INVESTMENT OPPORTUNITIES IN FOOD TECHNOLOGY INDUSTRY IN MALAYSIA

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MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY
• MALAYSIAN ECONOMY
• MALAYSIA : STRATEGIC GATEWAY TO ASIA
• MALAYSIA : INVESTMENT TRENDS
• INVESTMENT FROM SINGAPORE
• INVESTMENT OPPORTUNITIES IN MALAYSIAN FOOD INDUSTRY
• INVESTMENT POLICIES AND INCENTIVES
• MIDA : AN OVERVIEW
• WHY MALAYSIA & INTERNATIONAL RANKINGS
## ECONOMIC DATA

### Malaysia

<table>
<thead>
<tr>
<th>GDP</th>
<th>USD 312.4 Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP Growth (2013)</td>
<td>4.7%</td>
</tr>
<tr>
<td>Per capita Income (2013)</td>
<td>USD 17,500</td>
</tr>
<tr>
<td>Total Population (2014)</td>
<td>30.3 million</td>
</tr>
</tbody>
</table>

### Singapore

<table>
<thead>
<tr>
<th>GDP</th>
<th>USD 339 Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP Growth (2013)</td>
<td>4.1%</td>
</tr>
<tr>
<td>Per capita Income (2013)</td>
<td>USD 62,400</td>
</tr>
<tr>
<td>Total Population (2014)</td>
<td>5.4 million</td>
</tr>
</tbody>
</table>

*Source: The CIA Fact Book*
ECONOMIC TRANSFORMATION PROGRAMME (ETP)

2020

- US$ 15,000 per Capita GNI
- 3.3 million additional jobs
- Investment: 92% Private & 8% Public
- Focus on 12 NKEAs

Source: Performance Management and Delivery Unit (PEMANDU)
ESTABLISHMENT OF 12 NATIONAL KEY ECONOMIC AREAS (NKEAs)

Source: Performance Management and Delivery Unit (PEMANDU)
FOCUS ON QUALITY INVESTMENT  
(ECOSYSTEM APPROACH)

- High Technology
- Knowledge Intensive
- Skills Intensive
- Export Oriented
- GNI Impact
- R&D & Design
- Capital Intensive
- High Income Jobs
- Strong Linkages with Domestic Industries
- High Value Added
- Quality Investment (FDI & DDI)

Skills Intensive
High Income Jobs
High Technology
Knowledge Intensive
Export Oriented
R&D & Design
Capital Intensive
Strong Linkages with Domestic Industries
High Value Added
Quality Investment (FDI & DDI)
• Potential market of 600 million
• Already zero tariffs for 99% of products
• ASEAN Economic Community and Single Market by 2015
Strategic location: Malaysia is a gateway to other markets with preferential access through Free Trade Agreements (FTAs)

ASEAN

REGIONAL / BILATERAL FTAs

- China
- Japan
- Korea
- India
- Australia
- New Zealand
- Chile
- Turkey

- Potential market of 2.7 billion
- Tariff reduction and elimination mostly by 2016

ON-GOING FTA NEGOTIATIONS

- TPP
- EU
- RCEP
- EFTA
MALAYSIA : INVESTMENT TRENDS
## PERFORMANCE

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Projects</th>
<th>No. of Employment</th>
<th>Proposed Investment (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Domestic</td>
</tr>
<tr>
<td>2012</td>
<td>804</td>
<td>76,631</td>
<td>6.7</td>
</tr>
<tr>
<td>2013</td>
<td>787</td>
<td>92,988</td>
<td>6.6</td>
</tr>
<tr>
<td>2014 (Sept)</td>
<td>619</td>
<td>65,395</td>
<td>8.7</td>
</tr>
</tbody>
</table>

**TOTAL APPROVED MANUFACTURING PROJECTS (2011- SEPTEMBER 2014)**

Source: MIDA (Investment Analysis & Database Management)
### TOP 10 APPROVED MANUFACTURING PROJECTS BY COUNTRIES, JAN – SEPTEMBER 2014

<table>
<thead>
<tr>
<th>No.</th>
<th>Country</th>
<th>No. of projects</th>
<th>Investment (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Japan</td>
<td>47</td>
<td>3.26</td>
</tr>
<tr>
<td>2.</td>
<td>Singapore</td>
<td>96</td>
<td>1.76</td>
</tr>
<tr>
<td>3.</td>
<td>China</td>
<td>16</td>
<td>1.43</td>
</tr>
<tr>
<td>4.</td>
<td>Germany</td>
<td>9</td>
<td>1.23</td>
</tr>
<tr>
<td>5.</td>
<td>Korea, Rep.</td>
<td>10</td>
<td>0.47</td>
</tr>
<tr>
<td>6.</td>
<td>USA</td>
<td>17</td>
<td>0.35</td>
</tr>
<tr>
<td>7.</td>
<td>Italy</td>
<td>1</td>
<td>0.32</td>
</tr>
<tr>
<td>8.</td>
<td>Netherlands</td>
<td>9</td>
<td>0.31</td>
</tr>
<tr>
<td>9.</td>
<td>Ireland</td>
<td>1</td>
<td>0.26</td>
</tr>
<tr>
<td>10.</td>
<td>India</td>
<td>10</td>
<td>0.23</td>
</tr>
</tbody>
</table>

**Source:** MIDA (Investment Analysis & Database Management)
<table>
<thead>
<tr>
<th>No.</th>
<th>Industry</th>
<th>No. of Project</th>
<th>Approved Investment (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Petroleum Products (Inc. Petrochemicals)</td>
<td>12</td>
<td>4,803</td>
</tr>
<tr>
<td>2</td>
<td>Chemical &amp; Chemical Products</td>
<td>70</td>
<td>3,187</td>
</tr>
<tr>
<td>3</td>
<td>Basic Metal Products</td>
<td>26</td>
<td>2,914</td>
</tr>
<tr>
<td>4</td>
<td>Electronics &amp; Electrical Products</td>
<td>72</td>
<td>2,735</td>
</tr>
<tr>
<td>5</td>
<td>Transport Equipment</td>
<td>39</td>
<td>1,644</td>
</tr>
<tr>
<td>6</td>
<td>Non-Metallic Mineral Products</td>
<td>25</td>
<td>845</td>
</tr>
<tr>
<td>7</td>
<td>Machinery &amp; Equipment</td>
<td>79</td>
<td>612</td>
</tr>
<tr>
<td>8</td>
<td>Food Manufacturing</td>
<td>44</td>
<td>545</td>
</tr>
<tr>
<td>9</td>
<td>Fabricated Metal Products</td>
<td>72</td>
<td>534</td>
</tr>
<tr>
<td>10</td>
<td>Textiles &amp; Textile Products</td>
<td>17</td>
<td>377</td>
</tr>
<tr>
<td>11</td>
<td>Rubber Products</td>
<td>15</td>
<td>286</td>
</tr>
<tr>
<td>12</td>
<td>Scientific &amp; Measuring Equipment</td>
<td>29</td>
<td>280</td>
</tr>
<tr>
<td>13</td>
<td>Paper, Printing &amp; Publishing</td>
<td>14</td>
<td>243</td>
</tr>
<tr>
<td>14</td>
<td>Plastic Products</td>
<td>39</td>
<td>188</td>
</tr>
<tr>
<td>15</td>
<td>Wood &amp; Wood Products</td>
<td>32</td>
<td>68</td>
</tr>
<tr>
<td>16</td>
<td>Beverages &amp; Tobacco</td>
<td>7</td>
<td>64</td>
</tr>
<tr>
<td>17</td>
<td>Furniture &amp; Fixtures</td>
<td>15</td>
<td>54</td>
</tr>
</tbody>
</table>
INVESTMENT FROM SINGAPORE
## APPROVED PROJECTS WITH PARTICIPATION FROM SINGAPORE (1980 – SEPTEMBER 2014)

<table>
<thead>
<tr>
<th>No. of Projects</th>
<th>No. of Employment</th>
<th>Proposed Investment (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>235</td>
<td>19,953</td>
<td>1.2</td>
</tr>
</tbody>
</table>

*Source: MIDA (Investment Analysis & Database Management)*
### APPROVED SINGAPORE COMPANIES IN FOOD MANUFACTURING IN 2014

<table>
<thead>
<tr>
<th>Companies</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmland Bakery (M) Sdn Bhd</td>
<td>Bakery and bread products</td>
</tr>
<tr>
<td>Cereal Partners (Malaysia) Sdn Bhd</td>
<td>Breakfast cereal</td>
</tr>
<tr>
<td>Malaysia Milk Sdn Bhd</td>
<td>Sweetened condensed milk, sweetened condensed filled milk, evaporated milk &amp; empty cans, jelly and pudding</td>
</tr>
<tr>
<td>Kilang Bihun Bersatu Sdn.Bhd.</td>
<td>Sago-based food products</td>
</tr>
<tr>
<td>Power Root (M) Sdn. Bhd.</td>
<td>Instant powder beverages &amp; non-alcoholic beverages, edible plant herbal extracted products</td>
</tr>
<tr>
<td>Palmaju Edible Oil Sdn. Bhd</td>
<td>All palm oil products, palm kernel oil products and coconut oil products</td>
</tr>
</tbody>
</table>

Source: MIDA (Investment Analysis & Database Management)
MAJOR SINGAPOREAN COMPANIES IN FOOD MANUFACTURING IN MALAYSIA
INVESTMENT OPPORTUNITIES IN MALAYSIAN FOOD INDUSTRY
World population is predicted to reach 9 billion by 2050, demand for food will also increase.

According to the Food and Agriculture Organisation of the United Nations (FAO), demand for food is expected to increase by 60% between 2005 to 2050.

World’s halal market currently is valued at USD2.3 trillion annually. Food and primary meat account for 63% of the market (Source: Euromonitor 2013).

In Malaysia, food processing contributed about 10% to total manufacturing output.

More than 3,200 establishment ; > 80% SMEs and predominantly Malaysian-owned establishments.

Total annual demand within Malaysia for Halal Food is RM1.7 billion a year.

Malaysia aims to become a global Halal Food Hub by 2020 and will increase its market share of 1% to 5% by 2020.

Sources of FDI for food products are mostly from Japan, Switzerland, Singapore and USA.
## MAJOR INVESTMENTS APPROVED IN PROCESSED FOOD, 2011- SEPT 2014

<table>
<thead>
<tr>
<th>Companies</th>
<th>Product</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargill Palm Products Sdn. Bhd.</td>
<td>Palm based products</td>
<td>USA</td>
</tr>
<tr>
<td>Cereal Partners Malaysia Sdn. Bhd.</td>
<td>Cereals products</td>
<td>Switzerland &amp; <strong>Singapore</strong></td>
</tr>
<tr>
<td>Haco Asia Pacific Sdn. Bhd.</td>
<td>Coffee products</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Hershey Malaysia Sdn. Bhd.</td>
<td>Chocolate &amp; sugar confectionery</td>
<td>USA</td>
</tr>
<tr>
<td>Adeka Foods (Asia) Sdn. Bhd.</td>
<td>Margarine &amp; shortening</td>
<td>Japan</td>
</tr>
<tr>
<td>Kewpie Malaysia Sdn. Bhd.</td>
<td>Sauces, salad dressing &amp; egg based food</td>
<td>Japan</td>
</tr>
<tr>
<td>Green Eible Oil Sdn.. Bhd.</td>
<td>Palm oil &amp; palm oil products</td>
<td>Malaysia</td>
</tr>
<tr>
<td>Kawan Food Manufacturing Sdn. Bhd.</td>
<td>Frozen convenience food</td>
<td>Malaysia</td>
</tr>
<tr>
<td>Alfa Raya Development Sdn. Bhd.</td>
<td>Palm oil &amp; palm oil products</td>
<td>Malaysia</td>
</tr>
<tr>
<td>Kellogg Asia Products</td>
<td>Snack foods</td>
<td>USA/United Kingdom</td>
</tr>
<tr>
<td>Pokka (Malaysia)</td>
<td>Non-alcoholic beverages</td>
<td><strong>Singapore</strong></td>
</tr>
<tr>
<td>Ecolex Sdn. Bhd.</td>
<td>Palm oil &amp; palm oil products</td>
<td>British Virgin Island</td>
</tr>
</tbody>
</table>
Total **food exports** amounted to **RM13.7 billion in 2014** (Jan-Oct) compared with **RM14.2 billion in 2013**.

Among the major items exported were edible products and preparations, cocoa and cocoa preparations, prepared cereal and flour preparations, dairy products and margarine and shortening.

Top 5 **export destinations** for processed food are:
- Singapore
- Indonesia
- China
- Australia
- Thailand

Total **food imports** amounted to **RM14.2 billion in 2014** (Jan-Oct), compared with **RM15.6 billion for 2013**.

Major imports were edible products and preparations, dairy products, sugar & sugar confectionery, cocoa and cocoa preparations and vegetable and fruits.
PALM-BASED FOOD PRODUCTS & INGREDIENT ECOSYSTEM (GENERAL LIST)

- **Promoted**
- **Not Promoted**

### Plantation
- Sime Darby
- IOI Group
- Wilmar
- KLK Oleo

### Milling / Palm Kernel Crushing
- CPO/ CPKO/ Palm Biomass

### Refinery
- RBD Palm Oil / Palm Kernel Oil

### Raw Material
- Mewah

### End Product
- **Promoted**
  - Specialty animal fat replacer
  - Palm-based mayonnaise & salad dressing
  - Milk or coconut powder substitute
  - Palm-based food ingredient
  - Modified (interesterified) palm oil & palm kernel oil product
  - Margarine, vanaspati, shortening or other manufactured fat products
  - Cocoa butter replacers, cocoa butter substitutes, cocoa butter equivalent, palm mid fraction or special olein

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Supporting R&D & Government Agencies

MPOB
MPOC
PORAM
MPIC

---

22
# AGRICULTURE & PROCESSED FOOD ECOSYSTEM

<table>
<thead>
<tr>
<th>Ecosystem</th>
<th>Agricultural production</th>
<th>Dressed/Frozen/Chilled/Grind</th>
<th>Processed Food Value Added Products</th>
<th>Food Ingredient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting R&amp;D &amp; Government Agencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Products/Companies</td>
<td>• Livestock Breeding</td>
<td></td>
<td>• Frozen Seafood</td>
<td>• Additives, Flavours</td>
</tr>
<tr>
<td></td>
<td>• Aquaculture Rearing</td>
<td></td>
<td>• Frozen Chicken</td>
<td>• Carrageenan</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Frozen Meat</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Applications in non-food</td>
</tr>
</tbody>
</table>

- CPF MALAYSIA
- FARM'S BEST
- AYAM RINDINGS
- Ramly®
- BARRY CALLEBAUT
- Cadbury
- GUAN CHONG
- HERSEY'S
- TACARA
- MOA INCORPORATED
- MARDI
- HDC
- UNIVERSITI PUTRA MALAYSIA
INVESTMENT POLICIES & INCENTIVES
Guidelines on Manufacturing License

- The Industrial Coordination Act 1975 (ICA) requires manufacturing companies with shareholders’ funds of **RM2.5 million and above** or engaging **75 or more** full-time employees to apply for manufacturing license.
INVESTMENT POLICIES

Ownership

• Manufacturing & selected services sectors can be wholly foreign-owned

Capital

• Freedom to Repatriate Capital, Interest, Dividends and Profits – No Restrictions

Expatriate Posts

• Liberal policy, based on merit of each case
LIST OF PROMOTED PRODUCTS UNDER PROMOTION OF INVESTMENT ACT (PIA), 1986

Processing of Agricultural Produce
- Chocolate & chocolate confectionery
- Vegetables, tubers or roots & fruits
- Livestock products (Downstream & High Value Added)
- Agricultural waste or agricultural by products
- Aquatic products
- Aquaculture feed
- Plant extracts for pharmaceutical, perfumery, cosmetic or food industries & essential oils
- Food supplement
- Additives, flavours, colouring & functional ingredients

Palm Oil Products & Derivatives
- Palm based food products & ingredients:
  a. Specialty animal fat replacer
  b. Palm based mayonnaise & salad dressing
  c. Milk or coconut powder substitute
  d. Red palm oil & related products
  e. Palm based food ingredients
  f. Modified (interesterified) palm oil/kernel oil products
  g. Margarine, vanaspati, shortening & other manufactured fat products
  h. Cocoa butter replacers, cocoa butter substitute, cocoa butter equivalent, palm mid fraction or special olein
- Processed products from:
  a. Palm kernel cake
  b. Palm oil mill effluent
  c. Palm biomass
MAJOR INCENTIVES PROVIDED UNDER PIA 1986 AND/OR ITA 1967

- Exemption from Import Duty & Sales Tax on Machinery & Equipment (MIDA) Exemption from Import Duty on Raw Materials / Components (MIDA)
- Pioneer Status (PS) Income Tax Exemption 70 % or 100 % for 5 years (MIDA) 10 years (MOA)
- Investment Tax Allowance (ITA) 60 % or 100 % on qualifying capital expenditure for 5 or 10 years (MIDA)
- Reinvestment Allowance (RA) of 60% for 15 consecutive (IRB)
- Incentive for Reinvestment (Section 4F PIA 1986) PS 70% for 5 years or ITA 60% for 5 years (MIDA)
- R&D Activity i. R&D Co. – ITA 10 years ii. Contract R&D – PS 100% for 5 years or ITA 100% for 10 years iii. In-house R&D – ITA 50% for 10 years (MIDA)
- Investment Tax Allowance (ITA) 100% of qualifying capital expenditure incurred within a period of 5 years (MIDA)
- Investment Tax Allowance (ITA) 100% for 10 years or Income tax exemption on export sales for a period of 5 years (HALAL PARK) HDC

Eligible activity/product
- New/additional halal food products utilising modern and state-of-the-art machinery / technology
- Expansion with upgrading of existing plant with additional machineries/modern technology

Exemption from Import Duty & Sales Tax on Machinery & Equipment (MIDA) Exemption from Import Duty on Raw Materials / Components (MIDA)
Applications received by MIDA

ML – Automatic (ML 08 Form)
ML – Fast Track (ICA /JA Form)  
(Non-Sensitive Projects*)

ML 08 – Normal Track  
(required further views)

Incentives

NATIONAL COMMITTEE ON INVESTMENT (NCI)  
(Real-time Approval)

ML certificate forward to Licensing Officer for signature

Issuance of ML & Incentive Approval Letter to Company

Note: Sensitive Projects related to security, safety, health, environment and religious considerations, projects in Sarawak and projects required approval under the Petroleum Development Act, 1974
DOMESTIC INVESTMENT STRATEGIC FUND (DISF)

RM 1 billion fund to accelerate the shift of Malaysian-owned companies in targeted industries to high value added, high technology, knowledge intensive & innovation-based industries.

Matching Grants (1:1) will cater for expenditures incurred for the following activities:
- Training of Malaysians
- R&D activities carried out in Malaysia
- Modernisation and upgrading of facilities and tools to undertake manufacturing or services activities for MNCs and Malaysian conglomerates (outsourcing activities)
- Obtaining international standards / certification
- Licensing or purchase of new/high technology

Eligible activities (priority sectors):
- Aerospace
- Medical Services
- Pharmaceuticals
- Advanced Electronics
- Machinery & Equipment
- Renewable Energy
- Services (design, R&D, testing, quality & standard certification, engineering services, technical and skills training and logistics service providers (3PL)
- Other Industries, on a case by case basis

Eligibility Criteria:
- Incorporated under Companies Act, 1965
- New / existing companies in the manufacturing and services sectors with at least 60% Malaysian equity
MIDA : AN OVERVIEW
The principal Malaysian Government agency responsible for the promotion and coordination of industrial development in the country.

First point of contact for investors who intend to set up projects in the manufacturing and services sectors in Malaysia.
FUNCTIONS OF MIDA

Promotion
- Foreign Direct Investment
- Domestic Investment
- Services

Research & Planning
- Planning for Industrial Development
- Recommend policies and strategies on investment promotion and development

Evaluation
- Manufacturing licence
- Tax incentives for manufacturing and services activities
- Expatriate posts
- Duty exemptions
- RDC, IPC and R&D status

Follow-up/ Monitoring
- Assist companies in the implementation and operation of their projects
- Facilitate exchange & co-ordination among institutions engaged in or connected with industrial development
- Advisory Services
“ONE STOP CENTRE”

BASED IN MIDA

- Immigration Department
- Royal Malaysian Customs
- Telekom Malaysia Berhad
- Labour Department

BASED OUTSIDE

investmalaysia@mida.gov.my
WHY MALAYSIA?

- Political and Economic Stability
- A Pro-business Government
- Liberal Investment Policies
- Developed Infrastructure
- A Sound Banking System
- An Open Trading Environment
- Trainable & English Speaking Human Resource
- Good Food

investmalaysia@mida.gov.my

Great Quality of Life
INTERNATIONAL RANKINGS

6th in ease of doing business
(\textit{World Bank Doing Business 2014 Report})

13th most competitive economy in overall performance
(\textit{IMD's World Competitiveness Yearbook 2013})

24th most competitive nation in the world
(\textit{WEF's Global Competitiveness Report 2013-2014})

25th most attractive destination for FDI
(\textit{2013 A.T. Kearney's FDI Confidence Index})