General information about Malaysia

Malaysia is centrally located within the Association of South-East Asian Nations (ASEAN). Consisting of two regions separated by the South China Sea — the Malaysian Peninsula and the states of Sabah and Sarawak on the island of Borneo — Malaysia is a federation of 13 states and three federal territories. The former British colony gained its independence in 1957. Since Independence, Malaysia has adopted the political system of a parliamentary democracy with a constitutional monarch whose position is rotated every five years between each of the nine hereditary state rulers. The political scene has been characterized by an extra-ordinary degree of political stability and continuity through an encompassing national coalition of political parties.

Its territory comprises approx. 330,000 sq km, four fifths of which are covered by tropical rainforest. Due to its bio-diverse range of flora and fauna offering excellent beaches and brilliant scenery, the country is one of the region’s key touristic destinations. Malaysia is a multi-ethnic, multicultural and multilingual society with 28.66 million members. Ethnic Malays make up the majority of the population at 57.1% followed by Chinese at 24.6%, Indian at 7.3% and other local ethnicities at 11%. The Malaysian constitution guarantees freedom of religion, although Islam is the largest and official religion. Approx. 61.3% of the population practice Islam, 19.8% Buddhism, 9.2% Christianity, 6.3% Hinduism, and 2.6% practice Confucianism and other traditional Chinese religions. The official language of Malaysia is Bahasa Malaysia, but English as well as Chinese are the business languages.

Economical Overview

Malaysia is a dynamic country which is constantly evolving. Being a middle-income country, Malaysia has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy spurred on by high technology, knowledge-based and capital-intensive industries. Malaysia’s Economic Performance ranking improved to 7th place out of 59 economies this year compared with 12th position in 2007.1 It is one of the 20 largest trading

1 “Malaysia’s economy attains 7th position”, New Straits Times, 20th May 2011.
nations worldwide and was headed of Taiwan, Sweden, Canada, Australia, the United Kingdom and Switzerland. The World Competitiveness Yearbook 2011 Report released by the Institute for Management Development (IMD) continued to rank Malaysia as among the top 5 most competitive nations in the Asia-Pacific region, taking 6th position in the 20 million population category and 2nd position after Taiwan in the GDP per capita less than US$20,000 category. Moreover, the country is the 21st largest exporter among all trading nations worldwide.

Strategically located in the heart of South-East Asia, Malaysia offers a cost-competitive location for investors intending to set up offshore operations in order to manufacture advanced technological products for both regional and international markets. In addition, Malaysia has a market-oriented economy which is supported by pro-business government policies. Last year, the Malaysian Government launched the Economic Transformation Programme (ETP) which is managed by PEMANDU (Performance Management & Delivery Unit) under the patronage of the Prime Minister. The ETP identifies 12 National Key Economic Areas (NKEAs) which are drivers of economic activities that have the potential to materially contribute to the growth of Malaysia. Its objective — also known as “Vision 2020” — is to transform Malaysia into a “high income country” by year 2020. The programme will lift Malaysia’s Gross National Income (GNI) to US$523 billion by 2020, and raise per capita income from US$6,700 to at least US$15,000, meeting the World Bank’s threshold for high income nation. To achieve the targets set, Malaysia needs an annual growth of GNI of 6%. There are plans to revitalize Malaysia's private sector, to grow the service sector from 58 to 65% and to create 3.3 million new jobs. The Government will also introduce other transformation plans in 2012.

In Malaysia, the 2011 GDP growth edged lower to 4.0 percent year-on-year due to a weaker domestic demand. Further implementation of ETP projects and a RM232.8 billion 2012 Budget tabled by Prime Minister Datuk Seri Najib Razak will boost domestic demand, but unlikely to offset underperformance in net exports.
Economical Key facts Malaysia\(^9\)

**Currency:** 1 Ringgit (RM) = 100 Sen

**Exchange rates:** 1 EURO = RM4.3; 1 US$ = RM3.2 (17.11.2011)

**GDP** (billion RM): 2009: 679.94; 2010: 765.97; 2011: 829.34

**GDP - real growth rate:** 2010: 7.2%; 2011: 4.0%, 2012: 5.0% (est.)\(^10\)

**Inflation rate:** 3.3-3.5 % (est. 2012 IMF)

**Exports:** RM513.59 billion (Jan-Sep 2011)

**Exports - commodities:** Electronics 34.5%; petroleum & products 9.9%; palm oil 9.3%; chemical products 6.9%; machinery 3.4%; manufactures of metal 3.0%; rubber products 2.6%

**Exports - partners:** Singapore 13.3%, China 12.5%, Japan 10.5%, USA 9.5%, Thailand 5.3%, Hong Kong 5.1%, Germany: 2.7%

**Imports:** RM424.37 billion (Jan-Sep 2011)

**Imports - commodities:** Electronics 31.2%, petroleum & products 10.1%, chemical products 9.2%, machinery 8.0%, manufactures of metal 5.9%, transport equipment 5.1%, iron & steel products 4.3%, optical & scientific equipment 3.2%, processed food 2.2%, other products 20.8%

**Imports - partners:** Japan 12.6%, China 12.6%, Singapore 11.4%, USA 10.6%, Thailand 6.2%, Germany 4.0%

**Unemployment rate:** 3.0% (2011)\(^11\)

**Average wage 2011:** Project manager IT: RM8,415, lecturer/speaker: RM3,459, mechanical engineer: RM3,070, account executive: RM2,572, plantation worker: RM850\(^12\)

---


\(^11\) Bank Negara Malaysia, Economic and Financial Data for Malaysia, last updated on 14th November 2011.

Population below poverty line: 3.6%\(^\text{13}\)

**Bilateral Trade: Malaysia & Germany**

Malaysia is EU’s second largest trading partner inside ASEAN, behind Singapore, with bilateral trade in goods reaching 31.9 billion Euros in 2010 and the EU’s 22nd largest trading partner. Germany enjoys intensive trade relations with Malaysia and is one of the main foreign investors in Malaysia, while among members of the European Union, Germany is Malaysia’s leading trade partner.\(^\text{14}\) Besides, Malaysia ranks 2nd as a consumer of German products among the ASEAN countries.

**Introduction to the Food Industry**

Malaysia’s food industry is rich in terms of tropical and agricultural resources reflecting diverse cultures in Malaysian society — Malay, Chinese and Indian, have resulted in a fascinating range of processed food with an Asian twist. Increasing consumer awareness in nutrition value and food fortification for healthcare has created the demand for functional/healthy minimally processed fresh food, organic food and natural food flavors from plants and seafood.

The Malaysian food and beverage market is becoming increasingly sophisticated and is supplied by both local and imported products. The strong economic growth in the late 80’s and early 90’s contributed to major changes in consumer purchases and consumption patterns. Malaysians living in urban areas are relatively brand conscious, and they prefer to shop in stores, which offer them convenience and good product selections\(^\text{15}\). Lifestyle changes have led to an increase in the demand for convenience food and health food.

The food processing industry is predominantly Malaysian-owned\(^\text{16}\). In Malaysia, the food industry is dominated by small and medium scale companies. The major sub-sectors are the fish and fish products, livestock and livestock products, fruits, vegetables and cocoa.

In line with the government’s emphasis on the agriculture sector, the processed food and beverages industry had become an important component of the agro-based industry. In 2010,

---

\(^{13}\) Index Mundi, www.indexmundi.com/g/r.aspx?v=69 accessed on 18th November 2011.


\(^{15}\) http://www.foodexport.org/Resources/CountryProfileDetail.cfm?ItemNumber=1029

the food processing industry contributed about 10% of the Malaysian manufacturing output attracted a total of RM1.972 billion in 69 projects. Employment in the processed food and beverages industry decreased in 2009 by 5.1% to 43,080 compared with 45,418 in 2008. Labor cost for the industry remained competitive, as its Unit Labor Cost decreased by 8.2%, reflecting an efficient utilization and management of resources. Small and medium sized enterprises represent more than 80% of the total number of establishments in the processed food segment. 

Malaysia is also one of the world major producers of spices. In 2010, Malaysia ranked as the sixth largest producer of pepper and pepper-related products (specialty pepper, processed pepper and pepper sauces).

**Sub Sectors of Food and Beverage Industry**

They are mainly involved in sub sectors like fish and fish products, livestock and livestock products, fruits and vegetables, and cocoa-based products. The beverage segment covers the manufacture of soft drinks and mineral water.

The fisheries product’s sub-sector includes processed seafood products such as frozen and canned fish, crustaceans and mollusks products. This sub-sector remained the main contributor to the exports of processed food.

In the livestock sub-sector, Malaysia is self sufficient in poultry, pork and eggs, but imports about 80% of its beef requirements. Among the dairy products produced are milk powder, sweetened condensed milk, pasteurized or sterilized liquid milk, ice cream, yoghurt and other fermented milk.

A closer look at selected sub sectors shows:

- The **fisheries product’s sub-sector** includes processed seafood products such as frozen and canned fish, crustaceans and mollusks, shrimp and shrimp products. This sub-sector remained the main contributor to the exports of processed food.
- In the **livestock sub-sector**, Malaysia is the third largest producer of poultry meat in the Asia Pacific region. Malaysia is self sufficient in poultry, pork and eggs, but imports about 80% of its beef requirements.

---

Among the **dairy products produced** are milk powder, sweetened condensed milk, pasteurized or sterilized liquid milk, ice cream, yogurt and other fermented milk.

Currently, Malaysia is the largest **cocoa processor** in Asia and ranks fifth in the world. However, meanwhile output of cocoa is declining due to a significant reduction in cultivation area in Sabah, as well as intensive replanting activities. Consequently, most of the cocoa beans are imported. Malaysia is also one of the world major producers of spices.

In the **fruits sub-sector**, besides mangos, star fruits and papayas, the cultivation of pittaya (dragon fruit) is gaining interest among farmers. Most of these fruits are to cater for the domestic market. Vegetables are mainly grown on a small scale for fresh consumption, and are exported mainly to Singapore. The major locations for the cultivation of vegetables are in Johor, Pahang, Kelantan and Perak.

**Functional/health food** produced in Malaysia is mainly in the form of food products that are enriched. Food ingredients such as customized formulations required by food manufacturers, natural food additives and flavors have the potential for further growth.

Talking about the food industry, the packaged food is of special importance and therefore in the sector performance used as indicator for the whole industry. Another important aspect is the structure of the retailers who sell the food. It can be seen in the pie diagram under “retailer performance”.

**Sector Performance**

The production of packaged food can be seen in the following table. All figures show the volume of their type of food in 1000 tons, except for ice cream which is measured in million liters. However, the sum of all volumes is unequal to the total sum of packaged food since there are products that were counted double (canned soup is included in soups and canned food e.g.)

**Production of Packaged food**

<table>
<thead>
<tr>
<th>Type</th>
<th>Production Volume (in 1000 tons)</th>
<th>Sales Volume in mln RM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Baby Food</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
**“Market Watch 2012”, The Malaysian Food Industry**

<table>
<thead>
<tr>
<th>Category</th>
<th>2011</th>
<th>2012</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakery</td>
<td>259.8</td>
<td>263.4</td>
<td>1.39%</td>
</tr>
<tr>
<td>Canned/ Preserved Food</td>
<td>86.6</td>
<td>88.7</td>
<td>2.42%</td>
</tr>
<tr>
<td>Chilled Processed Food</td>
<td>5.3</td>
<td>5.4</td>
<td>1.89%</td>
</tr>
<tr>
<td>Confectionery</td>
<td>29.3</td>
<td>29.8</td>
<td>1.71%</td>
</tr>
<tr>
<td>Dairy</td>
<td>-</td>
<td>-</td>
<td>n.a.</td>
</tr>
<tr>
<td>Dried Processed Food</td>
<td>818.9</td>
<td>848.8</td>
<td>3.65%</td>
</tr>
<tr>
<td>Frozen Processed Food</td>
<td>37.6</td>
<td>38.7</td>
<td>2.93%</td>
</tr>
<tr>
<td>Ice Cream</td>
<td>44.1</td>
<td>45.2</td>
<td>2.49%</td>
</tr>
<tr>
<td>Meal Replacement</td>
<td>0.8</td>
<td>0.8</td>
<td>0.00%</td>
</tr>
<tr>
<td>Noodles</td>
<td>104.7</td>
<td>109.3</td>
<td>4.39%</td>
</tr>
<tr>
<td>Oils and Fats</td>
<td>699.8</td>
<td>713.8</td>
<td>2.00%</td>
</tr>
<tr>
<td>Pasta</td>
<td>1.5</td>
<td>1.6</td>
<td>6.67%</td>
</tr>
<tr>
<td>Ready Meals</td>
<td>6.4</td>
<td>6.6</td>
<td>3.12%</td>
</tr>
<tr>
<td>Sauces, Dressings and Condiments</td>
<td>77.5</td>
<td>79.7</td>
<td>2.84%</td>
</tr>
<tr>
<td>Snack Bars</td>
<td>0.2</td>
<td>0.2</td>
<td>0.00%</td>
</tr>
<tr>
<td>Soup</td>
<td>2.6</td>
<td>2.7</td>
<td>3.85%</td>
</tr>
<tr>
<td>Spreads</td>
<td>10.3</td>
<td>10.6</td>
<td>2.91%</td>
</tr>
<tr>
<td>Sweet and Soury Snacks</td>
<td>31.1</td>
<td>31.9</td>
<td>2.57%</td>
</tr>
<tr>
<td>Impuls and Indulgence Products</td>
<td>-</td>
<td>-</td>
<td>n.a.</td>
</tr>
<tr>
<td>Nutrition/ Staples</td>
<td>-</td>
<td>-</td>
<td>n.a.</td>
</tr>
<tr>
<td>Meal Solutions</td>
<td>209.6</td>
<td>215.3</td>
<td>2.72%</td>
</tr>
<tr>
<td>Packaged Food</td>
<td>-</td>
<td>-</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Table 1 - Production and Sales in Malaysia

---

18 Euromonitor International
Retailer Structure

The structure of the retailers of can roughly be divided into three parts: (1) Provision and grocery stores, (2) supermarkets/ hypermarkets and department stores as well as (3) convenient stores and petrol station stores.

Malaysia has a large and growing food retail market that is supplied by local and imported products. The current total retail sales of food and beverages are estimated at US$11 billion. The forecast for this sector is likely to grow by around 10% per annum over the next three to five years. Malaysian households spend an average 24% of their household income on retail purchase of foods. Due to rising affluence and higher education level, Malaysian consumers have become more sophisticated and demand higher quality for the goods that they purchased.

Historic high growth categories included meal replacement products, frozen processed food, soup, canned/preserved foods, baby food, pasta and dairy products. The forecast for growth in this market has also been reported. By the year 2014, the retail sales in the packaged food market in Malaysia is expected to reach US$4.6 billion, a growth rate of nearly 4.5%, or US$201 million. Products in the forecast for high growth include most of the same as the historic rates and are complimented by include snack bars, ice cream and bakery products.

According to Retail Group Malaysia, the bulk of retail food sales are channeled through the traditional stores, such as provision stores, grocery stores, specialty food stores and other sundry shops. This sub-sector commands close to 60% of food sales today. Modern stores such

---

19 Euromonitor International
20 Euromonitor International
as supermarkets, hypermarkets and department stores with supermarkets only have around 43% share of the retail food market. A recent study conducted by a retail consultant in Malaysia showed that Malaysians are shopping more at convenience stores and petrol marts. Increasing competition has resulted in a need for convenience stores to become more professional. Customers are now expecting more sophisticated offers like a wider range of better quality ready-to-eat snacks and hot-and-chilled beverages.

Competition among the retailers, especially hypermarkets, is intense with large international retailers like Carrefour, Tesco and Giant frequently engaging in price wars to establish their presence as major players in the market. Carrefour has successfully launched the price cuts strategy for about 1,200 products in their stores. Meanwhile, Giant, the largest hypermarket operator in Malaysia, is reported to sacrifice profits in order to maintain the low-price leader status. Pressure is mounting for local retailers such as The Store to maintain competitive prices and carry a good variety of products in order to keep up with the international players21.

Nestlé (M) Bhd continued to dominate packaged food in Malaysia throughout 2010 due to its well-established brand name, which has allowed it to build a very strong presence in Malaysia. Nestlé consistently introduced new products into Malaysia during 2010 in order to maintain its strong customer base. For instance, the company launched its new Nestlé Drumstick Almond Thrill and Nestlé Low Fat fruited spoonable yoghurt in a new flavor of blueberry, apple & nata de coco. Furthermore, Nestlé also ensured that its promotional activities were able to build strong awareness of the Nestlé brand among consumers. One of Nestlé’s most successful campaigns during 2011 was the Nestlé Bliss Yogurt Drink 14 Day Challenge, which has been organised annually for several years now22.

Exports
There are nearly 3,200 manufacturers involved in the food manufacturing industry in Malaysia and the industry accounts for nearly 10% of Malaysia’s manufacturing output. Processed foods are exported to 80 countries, with an export value in 2010 of more than US$3.8 billion23. Food

21 http://www.foodexport.org/Resources/CountryProfileDetail.cfm?ItemNumber=1029
23 http://comtrade.un.org/
manufacturers operating in Malaysia include both Malaysian and multinational companies such as Nestle, Unilever, Cerebos, and Campbell Soup. 

Main products exported were cocoa (RM3.8 billion), fisheries products (RM2.6 billion), margarine and shortening (RM1 billion) and animal feed (RM1.1 billion). The major export destinations for processed food were Singapore, the USA, Indonesia, Japan and Thailand.

Malaysia is currently the largest cocoa processor in Asia. Although Malaysia is the world’s fifth largest cocoa producer, local cocoa production could not support the huge demand from local grinding and processing industry. Most of the cocoa beans are imported. Cocoa cultivation is encouraged in order to increase the national cocoa production.

### Exports of Selected Processed Food and Beverage Products

<table>
<thead>
<tr>
<th>Product</th>
<th>Year 2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>%Change 10/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Preparation of meat, fish, crustaceans, etc</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Sugars &amp; sugar confectionery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Cocoa &amp; Cocoa preparations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Preparations of cereals, flour, starch or milk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Preparations of vegetables, fruits, nuts, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Miscellaneous edible preparations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Beverages, Spirits &amp; Vinegar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,896,482,827</td>
<td>$2,425,693,549</td>
<td>$3,033,946,651</td>
<td>$2,954,367,074</td>
<td>$3,954,432,525</td>
<td>34%</td>
</tr>
</tbody>
</table>

Table 2 - Exports from Malaysia to World

Table 3 - HS Code for Food Products

24 http://www.foodexport.org/Resources/CountryProfileDetail.cfm?ItemNumber=1029
26 http://comtrade.un.org/
Imports

Major food imports in 2010 were cocoa, cereal and cereal preparations, vegetables and fruits, animal feed and dairy products. Raw materials such as cereals and dairy products will continue

---

27 http://comtrade.un.org/
to be imported for further processing for human consumption as well as for the production of animal feed.\(^\text{28}\)

**Imports of Selected Processed Food and Beverage Products**

<table>
<thead>
<tr>
<th>Product</th>
<th>Year 2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>%Change 10/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>$185,401,135</td>
<td>$252,395,043</td>
<td>$305,358,302</td>
<td>$295,955,939</td>
<td>$373,696,894</td>
<td>26%</td>
</tr>
<tr>
<td>21</td>
<td>$288,005,598</td>
<td>$333,737,516</td>
<td>$406,140,977</td>
<td>$429,040,825</td>
<td>$589,089,327</td>
<td>37%</td>
</tr>
<tr>
<td>20</td>
<td>$92,679,675</td>
<td>$140,885,690</td>
<td>$168,437,806</td>
<td>$180,788,533</td>
<td>$219,173,380</td>
<td>21%</td>
</tr>
<tr>
<td>19</td>
<td>$307,275,397</td>
<td>$349,622,673</td>
<td>$427,665,024</td>
<td>$415,248,654</td>
<td>$511,940,137</td>
<td>23%</td>
</tr>
<tr>
<td>18</td>
<td>$731,352,479</td>
<td>$873,434,938</td>
<td>$1,287,109,713</td>
<td>$874,962,742</td>
<td>$1,145,679,727</td>
<td>31%</td>
</tr>
<tr>
<td>17</td>
<td>$454,093,495</td>
<td>$528,402,732</td>
<td>$508,787,502</td>
<td>$690,903,160</td>
<td>$904,403,979</td>
<td>31%</td>
</tr>
<tr>
<td>16</td>
<td>$55,728,489</td>
<td>$63,906,572</td>
<td>$75,113,753</td>
<td>$75,354,789</td>
<td>$77,981,571</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>$2,114,536,268</td>
<td>$2,542,385,164</td>
<td>$3,178,613,077</td>
<td>$2,962,254,642</td>
<td>$3,821,965,015</td>
<td>29%</td>
</tr>
</tbody>
</table>

**Table 7 - Imports to Malaysia from World\(^{29}\)**

**Table 8 - Imports to Malaysia from World**


\(^{29}\) [http://comtrade.un.org/]
Table 9 - Imports to Malaysia from Germany

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports from Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$83,137</td>
</tr>
<tr>
<td>2017</td>
<td>$138,297</td>
</tr>
<tr>
<td>2018</td>
<td>$12,173,937</td>
</tr>
<tr>
<td>2019</td>
<td>$17,143,428</td>
</tr>
<tr>
<td>2020</td>
<td>$19,506</td>
</tr>
<tr>
<td>Total</td>
<td>$10,355,038</td>
</tr>
</tbody>
</table>

Food Service Sector

Malaysia has a sizeable and rapidly growing food service market today. Sources from the trade estimate the food service market today is valued between US$ 4.9 billion to US$ 5.5 billion today. The food service market has been growing at a rapid average rate of around 6.5% per annum over the past five years. They indicated that this market is likely to grow at between 7%-10% per annum over the next three to five years.

Hotels and resorts, restaurants, and the institutional sub-sectors represent the best potential for exporters. The restaurant sub-sector accounted for 70% of the total food service sales in 2008. This is followed by the hotels and resorts (8%) and catering services to institutions (5%).

The Halal Industry

With a Muslim population of 60%, the demand for halal foods by Malaysian consumers has increased over the years. The expectation of halal standard in food products have extended from meat and meat products to non meat-based products such snacks, confectionery, dairy,

---

30 http://comtrade.un.org/
bakery, etc. Halal is fast becoming recognized as a new benchmark for quality, hygiene and safety. Food products and ingredients that have halal certificates have added marketing value in Malaysia. Hence, most retailers, foodservice operators and food manufacturers are inclined to ask for halal certificates for non-meat based food products and ingredients\textsuperscript{32}.

With the emphasis given by the Government to promote Malaysia as an international halal hub, the prospects for the halal food industry are promising. Malaysia also works closely with the Organization of Islamic Conference (OIC) countries to promote the Malaysian Halal Standard as the benchmark for international standard for halal products. This is expected to further contribute to the acceptance of Malaysia’s halal food products globally.

The halal industry in Malaysia provides immense opportunities for Malaysian manufacturers. It was estimated that the potential value of the halal food industry range between USD600 billion and USD2.1 trillion. The concept of halal is associated with food products which are of high quality in terms of cleanliness, sanitation and compliance with religious requirements\textsuperscript{33}.

**Growing Health Concerns**

It is a new trend that many Malaysians shift towards a healthier diet. By now, they are not willing to sacrifice food flavor for that. But as this trend in Europe, where it is further developed, shows, this will be one of the next steps. Food products that are considered less healthy, for example those with a high share of salt or sugar, remain popular among Malaysian consumers. The Ministry of Health findings estimated that Malaysian adults consume the equivalent of 10 teaspoons of added and hidden sugar more than the amount recommended by the World Health Organization. The Malaysian government has run several healthy eating campaigns to amplify this trend. One important aspect is the education of the Malaysian people regarding the impact of diet on areas such as bone and heart health.

Increasing consumer awareness in nutrition value and food fortification for healthcare has created the demand for functional/healthy minimally processed fresh food, organic food and natural food flavors from plants and seafood. Functional/health food produced in Malaysia is mainly in the form of food products that are enriched. Food ingredients such as customized

\textsuperscript{32} http://www.foodexport.org/Resources/CountryProfileDetail.cfm?ItemNumber=1029
formulations required by food manufacturers, natural food additives and flavors have the potential for further growth 34.

Within the next years retailers are expected to launch healthier product ranges. A whole national community such as the LOHAS (lifestyle of health and sustainability) in Europe and the USA are not expected in Malaysia, but the trend goes towards stronger awareness. However, soon as the price is higher or the taste is less intensive customers recoil from buying health benefitting products instead of normal ones.

Outlook

Clear innovation driver in the sector are health and convenience trends. A more and more hectic and stressful lifestyle in urbanized Malaysia contributed to the growing demand for convenient and easy to prepare meals at home. Therefore, the food sector looks set to maintain its positive development within the following years. As a result of the improving economy consumers are more optimistic and will gain new confidence in the market. The key trends are expected to continue and enlarge their influence, leading to a range of innovative products to satisfy this demand.

The leading producers of packaged food in Malaysia are expected to continue strengthening their competitive edge through the introduction of healthy and convenient products. This is largely due to the increasingly sophisticated demand patterns of Malaysian consumers, many of whom are becoming increasingly health conscious. Moreover, Malaysian consumers are gradually becoming more accustomed to reading the nutritional information labels which are now printed on all packaged food packaging in Malaysia. For example, Lee Kum Kee (M) Sdn Bhd has developed its Less Salty Soy Sauce, which contains 25% less sodium in comparison with regular soy sauce, in order to cater to the demand of Malaysia’s health conscious consumers 35.

Malaysia’s rising rate of inflation is expected to have caused value growth in packaged food to slow down during 2011, as slower value growth than during 2010 is projected. Many consumers will have been forced to modify their spending patterns in response to the rising cost of living.

and the increasing unit prices of basic necessities such as rice, noodles, bakery products and baby food, which are all essential packaged food products. The country's higher inflationary rate is unlikely; however, to have negative effect on nutrition/staples, although impulse and indulgence products are likely to be negatively affected by the ongoing rise of the inflationary rate as this category comprises mainly non-essential products. Manufacturers will therefore need to organize promotional and advertising activities in order to attract more consumers.

Important Malaysian Food Trade Fairs 2011

THE 13th MALAYSIA INTERNATIONAL FOOD & BEVERAGE TRADE FAIR
Date: 12th - 14th July 2012
Venue: Putra World Trade Centre (PWTC), Kuala Lumpur

24nd MALAYSIA INTERNATIONAL FOOD PROCESSING & PACKAGING EXHIBITION 2012
Date: 19th - 22nd July 2012
Venue: Putra World Trade Centre (PWTC), Kuala Lumpur

Contact:

Mr. Thomas Brandt at: thomas.brandt@malaysia.ahk.de
Ms. Chuah Sue Wei at: suewei.chuah@malaysia.ahk.de

We hope the market report serves you with actual information on the Malaysian market. Our core business is to establish contacts, finding distribution partners, project acquisitions, etc. Our “Office-in-Office Concept” and our “Firmenpool Malaysia” will give you a permanent address to develop the market. Please contact us for further information.