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Malaysia

Retail Foods

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Report Highlights:

Boosted by solid economic performance, and robust domestic demand, Malaysia's retail sector is forecast to grow ten percent annually. U.S. Fresh fruit, fresh and frozen potatoes, dairy products, snack foods (including nuts), and pet food have broad appeal and excellent opportunities in Malaysia's retail sector.

Post:

Kuala Lumpur

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Executive Summary:

1. Malaysia in profile

Malaysia is one of the more affluent nations in Asia with a GDP per-capita of about US\$9,890 in 2012 and is regarded as an upper middle income country by the World Bank. Its economy sits on a firm foundation in a mixed economy that comprises strong agricultural, services and manufacturing industries. In 2012, the economy grew by 5.6 percent driven by strong domestic demand. Economic commentators forecast Malaysia's economy to slow to 4.3 percent in 2013 and 4.8 percent in 2014 due to government's fiscal consolidation and the sluggish demand from traditional key export markets.

Malaysia has a multi-racial population of around 28 million, all of whom are multi-lingual, speaking at least two languages fluently, including English which is widely used in the business environment. Malaysia still has a young population today with 28 percent aged 15 years and below and 67 percent in the 15 year to 64 year age range. Around 97 percent of the working population continues to be gainfully employed. Over 60 percent of the populations are in the middle to high income group with a growing purchasing power. Malaysian's lifestyles becoming more sophistication and modernization, leading to increasing consumption of imported food and beverages from western countries. Today, Malaysia provides a significant pool of active consumers who will continue to modernize their eating habits, leading to increasing consumption of imported food and beverages.

2. Food retail market summary

Malaysia has a large and growing food retail market that is supplied by local and imported products. Total retail sales of food and beverages amount to US\$15 billion today. The forecast for this sector is likely to grow by around 10 percent per annum over the next three to five years.

The Table below provides an overview of the size of the import market for food and beverage products over the five years to 2012.

Imports of Food and Beverage Products (US\$ million)					
	2008	2009	2010	2011	2012
Meat & meat preparations	404	421	532	661	713
Fish & fish preparations	496	584	684	862	906
Dairy products, eggs & honey	759	432	611	817	842
Edible vegetables	436	532	721	737	709
Edible fruits & nuts	238	252	302	364	415
Coffee, tea, mate & spices	276	284	392	475	437
Processed meat, fish & seafood	75	75	78	98	129
Sugar & sugar preparations	508	692	909	1,095	1,175
Processed cocoa products	1,295	873	1,144	1,300	1,167
Processed cereal products	428	415	511	612	660
Processed vegetables and fruits	168	180	219	267	293
Miscellaneous processed foods	406	429	590	732	868
Beverages	305	296	374	586	685
Total	5,794	5,465	7,067	8,606	8,999

Source: Global Trade Atlas (GTA)

Malaysia imported \$9 billion of food and beverage products in 2012. Food imports have been growing on an average of over 13 percent per annum over the past few years. Imports of food products will likely continue to grow at similar rates over the next five years.

Malaysia has a significant and growing food manufacturing industry. The food manufacturing industry is largely domestic oriented, although a number of the larger companies also target the ASEAN markets and Japanese market with their food products. According to Malaysian Investment Development Authority (MIDA), Malaysia exported food products worth \$6.7 billion to more than 200 countries, of which, processed food contributed about \$4.4 billion. The industry is involved in the manufacture of alcoholic and non-alcoholic beverages, dairy products, cooking oil, coffee and tea, cereal-based foods, spices and spice mixes, sauces and condiments, processed fish and meat products, chocolate and snacks, baked products and other cooked food preparations, including frozen foods.

The halal factor

With a Muslim population of 60 percent, the demand for *halal* foods by Malaysian consumers has increased over the years. Foreign meat (except pork) and poultry plants intending to export to Malaysia must be accredited by the Malaysian Department of Veterinary Services and the Department of Islamic Development for halal purposes. The Malaysian halal standards are perceived as stricter than those of other Islamic countries. Hence, opportunities to increase exports of meat (except pork) and poultry hinge on the halal approval.

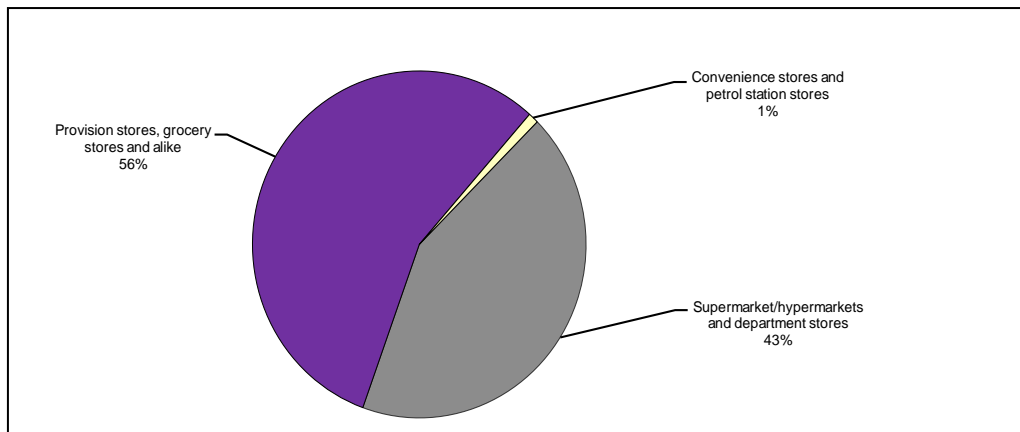
In recent years, the expectation of *halal* standard in food products have extended from meat and meat products to non meat-based products such snacks, confectionery, dairy, bakery, etc. The Malaysian government and many companies are marketing the *halal* standards as a new benchmark for quality, hygiene and safety. Food products and ingredients that have *halal* certificates are perceived to have added marketing value in Malaysia. Hence, most retailers, foodservice operators and food manufacturers are inclined to ask for *halal* certificates for non-meat based food products and ingredients. Under the newly amended Trade Description Act 2011 for the halal certification and marking for products intended for Muslim consumers, imported food destined for Muslim consumers has to be certified halal by one of the Islamic centers in the U.S.

(<http://www.halal.gov.my/v3/index.php/ms/senarai-badan-islam-yang-diiktiraf>) approved by the Malaysian Islamic authority (JAKIM).

2.1 Malaysia's food retail sector in overview

The food retail sector continues to remain fragmented today, with around 56 percent being made up of small retailers operating in provision shops, grocery stores and other non-air conditioned sundry shops throughout the country. The Chart below shows the structure of the food retail sector in Malaysia today.

Structure of Food Retail Sector



Sources: Office Research

The bulk of retail food sales are channeled through the traditional stores, such as provision stores, grocery stores, specialty food stores and other sundry shops. This sub-sector commands close to 56 percent of total food sales today. Modern stores such as supermarkets, hypermarkets and department stores with supermarkets have around 43% share of the nationwide retail food market. Convenience stores have remained insignificant, with only about 1% share of the nationwide retail food market.

Malaysia's food retail sector is made up of:

1. Large food retail stores such as supermarkets, hypermarkets and department stores

There are 121 hypermarkets, 113 superstores and 133 department stores runs by local as well foreign players in Malaysia. Large food retail stores such as supermarkets, hypermarkets and department stores that also operate supermarkets within the premises are largely located in the major cities, urban centres and larger towns in Malaysia, where the majority of the middle to high income consumers reside. The major food retailers usually operate chain stores that are strategically located to capture their target consumers. It should be noted that hypermarkets, supermarkets and department stores are not permitted to operate for 24 hours a day by the Ministry of Domestic Trade, Co-operatives & Consumerism. The major food retail operators active in this sub-sector include:

- The Cold Storage Group which is the largest food retailer in Malaysia in terms of sales as well as number of retail outlets. It operates hypermarkets and supermarkets nationwide under the Giant and Cold Storage brands. The Giant supermarkets and hypermarkets are known as a home-grown trusted brand. Giant is well-known to local shoppers as the store that offers the best

value-for-money products. Giant targets the mass market and is today the largest supermarket chain in Malaysia. Cold Storage targets the upper middle to high income shoppers as well as high income expatriates residing in Malaysia. Cold Storage is perceived by local shoppers as a store that targets the well-to-do shoppers as well as western expatriates. It carries a wide variety of local products as well as imported products, especially products from Europe, USA, Canada, Australia, New Zealand, South Africa and some Latin American countries.

- Tesco Malaysia which is one of the largest food retailer in Malaysia in terms of sales. It operates Tesco and Tesco Extra stores in the major cities in Malaysia. Tesco Malaysia is aggressively targeting the mass market with its competitively priced products. It carries mainly locally sourced products as well as a sizeable proportion of imported products, and has the widest selection of price competitive products from the United Kingdom.
- AEON Malaysia which operates the Jusco Stores nationwide. Jusco is the largest high end department store chain in Malaysia that also operates a full scale supermarket within its stores. Jusco operates high end stores that target the middle to high income shoppers. It carries a wide variety of local premium branded products as well as imported products, and carries the widest selection of products from Japan. In March 2012, AEON announced its rebranding exercise by taking on the global AEON brand name for all their operations. The takeover of Carrefour Malaysia in October 2012 effectively made AEON the second-largest retail group in Malaysia.
- The Store is a major food retailer in Malaysia in terms of sales and number of outlets. This department store chain operates a supermarket within its store. It is a home-grown store that targets the mass market with price competitive products. The Store carries largely local products, with some of the more popular imported products that are also carried by competing stores.

The retail outlets that target the middle to high income locals and expatriates carry more varieties and higher volumes of imported branded products from western countries such as Australia, New Zealand, the USA, Canada, France, Italy, the United Kingdom and other parts of Europe.

Such products would include fresh produce such as chilled beef and lamb, fresh temperate fruits and vegetables, chilled cold water fish such as salmon, frozen vegetables, sausages, delicatessen meats, pastry and pies, dairy products, high end biscuits and cookies, confectionery such as premium/branded chocolates and candies, potato based snacks, canned fruits, canned soups, canned meat, breakfast cereals, pasta, sauces, spices, seasonings, dressings, ready meals (frozen), home bakery ingredients, fruit juices, jams and jellies, peanut butter, non-alcoholic beverages and wines, beer and other alcoholic beverages.

In addition, retailers such as Giant, Cold Storage, Tesco, The Store and Aeon carry products under their house/retailer brands which may be priced at 10% or more lower than comparable products, to attract the price conscious customers from the lower to middle income group.

These large retail stores also offer additional services such as in-store “wet markets”, bakeries, wine

corners, alcoholic beverage corners, and health food corners as well as counter serving ready-to-consume meals and snacks to attract more customers to their stores. Other emerging services include on-line internet shopping with home deliveries. All the conveniences offered by these stores have encouraged an increasing number of middle to high income Malaysians to shop for their grocery needs at supermarkets and hypermarkets on an increasingly regular basis.

Convenience stores and petrol station stores

Convenience stores and petrol station stores are mainly found in the cities, larger towns and along the North-South highway. The majority of these stores are franchise operations with support from their franchisors in the form of advertising support, staff training, financing, bulk purchasing and distribution facilities.

7-Eleven is the largest convenience store chain operating 24-hour stores. 7-Eleven stores are treated like “tuck shops” by children, teenagers and young adults who usually shop for magazines, newspapers, candies, chips and other snacks, ice cream or other single-serve food and beverages that are consumed “on-the-go”. Petrol station stores are also used in a similar manner by drivers and their passengers, who are usually in a hurry and would not normally browse in such stores. For that reason, most individual sales made are small in value.

These air-conditioned stores generally carry a smaller range of popular processed and packaged food and beverage products compared to those carried by the supermarkets/hypermarkets. They also carry microwaveable food products which may be heated at the store for immediate consumption. In addition, convenience stores and petrol station stores also serve ready-to-consumer food and beverages such as sandwiches, fried rice, fried noodles, Nasi Lemak and other Asian cooked dishes, buns, curry puffs and alike, ready-to drink hot coffee or tea, soft drinks and other beverages. They generally do not carry perishable products such as chilled meat, fish and seafood, fresh fruits and vegetables. Most of the products are in single-serve packaging or in smaller packaging size than those carried by the supermarkets/hypermarkets.

However, the retail price of the products is generally higher in convenience stores and petrol station stores than at the supermarkets/hypermarkets.

Traditional stores including provision, grocery and sundry shops

Traditional stores continue to make up the largest number of food retailers in Malaysia today. They are commonly found in all the cities, towns and villages in Malaysia. They are made up of open-fronted grocery stores in shop houses or in the dry markets. This sub-sector is dominated by small family-run businesses and target the price sensitive consumers as well as those who seek convenience, particularly those housewives that prefer to shop daily for a small number of grocery items and other daily essentials. In 2011, under the National Key Economic Areas (NKEAs) identified by the government as a key driver of domestic consumption and to spur economic growth, the government introduced the ‘Small Retailers Transformation Program’ (TUKAR) to facilitate the modernization of 5000 traditional sundry shops nationwide by 2020.

These retail stores generally carry local traditional and Asian products and some branded products with a small number of the more popular imported food and beverage products from western countries. Their competitive advantage is in their carrying products that are ordinarily demanded by all local households and are retailed at a very competitive price.

It should be noted that these non-air conditioned stores are usually operated as specialist stores that carry only *halal* products targeted at the Muslim community, or mainly Chinese products targeted at the Chinese community or mainly Indian products targeted at the Indian community. A number of stores in the cities and larger towns have up-graded to the mini-market concept by trying to compete against the major supermarkets/hypermarkets, targeting all the races, offering better shopping ambience with more organized shelves, wider aisle, brighter and cleaner environment, check-out counters, more varieties of branded products and alike, while still maintaining the friendly neighborly atmosphere.

2.2 Advantages and challenges for US exporters

Advantages	Challenges
Malaysia’s economy is still showing positive growth and forecast to continue to grow and the food retail market is also continuing to expand. Most imported food and beverage products attract low import duties and Customs Duties (except for alcoholic drinks).	The Muslim population (around 60 percent of the total population) demands <i>Halal</i> products. US products need to comply with this religious requirement.
US products and brands are already well-known and well represented in the food retail market. In addition, US products have a reputation of being of high quality. This enables new-to-market US products an easier access into the retail market because the major retailers are more willing to carry US products than products from other lesser known countries. In addition, the Cold Storage Group outlets that target western expatriates as well as the high end retailers such as AEON already carry large quantities and a relatively wide variety of imported food products from the USA.	Malaysia, Australia, New Zealand, France, China, India and other ASEAN countries continue to be strong competitors in the food retail market. Their products compete on quality and price against a number of comparable US products. US products are generally perceived as not as price competitive as similar products from countries such as Australia and New Zealand.
Young Malaysians, including young adults, are increasingly adopting US culture and trends. This is positive for US food products.	New-to-market US products do not necessarily fit local demand on taste and packaging size.

<p>Past marketing efforts by US organizations have raised the profile of a range of US products in the eyes of consumers and retailers, e.g. fresh temperate fruits, dried fruits, frozen food, etc. Such activities serve to not only increase awareness and consumption of US products but also increase the perception of US products as high quality products.</p>	<p>Strong local products and brands exist which dominate their markets to the near exclusion of imported products, e.g. fresh vegetables, chicken, soft drinks, mineral water, cordials, beer, chocolates, biscuits and cookies, cereal-based snacks and some dairy products.</p>
<p>A wide variety of foreign products already “fit” into local food culture, e.g. yoghurt, ice cream, potato and cereal based snacks, infant food, temperate fruits and vegetables, soft drinks and other non-alcoholic drinks such as cordials. This trend will continue into the future as more Malaysians modernize their diets.</p>	<p>Certain US products are not readily accepted by many Malaysians and so are ignored, e.g. turkey, snack products, ready-to-consume prepared meals. Some US products do not readily fit into the local food culture. To expand demand for these products, Malaysians need to be educated on how such products should be best consumed, prepared or localized so that these products become entrenched into their diet.</p>

3. Road map for market entry

3.1 Supermarket, hypermarket and department stores

3.1.1 Company profiles

The Table below provides information on the major retailers involved in the operation of supermarkets, hypermarkets and department stores.

Retailer Name and Outlet Type	Ownership	Sales (millions)	No. of Outlets	Location	Purchasing Agent Type
Cold Storage and Giant	Local company, subsidiary of Dairy Farm International of Hong Kong	Sales information not released. Largest hypermarket chain.	17 Cold Storage supermarkets and 131 Giant hypermarkets. Giant is a trusted retail name in Malaysia.	Nation-wide	Direct sourcing preferred with a number of preferred agents used.

Aeon Big	Formerly Carrefour; Acquired by Japanese Aeon Co Ltd in October 2012 and renamed to Aeon BIG	Sales information not available	27 hypermarkets	Major cities	Group sourcing direct from suppliers is preferred.
The Store	The Store Corporation Bhd, listed on the stock exchange	RM1.9 billion (including non-food sales)	75 department store cum supermarkets	Nation-wide	Sources directly from local suppliers where ever possible for bulk orders. Agents used for smaller orders.
AEON	Operated by AEON Co (M) Bhd, listed on the stock exchange. Parent company is AEON Group, Japan.	RM3.26 billion (including non-food sales)	31 department store, with a significantly large supermarket section	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders.
Tesco	Tesco Stores (Malaysia) Sdn Bhd, joint venture between Tesco UK and Sime Darby Bhd.	Sales not disclosed.	47 Tesco hypermarkets and Tesco Extra hypermarkets	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders.

3.1.2 Entry strategy

The US exporter should consider the following when selecting major retailers to partner with in Malaysia:

- The financial strength of the retailer and its volume of business.
- The level of interest and commitment by the retailer in carrying imported US products.
- The number and location of retail outlets that target western expatriates and middle to high income local consumers residing in urban centers.
- The annual marketing program of the retailer.

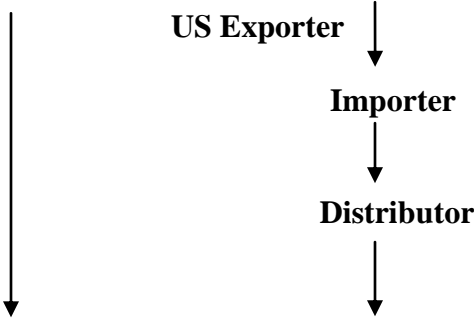
- The retailer’s policy towards:
 - New-to-market imported products and brands.
 - Premium and basic lines and niche products.
 - Volume of sales expected from the US products.
 - Promotional support expected from US exporters.
 - Retail pricing expected for the US products.
 - Listing fees and other costs, if any, imposed on the US exporters.
- The retailer’s purchasing policy, i.e. whether they purchase directly from overseas suppliers or via local importers/distributors.

In addition, US exporters should consider the following matters when planning to enter this retail sub-sector:

- Where the product fits in the retail market, e.g. as a mass market item, high-end niche item, novelty/exotic item, seasonal festive/gift item, targeted at western expatriates, etc.
- Price competitiveness of the US products versus comparable brands in the market.
- Packaging size and quality that meets with customers’ expectations.
- US products which can be easily/readily registered as *Halal* products.
- US products which can be readily accepted as alternatives/substitutes to competing products.
- US products that can be introduced into local food culture.
- US organic products and health food products that can meet retailer’s requirements.
- US products which provide convenience to customers.
- The level of promotion, commitment to brand support and consumer education necessary for successful launch and development of a new-to-market product.
- Ability to meet retailer purchasing requirements and specifications.

3.1.3 Distribution channel

The Chart below provides an overview of the distribution channel for imported food and beverage products from US exporters to supermarkets and hypermarkets. It is important to note that the larger retailers prefer buying directly from overseas suppliers where possible to gain better pricing in order to pass cost savings to their customers to remain competitive in the market.



Supermarkets/Hypermarkets

It should be noted that some sub-distributors are also used to distribute products to stores located in the sub-urban areas.

3.2 Convenience stores and petrol station stores

3.2.1 Company profiles

The convenience stores segment is dominated by 7-Eleven, the largest 24-hour convenience store in the country that operates under Berjaya Retail Bhd. In addition, there are around 3,000 twenty-four hour petrol station stores nation-wide operated by the other petroleum companies such as Petronas (Mesra), Shell (Select), Petron (On The Run), Caltex (Xpress Point) and BHPetrol (BHPetrolmart). The number of 7-Eleven stores in each Malaysian state gives a good indication of the level of modernization of the retail sector in each state in Malaysia. Today, 60% of 7-Eleven stores are located in the Federal Territory of Kuala Lumpur, the states of Selangor and Johor, which gives a very good indication that these regions hold the largest level of modern consumerism in Malaysia today.

The Table below provides information on the major business involved in the operation of convenience stores.

Retailer Name and Outlet Type	Ownership	Sales (US\$ millions)	No. of Outlets	Location	Purchasing Agent Type
7-Eleven Malaysia Sdn. Bhd	Berjaya Retail Bhd.	Sales information not released. Largest convenience store operator.	1,464 outlets of 7-Eleven stores	Nation-wide	Local distributors.

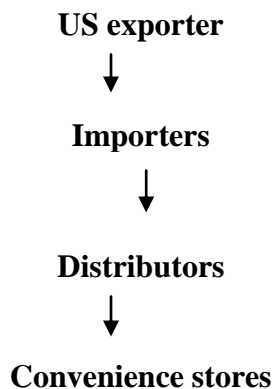
3.2.2 Entry strategy

US exporters should view this as a secondary target providing incremental business, rather than as a main target. They should consider developing distribution reach into this sub-sector through their appointed distributors that service 7-Eleven and the petrol station stores. The new-to-market US exporters should consider the following matters when planning to enter the sub-sector:

- US products (*halal* certified) which are also targeted at the hypermarkets/supermarkets but are packaged in single-serve or smaller sizes.
- US products which target children, young adults and convenience seekers.
- Price competitiveness of the US products versus competing local brands carried by stores operating in this sub-sector.

3.2.3 Distribution channel

The distribution channel for the convenience stores and petrol station stores is similar to that existing for the supermarkets. An example of the distribution channel to convenience store is shown below.



3.3 Traditional stores including provision, grocery and sundry shops

This sub-sector has remained highly fragmented. Although a large number of establishments have remained in business for a considerable number of years, this sub-sector is also characterized by operators that enter and exit the sub-sector on a frequent basis. Because of the nature of this sub-sector, no single establishment dominates. This sub-sector has remained important in the Malaysia market place as these businesses continue to satisfy the needs of the mass market as they provide easy access to traditional products which are now fast disappearing from the modern market place due to lack of branding, modern packaging and alike of such traditional products.

3.3.1 Entry strategy

US exporters should treat this sub-sector as a very low priority retail sector to target largely due to the types of products retailed by such establishments. US exporters that wish to enter this sub-sector should supply highly price competitive products that:

- Can easily fit into the local food culture
- Can be accepted as alternatives to Asian products and brands.

New-to-market US exporters should also carefully select major local distributors that have wide and deep distribution capabilities which reach into this sub-sector.

3.3.2 Distribution channel

Traditional stores source their imported food and beverage products through local importers, wholesalers, distributors or sub-distributors. This sub-sector is well-served by the larger and more developed distributors with an established and complicated sub-distributor network because a large number of these stores are located throughout the width and depth of the country, many demanding small and irregular volumes of products.

4. Competition in the sector

The Table below summarizes the major supply sources for each product covered under this study, the strengths of the key supply sources and the advantages and disadvantages of local companies.

Product (2012)	Major supply sources	Strengths of key supply countries	Advantages and disadvantages of local companies
<p>Beef (fresh, chilled or frozen)</p> <p>Import: 124,127 tons</p> <p>US\$ 429 million (CIF value)</p>	<ol style="list-style-type: none"> 1. India - 75% 2. Australia – 16% 3. New Zealand – 6% 	<p>Halal certification approved by Malaysian religious authority.</p> <p>India competes on price and dominates the supply; demanded largely by the low end mass market food service segment.</p> <p>Australia dominates the fresh/chilled segment in the high end food service sector with its <i>halal</i> beef.</p>	<p>There is insufficient supply of local beef.</p>
<p>Chicken Cuts, frozen</p> <p>Import: 42,379 tons</p> <p>US\$ 104 Million</p>	<ol style="list-style-type: none"> 1. China - 61% 2. Thailand – 30% 3. Denmark – 5% 4. Netherland – 3% 5. U.S.A. – 2% 	<p>Halal certification approved by Malaysian religious authority.</p> <p>The import market targets mainly the food service and food processing sectors.</p>	<p>Malaysia is a major producer of halal chicken and an exporter of poultry meat. Local chicken is very price competitive. Local consumers still prefer fresh or chilled chicken to frozen chicken. There is an import</p>

(CIF value)			restriction on chicken.
Whole turkey, frozen Import: 118 tons US\$ 0.5 million (CIF value)	<ol style="list-style-type: none"> 1. Australia – 88% 2. Netherlands- 7% 	Australia dominated the market in 2012 by supplying ‘halal’ turkeys. No US turkey plants were certified ‘halal’ by the Malaysian government.	Turkey is largely demanded by the high end food service sector and by some western expatriates residing in Malaysia, for the festive holidays. There is no commercial supply of local turkey.
Dairy Import: 264,395 tons US\$ 872.6 million (CIF value)	<ol style="list-style-type: none"> 1. New Zealand - 50% 2. Australia – 14% 3. USA – 12% 	<p>New Zealand leads in milk powder, butter and liquid milk and is the second largest supplier of cheese; Have long established relationship with importers.</p> <p>Australia leads in yoghurt and cheese and is the second largest supplier of butter.</p> <p>The USA is the second largest supplier of milk powder, yoghurt and the third largest supplier of cheese.</p>	Local companies are very strong in liquid milk, sweetened condensed milk, canned milk powders, yogurt and cultured milk drinks. They are all very strong companies with dominant shares within their market segments.
Breakfast cereals Import: 11,104 tons US\$ 28.3 million (CIF value)	<ol style="list-style-type: none"> 1. Philippines - 46% 2. Thailand – 13% 3. USA - 9% 	Branded market dominated by Nestlé, Kellogg’s and Quaker. Nestlé is supplied mainly from the Philippines and Thailand, targeting the mass market. Post, Quaker, Nature’s Path and Sweet Home Farm are from the USA, targeting the niche	Nestle (Nestum) and Quaker (Quaker Oatmeal) are locally packed from imported ingredients.

		high end market.	
<p>Infant food, excluding dairy products</p> <p>Import: 58,734 tons</p> <p>US\$ 94 million (CIF value)</p>	<p>1. Singapore - 35%</p> <p>2. Australia - 22%</p> <p>3. UK – 17%</p> <p>4. Netherlands – 7%</p> <p>USA – 4%</p>	<p>The market is dominated by cereal based infant food (excluding dairy products).</p>	<p>Nestle Malaysia’s products dominate the cereal based infant food segment (excluding dairy products).</p>
<p>Snacks Foods;</p> <p>Import: 58,427 tons</p> <p>US\$ 228.6 million (CIF value)</p>	<p>1. Indonesia - 22%</p> <p>2. China - 18%</p> <p>3. Italy – 10%</p> <p>3. Singapore - 9%</p> <p>4. Thailand – 8%</p> <p>USA – 6%</p>	<p>Indonesia, China and Thailand largely supply Asian type snacks.</p>	<p>Local products dominate this snacks market with very widespread national distribution reach. Malaysia’s locally produced branded products such as Jack & Jill, Roller Coasters, Pringles and Twisties compete on price against imports</p>
<p>Baked products</p> <p>Import: 31,481 tons</p> <p>US\$ 80.2 million (CIF value)</p>	<p>1. Indonesia- 22%</p> <p>2. China – 18%</p> <p>3. Thailand – 10%</p> <p>4. Singapore- 8%</p>	<p>China supplies a variety of Nabisco biscuit products to Malaysia as well as some China biscuit brands.</p> <p>Indonesia supplies Nabisco Kraft’s biscuit products.</p> <p>Thailand supplies Japanese type biscuits.</p>	<p>Malaysian products dominate both the cakes and sweet biscuits segments with its branded price competitive products such as Julie’s, Munchy, Hup Seng, Hwa Tai and Danone’s products e.g. Chipsmore, Jacob’s and alike.</p>
<p>Fresh vegetables</p> <p>Import: 1,045,401 tons</p> <p>US\$ 553.9 million (CIF)</p>	<p>1. China - 54%</p> <p>2. India - 19%</p> <p>3. Thailand - 6%</p> <p>USA - 3%</p>	<p>China leads in potatoes, garlic, cabbages, carrots and onions.</p> <p>India is the largest supplier of onions.</p> <p>Thailand is the leading supplier of Capsicum,</p>	<p>Malaysia dominates the market with its consistent ability to supply good quality, competitively priced temperate vegetables. It is a major exporter of fresh Asian and temperate vegetables to</p>

value)		cucumber and other vegetables.	Singapore.
<p>Frozen vegetables</p> <p>Import: 22,974 tons</p> <p>US\$ 20.3 million (CIF value)</p>	<ol style="list-style-type: none"> 1. China - 24% 2. USA - 20% 3. Belgium – 19% 4. Denmark – 11% 	<p>China is the leading supplier of frozen mixed vegetables. Over 70% of China’s exports are frozen mixed vegetables, mainly targeted at the food service sector. USA is the largest supplier of frozen potato products (largely frozen French fries), mainly targeted at the food service. It also supplies frozen cut potato under supermarket house brands.</p>	<p>Malaysia produces some frozen sweet corn. It is not a major producer of frozen vegetables.</p>
<p>Fresh fruits, temperate</p> <p>Import: 356,197 tons</p> <p>US\$ 231.8 million (CIF value)</p>	<ol style="list-style-type: none"> 1. China – 35 % 2. South Africa - 25% 3. USA - 17% 	<p>China leads the market with Mandarins and Chinese pears and second largest supplier of apples.</p> <p>South Africa is the largest supplier of apples, lemons, grapefruits and the second largest supplier of pear, grapes and oranges.</p> <p>USA is the largest supplier of oranges, grapes, cherries, peaches, plums, strawberries, raspberries, cranberries; the second</p>	<p>Malaysia does not produce fresh temperate fruits.</p>

		largest supplier of apricots and the third largest supplier of apples.	
Dried fruits Import: 30,341 tons US\$ 25.1 million (CIF value)	1. USA – 27% 2. Thailand – 14% 3. India - 12%	India is the largest exporter of dried Tamarind to Malaysia. Indonesia is the largest exporter of dried Tamarind fruit. USA is the largest supplier of dried grapes (raisin) and prunes.	Malaysia is not a major supplier dried fruits.
Edible nuts Import: 123,598 tons US\$ 98.1 million (CIF value)	1. China - 25% 2. USA - 20% 3. India – 18% 4. Indonesia – 15%	India leads in supplying groundnuts by offering very competitive prices. China is the second largest supplier of groundnuts and pistachio, and leads in the supply of chestnuts. USA is the largest supplier of shelled almonds, pistachio and walnut.	Local brands such as Tong Garden, Camel and Tai Sun have a very strong presence in the market.
Sugar confectionery Import: 20,632 tons US\$ 54.2 million (CIF value)	1. China - 22% 2. Indonesia - 19% 3. Vietnam - 17% 4. Thailand – 17% USA – Less than 1%	Thailand supplies Cloud 9, Nabisko Kopiko, Strepsils, Jack n Jill and various Thai brands. Indonesia supplies Mentos, Sunkist, Fox’s and various lower quality Indonesian brands.	Malaysia supplies a large variety of products targeted at local consumers, including Dino, Camel, Santa, Hacks, Hudson’s and alike.
Chocolates &	1. Singapore - 28%	USA supplies Hershey	Malaysia produces a

<p>Other Food Preparation Containing Cocoa</p> <p>Import: 20,760 tons</p> <p>US\$ 129.4 million (CIF value)</p>	<p>2. China – 16%</p> <p>3. Belgium – 11%</p> <p>USA - 6%</p> <p>Check w/ LP</p>	<p>Kisses and Bars which provide an alternative product to chocolate lovers.</p>	<p>number of good quality chocolate products. Local manufacturers mainly target consumers that prefer chocolates in conveniently packed single serve bars as well as large bars as well as party packs and in gift boxes. Locally manufactured chocolates include well known brands such as Cadbury, Vochelle and Beryl's.</p>
<p>Sauces and seasonings</p> <p>Import: 41,739 tons</p> <p>US\$ 88.3 million (CIF value)</p>	<p>1. Singapore – 26%</p> <p>2. Thailand - 18%</p> <p>3. China - 15%</p> <p>4. USA – 12%</p>	<p>Singapore supplies high quality price competitive Asian sauces such as sambal, satay, chicken rice sauce and alike.</p> <p>China is a major supplier of other high end Asian sauces such soya sauce, oyster sauce, plum sauce and alike.</p> <p>Thailand is a major supplier of fish sauce and chili sauce.</p> <p>The USA is a major supplier of western sauces such as salad dressing, spaghetti sauce, mixed condiments, barbeque sauce, black pepper sauce, Thousand Island Dressing, salad cream, salsa and alike.</p>	<p>Locally produced soya sauce, tomato sauce and other Asian sauces have a very strong presence in the market.</p>
<p>Non-alcoholic beverages</p>	<p>1. Thailand - 65%</p> <p>2. Singapore - 15%</p> <p>3. Indonesia – 5%</p>	<p>Thailand leads in supply of pineapple juices, cordials and</p>	<p>Local branded mineral water, juices, cordials and soft drinks dominate the</p>

<p>Import: 55 million liters</p> <p>US\$ 60.2 million (CIF value)</p>		<p>Asian drinks as well as other non-alcoholic drinks.</p> <p>The USA is the largest supplier of tomato juice and mixed fruit and/ vegetable juices to Malaysia with products such as Welch's, Del Monte, Minute Maid, Ocean Spray.</p>	<p>market.</p>
<p>Wine</p> <p>Import: 5.5 million liters</p> <p>US\$ 81.5 million (CIF value)</p>	<p>1. Australia - 50%</p> <p>2. France – 24%</p> <p>3. Chile – 4%</p> <p>4. Italy – 4%</p> <p>USA - 2%</p>	<p>Australia has developed a higher presence in the market because of its price competitive New World grape wines and strong brand presence. France dominates the food service market and competes on quality and price. USA supplies well-known brands of New World wines to both the retail and food service sectors.</p>	<p>Malaysia does not produce any grape wine.</p>
<p>Beer</p> <p>Import: 51.1 million liters</p> <p>US\$ 68.1 million (CIF value)</p>	<p>1. Singapore - 29%</p> <p>2. Netherlands - 23%</p> <p>3. China - 11%</p> <p>4. Belgium – 5%</p> <p>USA- 3%</p>	<p>Singapore is a major re-exporter of foreign beer into Malaysia, including beers from Belgium, Denmark, Germany and Mexico. Most of these are very price competitive beers with brands that are not well-known to the consumers. Netherlands exports Grolsch and Breda</p>	<p>The market is dominated by locally brewed beers. Malaysia has two major breweries that are aggressive brand driven businesses which proactively protect their market shares.</p>

		which is supplied to the mid to high end western-style food service sector in the major cities and tourist centers such as Langkawi. China exports TsingTao and Yanjing beers to Malaysia.	
Spirits Import: 24.3 million liters US\$ 429.3 million (CIF value)	1. UK - 34% 2. France – 30% 3. Netherlands - 12% USA - 1% share	UK dominates in the supply of whiskies, rum and Gin. France and Netherlands dominate the brandy sector with their well known brands.	Local production is negligible.
Pet food Import: 38,354 tons US\$ 84.4 million (CIF value)	1. Thailand - 55% 2. USA - 14% 3. Netherlands – 7% 4. Australia – 6%	The market is dominated by Pedigree & Whiskas (Thailand), Friskies (Australia), and Purina (Thailand & USA). Thailand also supplies very price competitive CP Smartheart (Thai brand).	Malaysia does not produce any processed and packed pet foods.
Source: Department of Statistics, market observations and trade comments			

5. Best products prospects

Category A: Products Present in the Market That Have Good Sales Potential

Product category	2008 Imports	2012 Imports	5 year Average Annual Import	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA

			Growth Rate			
Breakfast cereals	8,206 tons US\$ 18.4 million (CIF value)	11,104 tons US\$ 28.3 million (CIF value)	14% growth per annum.	2-5% duty charged on oats products. Other products incur 7% duty.	Strengths of Nestlé and Kellogg's in the market.	Category A. An attractive market for long term development based on higher disposable incomes and related changing eating habits. The breakfast cereals market has not been fully exploited yet and can be further developed and expanded.
Snack Foods	44,396 tons US\$ 140.9 million (CIF value)	58,427 tons US\$ 228.6 million (CIF value)	16% growth per annum.	6% import duty	Strong competition from price competitive good quality locally produced branded products.	Category A. Malaysians snack all day. This market continues to be attractive for well-known brands from the USA, particular new product types not yet available in the Malaysian market. US exporters should capitalize on the growth in this market.

Frozen vegetables	12,516 tons US\$ 10.8 million (CIF value)	22,974 tons US\$ 20.3 million (CIF value)	12% growth per annum.	Nil except for frozen sweet corn which attracts 5% import duty.	Products are mainly demanded by the food service sector (western style restaurants) as most consumers still prefer fresh vegetables which are readily available all year round.	Category A. Good prospects continue to exist for certain frozen vegetables supplied by the USA that are in demand by Malaysian consumers. Note: Food service demand continues to be important.
Fresh fruits, temperate	358,053 tons US\$ 155.5 million (CIF value)	356,197 tons US\$ 232 million (CIF value)	19% growth per annum.	5% import duty except for fresh oranges which attracts no import duty.	Growth in demand is still being seen in oranges, mandarins, grapes, pears and apples as well as stone fruits and berries while demand is declining for kiwifruits.	Category A. Opportunities exist for US exporters to capitalize on growth in the berries and stone fruits segment as consumers are looking for alternatives and are becoming more familiar with them. Opportunities also exist for supply of mandarins and tangerines which are in

						huge demand around the Chinese New Year periods. Potential exists for new varieties of apples, pears and oranges to create impetus for further growth.
Dairy	235,017 tons US\$ 798.6 million (CIF value)	264,395 tons US\$ 875.6 million (CIF value)	8% growth per annum.	20% import duty on liquid milk (in quota), 50% import duty on liquid milk (out of quota), 5% import duty on frozen milk and other milk powder under HS 040291. Nil for other products.	High levels of existing competition for market share amongst key suppliers, both local and overseas, making new entry difficult and costly. The USA is the second largest supplier of yoghurt and milk powder and the third largest supplier of cheese.	Category A for Yoghurt, infant milk powder, cheese products. Good sales potential exists particularly for retail packed infant milk powder, pizza cheese and other grated cheese. Category C for other retail packed dairy products. This segment is not particularly attractive for other retail packed dairy products.
Chocolates	15,025 tons US\$ 76.3	20,760 tons US\$ 129.4	17% growth per annum.	15% import duty charged	Strong competition from locally manufactured branded	Category A. Opportunities exist in supplying gift

	million (CIF value)	million (CIF value)			products.	chocolates, novelties and exotic chocolate products to capitalize on festive demands during the year end gift giving period.
Edible nuts	96,279 tons US\$ 54.2 million (CIF value)	Import: 123,598 tons US\$ 98.1 million (CIF value)	22% growth for ground nuts	Nil except for groundnuts which incurs 5% import duty	The market is dominated by groundnuts. Other nuts are showing growth in the market.	Category A for almonds, walnut and pistachio - USA is the largest supplier. Category C for other edible nuts. Strong competition from local brands for other edible nuts.
Sauces and seasonings	27,555 tons US\$ 50.3 million (CIF value)	41,739 tons US\$ 88.3 million (CIF value)	20% growth. The market is dominated by local Asian sauces but all western sauces and seasonings are imported.	10% import duty for soya sauce and tomato sauce and similar sauces. 5% import duty for other sauces except for prepared mustard which is nil.	Very strong competition from local soya sauce and tomato sauce which meet closely with consumer taste and price expectations. USA has created a strong position in supplying western	Category A. Opportunities exist to continue to supply to the retail sector, particularly the western sauces not manufactured in Malaysia.

					sausages to Malaysia.	
Non-alcoholic beverages	54.9 million liters US\$ 70.7 million (CIF value)	125.7 million liters US\$ 158.7 million (CIF value)	26% growth. The market is dominated by local products which meet closely with consumer taste. Import growth is mainly in un-sweetened beverages, including bottled water and fruit juices.	Nil for fruit juices, except for pineapple juice which attracts 20% import duty and guava juice which attracts 6% import duty. 20% import duty on mineral and aerated water and other non-alcoholic beverages.	Very strong competition from local products and brands which meet closely with consumer taste and price expectations.	Category A. Opportunities exist for US exporters to supply juices (fruits and mixture of fruits and vegetables), sparkling juices (for festive seasons and celebrations) as well as products that can be targeted at the growing health food and organic food segments of the market.
Wine	5.7 million liters US\$ 39.6 million (CIF value)	5.5 million liters US\$ 81.5 million (CIF value)	16% growth per annum.	Import duty of RM23 per liter for sparkling wine. Import duty of RM7 per liter for other wines. Excise Duty of 15% and RM34/Ltr	Wine is being consumed by the younger generation of adult urban Malaysian Chinese and Indians, particularly those educated abroad and/or are well-travelled.	Category A. Opportunities exist for US exporters to expand this market for their new world wines as increasing number of young Malaysians acquire a taste for wines as

				for sparkling wine or 15% and RM 12/Ltr for other grape wines.		opposed to whiskey and brandy.
Pet food	29,691 tons US\$ 45.5 million (CIF value)	38,354 tons US\$ 84.4 million (CIF value)	Rapidly growing at 19% per annum.	Nil	It is increasingly fashionable for the middle to upper income groups to own exotic pet dogs and cats. Few constraints/barriers exist under conditions where disposable income is growing.	Category A. This market continues to be attractive for the USA and US exporters should capitalize on the growth in this market.

Category B: U.S. Products not Present in Significant Quantities in the Market That Have Good Sales Potential

Product category	2008 Imports	2012 Imports	5 year Average	Import Tariff	Key constraints	Market attractiveness
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			Annual Import Growth Rate	Rate	over market development	for USA
Baked products	23,603 tons US\$ 39.2 million (CIF value)	31,481 tons US\$ 80.2 million (CIF value)	23% growth. Fast growing market, popular amongst all consumers, particularly cakes and sweet biscuits consumed as a snack food.	6% on sweet biscuits, waffles and wafers, un-sweetened biscuits. Nil for other baked products.	Strong competition from price competitive good quality locally produced branded products.	Category B. Malaysians snack all day long and baked products are one of the most popular snacks of Malaysians. US exporters should capitalize on the growth in this market. US exporters should consider exporting unique and exotic products of acceptable taste and flavor, products that are not readily available in this region.
Fresh vegetables	893,244 tons US\$ 342.9 million (CIF value)	1,045,401 tons US\$ 553.9 million (CIF value)	10% growth per annum.	Nil	Competition from local suppliers and China which supply mainly Asian vegetables to the market. The bulk of demand is for Asian fresh vegetables.	Category B. Demand for fresh temperate vegetables will continue to grow as more varieties are adopted into local food culture, particularly broccoli,

						cauliflower, carrots and asparagus.
Dried fruits	17,855 tons US\$ 10.9 million (CIF value)	Import: 30,341 tons US\$ 25.1 million (CIF value)	20% growth mainly for dried Tamarind products	5% import duty applies. Nil on dried dates and dried grapes.	Maturing market for traditional dried fruits such as raisins and prunes. Slow grow in dried fruits such as figs, avocado, apricot, apple, peach and other dried fruits.	Category B. US exports dominate the raisins segment and continue to have a significant share in dried prunes. Opportunities exist to supply to the growing health food and organic food segments of the retail market.
Sugar confection	18,093 tons US\$ 43 million (CIF value)	20,632 tons US\$ 54.2 million (CIF value)	Growing by 9% per annum. Consumers, particularly the younger generation, are attracted by the temptingly packaged and fun looking novelty products.	15% import duty charged	Strong competition from products made locally.	Category B. Opportunities exist in supplying novelty products targeted at the younger generation, particularly products which are not yet available in the market.

Category C: U.S. Products not Present in the Market Because They Face Significant Barriers

Product	2008	2012	5 year	Import	Key	Market
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category	Imports	Imports	Average Annual Import Growth Rate	Tariff Rate	constraints over market development	attractiveness for USA
Chicken Cuts, frozen	30,055 tons US\$ 64 million (CIF value)	42,379 tons US\$ 104 million (CIF value)	Imports fluctuate from year to year, depending on the local supply situation. Market is dominated by local chicken.	Import duty of 20% (in quota) and 40% (out of quota).	Halal certification approved by Malaysian religious authority is required. Well developed local poultry farming industry.	Category C. This market continues to be a challenge under conditions where the market is well served by local sources. There is an import restriction on chicken.
Dairy	235,017 tons US\$ 798.6 million (CIF value)	264,395 tons US\$ 872.6 million (CIF value)	8% growth per annum.	20% import duty on liquid milk (in quota), 50% import duty on liquid milk (out of quota), 5% import duty on frozen milk and other milk powder under HS 040291. Nil for other products.	High levels of existing competition for market share amongst key suppliers, both local and overseas, making new entry difficult and costly. The USA is the second largest supplier of yoghurt and milk powder and the third largest supplier of cheese.	Category C for other retail packed dairy products. This segment is not particularly attractive for other retail packed dairy products. Category A for Yoghurt, infant milk powder, cheese products targeted at the middle to high income consumers. Good sales potential exists particularly for retail packed

						infant milk powder, pizza cheese and other grated cheese.
Edible nuts	96,279 tons US\$ 54.2 million (CIF value)	Import: 123,598 tons US\$ 98.1 million (CIF value)	22% growth per annum for ground nuts	Nil except for groundnuts which incurs 5% import duty	The market is dominated by groundnuts. Other nuts are showing growth in the market.	Category C for other edible nuts. Category A for almonds, walnut and pistachio - USA is the largest supplier. Strong competition from local brands for other edible nuts.
Beer	23.6 million liters US\$ 27.8 million (CIF value)	Import: 51.1 million liters US\$ 68.1 million (CIF value)	33 % growth per annum. The market is dominated by locally brewed products.	Import duty of RM5 per liter. Excise Duty of 15% and RM 7/Ltr for beer not exceeding 5.8 % vol and RM7.40/Ltr for other.	Very strong competition from locally produced well-known brands.	Category C. Most imports have tentative niche presence as the foreign brands are not well known to consumers.

END OF REPORT.

