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Required Report - public distribution

Date: 11/26/2014

GAIN Report Number: MY4026

Malaysia

Food Service - Hotel Restaurant Institutional

Source of Growing Demand for U.S. Products

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Report Highlights:

Malaysia has a dynamic hotel and restaurant industry, and changing lifestyles and growing middle class underpins demand. Key U.S. prospects for the HRI sector include dairy products, frozen potatoes, fresh and dried fruit, nuts, sauces, and juices. Halal certification is essential. Halal and other technical barriers hinder meat and poultry export opportunities.

Post:
Kuala Lumpur

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1 SECTION I: MARKET SUMMARY

1.1 Malaysia in Brief

Malaysia has a GDP per-capita of \$9,890 (in 2013). The multi-ethnic country has progressed from an agricultural and primary commodities based economy to a manufacturing-based, export-driven economy, spurred on by high technology, knowledge-based, and capital-intensive industries. Energy, palm oil, light manufacturing, and financial services continue to be key economic drivers. In 2010, the Government of Malaysia (GOM) introduced a series of policies known as the Economic Transformation Program (ETP), which are designed to transform Malaysia into a high-income country by the year 2020. The ETP includes 8 Strategic Reforms Initiatives (SRIs), which form the basis of a series of private sector-driven policy reforms.

Despite strong 2013 GDP growth of 4.8 percent, Malaysia's economic prospects are still clouded by continued concerns over growth rates and demand from Western Europe and the United States. Economic commentators forecast Malaysia's economy to slow to 4.3 percent in 2014 and 4.5 percent in 2015 due to government's implementing a new General Services Tax and a decline in key commodity prices.

Malaysia's population has a significant pool of active consumers, with evolving eating habits, and growing consumption of imported food and beverages. Malaysia's population is around 29 million and is relatively young, with 32 percent under 15 years old. Over 60 percent of the population is in the middle to high income group with growing purchasing power, and increasingly sophisticated and modern lifestyles. In addition, unemployment remains very low. This is leading to greater consumption of imported food and beverages from western countries. Consumers are increasingly willing to dine out at the full range of establishments available in Malaysia, including full-service restaurants, fast food restaurants, fine dining or casual dining eateries.

Malaysia HRI Sector in Brief

Currently, 2,085 hotels and resorts are registered with the Ministry of Tourism, with approximately 160,000 rooms available throughout Malaysia. Average occupancy rates have been running at 70 percent or above. To attract local and international Muslims, some hotels have sought Halal certification, and currently about 123 hotels have been approved as Halal by the National Islamic Authority, JAKIM. In addition, an estimated additional 200 hotels have obtained Halal certification through individual State Islamic Departments.

Malaysia has a wide variety of dining establishments, including full service restaurants, fast food restaurants, cafes, food stalls, food courts, eat-in bakeries, and pubs & bars. A majority of the restaurants provide Asian cuisine, with Chinese dominating the mid and high end restaurants. Malay, Indian (various cuisines), Japanese (various cuisines/formats), and Indonesian, and Thai restaurants also dominate the local restaurant scene.

With rising urbanization, changing lifestyles, and more women in the work place, consumers are expected to continue to seek convenience through dining outside the home. These trends will boost demand in the foodservice sector. To meet this growing demand and to keep abreast of evolving promotional tools, foodservice outlets will continue to seek new ways to use social media tools, launch promotions, and advertising campaigns to expand market share. However, rising operational and raw material costs are likely to be passed down to consumers.

American-style (family-style restaurants, which mainly operate in chains), Italian, and French are the most prominent cuisines in non-Asian restaurants. Turkish, Persian, and Lebanese restaurants are also present.

American franchises dominate Western cuisine, with approximately 18 American franchises operating, including Chilli's Pub & Grill, TGI Fridays, Tony Roma's, and Outback. These major franchise players have more than 30 outlets throughout Malaysia. American franchises also lead the local fast-food sector. A&W was the first American franchise in Malaysia, followed by KFC and McDonald's. There are currently more than 500 fast food outlets throughout Malaysia.

Middle income consumers with families, young working adults, and teenagers are the main patrons of fast food restaurants. They prefer the informal, clean, and comfortable environment to food courts and other traditional food service outlets. The majority of the customers that frequent restaurants are from the middle to upper income families, business persons and the affluent young working adults. Most of the customers are well-travelled, well-informed, sophisticated, prefer to dine in comfort and appreciate the highest culinary standards in Malaysia.

The institutional sector mainly refers to non-profit organizations and establishments, and catering companies. The catering sub-sector plays a significant role in this industry. A notable catering company is LSG Brahim's SkyChef Sdn Bhd, whose main business is catering for airline companies. Other catering companies include Felda' d'Saji, which is popular for wedding ceremonies, and TT Resources which also serves special family occasions. Universities, colleges, and schools that offer culinary classes are key sources of demand for food and beverage services in the institutional sub-sector. Convention centers are another key source of demand, as the Malaysian tourism board has been actively concentrating on the Meetings, Incentives, Conferencing & Exhibition (MICE) sub-sector. Convention centers often have their own food preparation venues. Hospitals and prisons also contribute to this sector. Production and distribution of halal foods is an important element of the HRI sector. A whole industry of products and services related to halal is developed. For HRI food and beverage providers, it is always best to ensure that food supplied is certified halal.

Table 1 – HRI Sector Key Information

| Sector | Sub-Sector | Number of Establishments | Value (in USD) | 5 Year Growth Rates (2006-2010) |
|-------------|-------------------------------|--|-----------------|---------------------------------|
| Hotels | 5 Star | 80 units 6,240 rooms | 6.0billion | 5.3% |
| | 4 Star | 144 units 11,232 rooms | 237 million | 6.2% |
| | 3 Star | 213 units 16,614 rooms | 117million | 6% |
| Restaurants | Mid To High End | 2190 | 3 billion | 2.7% |
| | Western | 2670 | 2.5 billion | 2.6% |
| | Local Western Mid to High End | 3128 | 750 million | 2.9% |
| | Fast-food Restaurants | 2975 | 2.0 billion | 37% |
| | Cafes | 5081 | 1.3 billion | 11.3% |
| Institution | Catering | 370 | 950 million | 21% |
| | Hospitals | 334 10,000 Beds | 5 billion | 4% |
| | Convention Center | 25 | 2.5 billion | 3% |
| | Airports | 17 | 1.5 billion | 12.3% |
| | Universities & Colleges | 145 | N/A | N/A |
| | Public School | 9986 | N/A | N/A |
| | Private School | 318 | N/A | N/A |
| | Prisons | 1000 lockups 20 prisons 15 Detention Centre 9,000 prisoners | \$102.2 million | 2% |

**Source: Department of Statistics, Malaysia, Trade Associations and Spire analysis*

1.2 Imported Food

Malaysia is a net food importer, with imports accounting for about 30 percent of total food consumption. Demand for U.S. produced food products has been increasing every year, except for the downturn in 2008-2009.

Table 2 - Imports of Food and Beverage Products from United States (2008-2012)
(US\$ million)

| Food Items | | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------------|-------|--------|--------|--------|--------|--------|
| Meat & meat preparations | World | 412.7 | 431.4 | 543.9 | 668.9 | 723.9 |
| | USA | 3.5 | 3.7 | 3.0 | 3.4 | 2.6 |
| Poultry & Poultry Preparations | World | 67.1 | 51.4 | 71.1 | 105.9 | 108.6 |
| | USA | 1.9 | 1.7 | 1.2 | 1.9 | 1.5 |
| Fish & fish preparations | World | 428.4 | 470.1 | 464.3 | 633.6 | 704.2 |
| | USA | 7.6 | 9.2 | 6.5 | 6.9 | 11.3 |
| Processed Meat | World | 8.9 | 10.7 | 11.6 | 7.9 | 10.4 |
| | USA | 0.2 | 0.0 | 0.0 | 0.2 | 0.1 |
| Processed Fish & Other Ocean Products | World | 66.2 | 64.1 | 66.1 | 90.3 | 119.1 |
| | USA | 0.3 | 0.5 | 0.1 | 0.3 | 0.3 |
| Other Ocean Products | World | 149.0 | 196.2 | 254.7 | 321.3 | 325.9 |
| | USA | 1.9 | 2.9 | 2.9 | 4.0 | 4.2 |
| Dairy products, eggs & honey | World | 759.4 | 432.5 | 610.8 | 817.1 | 842.0 |
| | USA | 103.0 | 40.0 | 84.7 | 126.3 | 109.7 |
| Edible vegetables | World | 435.9 | 532.0 | 720.8 | 737.1 | 708.8 |
| | USA | 14.5 | 13.4 | 15.4 | 19.4 | 24.6 |
| Edible fruit & nut | World | 238.4 | 251.5 | 301.5 | 363.6 | 415.0 |
| | USA | 37.4 | 35.8 | 47.9 | 60.8 | 63.6 |
| Coffee, tea, mate & spices | World | 276.1 | 284.1 | 392.1 | 474.6 | 436.5 |
| | USA | 2.7 | 2.5 | 2.8 | 3.9 | 5.2 |
| Wheat, Rice, Corn | World | 1969.0 | 1454.9 | 1592.3 | 1978.8 | 1908.6 |
| | USA | 79.0 | 55.4 | 57.3 | 169.3 | 59.9 |
| Sugar & sugar preparations | World | 508.3 | 692.2 | 908.8 | 1095.2 | 1174.7 |
| | USA | 16.4 | 10.5 | 14.8 | 22.6 | 30.7 |
| Processed cocoa products | World | 1295.1 | 873.4 | 1144.2 | 1300.0 | 1166.7 |
| | USA | 7.6 | 11.3 | 10.5 | 9.9 | 11.3 |
| Processed cereal products | World | 427.9 | 414.6 | 511.5 | 611.6 | 660.3 |
| | USA | 10.8 | 13.0 | 15.5 | 18.9 | 22.5 |
| Processed vegetables, fruits and nuts | World | 167.9 | 179.8 | 218.8 | 267.5 | 293.2 |
| | USA | 49.4 | 42.9 | 53.7 | 76.0 | 82.1 |
| Miscellaneous processed foods | World | 406.1 | 429.4 | 589.6 | 732.2 | 868.1 |
| | USA | 65.8 | 75.4 | 89.9 | 94.4 | 111.7 |
| Beverages | World | 305.4 | 296.3 | 374.7 | 585.6 | 684.7 |
| | USA | 20.3 | 5.1 | 4.8 | 8.9 | 8.1 |

| | | | | | | |
|---------------------|--------------------------|-----------------|-----------------|-----------------|------------------|------------------|
| Total | Rest of the World | 7,921.80 | 7,064.60 | 8,776.80 | 10,791.20 | 11,150.70 |
| | USA | 422.30 | 323.30 | 411.00 | 627.10 | 549.40 |
| Growth Rates | World | 58% | -11% | 24% | 23% | 3% |
| | USA | 20% | -23% | 27% | 53% | -12% |

*Source: *Global Trade Atlas (GTA)*

1.3 Other Developments in HRI Sector

Consumers increasingly prefer healthier foods offered by certain restaurants, and organic products are becoming more popular. One example of healthier eating is the rise of street stalls/kiosks selling fruit juice. Vendors such as Juice Works, Juice Bars, and Bobalicious Smoothies offering nutritional smoothies or healthy juice as an alternative to coffee have increased in prominence as consumers aim for healthier habits.

Local companies and brands dominate the food service sector. QSR Brands (KFC), Golden Arches (McDonald's) and Secret Recipe Cakes & Café dominate the consumer foodservice sector in Malaysia. They have consistently marketed their products with a range of promotional marketing campaigns. For instance, the offering of tea-time promotions from 15:00 to 18:00hrs by Secret Recipe Cakes & Café. Continuous innovation in the company's menu enables it to outperform other competitors. Furthermore, Secret Recipe Cakes & Café has expanded aggressively with more new outlets throughout Malaysia, which helped it to gain market share. Kopitiam which means "coffee shop" in the Hokkien dialect of ethnic Chinese in Malaysia, is another local branch also expanding. Kopitiam outlets were originally found in shop houses in villages and towns across the country, serving up coffee and breakfast. They were popular places to grab a quick drink and cheap street food. However, modern kopitiams have retained the old-fashioned marble-topped tables, wooden chairs and chunky crockery, but now they are to be found major shopping malls, business district and large neighborhood. Currently there is an estimated of 30 modern kopitiam's company with more than 700 outlets throughout Malaysia.

Independent foodservice providers continue to dominate

Independent foodservice providers play a significant role in the sector, particularly due to the large number of kiosks and outdoor outlets. The majority of these providers are managed by independent players. Bars/pubs, full-service restaurants and cafés are also predominantly independent foodservice providers. Despite the dominance of independent foodservice providers, chains are also prominent. Most of the fast food chains, such as KFC and McDonald's have enjoyed popularity in Malaysia for years. Other local foodservice chains like Old Town White Coffee and Secret Recipe Cakes & Café have aggressively expanded as well.

Halal Certification

Products destined to the food service industry need to be halal certified. Almost all local hotels, restaurants, catering services, and conventions halls seek to be 100 percent halal. As such, all food products used as ingredients or which are served in these establishments need to be halal certified. Beginning in 2012, only the Department of Islamic Development, JAKIM, is authorized to issue Halal

certification for domestic food establishments. Heretofore, several local Islamic authorities issued halal certifications. JAKIM-appointed foreign Islamic institutions will continue to inspect and certify imported food products, including those from the U.S. Currently, two U.S. Islamic institutions are authorized to issue Halal certificates for food exports to Malaysia.

1.4 Advantages and challenges for US exporters

The Table below summarizes the advantages and challenges for US products in the Malaysian food service sector.

Table 3 - Advantages and Challenges for US Exporters

| Advantages | Challenges |
|---|---|
| Popularity of American culture carries over to American food. | Australia’s and New Zealand’s products are often cheaper. |
| Malaysia’s economy is stable and the food service sector continues to evolve. | Consumer purchasing power may be hindered by rising inflation. |
| Most imported food and beverages have low import duties and Customs Duties (except for alcoholic drinks). | US products need to be <i>halal</i> certified, but obtaining halal certification can be cumbersome. |
| A large number of US-style restaurants and cafés operate in major cities, enabling new-to-market US products easier access. | New products will soon face “copied” products competing on price. |
| US products are already well-known and well represented in the food service market. | In addition to Australia and New Zealand, products from China and other ASEAN countries are gaining market share. |
| Cultural trends and gains disposable income are leading to additional interest in dining outside the home, particularly among young Malaysians. | Western food service outlets still continue to be a phenomenon in urban locations, with Malaysian cuisine and outlets still continuing to dominate the local scene. |
| The high end segment maintains high standards of quality and hygiene, which is positive for US food products. | The majority of consumers only dine at high end restaurants for special occasions. |

2 SECTION II: ROAD MAP FOR MARKET ENTRY

2.1 Entry Strategy

Restaurants, bakeries, caterers, and airline food service providers are the main end-users in this sector, and a select number of importers specialize in providing raw materials and foods to these end-users. As the end-users often prefer to source most of their supplies, ingredients, and food from a small number of importers, US exporters wishing to serve the HRI market should focus on these importers. Equally important, U.S. exporters should ensure that their products are halal certified. The end users' premises are themselves halal certified, so they will only handle products that are likewise halal certified.

In addition, U.S. exporters should consider the following when planning to enter this service market:

- Review the types of US products that can be readily targeted at the high end food service sector. Consider the price competitiveness of US products compared to local and other imported products.
- Gain a full understanding of the purchasing needs and purchasing criteria of local users in order to closely meet their expectations. Again, Halal certification is essential.
- Be aware of peak purchasing seasons (Chinese New Year, Ramadan, End-of-Year Holidays).
- Develop links with local importers that target key hotels, high end restaurants and major caterers that demand imported food and beverages.
- Improve local users' and importers' awareness of, and knowledge about, US food, drinks and cuisine by showcasing to the high end food service sector what the US exporters have to offer in terms of food ingredients and drinks for use in the various high end food service channels.
- Conduct US food and beverage promotions with hotel restaurants and high end restaurants, particularly during festivals and other peak seasons.
- Provide technical assistance (e.g. chef training or product formulation) to end-users.
- Collaborate and communicate with local importer to ensure that all certificates and import permits are obtained.

2.2 Exporting to Malaysia/Government Requirements

For this sector, the most burdensome requirement to overcome is the halal requirement, which, as stated above, JAKIM enforces. Dairy and meat imports require import permits from the Ministry of Agriculture. Import duties are relatively low.

MARKET STRUCTURE

The following figures as shown below identifies the various market structures for exporting food to Malaysia

Figure 1 - Distribution Channel for US Exporters



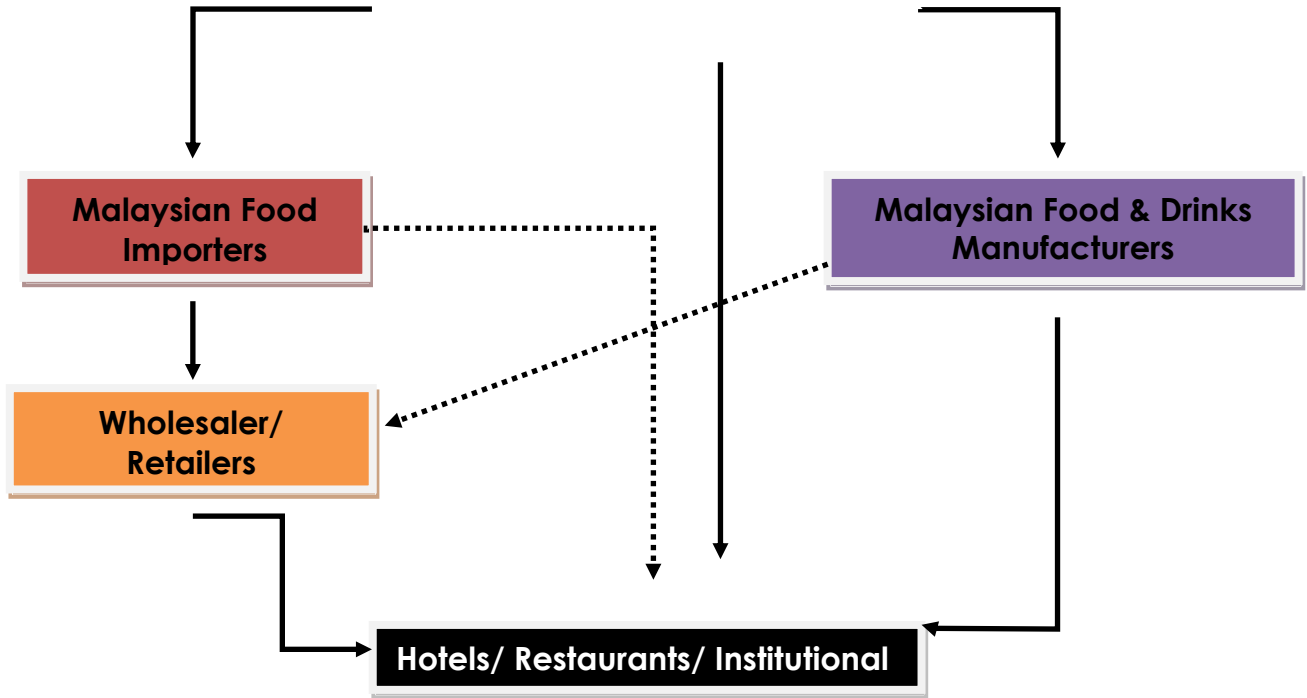


Figure 2 - Distribution Channel for US Exporters via a Foreign Wholesaler/ Importer

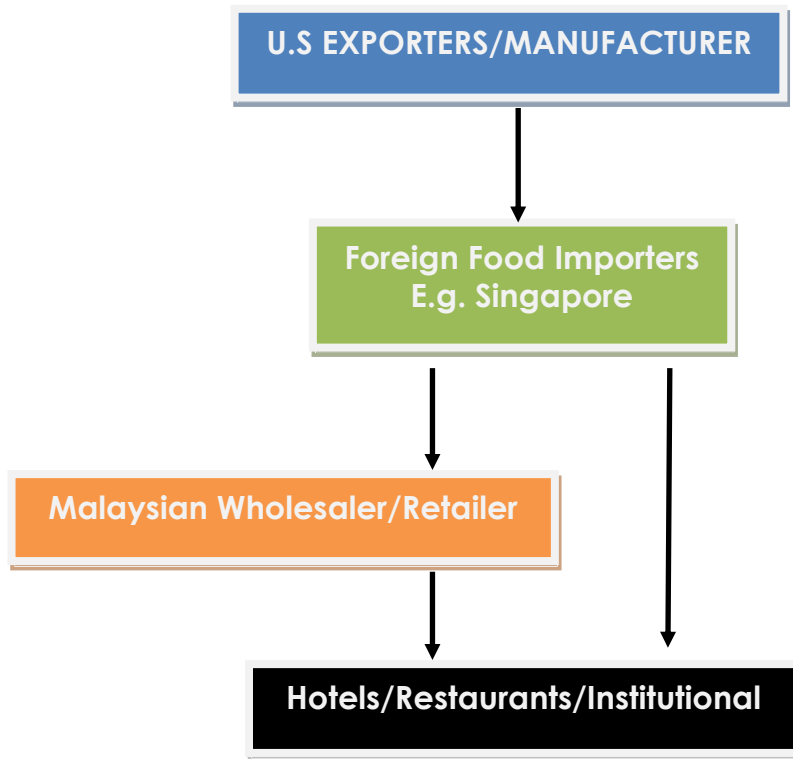


Figure 3 - Distribution Channel for US Exporters via Franchising/Licensing

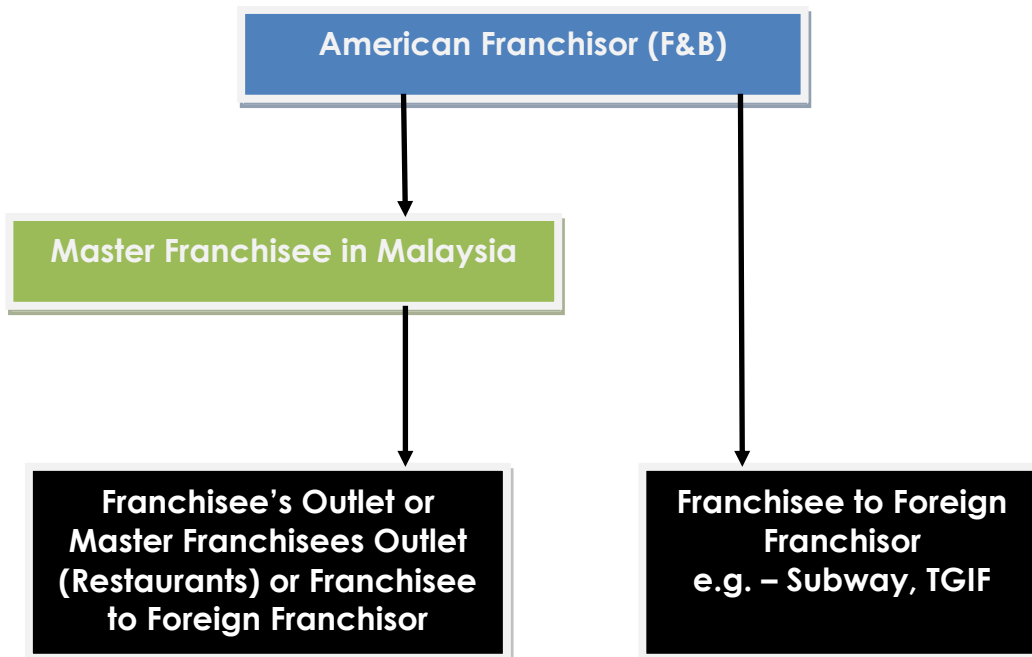
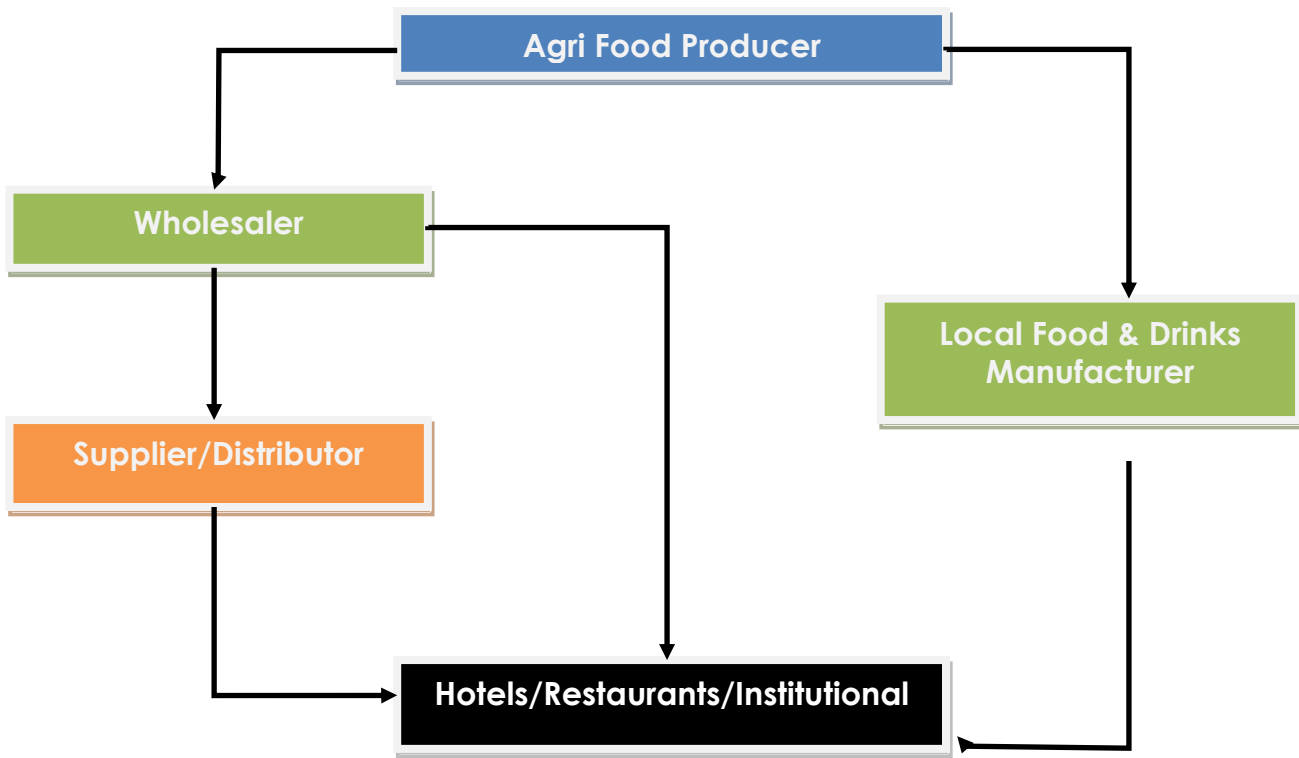


Figure 4 - Local Distribution Channel



2.2 SUB-SECTOR PROFILES

The following tables as below shows the key players for the HRI sector in Malaysia

Hotel – Key Player Profiles

Table 4 – Major Hotels and Resorts in Malaysia

| Name | Sales (US\$ millions) | Outlet Name, Type, & Number of Outlets | Location | Purchasing Agent Type |
|---------------------------------------|-----------------------------|--|--------------|------------------------------|
| Mandarin Oriental, Kuala Lumpur | \$27 | <ol style="list-style-type: none"> 1. Mandarin Grill 2. Lai Po Heen 3. Mosaic 4. Casbah 5. Cascade restaurants & Bar 6. Wasabi Bistro 7. Sultan Lounge 8. Lounge On The Park 9. MO Bar | Kuala Lumpur | Local importers or suppliers |
| Ritz Carlton, Kuala Lumpur | \$5 | <ol style="list-style-type: none"> 1. Li Yen 2. Lobby Lounge 3. Cesar 4. Carlton Gourmet | Kuala Lumpur | Local importers or suppliers |
| Shangri-La Tanjung Aru, Kota Kinabalu | \$11 (2010) | <ol style="list-style-type: none"> 1. Café TATU 2. Coco Joe's Bar & Grill 3. Peppino 4. Shang Palace 5. Borneo Lounge & Bar 6. Cool Box Ice Cream Bar 7. Sunset Bar | Kuala Lumpur | Local importers or suppliers |
| Shangri-La Kuala Lumpur | \$35 (2010) | <ol style="list-style-type: none"> 1. Lafite 2. Lemon Garden 2Go 3. Lemon Garden Cafe 4. Shang Palace 5. Zipangu 6. Arthur's Bar & Grill 7. Lobby Lounge 8. Poolside Terrace | Kuala Lumpur | Local importers or suppliers |
| Hilton | \$37 | <ol style="list-style-type: none"> 1. Sudu 2. Senses 3. Chynna 4. The Noodle Room 5. Iketeru 6. Vintage Bank 7. Caffé Cino 8. Cosmo Lobby Lounge 9. Boardwalk Poolside Restaurant 10. Zeta Bar | Kuala Lumpur | Local importers or suppliers |

| | | | | |
|--|--------|---|----------------------|-------------------------------------|
| OneWorld Hotel | \$21.6 | <ol style="list-style-type: none"> 1. Cinnamon Coffee House 2. Zuan Yuan Chinese Restaurant 3. Kura Japanese Restaurant 4. The Sphere Lounge 5. Long Bar 6. Havana Club | Petaling Jaya | Local importers or suppliers |
| JW Marriott | N/A | <ol style="list-style-type: none"> 1. Shanghai 2. Gonbei 3. Shook! 4. Feast Village 5. Tiffin Bay 6. Sentidos Tapas 7. Al Halabi Lounge 8. Third Floor Restaurant 9. Carlton Gourmet 10. The Lounge | Kuala Lumpur | Local importers or suppliers |
| Palace of the Golden Horses, Kuala Lumpur | N/A | <ol style="list-style-type: none"> 1. Carousel Cafe 2. Grand Salon 3. Polo Lounge 4. Sagar 5. Sidewalk Cafe 6. Cavallini's Italian 7. Kim Ma 8. Kin No Uma | | Local importers or suppliers |
| Renaissance Kuala Lumpur | N/A | <ol style="list-style-type: none"> 1. Dynasty 2. Gazebo 3. Lobby Lounge 4. MED.@Marche 5. Mezzo Bar 6. Sagano 7. TEMPTations 8. Vogue Cafe | | Local importers or suppliers |
| Crowne Plaza Mutiara | N/A | <ol style="list-style-type: none"> 1. Planters Inn 2. Club Bar 3. Glass Lounge 4. Tiffins 5. ISHq | | Local importers or suppliers |

Restaurants – Key Player Profiles

The Table below provides information on the major businesses involved in the operation of restaurants

Table 5 – Major Restaurants in Malaysia

| Name | Sales (US\$ millions) | Outlet Name, Type, & Number of Outlets | Location | Purchasing Agent Type |
|--------------------------------------|--|--|---|--|
| TT Resources Bhd | \$45 Million (2008) | <ol style="list-style-type: none"> 1. Tai Thong - 19 outlets 2. Putra Jaya Seafood Restaurant – 1 outlet 3. Chopstick Noodle House – 1 outlet 4. San Francisco Steakhouse – 4 outlets 5. Santini@Suria KLCC – 1 outlet 6. Nuovo Café – 2 outlets | High end restaurant areas and high end shopping malls | Local importers or suppliers |
| KFC Holdings (Malaysia) Bhd | \$ 780 (2010, inc. Singapore, Brunei, & India) | KFC – 515 outlets Rasamas – 26 outlets Kedai Ayamans - 27 | Nationwide | Centralised buying |
| Golden Arches Sdn Bhd | \$ 305 (2010) | McDonald’s - 204 outlets | Nationwide | Macfood Services (M) Sdn Bhd is the only supplier of McDonald’s chain of restaurants |
| Nando’s Chickenland Malaysia Sdn Bhd | N/A | Nando’s – 35 outlets | Melaka, Selangor, Kuala Lumpur, Penang, Johor | Local agents |
| A&W (M) Sdn Bhd | N/A | A&W – 30 outlets | Nationwide | Centralised buying |
| Pizza Hut Restaurants Sdn Bhd | \$ 127 million (2010) | Pizza Hut– 220 outlets | Nationwide | Centralised buying |

| | | | | |
|--|-----------------------|--|---|------------------------------|
| Revenue Valley Sdn Bhd | \$ 22 million (2009) | The Manhattan Fish Market – 21 outlets Tony Roma’s – 4 outlets Sushigroove – 2 outlets | High end shopping malls in Kuala Lumpur, Selangor, Johor and Penang | Centralised buying |
| Secret Recipe Cakes & Café Sdn. Bhd | \$3.3 | Secret Recipe – 155 outlets | Nationwide and in high end shopping malls in major cities | Centralised buying |
| San Francisco Coffee Sdn Bhd | \$2.5 | San Francisco Coffee – 31 outlets | High end shopping malls in major cities | Centralised buying |
| Coffee Bean & Tea Leaf (M) Sdn Bhd | N/A | Coffee Bean & Tea Leaf – 50 outlets | High end shopping malls in major cities nationwide | Centralised buying |
| Subway Asia Pte Ltd | N/A | Subway Restaurants – 55 Outlets | Shopping malls, petrol stations, major towns and cities | Local importers or suppliers |
| Tutti Frutti (Naza Tutti Frutti (M) Sdn Bhd) | \$ 3.3 million (2010) | 17 Outlets | Shopping malls and neighborhood business centre | Direct Import |
| TGI Fridays (Bistro Americana (M) Sdn Bhd) | \$11million | 13 Outlets | High end shopping malls in major cities | Local importers or suppliers |
| Chili’s Grill & Bar Restaurant (T.A.S Leisure Sdn Bhd) | \$8.3million | 7 Outlets | High end shopping malls in major cities | Local importers or suppliers |

Institutional – Key Players Profiles

Table 6 – Major Food Service Institutions in Malaysia - Catering

| Name | Sales (US\$ millions) | Location | Purchasing Agent Type |
|------|-----------------------|----------|-----------------------|
|------|-----------------------|----------|-----------------------|

| | | | |
|--|-------|--|---|
| LSG Sky Chefs Brahim Sdn Bhd | 14.2 | Catering kitchens at Sepang KLIA Largest airline caterer, serving up to 45,000 Halal meals a day. | Local agents and directly from overseas suppliers. All suppliers must supply Halal origin ingredients and must have Halal certification. |
| KL Airport Services Sdn Bhd | \$23 | Catering kitchens at Sepang KLIA. Second largest airline caterer. | Local agents and directly from overseas suppliers. Only Halal products accepted. |
| Master Chef Catering Services | N/A | Selangor. Targets corporate and private customers. | Local agents |
| TT Resources Bhd | \$45 | Selangor. Targets wedding, anniversaries, baby showers, corporate events, theme parties, graduations and private customers. | Local agents |
| Felda d'Saji | N/A | Kuala Lumpur Targets corporate and private customers. | Local agents |
| Hajjah Maznah Food Industries Sdn Bhd | N/A | Selangor. Targets corporate, government, hospital, wedding, conventions, and private customers. | Local agents |
| EDEN Catering Sdn Bhd | 9.028 | Selangor. Targets high income private customers, western expatriates as well as corporate customers. | Local agents |

Table 7 – Major Food Service Institutions in Malaysia - Convention Centre

| Name | Sales (US\$ millions) | Location | Purchasing Agent Type |
|--|--------------------------------------|--|--|
| Putra World Trade Centre (PWTC) Revenue RM 64Mill | \$ 3.7 million | 4 Exhibition Halls 4 Function Halls Can accommodate 10000 visitors at one time Kuala Lumpur | PWTC deals directly with supplier for various products. Currently 5 local main suppliers. |
| Kuala Lumpur Convention Centre | \$ 2.8 million | 8 Exhibition Halls 8 Function Halls 4 Theatre Halls Kuala Lumpur City Centre | Deals directly with supplier of various products. |
| Putrajaya Convention Centre | N/A | 8 Exhibition Halls 8 Function Halls 4 Theatre Halls | Local supplier |

Table 8 – Major Food Service Institutions in Malaysia - Universities/Culinary Course

| Name | Sales (US\$ millions) | Location | Purchasing Agent Type |
|--|-----------------------|--------------------------|-----------------------|
| Cilantro Culinary Academy | N/A | Subang Jaya, Selangor | Local supplier |
| KDU College: School of Hospitality, Tourism, and Culinary Arts | \$20 | Selangor & Penang | Local supplier |
| Taylor's University College: School of Hospitality and Culinary Arts | \$28 | Selangor | Local supplier |
| Culinary Arts Center | N/A | Penang | Local supplier |
| International Centre Of Cake Artistry Sdn. Bhd. | N/A | Kota Damansara, Selangor | Local supplier |
| English Hotbreads | N/A | Cheras, Selangor | Local supplier |

Table 9 – Major Food Service Institutions in Malaysia - Private Hospitals

| Name | Sales (US\$ millions) | Location | Purchasing Agent Type |
|-----------------------|-----------------------|-------------------------|-----------------------------------|
| KPJ Healthcare | 526.8 | 20 Hospitals Nationwide | Local supplier/ Appointed Caterer |
| Pantai Hospitals | 113 (2005) | 11 Hospital nationwide | Local supplier/ Appointed Caterer |
| Prince Court | 25.4 | Kuala Lumpur | Local supplier/ Appointed Caterer |
| Sime Darby Healthcare | 154.9 | 3 Hospitals nationwide | Local supplier/ Appointed Caterer |

3 SECTION III: COMPETITION

Table 10 – Competitive Situation in Malaysia

| Product Category | Major Supply Sources | Strengths of Key Supply Countries | Advantages and Disadvantages of Local Suppliers |
|--|--|---|--|
| Beef Number of countries imported from: 15 Net Value: USD \$ 429 million (2012) Net Tonnes : 124 million | India – 75.2% Australia – 16.2% New Zealand – 6% China – 1% | Halal certification approved by Malaysian religious authority. Beef from India is cheaper (approximately 50%) and serves the low end outlets. Australia dominates higher end niche. | Inadequate supply of local fresh beef. |
| Pork – Fresh, Frozen, Chilled Number of countries imported from: 18 Net Value: USD \$ 31.3 million (2012) | Germany – 29.8% Netherlands - 13.5% Vietnam – 13.1% Belgium - 12.7% China – 9.3% Spain – 9.1% | EU prices most competitive, and more EU plants are approved. No U.S. plants approved for export. | Local pork industry is politically concentrated and can exert influence to slow imports. |

| | | | |
|--|---|---|--|
| Net Tonnes : 10 million | USA – 1.5% | | |
| Chicken Number of countries imported from: 8 Net Value: USD \$106.2 million Net Tonnes: 43,151 | China – 59.7% Thailand – 30.7% Denmark – 4.9% Netherlands 3.1% USA – 1.3% | Halal certification approved by Malaysian religious authority. Opportunities available for processed food sector and also HRI. Local fresh chicken preferred. Imports restricted through import licensing. No U.S. plants approved for export. | Local consumers still prefer fresh or chilled chicken to frozen chicken. Local costs of production high. |
| Eggs Number of countries imported from: 5 Net Value: USD \$131,776 Net Numbers: 0.7 million | China – 64.4% India – 29.3% USA – 2.8% France – 2.4% U.K. – 1.1% | Malaysians are among the world's largest egg eaters, averaging 320 eggs per capita. | Producers are also able to meet the local in-shell demand, but opportunities exist for processed dry egg products. |
| Potatoes Number of countries imported from: 27 Net Value: USD \$ 73 million Net Tonnes: 181,920 | China – 58.4% USA – 13.9% Pakistan – 6.8% Australia – 5.1% Bangladesh – 3.6% | China potatoes are cheaper. | Little domestic production. |
| Dehydrated Potatoes Number of countries imported from: 22 Net Value: USD \$24.7 million Net Tonnes: 16,477 Tonnes | Germany – 46.7% U.S.A. - 27.7% Netherlands – 12.1% | Germany is the preferred choice. | No domestic production. |
| Milk Number of countries imported from: 20 Net Value: USD | New Zealand – 33.8% Australia – 23.4% Singapore – 12.3% Germany – | New Zealand's products most price competitive and importers have long established relationship. | Limited local production, |

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| <p>\$31.2 million Net Tonnes: 13,471 Tonnes</p> | <p>6.5% USA – 2.7 %</p> | | |
| <p>Vegetables Frozen</p> <p>Number of countries imported from: 31</p> <p>Net Value: USD \$20.3 million</p> <p>Net Tonnes: 22,974 Tonnes</p> | <p>China – 23.9% USA – 19.7% Belgium – 18.8% Denmark – 11.4% New Zealand – 9.2%</p> | <p>China is becoming increasingly competitive. U.S. dominates frozen potato sector.</p> | <p>There is a large market for chilled and frozen processed vegetables, particularly potatoes.</p> |
| <p>Breakfast Cereals</p> <p>Number of countries imported from: 34</p> <p>Net Value: USD \$28.3 million</p> <p>Net Tonnes: 11, 104 Tonnes</p> | <p>Philippines – 46.1% Thailand – 13.2% USA – 9% U. K – 6.8% China - 5.5%</p> | <p>Market share for Philippines has been increasing gradually. Multi-nationals have established regional production hubs.</p> | <p>Imported products dominate</p> |
| <p>Fresh Fruits</p> <p>Number of countries imported from: 29</p> <p>Net Value: USD \$326.3 million</p> <p>Net Tonnes: 506,497 Tonnes</p> | <p>China – 28.5% South Africa – 17.6% USA – 12.3% Thailand – 9.6% Tunisia – 5.3%</p> | <p>China’s market share growing, but very competitive market. U.S. market share varies with fruit and season.</p> | <p>Malaysia does not grow cool weather fruits.</p> |
| <p>Dried Fruits</p> <p>Number of countries imported from: 33</p> <p>Net Value: USD \$15.1 million</p> <p>Net Tonnes: 14,146 Tonnes</p> | <p>USA – 43.1% India – 17.9% Iran – 10.4% China – 9.2% Turkey – 4%</p> | <p>Regional suppliers dominate. U.S. dried fruits in demand for bakery ingredients.</p> | <p>Limited local production.</p> |
| <p>Edible Nuts</p> <p>Number of countries imported from: 42</p> <p>Net Value:</p> | <p>China – 25.1% USA- 19.8% India – 18.2 Indonesia – 15.3%</p> | <p>Major exports of edible nuts from USA are almonds, Pistachios, Hazelnut and Walnut.</p> | <p>The demand for edible nuts is constantly rising, with limited local production.</p> |

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| <p>USD \$ 98.1 million</p> <p>Net Tonnes: 123,598 Tonnes</p> | | | |
| <p>Ice Cream</p> <p>Number of countries imported from: 23</p> <p>Net Value: USD \$36.5 million</p> <p>Net Tonnes: 14,446 Tonnes</p> | <p>Thailand – 43.8%</p> <p>Indonesia – 23.7%</p> <p>Canada – 11%</p> <p>France – 7.4%</p> <p>Philippines – 4.9%</p> <p>USA – 1.5%</p> | Thailand brands very popular. | No local production. |
| <p>Sauces & Seasoning</p> <p>Number of countries imported from: 40</p> <p>Net Value: USD \$88.3 million</p> <p>Net Tonnes: 41,739 Tonnes</p> | <p>Singapore – 25.5%</p> <p>Thailand – 18.4%</p> <p>China – 15.1%</p> <p>USA – 12.1%</p> <p>Indonesia – 7.8%</p> | Singapore processing plants export to Malaysia. | Local production insufficient, particularly tomato based sauces. |
| <p>Chocolates & Cocoa Powder</p> <p>Number of countries imported from: 45</p> <p>Net Value: USD \$129.4 million</p> <p>Net Tonnes: 20,760 Tonnes</p> | <p>Italy – 16.2%</p> <p>Singapore – 15.1%</p> <p>USA – 8.7%</p> <p>China – 8.4%</p> <p>Australia – 7.9%</p> | Singapore acts both as trans-shipment and processing point. | Local cocoa and chocolate processing sector growing. |
| <p>Jams</p> <p>Number of countries imported from: 39</p> <p>Net Value: USD \$17.7 million</p> <p>Net Tonnes: 9,492 Tonnes</p> | <p>Italy – 13.8%</p> <p>Thailand – 12.8%</p> <p>France – 11.4%</p> <p>Philippines – 9.1%</p> <p>USA – 7.7%</p> | Jams and spreads from USA are popular. | Local jams are of a different variety and come from tropical fruits. |
| <p>Fruit Juices</p> <p>Number of countries imported from: 52</p> | <p>USA – 36.9%</p> <p>New Zealand – 10.6%</p> <p>Thailand – 6.6%</p> <p>Taiwan – 6.6%</p> | USA dominates imported fruit juice sector, but product from China growing rapidly. | Insufficient domestic production. |

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|---|---|--|---|
| Net Value: USD \$75.6 million Net Tonnes: 36,626 Tonnes | China – 5.4% | | |
| Non Alcoholic Beverages Number of countries imported from: 40 Net Value: USD \$81.1 million Net Liters: 72.8 million liters | Thailand – 65.4% Singapore – 19.1% Philippines – 2.7% Austria – 2.6% Vietnam – 2.2% USA – 0.5% | Several soft drink companies have manufacturing in Thailand. | Local production is growing. |
| Beer Number of countries imported from: 37 Net Value: USD \$ 68.1 million Net liters: 51.1 million liters | Singapore – 28.7% Netherland – 22.5% China – 11.4% Belgium – 5% USA – 2.5% | Singapore’s Tiger Beer’s share in the local beer sector has been increasing. | The demand for alcoholic beverages is increasing. |
| Wines Number of countries imported from: 45 Net Value: USD \$81.1 million Net Liters: 5.5 million liters | Australia – 50.2% France – 23.6% Chile – 4.4% Italy – 3.5% Spain – 3.2% USA – 2.2% | Australian wines are popular and promote Australian wines extensively. | No domestic production. |

Sources: Global Trade Atlas (GTA)

4. SECTION IV: BEST PRODUCT PROSPECTS

| Products | 2008 Imports (\$) & Volume | 2012 Imports (\$) & Volume | 5-Yr. Avg. Annual Import Growth | Import Tariff Rate |
|-----------------|----------------------------|----------------------------|---------------------------------|--------------------|
| Frozen Potatoes | \$25.9 million 24,327 tons | \$28.6 million 25,729 tons | 9.8% (Value) | Nil |

| | | | | |
|--------------------------------|----------------------------------|-----------------------------------|-----------------------------|----------------------|
| Powdered Milk | \$116 million 26,355 tons | \$102 million 23,640 tons | 21.6% (value) | 5% (HS: 0402.91.000) |
| Whey | \$64 million 45,592 tons | \$139 million 64,710 tons | 17.4 % (Value) 8.9% Volume) | Nil |
| Citrus Fruits | \$73 million 192,232 tons | \$97.8 million 165,030 tons | 18.3% (Value) | 0%-10% |
| Almond | \$8.3 million 2,440 tons | \$13.1 million 3,211 tons | 13.2% (Value) | Nil |
| Cheese | \$1.1 million 200 tons | \$4.5 million 837 tons | 62.3% (Value) 48% Volume) | Nil |
| Mixed Juice | \$6.5 million 3,103 tons | \$25.9 million 7,283 tons | 40.7% (Value) | 0%-10% |
| Apples Juice | \$1.7 million 2,376 tons | \$1.7 million 1,611 tons | 8.4% (Value) | Nil |
| Prepared or Preserved Cherries | \$0.74 million 236 tons | \$1.8 million 620 tons | 20.4% (Value) | Nil |
| Pistachios | \$1.8 million 509 tons | \$3.9 million 823 tons | 23.4% (Value) | Nil |
| Grape Juice | \$235,399 336 tons | \$1.2 million 989 tons | 47% (Value) | Nil |
| Orange Juice | \$7.4 million 4,070 tons | \$11.5 million 6,561 tons | 13.8% (Value) | Nil |
| Wine, Specialty | \$39.6 million 5.7 million Liter | \$81.5 million 5.5 million Liters | 15.9% (Value) | Rm7.00/Liter |
| Scallops | \$4.9 million 688 tons | \$8.3 million 1,422 tons | 12.1% (Value) 14.7% Volume) | Nil |
| Buttermilk | \$14.1 million 3,919 tons | \$21.6 million 6,170 tons | 10% (Value) 7.3% Volume) | Nil |

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|--------|------------------------------|------------------------------|-------------------------------|-----|
| | | | | |
| Butter | \$22.1 million 5,162 tons | \$29.4 million 6,308 tons | 17.1% (Value) 1.5% Volume) | Nil |

Sources: *Global Trade Atlas (GTA)*

6. Important Factors Affecting U.S. Trade

i. Regulatory Barriers

Generally, all products destined to the food service sector must be certified halal.

All meat, processed meat products, poultry, eggs and egg products must originate from plants inspected and approved by Ministry of Agriculture's Department of Veterinary Service (DVS).

Beef, pork, poultry, and dairy products require import permits from DVS.

Some product ingredients and/or additives require prior approval from Ministry of Health.

ii. Competition

Many multinationals have established regional production and distribution hubs, with factories in ASEAN countries. These compete directly with U.S. origin products, sometimes of the same brand. In addition to a freight advantage, Australia and New Zealand possess many long-term trade ties with Malaysia, which sometimes can detract from U.S. competitiveness. New Zealand and Australia are also willing to provide federal and official oversight on halal issues.

END OF REPORT