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Report Name: Food Processing Ingredients Annual

Country: Malaysia

Post: Kuala Lumpur

Report Category: Food Processing Ingredients

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Report Highlights:

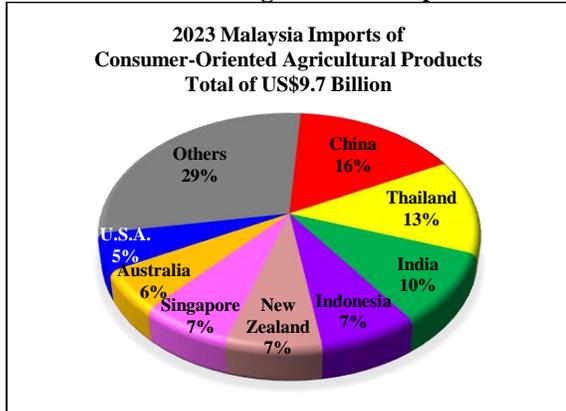
The Malaysian food and beverage manufacturing industry is a significant sector in Malaysia's economic expansion for both the domestic and export market. This sector includes several multinational corporation facilities as well as a range of local company operations. The main products manufactured include beverages, canned seafood, canned fruits, canned vegetables, confectionary, dairy products, noodles, and bakery products.

Market Fact Sheet: Malaysia

Executive Summary:

Malaysia is a growing middle-income country and the GDP reached \$407 billion at the end of 2022. Notwithstanding halal requirements, 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 related product imports in 2023 reached \$24 billion USD, roughly four percent of which was sourced from the United States.

Consumer-Oriented Agricultural Imports



Top Exporting Countries to Malaysia

Food Retail Industry:

Malaysia’s food retail sector is a well-established market space. Smaller format retail spaces in high-density residential areas are especially popular. Trends on the rise include health and wellness, organics, convenience foods, and demand for sustainable food and packaging.

Food Processing Industry:

The food processing industry accounts for about 7.3 percent of the overall manufacturing sector in Malaysia. The industry is expected to see steady growth in 2024. Several multi-nationals have regional production facilities in and around Kuala Lumpur.

Food Service Industry: Malaysia has an extensive and wide variety of food service. The Malaysian food service industry grew 13.5 percent in 2023. However, costs are rising and finding workers for food service is often a challenge for businesses trying to compete.

Quick Facts CY 2024

Imports of Consumer-Oriented Products: \$488 million

List of Top 10 Growth Products in Host Country

- | | |
|----------------------------------|-------------------------|
| 1) Dairy | 2) Prepared Food |
| 3) Processed Vegetables | 4) Tree Nuts |
| 5) Bakery goods cereals, & pasta | 6) Processed fruits |
| 7) Pork & Pork products | 8) Pet foods |
| 9) Chocolate & Cocoa products | 10) Condiments & Sauces |

Food Industry by Channels (U.S. billion)

Retail Food Industry	\$2.24 (in December 2023)
Food Service – HRI	\$8.42 (in Year 2022)
Food Processing	\$2.29 (in February 2023)
Food and Agriculture Exports	\$24.43 (in Year 2023)

Top 10 Retailers in Malaysia (based on sales)

- | | |
|------------------|-------------------|
| 1) 99 Speedmart | 2) Lotus |
| 3) 7-Eleven | 4) Eonsave |
| 5) AEON | 6) Mydin |
| 7) Jaya Grocer | 8) Village Grocer |
| 9) KK Super Mart | 10) Kedai Mesra |

GDP/Population

Population (millions): 33.7
 GDP (billions USD): 407
 GDP per capita (USD): \$13,034

Sources: Malaysia Department of Statistic, Euromonitor, Trade Data Monitor, Malaysia Investment Development Authority, Retail Group Malaysia and World Economics.

Strengths/Weaknesses/Opportunities/Threats

<i>Strengths</i>	<i>Weaknesses</i>
-Well established market with modern distribution channels. CPTPP opens opportunities for processed and packaged food exports in the region.	-Halal certification is required for many U.S. products in the Malaysian market for better market access. -Malaysia can be a competitive market
<i>Opportunities</i>	<i>Threats</i>
-The growth in Food Processing, HRI, and Retail sectors require a wide range of imported food products and ingredients. -Increasing tourism activities and rising disposable income increased consumption.	-Manufacturers require technical and marketing support for new products. -Inflation and decrease in value of the local currency.

Section 1: Market Overview

Malaysia has a well-developed food processing sector that accounts for about 7.3 percent in 2023 of the country's total manufacturing. The Malaysian food manufacturing sector is growing and expected to become a regional hub for processing and exports. Malaysia is still reliant on sourcing raw materials from international suppliers for their food and beverage manufacturing sector.

One of the key markets for Malaysian food and beverage exports is the halal market. Halal food processing serves a growing global Muslim population of 1.8 billion. For full market access to the Malaysian food and beverage manufacturing, U.S. food processing ingredients will need to be halal certified. Some of the notable processed food products include cocoa and chocolate products, snack foods, dairy products, canned/preserved foods, cereals, and cereal preparations.

Advantages	Challenges
Many key inputs for food manufacturing must be imported, including wheat, soybeans, sugar, dairy products, nuts, dried fruits and flavorings	Strong competition from China, Thailand, Australia, and New Zealand in certain key sectors
Relatively free and open market, with low duties and no quantitative restrictions for most products	Many foods must be certified halal (beef, lamb, poultry and dairy products)
Rising incomes are creating demand for processed foods	Importers generally purchase based on price, and consumers are price sensitive
Innovative food manufacturing sector interested in new and unique forms of ingredients.	Interested suppliers must spend time to become familiar with market and key players
Food manufacturing sector comprised both of multinational and local companies looking for diverse blend of ingredient inputs	Key regional suppliers have a freight advantage and logistics cost can be a disadvantage
Malaysia is a growing regional hub for food manufacturing	U.S. exporters' products must meet specifications for third-country markets and provide technical support to better understand applications and formulations
The government is encouraging investment in the sector	Labor and other production costs are rising

Section 2: Roadmap for Market Entry

U.S. exporters must become familiar with food manufacturer's requirement and specifications, purchasing policies, expected purchase of volume, and the relative competitiveness of products from alternative suppliers. In addition, suppliers must be aware of all import requirements. Appointing a local representative is advisable.

Key Strategies for U.S. Exporters	
Strategy	Reasons
Obtain <i>halal</i> certification for the product.	Most manufacturers will demand that all their inputs be <i>halal</i> certified.
Focus on the key competitive attributes of the product.	It is a very competitive market; therefore, U.S. exporters must explain the advantages using their products such as uniqueness, consistency of supply and delivery, technical support and customer service.
Ensure quality of the raw food materials to instill manufacturer's confidence.	Food manufacturers are both price sensitive quality conscious. Furthermore, manufacturers must ensure the quality of their food products for export markets.
Provide information to food manufacturers through direct calls and via promotional events.	Local manufacturers may be unaware of many U.S. ingredients, so it is important to do promotional activities to increase awareness.
Establish an efficient distribution network.	Having a good local agent and several distributions will increase market exposure and enhance customer service.

Analyze Malaysian food laws, packaging and labeling requirements, and importer criteria for entry into the market. Detailed information on Malaysian regulations and requirements can be found by accessing the [USDA Food Safety and Inspection Service Export Library](#) and the latest [FAS Malaysia Food and Agricultural Import Regulations & Standards Country Report](#).

A. Import Procedure

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 importance are Malaysia's *halal* certification and dairy facility registration requirements:

Halal Certification

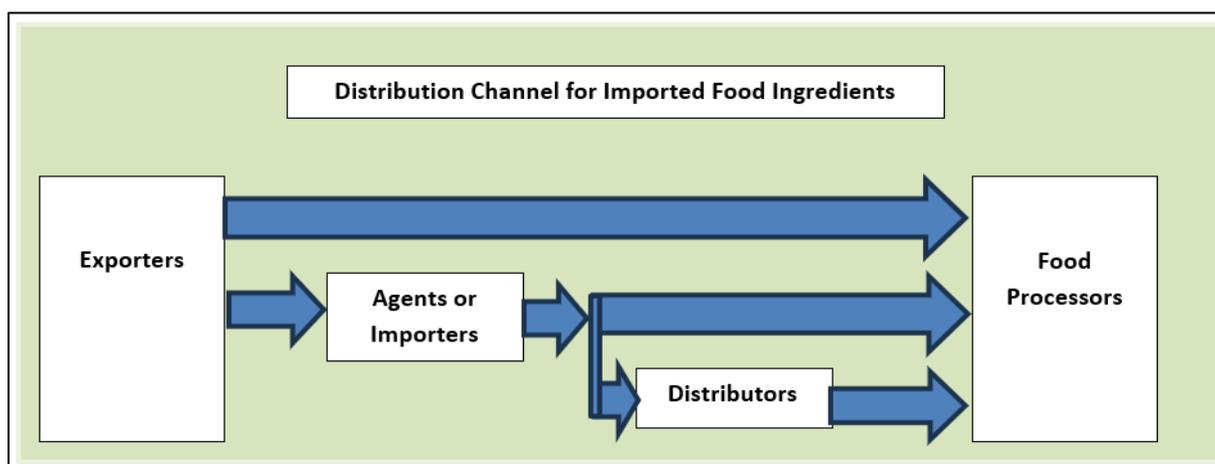
Many food products (e.g. beef or poultry) require *halal* certification in order to enter the country. Currently, the Islamic Development Foundation of Malaysia (JAKIM) is the only authorized entity allowed to issue *halal* certification. In the United States, JAKIM has appointed three Islamic institutions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

For further details on halal requirements in Malaysia market, please refer to [Malaysia: Halal Country Report](#).

For further details on meat and poultry export requirements in the Malaysia market, please refer to the [USDA Food Safety and Inspection Service Export Library](#).

B. Distribution Channels

The diagram below depicts the overview distribution channels for raw food ingredients that are being imported into the country that will be used by the end users of food processors and manufacturers in Malaysia.



C. Market Structure

Raw food materials are imported either directly by the food manufacturers, through importers, or agents. Generally, products purchased in high volume are imported directly by the food manufacturers while those purchased in smaller volumes are imported through importers or agents. Importers and agents in turn sell directly to the food manufacturers or through distributors. Distributors are generally used to supply to smaller food manufacturers often located far away from importers or agents' business operations. Local producers of raw food materials generally sell directly to the food manufacturers but will use distributors to supply to the smaller food manufacturers.

Both Malaysian and multinational companies are active in the sector. Multinational companies are often joint investments between foreign and Malaysian investments. Some foreign brands of food products are produced under license by Malaysian companies with the rights to market within specific geographical markets.

D. Major Segments in Food Processing Industry

Sales Value of Manufacturing Sector by Group		
Manufacturing Segment	2022 (Jan to Oct)	2023 (Jan to Oct)

	Value in USD Thousand	Value in USD Thousand
Processing and Preserving Meat	1,562	1,659
Processing and Preserving of Fish, Crustaceans and Mollusks	1,027	1,071
Processing and Preserving of Fruits and Vegetables	0.318	0.416
Manufacture of Vegetable and Animal Oils and Fats	33,513	29,413
Manufacture of Grain Mill Products, Starches and Starch Products	1,878	1,980
Manufacture of Other Food Products	10,355	11,127
Manufacture of Beverages	2,264	2,315

(Source: Malaysia's Department of Statistics, Malaysia's Ministry of Finance)

E. Company Profiles and Company Products link

Malaysia has several multinational companies that have manufacturing in the country including brand names Nestle, Fraser & Neave Holdings, Dutch Lady Milk Industries, Ajinomoto, Carlsberg, Heineken, Kellogg Asia Products and Unilever.

These are the popular Malaysia food brands from biscuits, snacks, chocolates, and sauces to cooking pastes that are manufactured for global export.

No.	Company	Website	Type of Products
1.	Munchy's	http://www.munchys.com/	Biscuits
2.	Julie's	https://www.julies.com.my/	Biscuits
3.	MAMEE	https://mamee.com/	Noodle Snacks, Potato Chips
4.	Mister Potato	https://mamee.com/our-worlds/snacks/mister-potato/	Potato Chips Snacks
5.	OLDTOWN White Coffee	https://oldtown.com.my/	Instant Coffee
6.	Vochelle	https://vochelle.com.my/	Chocolate Products
7.	Beryl's	https://www.berylschocolate.com.my/	Chocolate Products
8.	Life Sauces	https://lifesauces.com.my/	Sauces

9.	Lingham	https://www.lingham.com/	Sauces
10.	BABA's	https://www.babas.com.my/	Seasoning and Spices Product
11.	Brahim's	https://brahimsfood.com	Instant Retort Pouched Food Products
12.	Kawan Food	https://kawanfood.com/	Frozen Traditional Pastries

F. Sector Trends

- Manufacturers are looking for sustainable packaging that is cost effective and is environmentally friendly.
- Shift in consumer behavior toward organic, functional, and healthy foods, including low calorie and sugar-free options.
- Plant based alternatives are trending with high-end retailers offering various brands for meatless plant-based products.
- Higher income resulted in consumer consumption in highly urbanized areas for processed convenience foods throughout Malaysia.
- Increasing consumer interest in international food trends provides opportunities for food manufacturers to develop and introduce new food products.
- Established infrastructure, including cold storage and port facilities, allows companies to develop reliable supply chains.
- Modern retail sector offers venues for promotion and marketing processed dry goods, and chilled and frozen goods, perishables.

Section 3: Competition

Malaysia's relatively open market is highly competitive with suppliers globally. However, there are high potential for U.S. food processing ingredients as Malaysia is reliant to global supply for their food and beverage manufacturing as shown in the table below.

Product Category (2023)	Major Supply Sources (2023)	Foreign Supplier Situation	Local Supplier Situation
Dairy Products	New Zealand: 34% Thailand: 11% Australia: 8%	Australia & New Zealand are traditional suppliers and enjoy	Local/regional dairy companies have strong brand name

Net Imports: USD \$1.7 billion	U.S.A.: 8%	Free Trade Agreements with Malaysia. The United States is a top supplier of whey.	recognition amongst consumers.
Vegetable Oil Net Imports: USD \$1.1 billion	Indonesia: 49% China: 6% Philippines: 4% U.A.E.: 4% U.S.A.: 1.5%	Indonesia is a major supplier of coconut oil. The United States is a significant supplier of sunflower oil.	Malaysia is a major producer of palm oil.
Beef Net Imports: USD \$717 million	India: 75% Australia: 11% Brazil: 6% New Zealand: 2% U.S.A.: 0.1%	Almost all imported beef into Malaysia comes from India, Australia and New Zealand. Beef from India is very cheap and serves the low-end outlets. Australia dominates the higher- end HRI market.	Inadequate supply of local beef and increasing demand makes Malaysia highly dependent on imports.
Wheat and Wheat Flour Net Imports: USD \$640 million	Australia: 58% Canada: 19% U.S.A.: 6% Romania: 4%	Australia is the traditional supplier.	Malaysia does not produce wheat.
Processed Fruits Net Imports: USD \$247 million	China: 35% Thailand: 12% U.S.A.: 6% Tunisia: 5%	Processed fruits from China and Thailand are price competitive. The United States is a top supplier of raisins.	Malaysia is not a major producer of processed fruits for the food processing industry.
Tree Nuts Net Imports: USD \$191 million	Indonesia: 34% U.S.A.: 20% China: 14% Vietnam: 8% India: 6%	Along with cashews from neighboring countries, U.S. nuts are very popular.	Limited local production.

Data Source: Trade Data Monitor

Section 4: Best Product Prospects

The Malaysia market presents substantial export potential for various food processing ingredients and products across different categories and type of food groups. Collaborations between U.S. exporters and Malaysian food manufacturers can facilitate the exchange of expertise in novel processing techniques and ingredient formulations. This leads to the creation of innovative products tailored to local tastes and preferences. By investing in research-driven solutions, U.S. exporters can position themselves as leaders in providing value-added ingredients that elevate the quality, taste, and nutritional profile of Malaysian food products.

A. Products Present in the Market which have Good Sales Potential

Malaysia's food processing ingredient market offers opportunity as the manufacturing sector expands. U.S. exporters can leverage innovation and technology to drive research and development, offering cutting-edge solutions to meet evolving consumer demands. Some of the best sales potentials are in:

- Dairy Products
- Bakery Products
- Seafood Products
- Confectionaries
- Snack Foods
- Soft Drinks
- Sauces
- Oil & Fats
- Canned Fruit and Vegetables

B. Products Not Present in Market but which have good Sales Potential

There are several U.S. food processing ingredients that are not widely available in the Malaysian market but hold significant sales potential such as:

- Plant-based protein isolates
- Specialty baking ingredients
- Functional food additives
- Superfood powders and extracts
- Specialty oil and fats
- Natural sweeteners

C. Products Not Present Because They Face Significant Barriers

U.S. beef and poultry currently do not have any approved facilities for export to Malaysia. Although there is high demand for U.S. beef, especially premium cuts and whole carcass, challenges presented by halal certification and registration have led to an absence of U.S. beef in the market. For poultry, products, Malaysia is a large consumer of U.S. turkey and importer of day-old chicks. However, due to the ongoing Highly Pathogenic Avian Influenza situation in the United States, the Malaysian

government has banned U.S. poultry imports.

In summary, innovation in Malaysia's food manufacturing sector spans across various product categories, with a focus innovation to meet the evolving needs and preferences of consumers. Halal certification is one of the key considerations in entering the food manufacturing sector.

Section 5: 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
E-mail: AgKualaLumpur@state.gov
Website: <http://www.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

Suite 14-1, Level 14
Wisma UOA Damansara II
No. 6, Changkat Semantan, Damansara Heights
50490 Kuala Lumpur, Malaysia
Tel: (60) 3 2789 3288
Contact: Caleb Wurth, Regional Director—South & Southeast Asia
Email: sea@grains.org

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

3 Ang Mo Kio Street 62
#07-05 Link@AMK, Singapore 569139
Tel: (65) 6586 0940
Contact: Thomas Tan, ASEAN Consultant
Email: thomas_tan@usapeccasean.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: Joseph Sowers, 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>

Attachments:

No Attachments