Tel: (603) 733 0222  
Fax: (603) 734 0189  
Products: Processed meats, poultry and fish for food service businesses.

Malayan Flour Mills Berhad  
Head Office  
Wisma MCA, 10th Floor,  
Jalan Ampang,

50450 Kuala Lumpur,  
Malaysia  
Tel: (603) 261 9055  
Fax: (603) 261 0502  
Products: Wheat flour and its allied products.

Malayan Sugar Manufacturing Company Berhad  
Head Office  
18th Floor, Wisma Jerneh,  
Jalan Sultan Ismail,  
50250 Kuala Lumpur,  
Malaysia  
Tel: (603) 242 4388  
Fax: (603) 242 1677  
Products: Refined sugar.

Mamee Food Factory Sdn Bhd  
also known as Kilang Makanan Mamee Sdn Bhd  
(Manufacturing arm of Mamee-Double Decker (M) Bhd)  
Lot 13, Air Keroh Industrial Area,  
75450 Air Keroh,  
Melaka State,  
Malaysia  
Tel : (606) 232 4341  
Fax : (606) 232 7486  
Products : Snack foods

Myojo (Malaysia) Sdn Bhd  
3rd Floor Bangunan Universal  
44 Jalan Penchala,  
46050 Petaling Jaya,  
Selangor,  
Malaysia  
Tel : (603) 791 0480  
Fax : (603) 791 0485  
Products: Noodles.

Nestlé Malaysia Berhad  
(Head office of Nestlé Products Sdn Bhd)  
Nestlé House, 4 Lorong Pesiaran Barat,  
P.O. Box 385 Jalan Sultan,  
46918 Petaling Jaya, Selangor,  
Malaysia  
Tel : (603) 755 4466  
Fax : (603) 755 0992  
Operating units : Nestlé Products Sdn Bhd, Nestlé ASEAN, Nestlé Foodservice and Nestlé Cold Storage Sdn Bhd  
Products : Nestlé range, including milk and related products, chocolate and ice cream

Perfect Food Industries Berhad

AG 6876, Alor Gajah Industrial Estate,  
78000 Alor Gajah,  
Melaka  
Malaysia  
Tel : (606) 556 1401  
Fax : (606) 556 5746  
Products : Biscuits

Pacific Food Products Sdn Bhd  
(Manufacturing arm of Mamee-Double Decker (M) Bhd)  
Lot 1 Air Keroh Industrial Estate  
75450 Melaka  
Malaysia  
Tel : (606) 232 4466  
Fax : (606) 232 9696  
Products : Noodles

Permanis Sdn Bhd  
Lot 5 & 7, Jalan P5 & P6,  
Seksyen 13,  
Kawasan Perusahaan Bandar Baru Bangi,  
43650 Kajang,  
Selangor,  
Malaysia  
Tel: (603) 825 6240  
Fax: (603) 825 7642  
Products: Soft drinks (Pepsi)

Prima Agri-Products Sdn Bhd  
No 16 & 18, Jalan P/13  
43650 Bandar Baru Bangi,  
Selangor  
Malaysia  
Tel: (603) 825 9224  
Fax: (603) 825 9784  
Products: Halal processed meats and poultry.

Rasamewa Ice Cream Manufacturer Sdn Bhd  
27 Jalan Asa 8, Kawasan Perindustrian Ringan,  
Taman Asa Jaya,  
43000 Kajang, Selangor,  
Malaysia  
Tel: (603) 836 2877  
Fax: (603) 836 8052  
Products: Ice cream.

Rex Canning Co., Sdn Bhd  
5099 Mak Mandin,  
13400 Butterworth,  
Penang

Malaysia  
Tel: (604) 332 5979  
Fax: (603) 319 5666  
Products: Canned foods.

Solid Side Food Industries Sdn Bhd  
38 Jalan Lima, Off Jalan Chan Sow Lin,  
55200 Kuala Lumpur,  
Malaysia  
Tel: (603) 222 8262  
Fax: (603) 222 3940  
Products: All forms of processed meats and poultry.

Unilever (Malaysia) Sdn Bhd  
( & Wall's Ice Cream Division)  
P.O. Box 11015,  
50990 Kuala Lumpur  
Malaysia  
Tel : (603) 282 1143  
Fax : (603) 282 2617  
Products : Ice cream and edible oil products.

Vit Makanan (K.L.) Sdn Bhd  
Lot 17493, Taman Selayang  
8½ Miles, Jalan Ipoh,  
68100 Batu Caves,  
Selangor, Malaysia  
Tel : (603) 618 5566, 618 5669  
Fax : (603) 618 5762  
Produces: Noodles.

Yee Lee Corporation Berhad  
Lot 85 Jalan Portland,  
Tasek Industrial Estate,  
31400 Ipoh,  
Perak,  
Malaysia  
Tel: (605) 545 1055  
Fax: (605) 547 3962  
Products: Edible oils and their products.

Yeo Hiap Seng (Malaysia) Berhad  
7 Jalan Tanding,  
46050 Petaling Jaya, Selangor,  
Malaysia  
Tel : 603-791 3733  
Fax : 603-791 3509  
Products : Beverages and canned foods.

Upali (M) Sdn Bhd

Persiaran Raja Muda  
40917 Shah Alam, Selangor,  
Malaysia  
Tel : (603) 559 2606  
Fax (603) 559 5772  
Products : Chocolate and its products

**Other useful addresses**

Department of Veterinary Services  
Ministry of Agriculture  
Block A, 8th and 9th Floor,  
Jalan Semantan  
50630 Kuala Lumpur, Malaysia  
Tel : (603) 254 0077  
Fax : (603) 254 0092

Fisheries Department  
Ministry of Agriculture  
8th and 9th Floor, Wisma Tani  
Jalan Sultan Salahuddin'50628 Kuala Lumpur, Malaysia  
Tel : (603) 298 2011

Fax : (603) 291 0305

Ministry of Health  
Pharmaceutical Division  
1st Floor, MAA Building  
Jalan Pahang  
50590 Kuala Lumpur, Malaysia  
Tel : (603) 442 1211  
Fax : (603) 441 1623

Department of Agriculture  
Jalan Gallagher  
50480 Kuala Lumpur, Malaysia  
Tel : (603) 298 3077  
Fax : (603) 298 3646

Public Relations Unit  
Royal Customs and Excise Department  
Blok 11, Kompleks Pejabat-Pejabat Kerajaan  
Jalan Datu  
50596 Kuala Lumpur, Malaysia  
Tel : (603) 651 6088 / 651 9088  
Fax : (603) 254 9088

Federal Agricultural Marketing Authority (FAMA)  
Bangunan FAMA Point  
Lot 17304  
Jalan Persiaran 1  
Bandar Baru Selayang  
68100 Batu Caves  
Malaysia  
Tel : (603) 618 9622  
Fax : (603) 618 5200

Ministry of International Trade and Industry  
Block 10  
Government Offices Complex  
Jalan Duta  
50622 Kuala Lumpur, Malaysia  
Tel : (603) 651 0033  
Fax : (603) 651 2302