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Malaysia

Retail Foods

Annual 2018

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Report Highlights:

Malaysia's retail sector is forecast to spur consumer spending in retail food and beverage industry with the abolishment of Goods & Services Tax (GST) effective June 1, 2018. It is expected that food and beverage retail prices will be slightly lower around 3 percent from savings of input costs. Moderate growth of 5 percent is projected for U.S. fresh fruits, fresh, and frozen potatoes, dairy products, snack foods (including nuts), prepared grocery products and pet food have good export prospects. Online retail purchases is expected to grow with major retailers buying into e-Commerce.

Post:

Kuala Lumpur

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1. Malaysia in profile

Malaysia is one of the more affluent nations in Asia with a GDP per-capita of US\$9,629 in 2017. The economy is mixed comprising of strong agricultural, services and manufacturing industries. The economy grew 5.7 percent in 2017, higher than expected due to strong domestic demand. Moderate growth of 5 to 5.5 percent are expected in 2018 despite the uncertainty globally, fiscal consolidation and cheaper oil prices.

Malaysia has a multi-racial population of 32.1 million, all of whom are multi-lingual, speaking at least two languages fluently, including English which is widely used for business. Malaysia has a young population with 17 percent in the 15-24 year and 41 percent in the 25-54 year age range. Some 97 percent of the working population continues to be gainfully employed. About half of the population is in the middle to high income group with growing purchasing power. Lifestyles are becoming more sophisticated and modern, leading to more consumption of imported food and beverages from western countries. Today, Malaysia provides a significant pool of active consumers who continue to change eating habits, leading to increased consumption of imported food and beverages.

2. Food retail market summary

Malaysia has a large and growing food retail market supplied by local and imported products. 2017 has seen the shift of consumers preferring stores that offer more convenient shopping for groceries with easier to navigate store layout while providing an extensive and comprehensive selection of products.

According to Retails Group Malaysia, the retail sector's total sales is projected to grow to \$26 billion this year, compared to the 2 percent growth seen in 2017. Supermarket and hypermarket sub-sector of retail was the worst performer in the fourth quarter of last year performance as per last year prediction of the slowest growth in five years as retailers face higher costs of doing business with the depreciation of the Malaysian Ringgit.

For 2018, Malaysian consumers are projected to enjoy a stronger rebound growth as the election of the new government, and the abolishment of good and services tax (GST) on June 1, 2018 that has significantly reduced the spending power amongst consumer when it was first introduced in April 2015, is expected to spur consumer spending in the food and beverage retail market.

The table below provides an overview of the size of the import market for food and beverage products over the five years to 2017

Imports of Food and Beverage Products (US\$ million)					
Calendar Year 2013-2017					
	2013	2014	2015	2016	2017
Meat & meat preparations	805	889	863	811	937
Fish & fish Preparations	889	960	774	776	813
Dairy products, eggs & honey	1,013	1,169	872	716	877
Edible vegetables	824	760	894	998	937
Edible fruits & nuts	505	527	628	701	716
Coffee, tea, mate & spices	468	553	494	510	522
Processed meat, fish & seafood	140	135	145	144	147
Sugar & sugar preparations	1,074	1,138	838	949	1,069
Processed cocoa products	1,086	1,314	1,081	1,028	1,009
Processed cereal products	724	789	750	705	734
Processed vegetables and fruits	320	313	338	353	356
Miscellaneous processed foods	940	943	914	947	943
Beverages	778	718	685	708	629
Total	9,566	10,208	9,276	9,346	9,689

Sources: *Global Trade Atlas (GTA)*

Malaysia imported \$9.7 billion of food and beverage products in 2017, an increase of 3.5% from the previous year. Imports of food products will likely grow moderately for the next two years.

Malaysia has a significant and growing food manufacturing industry. According to the Malaysian Investment Development Authority (MIDA), Malaysia exported food products worth RM20 billion (USD5.5 billion) to more than 200 countries, of which, processed food contributed about RM13 billion (USD3.6 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, 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 (DVS) and the Department of Islamic Development for halal purposes. In addition to poultry and meat products, eggs and dairy products are now required to be halal certified, and U.S. exporters need to complete DVS and JAKIM application forms before issued with the certificate of export to Malaysia. 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 halal approval.

In recent years, the expectation of *halal* standard in food products have extended from meat and meat products to nonmeat-based products such snacks, confectionery, dairy, bakery, etc. The Malaysian government and many companies market 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, food service 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 States approved by the Malaysian Islamic authority (JAKIM).

(<http://www.halal.gov.my/v4/index.php/en/badan-islam/badan-luar-negara-diiktiraf>)



A dedicated “Non-Halal Section,” common in supermarkets
(Source: FAS Kuala Lumpur)

2.1 Malaysia’s food retail sector in overview

The food retail sector continues to remain fragmented, with 56 percent comprised of small retailers operating in provision shops, grocery stores and other non-air conditioned sundry shops throughout the country.

Most retail food sales are channeled through 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 make up 43% of the nationwide retail food market. Convenience stores are insignificant, with only about 1% share of the nationwide retail food market.

Online retailing is gaining traction in Malaysia, with TESCO taking the initiative in 2014 where customers could purchase online and have groceries delivered to their doorsteps. Since then, most major retailers have followed suit and have delivery services to deliver online purchases. Online trading websites like *Lazada*, *11street* and *MilkADeal* also offer non-perishable food products besides usual

non-food consumer items. Retailers also partner with e-hailing providers such as Uber and Grab Car to offer delivery of seasonal gifts such as festival hampers to customers.

In 2016, Jaya Grocer teamed up with Uber to offer special delivery of cooked turkey to customers for Thanksgiving and Christmas. Online retailing is popular among urban population in big cities such as Kuala Lumpur, Penang and Johor Bahru typically among professional married couples aged 25 to 40 years old.

Malaysia's food retail sector is made up of the following:

1. Large food retail stores such as supermarkets and hypermarkets

Large food retail stores such as supermarkets, hypermarkets and department stores that also operate supermarkets within the premises are generally located in the major cities, urban centers and larger towns in Malaysia, where most middle to high income consumers reside. Major food retailers usually operate chain stores strategically located to capture target consumers.

The major food retail operators active in this sub-sector include:

- The *Cold Storage Group*, 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*, *Cold Storage* and *Jason* 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 the largest supermarket chain in Malaysia. *Cold Storage* and *Jason* target the upper middle to high income shoppers as well as high income expatriates residing in Malaysia. 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* is one of the largest food retailers 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. *Tesco* is the only retailer in Malaysia that offers grocery on-line shopping covering certain Klang Valley areas. Its own private brands such as *Tesco Value*, *Choice*, *Finest* as well as *Light Choice* are popular among the consumers.
- *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 middle to high income shoppers. It carries a wide variety of local premium branded products as well as imported products. It also carries the widest selection of products from Japan. *AEON* became the second-largest retail group in Malaysia after bought over *Carrefour Malaysia* in 2012 and renamed it to *AEON Big*.
- *Village Grocer Holdings Sdn Bhd* in 2017, acquired the entire stake in grocery chain Ben's Independent Grocer Sdn Bhd (B.I.G) from the Big Group Sdn Bhd and expected the acquisition would further strengthen its position as one of the premium grocery segment, having increased

its total outlets to 13 with a combined annual revenue of approximately \$144 million

- Other popular Malaysian owned premium supermarkets carry a very wide variety of imported food products are Jaya Grocer (the fastest growing local chain) & *Hock Choon, Ampang Grocers*, and the latest addition, *Sam's Groceria*. These outlets target the middle to high income shoppers and more than 50% of their products are imported.

The demand for premium groceries is growing in Klang Valley, and premium supermarkets have an increasing presence with more players and outlets in recent years. These 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.



U.S. potatoes promotion in Malaysia

(Source: FAS Kuala Lumpur)

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* 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.

In addition, supermarket operators such as *Jaya Grocer*, *Bangsar Village Grocer* and *BEN Independent Stores*, offer in-store cooking demonstration and in-store dine-in facilities. For the cooking demo, the in-house supermarket chef prepares dishes available at the supermarket with recipe pamphlets given to customers. The demonstrations usually take place during weekend and certain times of the day. As for the dine-in facility, customers may purchase fresh produce from the supermarket where it is cooked by the supermarket chef and served there. These arrangements have proven to be popular among urban dwellers. Supermarkets offering such facilities had been increasing in numbers.

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. Hypermarkets which are popular with wide range and value for money products continue to proliferate and opening outlets in suburban and second tier cities.

2. 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 car race pit stops 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 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 microwavable food products which may be heated at the store for immediate consumption. Convenience stores and petrol station stores also serve ready-to-consume 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 than those carried by the supermarkets/hypermarkets.

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

3. 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 housewives who 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 5,000 traditional sundry shops nationwide by 2020. This program, however, faced criticism from participants as it lead to higher operation costs due to loan repayment traditional sundry shops needed to incur to modernize their shops, resulting in some of the participants having to close down operations.

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 ordinarily demanded by local households and retailed at competitive prices.

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 upgraded to the mini-market concept by trying to compete against 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 still shows positive growth and forecast to continue to grow. 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. U.S. products need to comply with this religious requirement.
U.S. products and brands are already well-known and well represented in the food retail market. In addition, U.S. products have a high quality reputation. This enables new-to-market U.S. products an easier access into the retail market because the major retailers are more willing to	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 U.S. products.

<p>carry U.S. products than products from other lesser known countries.</p> <p>In addition, the <i>Cold Storage Group</i> outlets that target western expatriates as well as the high end retailers such as <i>BIG</i>, <i>Village Grocers</i>, <i>Jaya Grocer</i> already carry large quantities and a relatively wide variety of imported food products from the USA.</p>	<p>U.S. products are generally perceived as not as price competitive as similar products from countries such as Australia and New Zealand.</p>
<p>Young Malaysians, including young adults, are increasingly adopting U.S. culture and trends. This is positive for U.S. food products.</p>	<p>New-to-market U.S. products do not necessarily fit local demand on taste and packaging size.</p>
<p>Past marketing efforts by U.S. organizations have raised the profile of a range of U.S. 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 U.S. products but also increase the perception of U.S. 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 U.S. products are not readily accepted by many Malaysians and so are ignored, e.g. turkey, snack products, ready-to-consume prepared meals. Some U.S. 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 and hypermarkets.

Retailer Name and Outlet Type	Ownership	No. of Outlets	Location	Purchasing Agent Type
Cold Storage/ Giant/Jason/ Mercato	Local company, subsidiary of Dairy Farm International of Hong Kong	21 Cold Storage supermarkets and 119 Giant hypermarkets.	Nation-wide	Direct sourcing preferred with a number of preferred agents

		Giant is a trusted retail name.		used.
Aeon Big	Formerly <i>Carrefour</i> ; acquired by <i>Japanese Aeon Co Ltd</i> in Oct. 2012 and renamed <i>Aeon BIG</i>	21 hypermarkets	Major cities	Group sourcing direct from suppliers is preferred.
AEON	Operated by <i>AEON Co (M) Bhd</i> , listed on the stock exchange. Parent company is <i>AEON Group</i> , Japan.	37 department store, with a significantly large super-market section	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders.
Tesco	<i>Tesco Stores (Malaysia) Sdn Bhd</i> , joint venture between <i>Tesco UK</i> and <i>Sime Darby Bhd</i> .	56 <i>Tesco</i> hypermarkets and <i>Tesco Extra</i> hypermarkets. 9 <i>Tesco Express</i> convenience stores.	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders.
Jaya Grocer/Hock Choon	Local family own; <i>Trendcell Sdn. Bhd</i> .	22 upmarket supermarkets; also own <i>Hock Choon Super-market</i> that caters to expatriate communities	Klang Valley (Kuala Lumpur & Selangor)	Sources directly from local and overseas suppliers.
Sam's Groceria	Local parent company - <i>Mydin Mohamed Holdings Bhd</i> .	6 supermarkets	Penang, Klang Valley (Kuala Lumpur & Selangor)	Sources directly from local importers
Village Grocer	Local family own	13 upmarket supermarkets	Klang Valley (Kuala Lumpur & Selangor)	Sources directly from local and overseas suppliers.

3.1.2 Entry strategy

The U.S. exporter should consider the following when selecting major retailers with whom to partner in Malaysia:

- Financial strength of the retailer and its volume of business.
- Level of interest and commitment by the retailer in carrying imported U.S. products.
- Number and location of retail outlets that target western expatriates and middle to high income local consumers residing in urban centers.
- 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 U.S. products.
- Promotional support expected from U.S. exporters.
- Retail pricing expected for the U.S. products.
- Listing fees and other costs, if any, imposed on the U.S. exporters.
- Purchasing policy, i.e. whether they purchase directly from overseas suppliers or via local importers/distributors.

In addition, U.S. exporters should consider the following 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 U.S. products versus comparable brands in the market.
- Packaging size and quality that meets with customers' expectations.
- U.S. products which can be easily/readily registered as *Halal* products.
- U.S. products which can be readily accepted as alternatives/substitutes to competing products.
- U.S. products that can be introduced into local food culture.
- U.S. organic products and health food products that can meet retailer's requirements.
- U.S. 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.



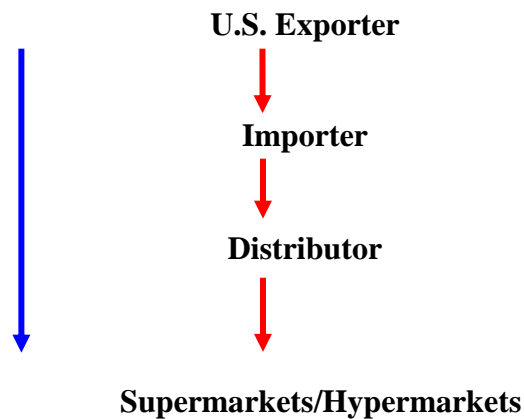
U.S. navel oranges (left). Assortment of American snacks (right).

(Source: FAS Kuala Lumpur)



3.1.3 Distribution channel

The chart below provides an overview of the distribution channel for imported food and beverage products from U.S. 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.



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

3.2 Convenience stores and petrol station stores

3.2.1 Company profiles

The convenience store 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 some 3,000 twenty-four hour petrol station stores nation-wide operated by the other petroleum companies such as *Petronas* (Mesra), *Shell* (Select), *Petron* (Treats), *Caltex* (Xpress Point) and *BHPetrol* (BHPetro Mart). 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
<i>7-Eleven Malaysia Sdn. Bhd</i>	<i>Berjaya Retail Bhd.</i>	Sales information not released. Largest convenience store operator.	1,905 outlets of <i>7-Eleven</i> stores	Nation-wide	Local distributors.

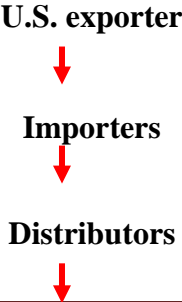
3.2.2 Entry strategy

U.S. 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 U.S. exporters should consider the following matters when planning to enter the sub-sector:

- U.S. products (*halal* certified) which are also targeted to the hypermarkets/supermarkets but are packaged in single-serve or smaller sizes.
- U.S. products which target children, young adults and convenience seekers.
- Price competitiveness of the U.S. 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.



Convenience stores

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 many years, this sub-sector is also characterized by operators that enter and exit the sub-sector frequently. 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 preference for such traditional products.

3.3.1 Entry strategy

U.S. 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. U.S. 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 U.S. 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.

2017 Product	Major supply sources	Strengths of key supply countries	Advantages and disadvantages of local companies
Beef (fresh, chilled or frozen) Import: 167,413 tons	1. India - 73% 2. Australia - 18% 3. New Zealand	Halal certification approved by Malaysian religious authority. India competes on price and dominates the supply; demanded largely by the low end mass	There is insufficient supply of local beef.

US\$ 550 million (CIF value)	– 6% 4. Brazil – 3%	market food service segment. Australia dominates the fresh/chilled segment in the high end food service sector with its <i>halal</i> beef.	
Chicken Cuts, frozen Import: 59,790 tons US\$ 129 million (CIF value)	1. Thailand – 54% 2. Brazil – 25% 3. China – 17% 4. Netherlands – 3%	Halal certification approved by Malaysian religious authority. The import market targets mainly the food service and food processing sectors.	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 restriction on chicken.
Whole turkey, frozen Import: 160 tons US\$ 591 thousand (CIF value)	1. U.S.A. – 89% 2. Canada – 11%	One U.S. turkey plant was 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: 453,719 tons US\$ 1.2 billion (CIF value)	1. New Zealand - 41% 2. Australia – 11% 3. U.S.A. – 7% 4. Thailand – 6%	New Zealand leads in milk powder, butter and is the second largest supplier of cheese and have long established relationship with importers. Australia leads in liquid milk, yoghurt and cheese and is the second largest supplier of butter. The USA leads in whey, is the second largest supplier of milk powder, yoghurt and the third largest supplier of cheese.	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: 9,430 tons US\$ 25.8 million (CIF value)	1. Philippines - 20% 2. Thailand – 15% 3. China – 13% 4. India – 12%	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 high end market.	Nestle (Nestum) and Quaker (Quaker Oatmeal) are locally packed from imported ingredients.

	U.S.A. – 8%		
Infant food, excluding dairy products Import: 53,523 tons US\$ 43.3 million (CIF value)	1. Singapore – 66% 2. Netherlands- 12% 3. New Zealand – 9% USA – <1%	The market is dominated by cereal based infant food (excluding dairy products).	Nestle Malaysia’s products dominate the cereal based infant food segment (excluding dairy products).
Snacks Foods; Import: 54,493 tons US\$ 157.6 million (CIF value)	1. Indonesia – 29% 2. China - 17% 3. Thailand – 16% 4. Vietnam – 8% USA – 1%	Indonesia and China largely supply Asian type snacks.	Local products dominate this snacks market with a widespread national distribution reach. Malaysia’s locally produced branded products such as Jack & Jill, Roller Coasters, Pringles and Twisties compete on price against imports
Baked products Import: 50,522 tons US\$ 131.1 million (CIF value)	1. Indonesia – 30% 2. Thailand – 15% 3. China – 14% U.S.A. – 4%	China supplies a variety of Nabisco biscuit products to Malaysia as well as some China biscuit brands. Indonesia supplies Nabisco Kraft’s biscuit products. Thailand supplies Japanese type biscuits.	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.
Fresh vegetables Import: 1,423,072 tons US\$ 733.2 million (CIF value)	1. China - 60% 2. India - 16% 3. Thailand - 5% USA - 2%	China leads in potatoes, garlic, cabbages, and carrots. India is the largest supplier of onions. Thailand is the leading supplier of Capsicum, and cucumber.	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 Singapore.
Frozen vegetables Import: 58,855 tons	1. U.S.A. – 30% 2. Denmark - 27% 3. China – 18%	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	Malaysia produces some frozen sweet corn. It is not a major producer of frozen vegetables.

US\$ 49.4 million (CIF value)	4. Netherlands – 12%	frozen potato products (largely frozen French fries), mainly targeted at the food service. It also supplies frozen cut potato under supermarket house brands.	
Fresh fruits, temperate Import: 316,836 tons US\$ 364.1 million (CIF value)	1. South Africa – 29% 2. China - 23% 3. USA - 13%	South Africa is the largest supplier of apples, oranges, lemons, plum, grapefruits and the second largest supplier of grapes and Mandarins. China leads the market with Mandarins and Chinese pears and second largest supplier of apples. USA is the largest supplier of grapes, cherries, strawberries, raspberries, cranberries; the second largest supplier of oranges, plums, apricots and the third largest supplier of apples.	Malaysia does not produce fresh temperate fruits.
Dried fruits Import: 22,846 tons US\$ 34.6 million (CIF value)	1. USA – 21% 2. Indonesia- 19% 3. Thailand – 19% 4. India – 14%	USA is the largest supplier of dried grapes (raisin) and prunes. India is the largest exporter of dried Tamarind to Malaysia.	Malaysia is not a major supplier dried fruits.
Edible nuts Import: 254,317 tons US\$ 223.7 million (CIF value)	1. Indonesia- 22% 2. India - 19% 3. China – 18% 4. U.S.A. – 12%	USA is the largest supplier of shelled almonds, pistachio and walnut. China leads in the supply of groundnuts and chestnuts.	Local brands such as Tong Garden, Camel and Tai Sun have a very strong presence in the market.
Sugar confectionery Import: 22,556	1. China - 26% 2. Vietnam- 17%	Thailand supplies Cloud 9, Nabisco Kopiko, Strepsils, Jack n Jill and various Thai brands.	Malaysia supplies a large variety of products targeted at local consumers, including Dino, Camel, Santa, Hacks, Hudson's

tons US\$ 69.1 million (CIF value)	3. Indonesia – 16% 4. Thailand – 14% USA – 1%		and alike.
Chocolates & Other Food Preparation Containing Cocoa Import: 26,677 tons US\$ 138.6 million (CIF value)	1. Singapore – 14% 2. Italy – 9% 3. U.S.A. – 9% 4. China – 9%	USA supplies Hershey Kisses and Bars which provide an alternative product to chocolate lovers.	Malaysia produces a 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.
Sauces and seasonings Import: 63,217 tons US\$ 121.5 million (CIF value)	1. Thailand – 27% 2. China - 23% 3. Singapore – 11% 4. Indonesia – 9% U.S.A. – 5%	Thailand is a major supplier of fish sauce and chili sauce. Singapore supplies high quality price competitive Asian sauces such as sambal, satay, chicken rice sauce and alike. China is a major supplier of other high end Asian sauces such soya sauce, oyster sauce, plum sauce and alike. 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.	Locally produced soya sauce, tomato sauce and other Asian sauces have a very strong presence in the market.
Non-alcoholic beverages Import: 118 million liters US\$ 123.1 million (CIF value)	1. Thailand – 37% 2. U.S.A. – 13% 3. Vietnam - 5% 4. China – 5%	Thailand leads in supply of pineapple juices, cordials and Asian drinks as well as other non-alcoholic drinks. 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.	Local branded mineral water, juices, cordials and soft drinks dominate the market.

Wine Import: 13 million liters US\$ 96.1 million (CIF value)	1. Australia - 45% 2. France – 20% 3. Chile – 6% 4. U.S.A. – 6%	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.	Malaysia does not produce any grape wine.
Beer Import: 75.5 million liters US\$ 82.9 million (CIF value)	1. Singapore - 32% 2. Netherlands - 18% 3. India – 17% 5. China – 10% USA- 1%	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 <i>Grolsch and Breda</i> 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 <i>TsingTao</i> and <i>Yanjing</i> beers to Malaysia.	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.
Spirits Import: 15.7 million liters US\$ 356.8 million (CIF value)	1. France - 42% 2. U.K. - 26% 3. Singapore - 16% 4. U.A.E. – 4% USA – 0.5%	UK supplies most whiskies, rum and gin. France and Netherlands dominate the brandy sector with their well-known brands.	Local production is negligible.
Pet food Import: 99,186 tons US\$ 133 million (CIF value)	1. Thailand - 62% 2. USA - 8% 3. France – 6% 4. China – 4%	The market is dominated by <i>Pedigree & Whiskas</i> (Thailand), <i>Friskies</i> (Australia), and <i>Purina</i> (Thailand & USA). Thailand also supplies price competitive <i>CP Smartheart</i> (Thai brand).	Malaysia does not produce any processed and packed pet foods.

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(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	2013 Imports	2017 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Breakfast cereals	8,357 tons US\$ 23 million (CIF value)	9,430 tons US\$ 25.7 million (CIF value)	-1% 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	46,417 tons US\$ 105.5 million (CIF value)	54,493 tons US\$ 157.6 million (CIF value)	9% 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, particularly new product types not yet available in the Malaysian

						market. U.S. exporters should capitalize on the growth in this market.
Frozen vegetables	23,544 tons US\$ 23.4 million (CIF value)	58,855 tons US\$ 49.4 million (CIF value)	21% 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 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	349,929 tons US\$ 272.8 million (CIF value)	316,836 tons US\$ 364.1 million (CIF value)	10% 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. There are opportunities to 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	381,854 tons US\$ 1.3 billion (CIF value)	453,719 tons US\$ 1.2 billion (CIF value)	3% 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 so attractive for other retail packed dairy products.
Chocolates	24,782 tons US\$ 139.3 million (CIF value)	26,677 tons US\$ 138.6 million (CIF value)	2% growth per annum.	3% import duty charged	Strong competition from locally manufactured branded products.	Category A. Opportunities exist in supplying gift chocolates, novelties and exotic chocolate products to capitalize on festive demands during the year end gift giving period.
Sauces and seasonings	50,437 tons	63,217 tons	7% growth. The market is dominated by	10% import duty for soya	Very strong competition from local	Category A. Opportunities

	US\$ 97.5 million (CIF value)	US\$ 121.5 million (CIF value)	local Asian sauces, but all western sauces and seasonings are imported.	sauce and tomato sauce and similar sauces. 5% import duty for other sauces except for prepared mustard which is nil.	soya sauce and tomato sauce which meet closely with consumer taste and price expectations. USA has created a strong position in supplying western sauces to Malaysia.	exist to continue to supply to the retail sector, particularly western sauces not manufactured in Malaysia.
Non-alcoholic beverages	148.9 million liters US\$ 172.5 million (CIF value)	118 million liters US\$ 123.1 million (CIF value)	-5% growth. The market is dominated by local products which meet closely with consumer taste. Import growth is mainly in unsweetened-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) and products that can be target-ed at the growing health food and organic food sectors.

Wine	6 million liters US\$ 75 million (CIF value)	13 million liters US\$ 96.1 million (CIF value)	4% 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 for sparkling wine or 15% and RM 12/Ltr for other grape wines.	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 opposed to whiskey and brandy.
Pet food	58,129 tons US\$ 95.2 million (CIF value)	99,186 tons US\$ 133 million (CIF value)	10% growth per annum.	Nil	It is increasingly fashionable for middle to upper income groups to own exotic dogs and cats. There are few constraints/barriers 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 with Good Sales Potential

Product category	2013 Imports	2017 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA

Baked products	33,858 tons US\$ 85.7 million (CIF value)	50,522 tons US\$ 131.1 million (CIF value)	11% growth. Fast growing market, popular amongst all consumers, particularly cakes and sweet biscuits eaten as a snack.	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 like to snack all day long. Baked products popular snacks. U.S. exporters should capitalize on the growth in this market and consider exporting unique and exotic products of acceptable taste and flavor, products not readily available in this region.
Fresh vegetables	1,088,202 tons US\$ 654.3 million (CIF value)	1,423,072 tons US\$ 733.2 million (CIF value)	7% 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	29,789 tons US\$ 27 million (CIF value)	22,846 tons US\$ 34.6 million (CIF value)	9% 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 growth in dried fruits such as figs, avocado, apricot, apple, peach and other dried fruits.	Category B. U.S. exports dominate the raisins segment and continue to have a major share in dried prunes. Opportunities exist to supply to the growing health food and organic food segments of the

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

Product category	2013 Imports	2017 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Chicken Cuts, frozen	44,938 tons US\$ 107.6 million (CIF value)	59,790 tons US\$ 128.5 million (CIF value)	5% growth per annum 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 the market is already well served by local sources. There is an import restriction on chicken.
Dairy	381,854 tons US\$ 1.3 billion (CIF value)	453,719 tons US\$ 1.2 billion (CIF value)	3% 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. There is good sales potential particularly for retail packed

						infant milk powder, pizza cheese and other grated cheese.
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6. Key Contacts and Further Information

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



Office of the Agricultural Affairs
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For more information on exporting U.S. agricultural products to other countries, please visit the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) homepage:

<http://www.fas.usda.gov>.



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