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Malaysia

Market Development Reports

The Malaysia Seafood Market

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Report Highlights:

The bulk of demand for imported fish and seafood is from high end specialist Chinese fish and seafood restaurants, high end western restaurants and high end hotels and the fish and seafood processing sector. Demand for premium fish and seafood products by the high end food service sector increases during the peak festive seasons.

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1. Malaysia in brief

Malaysia is the third wealthiest country in Southeast Asia after Singapore and Brunei. It reported economic growth of 8.5% in 2000, compared to 5.8% in 1999. Local analysts forecast that the economy should grow by between 1% and 2% in 2001, lower than expected because of the economic downturn in Japan and the USA which are two of Malaysia’s key export markets. On a positive note, the economy is expected to grow at between 4% and 5% in 2002 under circumstances where no untoward macro-economic or political events occur to disrupt economic development.

2. Consumer tastes and preferences for fish and seafood

Malaysia has a population of around 23.5 million people, which is growing at about 2.4% per annum. Most of Malaysia’s households are economically active and independent.

Fish and seafood is acceptable to all of the ethnic groups of Malaysia. Per-capita annual consumption of fish increased from 51 kilograms in 1996 to 56 kilograms in 1999.

Fresh fish is always preferred to chilled fish while frozen fish is looked down upon by most consumers. Processed fish is generally not as popular as unprocessed fish. This situation exists because consumers have easy access to an abundance of fresh fish types from the local wet markets and supermarkets.

Local fish and seafood varieties are the most popular amongst consumers from all income groups and all ethnic groups. Common methods of cooking fish and seafood include frying (shallow or deep frying), steaming. The products are also added to stir-fried vegetables, noodles or in Asian-style soups.

The bulk of demand for imported fish and seafood is from high end specialist Chinese fish and seafood restaurants, high end western restaurants and high end hotels and the fish and seafood processing sector. Demand for premium fish and seafood products by the high end food service sector increases during the peak festive seasons.

3. Malaysia’s fish and seafood market summary

Malaysia’s fish and seafood market is very large. Trade sources estimate Malaysia’s fish and seafood supply to be worth around US$ 1.6 billion (landed cost) today. In 1999, around 1.6 million tonnes of fish and seafood was supplied to the market, up from 1.4 million tonnes in 1996, achieving a growth of 4% per annum over the four years to 1999.

Malaysia’s fish and seafood market is supplied by the local fish catch and by imports. The local catch comprises the bulk of fish supply in Malaysia. In 1999, over 84% of the fish supply was from the local catch with only around 16% from imports.

The Table below provides details about the size of the fish catch in the years from 1996 to 1999, based on the latest available data from government sources at the time of this study.

Fish Catch in Malaysia - Tonnes				
	1996	**1997**	**1998**	**1999**
Marine fish landings	1,126,689	1,168,973	1,215,206	1,248,402
Aquaculture and inland fish production	112,745	111,934	137,991	170,427
Total fish catch (Tonnes)	**1,239,434**	**1,280,907**	**1,353,197**	**1,418,829**
Total value (US$ Million)	**995.9**	**1,127.4**	**1,176.7**	**1,294.3**
Note: The latest available data from government sources was for 1999 at the time of this study. Source: Fisheries Department, Ministry of Agriculture				

Major species caught include white/black pomfret, grouper, red snapper, Spanish mackerel, Indian mackerel, cuttlefish, tuna (small) and prawns. Local finfish (such as barramundi, carp, freshwater catfish, tilapia and groupers), cockles, mussels, prawns (banana and tiger varieties), mud crabs and oysters are cultured from freshwater and brackishwater farms.

The Table below shows the quantities of fish and seafood imported into Malaysia for the four years to 1999, based on the latest available data from government sources at the time of this study.

Imports of fish and seafood - Tonnes				
	1996	**1997**	**1998**	**1999**
Live, fresh, chilled and frozen fish	181,158	210,222	182,620	222,539
Fish fillets, fish meat	2,953	4,905	5,596	5,603
Fish, dried, salted, in brine or smoked	22,873	12,179	10,530	18,577
Crustaceans and molluscs	9,818	33,119	29,404	29,665
Total imports (Tonnes)	**216,802**	**260,425**	**228,150**	**276,384**
Total CIF value (US$ Million)	**93.8**	**212.3**	**206.7**	**227.3**
Note: The latest available data from government sources was for 1999 at the time of this study. Source: Department of Statistics				

Fish and seafood imports have been growing at close to 7% per annum over the four years to 1999. The following types of fish and seafood are imported into Malaysia:

- Warmwater live, fresh and chilled local fish types such as grouper, tilapia, prawns.
- Frozen fish such as tuna, sardines, mackerel.
- Crustaceans such as prawns, shrimps and crabs.
- Dried, salted or smoked fish, which include ikan bilis or local dried anchovies.
- Molluscs such as oysters, cuttlefish, squid, scallops, mussels, octopus.

- Fish fillets and fish meat.

4. Competition

The local catch dominates the market and will continue to do so into the long term because the fish and seafood types from the local catch meet closely with the taste preferences of the majority of consumers in Malaysia. The Table below shows the major supply sources of imported fish and seafood.

Product	Import Market Size	Major Supply Countries in 1999	Reasons for Strengths of Key Supply Countries
Live, fresh/chilled, frozen fish	222,539 tonnes imported in 1999	1. Thailand - 66%	Thailand was very price competitive and was able to supply the fish variety demanded by local consumers. Thailand is also a neighbouring country which provides distribution advantages to its live fish suppliers.
Fish fillets/fish meat	5,603 tonnes imported in 1999	1. New Zealand - 39% 2. Indonesia - 14% 3. Thailand - 12%	New Zealand was able to meet closely with the quality requirements of the end users of its frozen fish fillets while Thailand competed on price in the market. Indonesia was a price competitive supplier of fish meat to the seafood manufacturing sector in 1999.
Dried, salted, in brine or smoked fish	18,577 tonnes imported in 1999	1. Thailand - 93%	Thailand was very price competitive and was able to supply dried fish of the varieties demanded by local consumers.
Crustaceans and molluscs	29,665 tonnes imported in 1999	1. Thailand - 42% 2. Indonesia - 25%	Thailand supplied very price competitive chilled prawns and shrimps without shells. Indonesia supplied very price competitive frozen prawns.
Source: Official government trade data, market observations and trade interviews			

Apart from the above, the following countries are well known sources of coldwater fish and seafood:

- New Zealand. In 1999, it supplied 6,071 tonnes of fish and seafood, valued at US$ 8.8 million (CIF basis). New Zealand's fish and seafood is pulled into Malaysia by importers because it has a very good reputation as a supplier of healthy fish and seafood, having "clean and unpolluted waters around New Zealand".

- Norway. In 1999, it supplied 1,882 tonnes of fish and seafood, valued at US$ 3.2 million (CIF basis). Norway aggressively promotes its fish, particularly salmon, through its Norwegian Seafood Export Council. It targets the high end western restaurants and hotels and major supermarkets/hypermarkets that service the middle to high income consumers.

- Australia. In 1999, it supplied 1,052 tonnes of fish and seafood, valued at US$ 2.7 million (CIF basis). Australia's seafood is pulled into Malaysia by importers because it has a very good reputation as a supplier of healthy seafood as its waters are clean and unpolluted. In addition, Australia has the advantage of being geographically closer to Malaysia than the other supply countries.

In 1999, the USA supplied 1,041 tonnes of fish and seafood, valued at US$ 2.5 million. Trade sources comment that the main disadvantages faced by US suppliers of fish and seafood include:

- The lack of knowledge amongst local importers/buyers about US fish and seafood.

- The perceived high prices of US fish and seafood products as well as the distance of USA from Malaysia, which increases freight charges to importers.

- The lack of user/consumer education and advertising and promotional activities to introduce US fish and seafood to Malaysia.

5. Re-exports from Malaysia

Malaysia re-exports only about 4% of its total imports of fish and seafood annually. The Table below provides details of the quantities of fish and seafood re-exported from Malaysia from 1997 to 1999, based on the latest available data from government sources at the time of this study.

Re-export of fish and seafood - Tonnes			
	1997	**1998**	**1999**
Live, fresh, chilled, frozen fish	5,082	10,210	10,792
Fish, dried, salted, in brine or smoked	30	16	27
Crustaceans, molluscs	196	5	202
Total quantities (Tonnes)	**5,308**	**10,231**	**11,021**
Total FOB value (US$ Million)	**6.4**	**7.4**	**10.5**
Note: The latest available data from government sources was for 1999 at the time of this study. Source: Department of Statistics			

In 1999, most of the fish and seafood were re-exported to the following countries:

- China. The bulk of the re-exports were for frozen local fish types.
- Japan. Almost all re-exports were for tuna.
- Singapore. The bulk of the re-exports were for tuna, frozen mackerel and fresh/chilled local fish types.

6. The local fish and seafood manufacturing industry

Malaysia’s fish and seafood processing sector comprises of about 155 businesses with total output in excess of 58,000 tonnes, valued in excess of US$195 million in 2000, up from US$ 181 million in 1998.

The overall industry has been growing at about 4% per annum over the past three years to 2000. The Table below shows the industry’s major businesses’ output from 1998 to 2000.

Local Manufacture of Processed Fish and Seafood - Tonnes			
	1998	**1999**	**2000**
Frozen products	31,236	30,051	32,819
Canned products	20,946	18,847	25,101
Total production (Tonnes)	**52,182**	**48,898**	**57,920**
Total sales (US$ Million)	**180.9**	**179.9**	**193.4**
Note: The above does not include information on the output of other seafood and surimi based seafood manufacturers because this information is not readily available from government or industry sources. Source: Department of Statistics			

The industry is made up of:

- The frozen fish and seafood industry. It is the largest of the fish processing industry segment in Malaysia. In 2000, about 13 major businesses were involved in the production of frozen fish and seafood products. Together, their production amounted to 32,819 tonnes, with total sales valued at US$ 140 million in 2000. Products included frozen fish, prawns and shrimps, crustaceans and molluscs.

- The canned fish and seafood industry. It is the second largest of the fish processing industry segment in Malaysia. In 2000, only about 7 businesses were involved in the canning of fish and seafood products. Together, their production amounted to 23,668 tonnes, with total sales valued at US$ 54 million in 2000. The industry’s products included canned tuna, canned mackerel and canned sardines, canned prawns/shrimps, canned crustaceans and canned molluscs.

- The surimi based seafood producers. In 2000, only about seven businesses were involved in the production of surimi based seafood products. A number of the companies operate as contract manufacturers of surimi products for European and Japanese seafood companies. No information is readily available about the size of this industry segment. This industry's products included filament crabstik, crab finger, crab claw, crab drumstick, seafood frankfurter and alike.

7. Growth prospects for fish and seafood products in Malaysia

Demand for fish and seafood products is expected to continue to increase for the next five years. Trade sources comment that, providing the economy continues to grow at rates similar to those experienced in recent years, demand may grow at between 5% and 15% over the next five years.

Additionally, it is unlikely that local catch and aquaculture production will be able to increase at the same rate as demand. Fish imports are expected to grow to meet the supply gap that is expected to arise as a result of this challenge, with opportunities existing for well known local fish and seafood types or species which can substitute them.

8. Distribution patterns/channels and transportation

Around 70% of the local fish catch is distributed to the retail and food service sectors with about 30% being processed and converted into fertiliser and fishmeal.

Imported fish and seafood are distributed by importers and local distributors to:

- Middle to high end Chinese seafood restaurants, western restaurants and hotel restaurants. This includes live fish, fresh/chilled and frozen fish and seafood.

- Supermarkets and hypermarkets in major urban centres. The bulk of fish and seafood distributed to these retailers is for local fish. Imported fish and seafood include a range of fresh/chilled, frozen and smoked products.

Fish and seafood manufacturers generally source for their raw fish directly from overseas suppliers.

Although the hot and humid climate poses a constant threat to the quality of fish and seafood in Malaysia, most importers and many local distributors have adequate chilled or cold storage facilities and experience to distribute fresh/chilled and frozen fish and seafood products. However, not all importers have the ability, facilities or experience to import and distribute live fish and seafood into Malaysia.

9. Import requirements for fish and seafood products

There are no import restrictions on the import of fish and seafood into Malaysia. However, all live trout, live eel and live carp to be imported must be accompanied by a letter of approval issued by or on behalf of the Director General of the Fisheries Department. The letter of approval from the Fisheries Department is valid for one consignment only. The import permit is issued by the Fisheries Department after the consignment has been examined by the Department. Every consignment must be accompanied by a Health Certificate issued by the relevant government authority in the country of origin.

All fish and seafood being imported must be declared in writing on prescribed forms, providing a full and true account of the number and description of the goods and packages, value, weight, measurement or quantity and the country of origin as well as the name and address of the importer, to be submitted to the customs station at the place where the goods are to be imported. All shipments are subject to inspection by the Ministry of Health at the port of entry.

The Customs Act 1967 provides for importers to appoint agents to act on their behalf. Only agents who have been approved by the Director General of Customs can be appointed for this purpose.

Where duties are payable on imported goods, all relevant duties must be paid before the goods can be released. No import duty or sales tax is leviable on imported fish and seafood except for:

HS Code	Description	Import Duty	Sales Tax
0305.20	Livers and roes, dried, smoked, salted or in brine of cod, of smoked salmon, of smoked marine fish, of smoked fresh water fish.	8%	5%
0305	Fish, dried, salted or in brine, smoked - others	7%	5%
0306	Lobster, rock lobster, shrimps and prawns, crabs, other crustaceans in airtight containers	8%	5%
0307.10	Oysters, live, fresh, chilled, frozen, dried, salted or in brine	Nil	5%
0307.91	Beche-de-mer live, fresh, chilled	Nil	5%
0307	Other molluscs dried, salted or in brine	Nil	5%

Note: Import duties are calculated based on the CIF value and the sales tax is calculated based on the aggregate value, i.e. CIF value plus import duty.

Source: Royal Customs & Excise Department Malaysia

10. Road map for market entry

It should be noted that this seafood study has been developed from a broad study of the Malaysian fish and seafood market and not from a detailed study into the market. As a result, the reader should not construe it as the results of a full and detailed market study into opportunities for US fish and seafood products. This study considers, in broad terms, the likely strategic direction of the market but does not consider or provide advice on the strategies or tactics that will be needed by US exporters to develop viable markets for their businesses.

The following Table identifies the advantages and challenges for US exporters of fish and seafood to Malaysia.

Advantages	**Challenges**
Malaysians have a natural love for fish and seafood. It is one of the most popular food products consumed in Malaysia. Per-capita annual consumption amounts to 56 kilograms.	Lack of information and understanding about the types of US fish and seafood. Both fish importers and retailers have little or no knowledge about US fish and seafood types and their availability.
Exotic live, fresh and chilled fish and seafood, such as salmon, abalone, lobsters, oysters, scallops, Dungeness crabs, geoduck and alike, are demanded by the middle to high income consumers, especially in restaurant channels.	Consumers do not know how to prepare/cook coldwater fish and importers generally do not have knowledge about coldwater fish. For this reason, both consumers and importers will not risk buying coldwater fish.
Demand for fish and seafood is forecast to grow to 2 million tonnes by 2005 and local fish supply is not expected to be able to fully satisfy demand. Imports of fish and seafood are therefore forecast to increase in future.	Freight costs from the USA could prove prohibitive to importers when compared to closer sources such as Australia or New Zealand.
The market is open to imports with nil import duty and/or nil sales tax for most fish and seafood types.	Lack of experienced importers of live fish and seafood or unwillingness of most importers to import live fish and seafood.

Best product prospects for the different distribution channels are listed in the Table below.

Major restaurants and hotels	**Fish and seafood product manufacturers**	**Major Supermarkets and hypermarkets**
A. Fish and seafood species present in the market which have good sales potential		
• Lobster • Scallops • Oysters • Clams • Abalone • Salmon • Mackerel • Cod • Sole	• Frozen mackerel • Frozen sardines • Frozen tuna • Frozen fish meat	• Salmon • Mackerel • Cod • Crabs • Prawns
B. Fish and seafood species not present in significant quantities but which have good sales potential		
• Trout • Sea bass • Cod • Mackerel • Sword fish • Plaice • Haddock	• Crab meat • Clams • Herring • Salmon	• Scallops • Lobsters • Oysters
C. Fish and seafood species not present because they face significant barriers		
Local fish and seafood types as these are in available abundance from local suppliers.	Other fish and seafood species as canned fish is generally not well received by local consumers.	Other fish and seafood species as consumers are not familiar with non-local fish and seafood species.

New-to-market US exporters should consider the following when planning to enter the market:

- Entering the market under the umbrella of a US seafood export council or marketing institute with an active export program that includes marketing of and supply of information on US fish and seafood in Malaysia.

- Working closely with experienced and reputable Malaysian importers that specialise in importing fish and seafood.

- Supplying competitively priced high quality fish and seafood products that may be targeted at the middle to high income consumers.

- Providing market development support to importers to ensure that US fish and seafood is promoted on a regular basis.

- Making regular market visits to better understand the local market needs.

Best methods to promote US fish and seafood include:

- Supplying full information about US suppliers and US fish and seafood to the importers and users to enable them to better understand the products and their use. Samples of fish and seafood should be made readily available when requested by importers and users for their assessment. This could also include arranging visits to the USA for importers to better understand US fish and seafood.

- Working closely with importers and users to encourage them to increase usage of US fish and seafood through hands-on training and alike.

- Conducting regular US fish and seafood fairs in Malaysia. Such fairs should be conducted before major festive seasons and should include supply of recipes, information leaflets/brochures and alike.

Post contact
US exporters who are interested to acquire a more detailed version of this report, please contact the Office of Agricultural Affairs at the U.S. Embassy in Kuala Lumpur at the following address:

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END OF REPORT