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Malaysia

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Wine

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Product Brief

Approved By:
Chris Rittgers
Prepared By:
Leepin Loh

Report Highlights:
Malaysia has a relatively small consumer base for wine. Australia is the dominant supplier. U.S. wines have about 6 percent market share. Nonetheless, U.S. sales were a record in 2013, and U.S. wines can build upon this through more educational and promotion efforts.

Market Fundamentals

Over 60 percent of Malaysia's 29 million population is Muslim, who do not consume alcoholic beverages. Wine consumers are limited to the country's other ethnic groups: Chinese (25 percent), Indian (10 percent); expatriates, and tourists. As a result, it is a relatively small, yet competitive market for wines.

Malaysia imports all of its wine requirements; there is no local production. In 2013, the import market was valued at $75 million, amounting to 6 million liters (Note: The discrepancy between the totals here and the data in the table below reflect transshipments from Singapore). Young Malaysians increasingly prefer drinking wines and see it as fashionable and healthier choice compared to other alcoholic drinks. Red wine dominates the market, with 75 percent of consumers preferring it over white due to the perceived health benefits. Cabernet and Shiraz are the two most popular red wines, while Chardonnay and Sauvignon Blanc are the leading whites. Wines are served at most Chinese weddings and other special celebrations.

French wines are well-established among the well-to-do and older generation. However, demand for new world wines has grown steadily among the younger generation. In addition, travel abroad for business, study, and tourism has exposed affluent Malaysians to wine culture overseas, further boosting demand. Aggressive marketing activities done by the wineries and local importers have also driven demand, particularly for Australian and European wines. In 2013, Australia had 48 percent market share, with France second with 21 percent.

Local wine consumers are very price conscious. Low-to-medium range wines sold at retail outlets attract budget-conscious consumers, looking for promotional pricing. More affluent and well-travelled consumers buy wines from specialty wine shops and private wine clubs, wine bars and fine dining restaurants. The general consumer will continue to search for affordable brands, but demand for higher quality wines is forecast to continue to grow among higher income buyers with greater appreciation for premium wines.

Trends in U.S. wine sales

U.S. wine sales grew significantly in 2013, with the value of U.S. wine growing from $2 million in 2012 to $3.6 million in 2013. In the past five years, the per unit value of U.S. wine imported to Malaysia has also risen. U.S. mid-range wines priced between RM50 – RM100 ($16-$35) per bottle have the most potential in the market. U.S. origin wines face stiff competition from Australian and French wines, which tend to have better brand recognition.

Wines from U.S. in value (US$)

2008	2009	2010	2011	2012	2013
825	1,892	2,567	1,988	2,000	3,599

Wines from U.S. in volume (kiloliters)

318	927	748	344	402	642

Total Wine Imports

Malaysia's official import data differs significantly from what exporting countries report as being shipped. This probably reflects the fact that high import and excise duties lead to under-declaration upon entry. In addition, the tables below do not capture the quantity that is trans-shipped through Singapore. By conservative estimates, about 3,000 kiloliters are shipped through Singapore to Malaysia.

The Table below shows the value of wine imported from major countries for the six years to 2013.

	Countries	**Wine Imports** (US$'000)					
		2008	**2009**	**2010**	**2011**	**2012**	**2013**
1	Australia	17,620	17,750	24,736	32,312	28,998	28,081
2	France	10,541	7,497	9,210	11,265	11,552	10,464
3	Chile	2,135	2,447	2,656	3,185	3,331	3,671
4	**U.S.A.**	**825**	**1,892**	**2,567**	**1,988**	**2,000**	**3,599**
5	Italy	1,948	1,363	1,653	2,881	2,406	3,485
6	New Zealand	502	709	1,771	1,405	2,176	1,811
7	Spain	991	1,036	1,070	1,615	1,434	1,746
Sources: Global Trade Atlas (GTA)							

The Table below shows the volume of wine imported from major supply countries for the six years to 2013.

	Countries	**Wine Imports ('000 Litres)**					
		2008	**2009**	**2010**	**2011**	**2012**	**2013**
1	Australia	2,672	2,947	6,931	3,193	2,966	2,874
2	France	1,339	1,095	1,324	1,323	1,302	1,100
3	Chile	647	723	739	918	903	932
4	Spain	398	654	746	951	783	860
5	**United States**	**318**	**927**	**748**	**344**	**402**	**642**
6	Italy	253	218	214	341	292	405
7	New Zealand	48	84	254	164	274	179
Sources: Global Trade Atlas (GTA)							

Regulatory Requirements

A wine importer must have a premise license and a retail/wholesale liquor license from the district council to trade wines. There is no import quota for wines. However, as wine is a controlled item, a valid import license issued by the Royal Customs and Excise Department is required to import wine.

Labeling Requirements
The Ministry of Health enforces the 1985 Food Regulations law, which covers all food and beverage products. This set of regulations governs standards and specific labeling for wines, language to be used (English or Bahasa Malaysia), food additive and packaging. These regulations can be found here: (http://fsis2.moh.gov.my/fosimv2/HOM/frmHOMFARSec.aspx?id=21).

Labels on imported wines must include the name and address of importers, country of origin and the minimum contents by volume. The label must give a specific description of the product, the alcoholic content in bold-faced lettering of a non-serif character not less than 12 point size lettering, stating the words "ARAK MENGANDUNGI _% ALKOHOL" (liquor containing _% alcohol), as well as the primary ingredients used in production.

Tax structure
Malaysia's Customs Duty and Sales Tax Orders set import duties, taxes, and licensing requirements on wine imports. All imported wines must be declared in writing on the Customs No. 1 Form, and with the import license, submitted to the Customs station at the port where the goods are to enter. All declarations should indicate the number and description of bottles, value, weight, measurement, or quantity, and the country of origin. Per the example below, when sales, import, and excise taxes are added together, the effective rate is about 234 percent.

Calculation of Import Duty, Excise Duty and Sales Tax and Total Tax

Tariff Code	Description	Import Duty (RM)	Excise Duty (RM)	Sales Tax (%)
2204	Wine	RM 7/L	RM 12/L & 15%	5

Example Calculation: Quantity: 10 Liters (L); CIF Value: RM 100			
			Total (RM)
Import Duty (A)	10 (L) X RM 7/L		RM 70
Excise Duty (B)	10 (L) X RM 12/L	120	
	(RM 70 + RM 120) X 15%	28.5	
	Total Excise Tax		148.5
Sales Tax (C)	(100+70+148.5) X 5 %		15.93
	TOTAL TAX		234.43

Tariff for non-sparkling wine (HS 2204):
(A) Import duty of RM 7 (USD 2.20) per liter;
(B) Excise duty of RM 12 (USD 3.76) per liter plus 15%;
(C) 5% sales tax on CIF + duty;

Tariff for sparkling wine (HS2204.10):
(A) Import duty of RM 23 (USD 7.21) per liter;
(B) Excise duty of RM 34 (USD 10.66) per liter plus 15%;
(C) 5% sales tax on CIF + duty;

Source: http://tariff.customs.gov.my

Market Entry Strategy

The presence of American wines in supermarkets and wines shops is limited to a few well-known brands, which have been well-established in the market. In 2013, U.S. wine import market share was about 6 percent. U.S. wines are often priced above competing origins, which discourages some importers from investing time and resources to introduce them into the market. Local wine importers also hold the view that U.S. suppliers should provide more support for promotional activities. Wineries from other importing countries such as Australia, France, New Zealand and Italy regularly organize tastings, wine dinners, and educational events. The local industry expects U.S suppliers to do the same.

To increase U.S. wine sales, U.S. suppliers must have a presence in the market, either directly or through agents. Personal visits by wineries are important in creating trust between the relevant business parties. In addition, U.S. wineries should actively invite local wine industry specialists on sponsored visits to U.S. vineyards. Retailers, importers, and media would also respond favorably to such familiarization and educational initiatives. Finally, as stated above, importers expect to receive support to conduct promotional activities, such as wine tastings and seminars.

Recommendations for U.S. wine exporters

- Carefully select local importers that are best positioned. These importers should be specialist wine importers with the ability and experience to market wine to the food retail and food service sectors.
- Consider price competitiveness compared to other major imported wines.
- Work very closely with the appointed local importers to regularly promote and provide education about U.S. wine.

Key Contacts and Further Information

If you have any questions or comments regarding this report or need assistance exporting U.S. wines to Malaysia, please contact the Office of Agricultural Affairs at the U.S. Embassy in Kuala Lumpur at the following address:

Office of the Agricultural Affairs
Unit 4210
DPO AP 96535
Tel : (011-60-3) 2168-5082; Fax : (011-60-3) 2168-5023
E-mail: AgKualaLumpur@fas.usda.gov