

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 1/30/2019

GAIN Report Number: MY9001

Malaysia

Exporter Guide

Annual 2018

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Report Highlights:

Malaysia's multi-billion dollar food industry is driven by an expanding economy, increased consumer spending and a very healthy tourism industry. Although the country's halal requirements complicate trade for certain products, Malaysia's trade and regulatory policies are relatively open and provide opportunities for a broad range of imported foods and beverages. Malaysia's total agricultural product imports in 2017 reached nearly \$16 billion USD, roughly 6.5 percent of which was sourced from the United States.

Post:

Kuala Lumpur

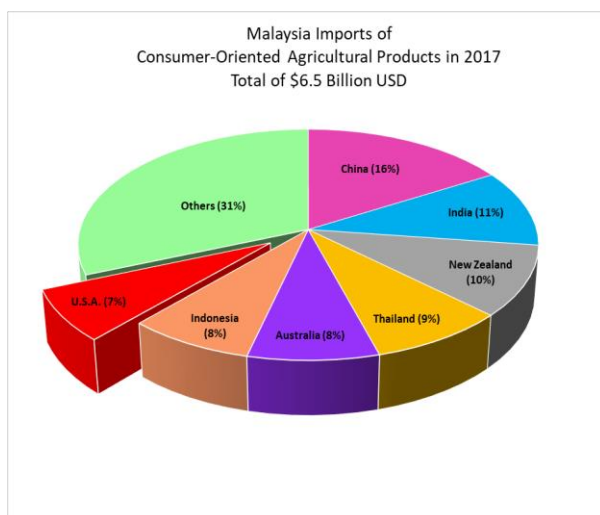
Market Fact Sheet: Malaysia

Executive Summary

Malaysia's multi-billion dollar food industry is driven by an expanding economy, increased consumer spending and a very healthy tourism industry. Although the country's halal requirements complicate trade for certain products, Malaysia's trade and regulatory policies are relatively open and provide opportunities for a broad range of imported foods and beverages. Malaysia's total agricultural product imports in 2017 reached nearly \$16 billion USD, roughly 6.5 percent of which was sourced from the United States.

Imports of U.S. Consumer-Oriented Products

In 2017, the United States was Malaysia's seventh largest supplier of consumer-oriented food and beverage products, with total sales reaching \$467 million USD for the year. Top U.S. products in the market include prepared foods, dairy, potatoes, fresh fruit, tree nuts and poultry.



(Source: Global Trade Atlas)

Hotel, Restaurant and Institutional

The Malaysian hotel, restaurant, and institutional (HRI) industry is one of the fastest growing sectors in the country and is largely driven by robust tourism and increased consumer spending. According to Euromonitor data, the Malaysian tourism industry has grown steadily over the past decade and now represents 15 percent of the country's GDP.

Retail Food

Malaysia's retail sector is also developing rapidly and high-end/premium grocery stores are increasingly

popular. Total sales for the sector in 2018 are expected to reach \$26 billion USD.

Food Processing

The Malaysian food processing industry represents 12 percent of the country's manufacturing output and is growing at a pace of roughly three percent per year. Several multi-nationals have regional production facilities in and around Kuala Lumpur and the Government of Malaysia has identified the food processing industry as a critical sector for future economic growth.

Malaysia Macroeconomics

Population: 31.8 million people; rapidly growing (has doubled since 1980) and is increasingly urbanized (76% in 2017)
(Source: Euromonitor)

Per Capita Income: \$9,629 in 2017, with a growing middle class
(Source: World Bank)

Real GDP Growth: 5.9 percent in 2017
(Source: Euromonitor)

GDP Composition:

- Agriculture: 8.4%
- Industry: 36.9%
- Services: 54.7%

(Source: World Factbook)

Opportunities and Challenges for U.S. Exporters

| Opportunities | Challenges |
|--|--|
| -U.S. food and agricultural products are trusted and perceived to be of high quality. | -Many U.S. products need to be halal certified in the Malaysian market, which can be a lengthy process. |
| -The growing Malaysian HRI, Retail and Food Processing sectors require a wide range of imported food products and ingredients. | -Australia and New Zealand both have free trade agreements with Malaysia and have a strong presence in the country's consumer-oriented food and beverage market. |
| -Rising disposable income in Malaysia is driving demand for high quality imported food and beverage products. | |

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SECTION I: MARKET OVERVIEW


Malaysia is one of the most developed markets in Southeast Asia. The country is politically and economically stable, and with a population of nearly 32 million, is increasingly urbanized. About half of the country's population falls in the middle to upper income group of consumers with a national per capita income of \$9,629 in 2017 (according to the World Bank). Malaysia's economy is mainly driven by services (55 percent), manufacturing (37 percent) and agriculture (8 percent). Although the country's strict halal requirements complicate trade for certain products, Malaysia's trade and regulatory policies are relatively open and provide opportunities for a broad range of imported foods and beverages. Malaysia's total agricultural product imports in 2017 reached nearly \$16 billion USD, roughly 6.5 percent of which was sourced from the United States.


SECTION II. NATIONAL FOOD STANDARDS & TRADE REGULATIONS/PROCEDURES

[Malaysia's Food Act 1983](#) and the [Food Regulations of 1985](#) govern food import and export regulations/procedures. The Food Safety and Quality Division (FSQD) of the Malaysian Ministry of Health (MOH) along with several other government agencies are charged with implementing and enforcing the law under these statutes, including routine compliance, sampling, inspection, import control and regulation. Among the many regulations and required procedures related to shipping food and agricultural products to the country, of particular note are Malaysia's halal certification and dairy facility registration requirements:

Halal Certification

Many food products (e.g. beef or poultry) require halal certification in order to enter the country. Currently, the Islamic Development Foundation of Malaysia (JAKIM) is the only authorized entity allowed to issue halal certification. In the United States, JAKIM has appointed two Islamic institutions to inspect and halal certify food and beverage products for export to Malaysia; the Islamic Food and Nutrition Council of America (IFANCA) and the Islamic Services of America (ISA).

| <i>Organization & Address</i> | <i>Contacts</i> | <i>Halal Logo</i> |
|--|---|---|
| Islamic Food and Nutrition Council of America (IFANCA) 5901 N. Cicero Ave, Suite 309 Chicago, Illinois 60646 | Dr. Muhammad Munir Chaudry President Tel: +17732833708 Fax: +17732833973 |  |
| IFANCA Halal Research Center 777 Busse Highway Park Ridge, Illinois 60068 | Tel: +1 847 993 0034 EX 203 Fax: +1 847 993 0038 Mobile: +1 773 447 3415 | |

| | | |
|---|--|---|
| <p>Islamic Services of America (ISA) P.O Box 521 Cedar Rapids, IOWA 52406 USA</p> | <p>Mr. Timothy Abu Mounir Hyatt Managing Director Tel: (319) 362-0480 Fax: (319) 366-4369</p> <p>Email: thyatt@isahalal.org islamicservices@isahalal.org Website: www.isahalal.org</p> |  |
|---|--|---|

Source: JAKIM - The Recognized Foreign Halal Certification Bodies & Authorities, as of 02/08/2018

Dairy Facility Registration

In March 2018, Malaysia implemented a measure that requires foreign producers and exporters of dairy products to apply for registration with the Malaysian Government. According to trade contacts, the Malaysian Government implemented this facility registration measure to improve the traceability of imported dairy products and to ensure imported dairy products were certified halal. Applications from dairy facilities with a history of exporting to Malaysia were given expedited review upon implementation of this statute while new to market suppliers were given standard reviews lasting a reported three to six months.

For further details on food export requirements in the Malaysia market, please refer to the [USDA Food Safety and Inspection Service Export Library](#) and the latest FAS/Malaysia Food and Agricultural Import Regulations & Standards Country Report at the following web portal: <http://www.fas.usda.gov/>.

SECTION III. MARKET DYNAMICS AND TRENDS

Food Industry Breakdown

The Malaysian hotel, restaurant, and institutional (HRI) industry is one of the fastest growing sectors in the country and is largely driven by robust tourism and increased consumer spending. According to the Malaysian Department of Statistics, the tourism industry has played a significant role in recent economic expansion and now represents nearly 15 percent of the country's GDP. According to Euromonitor data, the country's hotel and restaurant industry has performed particularly well during this expansion with real growth of over 54 percent during the past five years. Please refer to the [FAS Malaysia Hotel, Restaurant and Institutional \(HRI\) Annual 2018 GAIN Report](#) for more details on the sector.

Malaysia's retail food sector is also developing rapidly and high-end/premium grocery stores are increasingly popular. With the abolishment of the Malaysian Goods & Services Tax in June 2018, consumer spending on retail food products is expected to significantly increase. Total sales for the sector in 2018 are forecast to reach \$26 billion USD. Please refer to the [FAS Malaysia Retail Foods Annual 2018 GAIN Report](#) for more details on the sector.

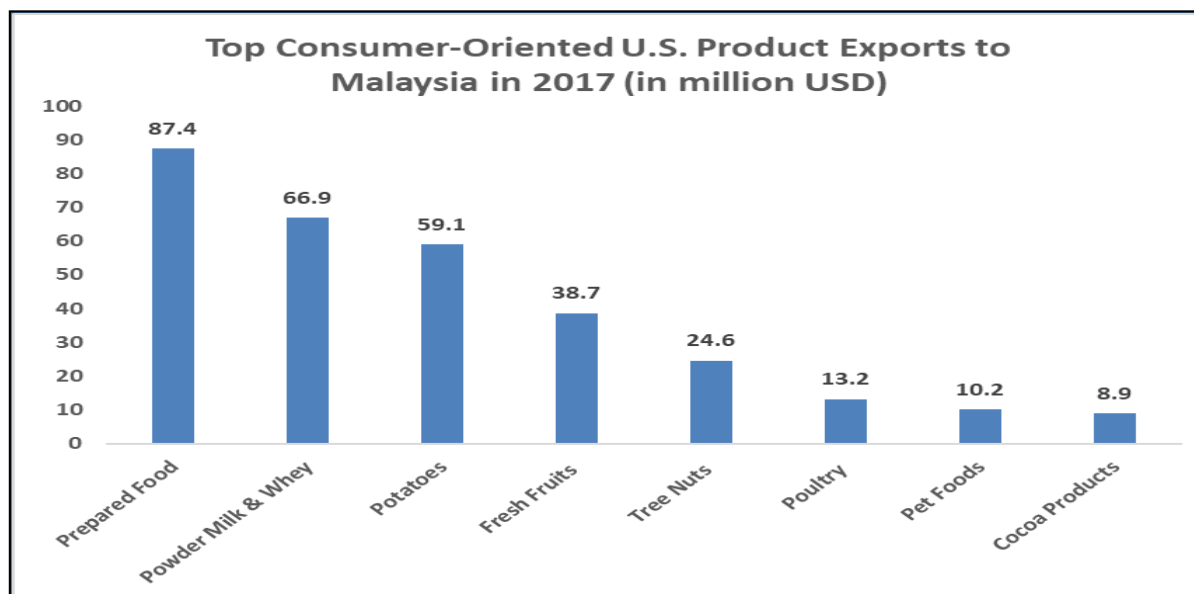
The Malaysian food processing industry represents 12 percent of the country's manufacturing output and is growing at a pace of roughly three percent per year. Several multi-nationals have regional production facilities in and around Kuala Lumpur and the Government of Malaysia has identified the food processing industry as a critical sector for future economic growth. Please refer to the [FAS Malaysia Food Processing Ingredients Annual 2017 GAIN Report](#) for more details on the sector.

Trends and Practices

- Malaysia's food service industry is one of the most diverse in the world with a broad range of Asian and Western cuisine widely available in dining formats ranging from food stalls to full service restaurants.
- A rapidly growing and highly urbanized population is demanding fast and convenient food choices. Additionally, healthy and organic products are becoming very popular.
- Malaysia's relatively young and educated populations frequently enjoy eating out.
- To attract local and international Muslim tourism, the majority of hotels in the country (including international chains) strive to use only JAKIM halal certified products in their establishments.
- American chain restaurants dominate Western cuisine options in Malaysia with at least 18 U.S. franchises in operation.
- Rapid expansion of the HRI industry throughout the country is expected to support steady growth in demand for imported high quality food and beverage products for the next several years.

U.S. Food and Beverage Products in the Malaysian Market

According to Global Trade Atlas data, the United States was Malaysia's seventh largest supplier of consumer-oriented food and beverage products in 2017. Total sales for the year reached \$467 million USD. Top U.S. consumer-oriented food and beverage products in the market include prepared foods, dairy, potatoes, fresh fruit, tree nuts and poultry.



Source: Global Trade Atlas

Competition Chart

| Major Products, Market Shares by Value and Competitor Situations | | | |
|---|--|--|---|
| Product Category (2017) | Major Supply Sources (2017) | Foreign Supplier Situation | Local Supplier Situation |
| Beef Net Value: USD \$ 550 million | India: 73% Australia: 18% New Zealand: 6% U.S.A.: 0.1% | Major foreign suppliers have a significant portion of their beef industry halal certified for export to Malaysia. Beef from India is very cheap and serves the low-end outlets. Australia dominates higher-end HRI market. | Inadequate supply of local beef. |
| Pork – Fresh, Frozen, Chilled Net Value: USD \$66.4million | Germany: 38% Spain: 18% Vietnam: 13% China: 11% U.S.A.: 0.7% | Currently EU prices are very competitive and several EU plants are approved for export to Malaysia. | Domestic demand for pork has grown significantly over the past several years and local industry has struggled to keep-up. |
| Potatoes - Fresh or Chilled Net Value: USD \$74.7 million | China: 57% Bangladesh: 12% U.S.A.: 8% Pakistan: 6% | Chinese potatoes are very price competitive. High quality potatoes from other sources are for high-end retail and HRI markets. | Little domestic production. |
| Vegetables - Frozen | U.S.A.: 27% Denmark: 21% | U.S. frozen potatoes are in strong demand for retail | There is a large market for chilled and frozen processed vegetables, |

| | | | |
|---|--|---|---|
| Net Value: USD \$49.4 million | China: 16% Netherlands: 15% | and HRI sectors. | particularly potatoes. |
| Fresh Fruits Net Value: USD \$494.8 million | China: 25% South Africa: 24% U.S.A.: 10% Thailand: 8% | Highly competitive market. | Malaysia does not grow non-tropical fruits. |
| Dried Fruits Net Value: USD \$34.6 million | U.S.A.: 21% Indonesia: 19% Thailand: 19% India: 14% | U.S. dried fruits are in strong demand for the growing bakery industry. | Limited local production. |
| Edible Nuts Net Value: USD \$ 223.8 million | Indonesia: 22% India: 19% China: 18% U.S.A.: 12% | Imported nuts are in increasingly strong demand for use in the bakery industry. | Limited local production. |

Data Source: Global Trade Atlas

Opportunities and Challenges for U.S. Exporters

| Opportunities | Challenges |
|--|---|
| U.S. food and agricultural products are trusted and perceived to be of high quality. | Many U.S. products need to be halal certified in the Malaysian market, which can be a lengthy process. |
| The growing Malaysian HRI, Retail and Food Processing sectors require a wide range of imported food products and ingredients. | Australia and New Zealand both have free trade agreements with Malaysia and have a strong presence in the country's consumer-oriented food and beverage market. |
| Rising disposable income in Malaysia is driving demand for high quality imported food and beverage products. | In addition to strong competition from Australia and New Zealand, products from China and other ASEAN countries are gaining market share. |
| A large number of U.S.-style restaurants and cafés operate in major cities, enabling new-to-market U.S. products easier market acceptance. | Many U.S. exporters are unfamiliar with the market and are therefore sometimes unable to meet specific requirements and order sizes. |

Data Source: Global Trade Atlas

Best Prospective U.S. Products for the Malaysian Market

| U.S. Product | 2012 Import Value (million USD) | 2017 Import Value (million USD) | Growth |
|-----------------|------------------------------------|------------------------------------|------------|
| Frozen Potatoes | \$37.9 | \$52.6 | 39 percent |
| Fresh Fruits | \$39.1 | \$48.3 | 24 percent |
| Tree Nuts | \$19.4 | \$27.3 | 41 percent |
| Seafood | \$14.01 | \$14.7 | 5 percent |
| Wine & Beer | \$3.5 | \$6.2 | 77 percent |
| Beef | \$0.33 | \$0.31 | -6 percent |

Source: Global Trade Atlas

Notes: Although total seafood sales remain flat, demand for high-end U.S. products is strong; Excellent opportunities for U.S. beef exist in the market provided required Malaysian halal certifications can be obtained.

Road Map for Market Entry

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

- Analyze Malaysian food laws, packaging & labeling requirements and importer criteria for entry into the market. Detailed information on Malaysian regulations and requirements can be found by accessing the FAS/Malaysia Food and Agricultural Import Regulations & Standards Country Report at the following web portal: <http://www.fas.usda.gov/>
- Review the types of U.S. products that can be readily targeted in the market. Consider the price competitiveness of U.S. products compared to similar products available in Malaysia.
- Participate in regional trade shows and trade missions by tapping into the resources offered by [State and Regional Trade Associations](#).
- Develop links with local importers that target the major retailers, hotels, restaurants and processors. U.S. exporters are advised to appoint local distributors or at least a local representative to help guide them through the requirements of Malaysian food regulations and local trading practices.

- After establishing links with importers, strive to educate them (in person if possible) on the qualities of your product/s and supply chain.
- After establishing trade agreements with local importers, conduct product promotions with end-users. This type of marketing event is particularly effective during festivals and peak seasons (Chinese New Year, Ramadan, Christmas, etc.).
- Provide technical assistance (e.g. handling techniques, chef trainings and product formulations) to end-users.
- Maintain strong communication with your local importer to ensure all certificates and import permits are valid and up-to-date.

SECTION IV. KEY CONTACTS AND FURTHER INFORMATION

A) USDA Foreign Agricultural Service Malaysia

Office of the Agricultural Affairs
 Embassy of the United States of America
 376, Jalan Tun Razak
 Kuala Lumpur, Malaysia 50400
 Tel: (011-60-3) 2168-5082
 Fax: (011-60-3) 2168-5023
 E-mail: AgKualaLumpur@fas.usda.gov

B) U.S. Dairy Export Council

1 North Bridge Road, #06-10
 High Street Centre,
 Singapore 179094
 Tel: (65) 6334 7030
 Fax: (65) 6223 2010
 Contacts: Dalilah Ghazalay, Regional Director, SEA Marketing & Operations
 Email: dali@dairyconnect.biz;

C) U.S. Grains Council

50 Jalan Dungun Damansara Heights
 Kuala Lumpur, Malaysia
 Tel: (60) 3 2093 6826
 Fax: (60) 3 2273 2052
 Contact: Manuel Sanchez, Regional Director—South & Southeast Asia
 Email: usgckl@usgc.com.my

D) U.S. Meat Export Federation

627 A Aljunied Road
#04-04 Biztech Centre
Singapore
Tel: (65) 6733 4255
Fax: (65) 6732 1977
Contact: Sabrina Yin, Regional Director
Email: singapore@usmef.com.sg

E) USA Poultry and Egg Export Council

541 Orchard Road, #15-04 Liat Towers
Singapore
Tel: (65) 6737 1726
Fax: (65) 6737 1727
Contact: Margaret Say, Regional Director
Email: usapeec_sing@pacific.net.sg

F) Raisin Administrative Committee, Food Export-Midwest, Food Export-Northeast and the Western United States Agricultural Trade Association

48 Toh Guan Road East
#02-129 Enterprise Hub
Singapore
Tel: (65) 6515 6113
Fax: (65) 6278 4372
Contact: Richard Lieu and Chuah Siew Keat
Emails: richardlieu@lieumktg.com.sg; siewkeat@lieumktg.com.sg

G) U.S. Soybean Export Council

541 Orchard Road, #11-03 Liat Towers
Singapore
Tel: (65) 6737 6233
Fax: (65) 67375849
Contact: Timothy Loh, Director
Email: TLoh@ct.ussec.org

H) U.S. Wheat Associates

541 Orchard Road, #15-02 Liat Towers

Singapore

Tel: (65) 6737 4311

Fax: (65) 6733 9359

Contact: Matt Weimar, Regional Vice President for South Asia

Email: InfoSingapore@uswheat.org

I) Malaysia Government Websites:

Ministry of Health Food Safety and Quality Division: <http://fsq.moh.gov.my/fsq/ms/>

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

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