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Malaysia

Food Service - Hotel Restaurant Institutional

Annual 2018

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Report Highlights:

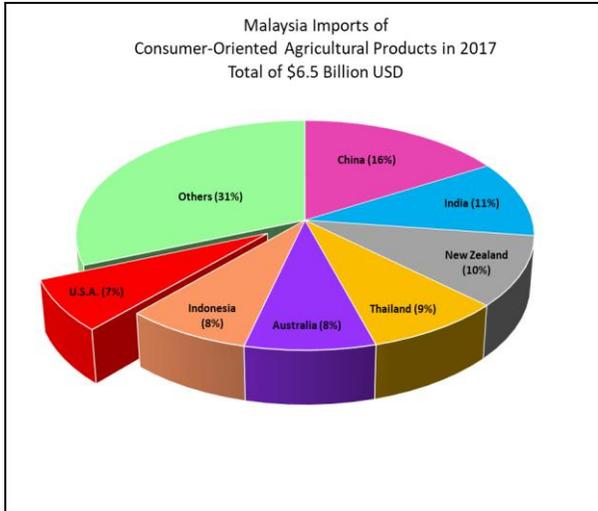
Malaysia's hotel, restaurant and institutional (HRI) industry is one of the fastest growing sectors in the country's economy and is largely driven by robust tourism and consumer spending. Top U.S. product prospects for the local HRI industry include frozen potatoes, fresh fruit, tree nuts, seafood, wine & beer, and beef. The expanding Malaysian economy and HRI sector are expected to support steady growth in demand for imported high quality food and beverage products for the next several years.

Post:

Kuala Lumpur

| | |
|-------------------|--|
| Executive Summary | |
|-------------------|--|

Malaysia's hotel, restaurant and institutional (HRI) industry is one of the fastest growing sectors in the country's economy and is largely driven by robust tourism and consumer spending. In 2017, Malaysian imports of consumer oriented agricultural products (from all sources) reached \$6.5 billion USD, an increase of 18 percent from five years ago. The rapid expansion of the HRI industry throughout the country is expected to support steady growth in demand for imported high quality food and beverage products for the next several years.



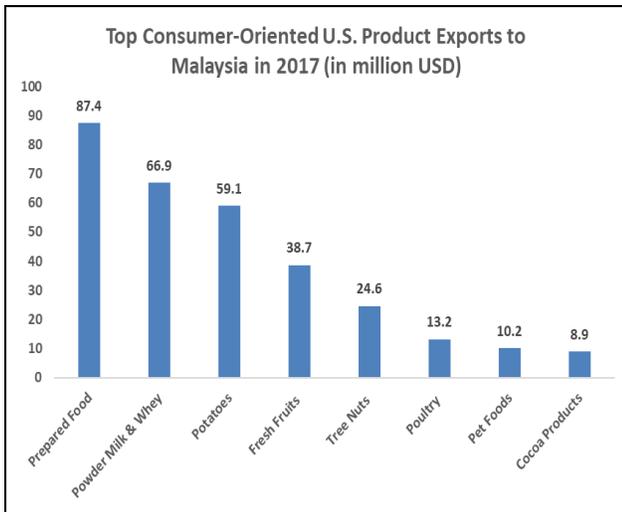
Food Service Industry – Quick Takeaways

- Robust tourism and a growing middle class strongly influence the country's HRI industry.
- Malaysia's food service industry is highly diverse with Malay, Indian, Chinese and Western options all widely available.
- Depending on the imported product, acquiring halal certification can greatly improve marketability in the Malaysian HRI industry, and in many cases is mandatory.

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Imports of U.S. Consumer-Oriented Products

The United States was Malaysia's 7th largest supplier of consumer Atlas data, U.S. consumer-oriented product exports to Malaysia are



(Source: Global Trade Atlas)

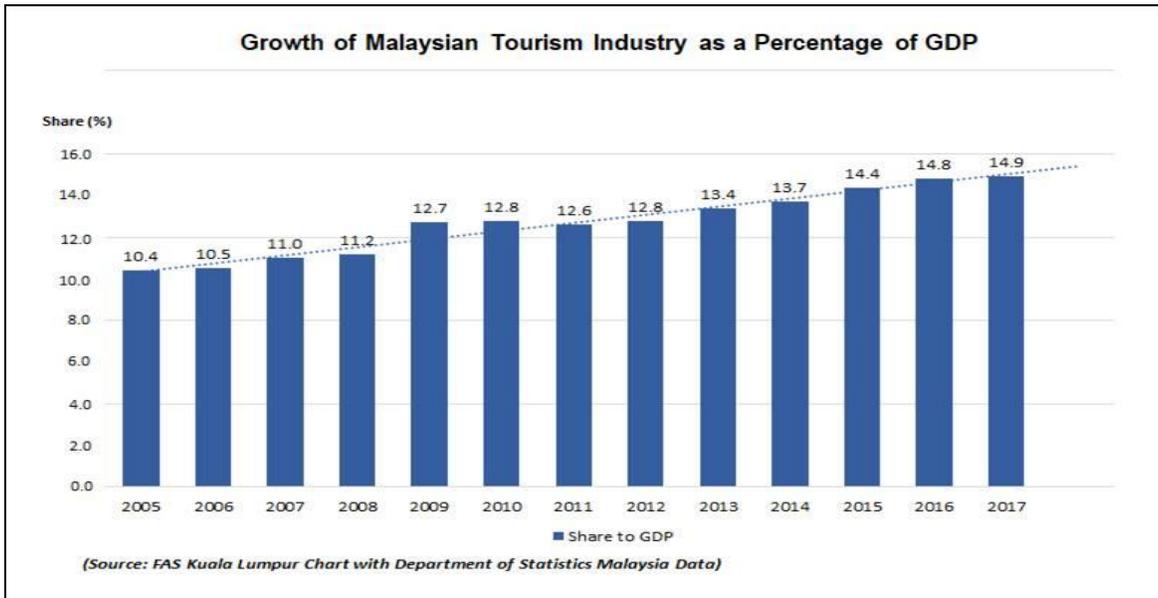
| SWOT Analysis | |
|---|--|
| Strengths/Weaknesses/Opportunities/Challenges | |
| Strengths | Weaknesses |
| -U.S. food and agricultural products are trusted and perceived to be of high quality. | -Many U.S. products need to be halal certified in the Malaysian market, which can be a lengthy process.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

Market Summary

The Malaysian Hotel, Restaurant, and Institutional (HRI) industry is one of the fastest growing sectors in the country and is largely driven by robust tourism and increased consumer spending.

The Malaysian economy has enjoyed strong growth in recent years with 2017 real GDP expanding by 5.9 percent. According to the Malaysian Department of Statistics, the tourism industry has played a significant role in this economic expansion and now represents nearly 15 percent of the country's GDP (please see chart below). According to Euromonitor data, the country's hotel and restaurant industry

has performed particularly well during this expansion with real growth of over 54 percent during the past five years.



Malaysia’s HRI sector is largely driven by tourism and increased consumer spending but the following dynamics are also important:

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

Halal Certification



To ensure full market access to the Malaysian HRI industry, halal certification is strongly recommended for all imported food and beverage products. Furthermore, many products (e.g. beef or poultry) require halal certification in order to enter the country. As roughly 60 percent of the Malaysian population is Muslim, the majority of hotels, restaurants and catering services work to ensure 100% halal certification. As a result, they strive to have all food and beverage products used in their

establishments halal certified (regardless of whether or not it is actually required for the respective

product). Currently, the Department of Islamic Development (JAKIM) is the only authorized entity allowed to issue halal certification for domestic food establishments. In the United States, JAKIM has appointed two Islamic institutions to inspect and halal certify food and beverage products for export to Malaysia; the Islamic Food and Nutrition Council of America (IFANCA) and the Islamic Services of America (ISA).

| Organization & Address | Contacts | Halal Logo |
|--|--|---|
| <p>Islamic Food and Nutrition Council of America (IFANCA) 5901 N. Cicero Ave, Suite 309 Chicago, Illinois 60646</p> <p>IFANCA Halal Research Center 777 Busse Highway Park Ridge, Illinois 60068</p> | <p>Dr. Muhammad Munir Chaudry President Tel: +17732833708 Fax: +17732833973</p> <p>Tel: +1 847 993 0034 EX 203 Fax: +1 847 993 0038 Mobile: +1 773 447 3415</p> |  |
| <p>Islamic Services of America (ISA) P.O Box 521 Cedar Rapids, IOWA 52406 USA</p> | <p>Mr. Timothy Abu Mounir Hyatt Managing Director Tel: (319) 362-0480 Fax: (319) 366-4369</p> <p>Email: thyatt@isahalal.org islamicservices@isahalal.org Website: www.isahalal.org</p> |  |

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

Advantages and Challenges for U.S. Exporters

| Advantages | Challenges |
|--|---|
| U.S. food and agricultural products are trusted and perceived to be of high quality. | Many U.S. products need to be halal certified in the Malaysian market, which can be a lengthy process. |
| An expanding Malaysian economy and rapidly growing HRI sector require a wide range of imported food products and ingredients. | Consumer purchasing power may be hindered by rising inflation. |
| Most imported food and beverage products have low import and customs duties (except for alcoholic drinks). | Australia and New Zealand both have free trade agreements with Malaysia and have a strong presence in the country's consumer-oriented food and beverage market. |
| A large number of U.S.-style restaurants and cafés operate in major cities, enabling new-to-market U.S. products easier market acceptance. | In addition to Australia and New Zealand, products from China and other ASEAN countries are gaining market share. |
| The high-end HRI segment maintains high standards of quality and hygiene, which is very positive for U.S. food and beverage prospects. | The majority of Malaysian consumers only dine at high-end restaurants for special occasions. |

Road Map for Market Entry

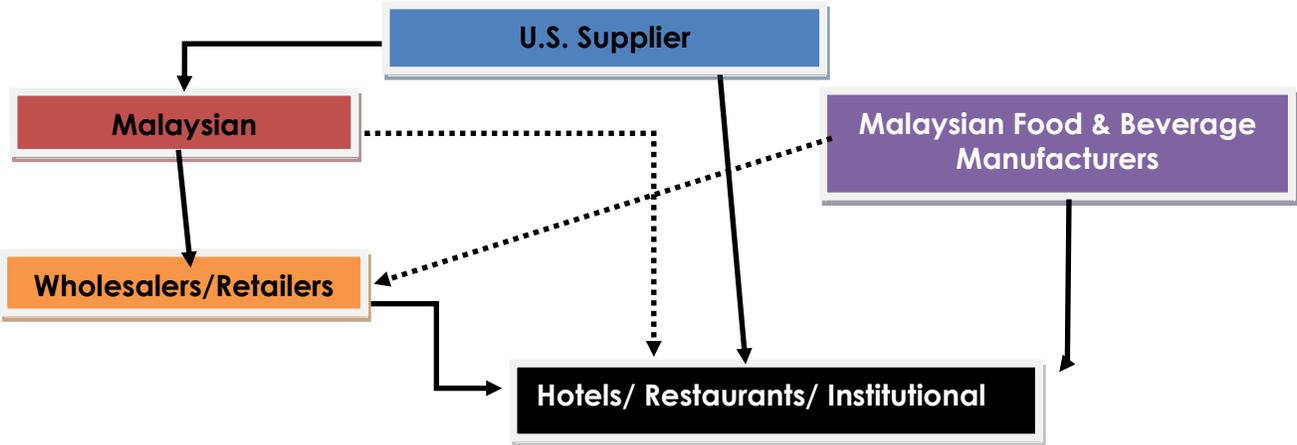
U.S. exporters should consider the following when planning to enter the Malaysian HRI market:

- Review the types of U.S. products that can be readily targeted to the high-end food service sector. Consider the price competitiveness of U.S. products compared to similar products available in the market.

- Gain a full understanding of required export certificates/registrations and importer criteria for shipment to Malaysia. Again, halal certification is highly recommended even if it is not required for market access. For details on required certificates and registrations for export to Malaysia, please visit: [USDA’s Food and Agricultural Import Regulations \(FAIRS\) Report for Malaysia](#).
- Develop links with the select number of local importers that target the major hotels, restaurants and caterers that depend on imported food and beverage products.
- After establishing links with importers, strive to educate them (in person if possible) on the qualities of your product/s and supply chain.
- After establishing trade agreements with local importers, conduct product promotions with end-user hotels and restaurants. This type of marketing event is particularly effective during festivals and peak seasons (Chinese New Year, Ramadan, Deepavali, etc.).
- Provide technical assistance (e.g. chef trainings or product formulations) to end-users.
- Maintain strong communication with your local importer to ensure all certificates and import permits are valid and up-to-date.

Distribution Channel Example

The following is a basic distribution channel example for supplying food and beverage products to the Malaysian HRI industry:



Competition Chart

| Major Products, Market Shares by Value and Competitor Situations | | | |
|--|---|--|---|
| Product Category (2017) | Major Supply Sources (2017) | Foreign Supplier Situation | Local Supplier Situation |
| Beef Net Value: USD \$ 550 million | India – 73% Australia – 18% New Zealand – 6% U.S.A. - 0.1% | Major foreign suppliers have a significant portion of their beef industry halal certified for export to Malaysia. Beef from India is very cheap and serves the low-end outlets. Australia dominates higher-end HRI market. | Inadequate supply of local beef. |
| Pork – Fresh, Frozen, Chilled Net Value: USD \$66.4million | Germany – 38% Spain – 18% Vietnam – 13% China – 11% U.S.A. – 0.7% | Currently EU prices are very competitive and several EU plants are approved for export to Malaysia. | Domestic demand for pork has grown significantly over the past several years and local industry has struggled to keep-up. |
| Potatoes - Fresh or Chilled Net Value: USD \$74.7 million | China – 57% Bangladesh – 12% U.S.A. – 8% Pakistan – 6% | Chinese potatoes are very price competitive. High quality potatoes from other sources are for high-end retail and HRI markets. | Little domestic production. |
| Vegetables - Frozen Net Value: USD \$49.4 million | U.S.A. – 27% Denmark - 21% China – 16% Netherlands – 15% | U.S. frozen potatoes are in strong demand for retail and HRI sectors. | There is a large market for chilled and frozen processed vegetables, particularly potatoes. |
| Fresh Fruits Net Value: USD \$494.8 million | China – 25% South Africa – 24% U.S.A. – 10% Thailand – 8% | China’s market share is growing. Highly competitive market. | Malaysia does not grow non-tropical fruits. |
| Dried Fruits Net Value: USD \$34.6 million | U.S.A. – 21% Indonesia – 19% Thailand – 19% India – 14% | U.S. dried fruits are in strong demand for the growing bakery industry. | Limited local production. |

| | | | |
|--|---|---|---------------------------|
| Edible Nuts Net Value: USD \$ 223.8 million | Indonesia – 22% India – 19% China – 18% U.S.A. – 12% | Imported nuts are in increasingly strong demand for use in the bakery industry. | Limited local production. |
|--|---|---|---------------------------|

(Data Source: Global Trade Atlas)

Best Prospective Products for the HRI Industry

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

(Source: Global Trade Atlas)

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

Hotels and Resorts

According to the Ministry of Tourism, there are 435 hotels and resorts in Malaysia registered in the 5-star category. Major 5-star hotels in Kuala Lumpur are as follows:

| 5-Star Property Name | Website |
|---|--|
| Doubletree By Hilton Kuala Lumpur City Centre | doubletree3.hilton.com |
| Grand Hyatt Kuala Lumpur | kualalumpur.grand.hyatt.com |
| Grand Millennium Kuala Lumpur | www.millenniumhotels.com |
| Hotel Istana | www.hotelistana.com.my |
| Hotel Maya Kuala Lumpur | www.hotelmaya.com.my |
| Intercontinental Kuala Lumpur | intercontinental-kl.com.my |
| Le Meridien Kuala Lumpur | www.lemeridienkualalumpur.com |
| Mandarin Oriental Kuala Lumpur | www.mandarinoriental.com/kualalumpur |
| Renaissance Hotel | www.marriott.com/hotels/travel/kulrn-renaissance-kualalumpur-hotel/ |
| Shangri-La Hotel Kuala Lumpur | http://www.shangri-la.com/kualalumpur/shangrila/ |
| Sheraton Imperial Kuala Lumpur | www.sheraton.com/imperialkualalumpur |
| The St. Regis Kuala Lumpur | www.marriott.com/hotels/travel/kulxr-the-st-regis-kualalumpur/ |

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|---------------------------------|--|
| The Four Seasons Kuala Lumpur | www.fourseasons.com/kualalumpur/ |
| The Majestic Hotel Kuala Lumpur | www.majestickl.com |
| The Ritz-Carlton Kuala Lumpur | www.ritzcarlton.com |
| The Royale Chulan Kuala Lumpur | www.theroyalechulan.com |
| The Westin Kuala Lumpur | www.thewestinkualalumpur.com |
| Traders Hotel Kuala Lumpur | www.shangri-la.com/kualalumpur/traders |

KEY CONTACTS

USDA’s Foreign Agricultural Service (FAS) has an unrivaled network of more than 90 offices throughout the world that serve the interests of U.S. food and agricultural exporters. For details about FAS and the services we provide, please visit our website at <https://www.fas.usda.gov/>. For any questions about exporting U.S. food and agricultural products to Malaysia, please contact the Office of Agricultural Affairs at the U.S. Embassy in Kuala Lumpur:

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Embassy of the United States of America
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50400 Kuala Lumpur
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