Ideal Prospects, Immense Opportunities

Malaysian culture has grown from a potpourri of ethnic mixes derived from some of the world’s oldest civilizations. This fusion has created a rich diverse society that gives a unique essence in everything Malaysians do. Malaysia is a lush tropical land full of natural resources that adds flavour and variety to the research, cultivation and processing of foods. Thus, Malaysia is poised to become one of the leading Asian countries in food production and processing.

With a deep-rooted tradition to excel, Malaysia is committed to develop the country’s food industry for import substitution and export. Malaysia’s commitment is her promise to your success.

You don’t just invest in Malaysia. You acquire a long-term profitable partnership from Malaysia.
The food-processing sector account for about 10% of Malaysia’s manufacturing output. Processed foods are exported to more than 200 countries, with an annual export value of more than RM13 billion which amounts to two-thirds of the total food exports of over RM20 billion in 2012.

Although the export performance of this sector has doubled over the last ten years, Malaysia continues to be a net importer of food products with annual import of more than RM36 billion in 2012.

Advances in processing technology have widened the usage of local raw materials, expanding the range of products and increasing the investment absorbing capacity in the food industry.

**Livestock and Dairy:** Poultry processing constitutes 60% of the meat processing industry. Although Malaysia is a net exporter of poultry meat, it is still a net importer of meat products, particularly beef and mutton. Poultry meat is a major raw material for further processing.

Among the dairy products produced are milk powder, sweetened condensed milk, pasteurised or sterilized liquid milk, ice cream, yoghurt and other fermented milk. Except for the production of pasteurised milk, the dairy product industry is dependent on imports.

**Fisheries:** The fisheries sub-sector produced more than 1.5 million tonnes of fish, of which marine fisheries contributed more than 85 per cent with the balance contributed by aquaculture. Prawn farming is the main activity in aquaculture, followed by fresh water fish and marine fish farming.

An export-oriented sector, fish-processing includes the processing of prawns, frozen products, canning of fish and the production of surimi and surimi products. Malaysia’s total exports of fish and other seafood exceed RM2.5 billion per annum.

The production from the fishery sector includes 80.5% from marine catchments and 19.5% from aquaculture, with shrimp and brackish-water fish making up the bulk of the production.
Cereal Products/Flour Based Products: The cereal products sub-sector, including the production of biscuits, bakery items and noodles, is well established in Malaysia. Although this sub-sector is dependent on imported raw materials, Malaysia is a net exporter of cereal preparations / products, with a net export of more than RM1.7 billion per annum. The range of products includes pre-mixes, bread, biscuits, snack foods, instant noodles, vegetarian food, frozen cakes and pastries.

Pepper and pepper products: Malaysia’s export of pepper and pepper products exceed RM240 million. Value-added pepper and pepper products include specialty pepper and processed pepper-based products such as spice mixes and blends, seasonings and flavourings.

Chocolate and Sugar Confectionaries: Malaysia is the 5th largest cocoa grinding centre in the world and the largest cocoa grinder in Asia. Malaysia is a net exporter of cocoa products including chocolates, exporting to more than 90 countries. Exports of intermediate products, i.e. cocoa butter and cocoa cake/powder exceeds RM2.8 billion per annum while exports of chocolate and other food preparations containing cocoa are valued at about RM3.3 billion.

Palm Oil-based Products: Malaysia is the world’s largest exporter and the second world’s largest producer of palm oil in the world. Malaysia and Indonesia account for more than 85 per cent of the world palm oil output and about 93 per cent of global exports of palm oil. Export earnings from oil palm products reached RM71.4 billion. Major markets for oil palm products are the People’s Republic of China, India, Europe, Pakistan and the USA.

The main products are RBD palm oil, RBD palm olein and stearin, specialty fats such as cocoa butter substitutes, margarine, shortening and vanaspati. Further development is seen in the production of value-added palm oil-based specialty products to cater to the health conscious and vegetarian consumers.

Malaysia’s cocoa grinding capacity of more than 300,000 tonnes provides raw materials for further downstream processing.

Fruits and Vegetables: A variety of fruits and vegetables are produced for fresh consumption in the domestic and export markets. The major activity in the downstream processing of fruits is the canning of pineapple and pineapple juice. Other fruits such as guava, passion fruit, jackfruit and banana are also being processed into purée/juice, snacks, pickles and jam. The processing of vegetables is confined to the production of sauces and pickles.

Malaysia remains a net importer of processed fruits and vegetables with net import amounting to RM1.1 billion. The fruit and vegetable processing industry has tremendous potential for import substitution and export opportunities. Investors are encouraged to undertake the commercial cultivation of fruits and vegetables.
Malaysia’s current population of 29.2 million is growing steadily at an annual growth rate of about 2%. The country has seen a steady increase in the standard of living and with it, its purchasing power (per capita income exceed RM29,094 or USD9,700). Lifestyle changes have led to an increase in the demand for convenience food and health foods. Exports of processed food recorded a positive growth indicating the increasing acceptance of Malaysia’s food products in overseas market. This is contributed mainly by products such as cocoa and cocoa preparations, prepared cereals and flour preparations, processed seafood and dairy products.

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With a population of over 600 million, this huge market still has a vast potential waiting to be tapped and Malaysia is poised to become a major exporter of processed food for this region.

Strategically located in the heart of South-East Asia, Malaysia stands to gain from the growing demand.

With a majority Muslim population, Malaysia has a ready domestic market for halal food. Recognised as a modern Muslim nation, Malaysia is well positioned to be an international halal food hub in the branding, processing and marketing of halal foods to Muslim populations. The halal industry in Malaysia provides immense opportunities for 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.
The Department of Islamic Development Malaysia (JAKIM) certifies all halal food products. The government has introduced MS1500 : 2009, Halal Food Certification which has incorporated the GMP and hygienic sanitary requirements.

**Diverse Resources**

A steady supply of agricultural produce for processing is ensured due to Malaysia's year-long growing season. Malaysia has taken concrete measures to improve and increase agricultural production and adopting a liberal policy to allow the duty-free importation of raw materials to enable the food industry to meet specific market demand.

Agriculture is one of the sectors identified in the National Key Economic Areas (NKEAs). It will focus on selected sub-sectors including aquaculture, seaweed farming, swiftlet farming, herbal products, fruits and vegetables, and premium processed food which have high-growth potential. There is a growing demand for these high-value products which provide opportunities for farmers to increase their income. In addition, the paddy and livestock sub-sectors were also selected to ensure national food security.
Malaysia's skilled young workforce and training facilities enable the country to be an excellent choice for nurturing and expanding the growing food industry.

The government continues to upgrade and expand its workforce through training programmes at the large number of public and private training institutions such as technical schools, polytechnics and industrial training institutes. Food processing courses and training are widely offered in government and private institutions and there are qualified food science and technology graduates to meet the requirements of the industry. In addition, relevant agencies such as the Malaysian Agricultural Research and Development Institute (MARDI), Department of Fisheries, Department of Veterinary Services and the Agriculture Institutes conduct courses on farm management and production technology as well as food processing technology.

Companies can also employ expatriates where specialized skills are required. The Malaysian lifestyle, with its comfortable social cultural environment, is one of the reasons why companies are able to attract the best brains for relocation.

Quality and safety certification are top priorities in Malaysia's food processing sector and Malaysia is committed to world-class quality control. Hazard Analysis and Critical Control Point (HACCP) System Certification is administered by the Ministry of Health (MOH) which grants and maintains the certification through surveillance audits. HACCP consultants are on-hand to provide professional services.

MOH gives top priority to laboratory facilities as they are crucial for an effective and efficient food safety system. Various approaches are being undertaken to ensure that the laboratories are able to meet the increasing demands and complexities of food analysis.
For the purpose of health certification, MOH is putting continuous efforts in upgrading of laboratories in the MOH and Department of Chemistry with sophisticated and advanced instrumentation. In addition, analytical results from private laboratories accredited by the Department of Standards under the "Malaysian Laboratories Accreditation Scheme" (SAMM) are recognized by the MOH for the same purpose.

Food manufacturers with quality assurance in production, installation and servicing are awarded the internationally recognized MS ISO 9001:2000 Certification of Quality Systems by SIRIM QAS International Sdn. Bhd. SIRIM QAS, a wholly-owned subsidiary of SIRIM Bhd., is a leading certification, inspection and testing body in Malaysia. In addition, all manufacturers have to comply with the Food Act (1983) and Food Regulations (1985).

The packaging sector and cold chain facilities in Malaysia have grown to accommodate the rising requirements of the food industry. The packaging industry provides products ranging from glass containers, cans, paper, plastic, biodegradable and packaging. Existing policies allow manufacturers to import duty-free direct packaging materials that are not available locally.

Cold chain facilities are basically in place for processed, frozen and chilled products. The government is encouraging the development of this supporting industry in tandem with the growth of the chilled and frozen food sector.

Malaysia's multi-structured network of road, sea and air links facilitates the expedient and cost-competitive delivery of food products. Marketing support is provided by agencies such as the Malaysia External Trade Development Corporation (MATRADE) and FAMA (Federal Agricultural Marketing Authority) through their wide network of local and international offices.
The Malaysian Agricultural Research and Development Institute (MARDI) focuses on genetic improvement and pest management using biotechnology, post-harvest technology and mechanization. It is also involved in the development of value-added products, with some of its research projects ready for commercialisation.

The Malaysian Palm Oil Board (MPOB) also conducts R&D to enhance the well-being of Malaysia’s palm oil industry. Many of the technologies and products developed by MPOB have been commercialised, among them red palm oil, healthful margarine and oil blends.

To achieve Malaysia's vision of becoming a key centre for cocoa processing in Asia, the Malaysian Cocoa Board (MCB) is continuously intensifying its R&D programme for both the upstream and downstream sectors particularly in widening the product-base of cocoa products. The laboratory in the Downstream Research Centre of the MCB is accessible to manufacturers for analytical support.

The Forest Research Institute of Malaysia (FRIM) is another major research institution actively conducting research into the commercial cultivation of herbs and medicinal plants. It provides research-based services for the conservation, processing, management, development and utilisation of these forest resources for commercialisation.

The Fisheries Research Institute (FRI) conducts research in various fields including aquaculture, aquatic ecology, fish diseases, fisheries products and biotechnology.

**Incentives For Investment**

- 100% Tax Exemption for 10 years for the production of selected food products;
- Pioneer Status (PS)/Investment Tax Allowance (ITA);
- PS/ITA for small-scale companies;
- Additional 5 years’ reinvestment incentives for promoted food products;
- Reinvestment Allowance (RA) for 15 years;
- Investment Tax Allowance of 100% for production of halal food;
- Tax deductible expenses for halal quality and safety certifications;
- PS/ITA for cold chain facilities and services;
- Import duty exemption on raw materials, machinery and spare parts;
- Incentives for R&D; and
- Incentives for Training.
Investment opportunities abound in the food-processing sector. The three thrust areas are:

**Health Food/Functional Food:** Malaysia is moving towards organic farming. Besides organic products, health foods include low caloric, fibre / nutrient enriched products, fruit juices and herbal products. New products using Malaysia’s traditional herbs and resources are continuously being developed for Asian and global markets.

**Convenience Food:** The demand for convenience foods that can be prepared within minutes is a growing worldwide trend. Locally made convenience foods include frozen foods such as TV dinners, spiced fish and chicken, traditional cuisine, instant powdered juice and retort pouch products. Malaysia is also in an excellent position to produce Asian recipes with convenience food technologies to meet the increasing global demand for specialty and ethnic foods.

**Food Ingredients:** Food flavours and seasonings, sweeteners and palm oil-based additives are some of the products that have vast potential for further development to enhance Malaysia’s presence in the developed markets in USA, UK, Japan and Australia. The quality of these products is backed by continuous nutritional research.
Relevant Organisations

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