



Agriculture and  
Agri-Food Canada

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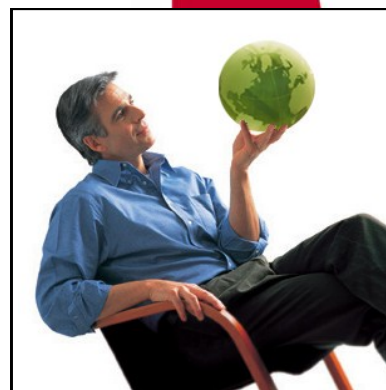
**International  
Markets  
Bureau**

**MARKET ANALYSIS REPORT | AUGUST 2011**

## **Foodservice Profile** Malaysia



Source: Shutterstock





► **EXECUTIVE SUMMARY**

Malaysia is a developing economy located in Southeast Asia. It is ideally located for export business to Indonesia, China and India, and will likely benefit from the strong economic growth predicted for these countries in the coming years. Malaysia also has a young population and increasing wealth of its own.

Because of these factors, Malaysia is poised to become a major consumer of agri-food and seafood products in the near future. This growing demand for agri-food and seafood products, as well as the changing demographics and culture of the country, will likely spur growth in an already fast-growing consumer foodservice industry.

While there exist significant differences among Malaysian demographics (Malaysia is culturally diverse), there remain some common themes. Malaysia as a whole is becoming more urban, and remains characterized by a young and growing workforce.

The leading sectors in the Malaysian consumer foodservice industry are the café/bar segment, the full-service restaurant segment and the fast food segment. These three segments of the foodservice market account for over half of sales in both value and volume terms. However, there are opportunities to be found in the smaller sectors of the market as well.

Malaysia has a strong tourism industry and this is reflected in the large number of hotels and resorts present in the country. The tourism sector is quite important to the foodservice industry as it is home to many five-star hotels (which usually have at least one full-service restaurant). This sector has been growing and is expected to continue doing so as the government has been encouraging expansion. It should be noted, however, that Malaysian tourism is recovering from a decline in 2009, caused by H1N1 and the global financial crisis.

Malaysia is a net exporter of food products, but still imports significant amounts of food from the rest of the world. Canada ranks as the fourteenth largest supplier of agri-food products, and the twelfth largest supplier of seafood to Malaysia. Canada has significant opportunities in the export of soybeans, wheat, and shrimp, which are all major products consumed in Malaysia.

Finally, it should be recognized that Malaysia has the most trusted halal industry in the world, and Canadian companies that meet Malaysian standards will be well poised for business in other Islamic nations.

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Source: CIA, 2010



## ► THE MALAY TIGER

Malaysia is a country located in Southeast Asia. It has a population of approximately 28 million, and is ethnically and religiously diverse. The country consists of a number of regions: the Malay Peninsula, and the states of Sabah and Sarawak on the island of Borneo. Established in 1963, Malaysia is a young country, but has developed rapidly from a post-colonial, raw-materials-dependent economy into a diversified economy with large service and manufacturing sectors (Central Intelligence Agency [CIA], 2010).

The Malaysian agriculture sector accounts for 9.4% of the Gross Domestic Product (GDP), a large proportion of the economy (CIA, 2010). In addition, a significant portion of the manufacturing sector in Malaysia is related to agri-food processing. Agricultural products include cocoa, rubber and palm oil (CIA, 2010).

Basic Economic Statistics	
Total GDP: US\$209 billion	Share of Agriculture in GDP: 9.4%
Per Capita GDP: US\$6,810	Debt to GDP Ratio: 53.3%
Average Annual Real GDP Growth Rate: 4.0%	

*Sources: Euromonitor, 2010; CIA, 2010; Global Trade Atlas, 2010*

Malaysia is the third-largest economy in the Association of South East Asian Nations (ASEAN), behind Indonesia and Thailand. In per capita terms, Malaysia has the third highest GDP, behind Singapore and Brunei. It is also ranked as the ninth-wealthiest country in East Asia.

Malaysia had experienced uninterrupted growth from 1999 to 2009 before the international credit crisis impacted the world market. While the economy shrunk by 1.7% in 2009, it is expected to grow at an average real rate of 5.1% a year through to 2014 if no significant policy changes are made (Economist Intelligence Unit, 2011). However, due to its geographic proximity to China and a large minority of highly educated ethnic Chinese, Malaysia has an ideal advantage in trade.

Malaysia has run a consistent trade surplus over the last six years. This trade surplus has increased over time as key Malaysian products, such as crude oil and processed palm and soy have grown in importance. Malaysia is expected to continue growing by approximately 4-5% (in real GDP growth) over the next five to ten years (Economist Intelligence Unit, 2011).

Malaysian Trade Balance - All Commodities - US\$						
	2005	2006	2007	2008	2009	2010
World	27,301,184,304	30,323,933,123	29,812,186,861	43,118,208,981	33,620,579,295	34,094,372,020

*Source: GTIS, 2011*

Malaysia announced 19 new projects in 2011 for the Economic Transformation Programme (ETP) across ten key economic areas, designed to help turn Malaysia into a high income state by 2020. ETP projects include the further development of oil and gas industry infrastructure; studying the potential of nuclear energy; expanding healthcare services and medical research; building new tourist attractions; a Mass Rapid Transit (MTR) project to reduce road congestion; an East coast herbal plantation to supply the nutraceutical market; the Skills Malaysia initiative, to provide graduates with vocational opportunities; and the development of an Internet Protocol Television system to distribute Malaysia-made media throughout the Middle East. These initiatives are projected to create 35,000 new jobs for residents, while furthering another ETP goal of attracting Malaysian talent back from overseas (Economist Intelligence Unit, 2011; New Asianist, 2011).



## ► REGIONS

Malaysia consists of three major regions: Peninsular Malaysia, Sarawak and Sabah. Peninsular Malaysia is a part of the Asian continent while Sarawak and Sabah are located on the island of Borneo.



Source: CIA, 2010

### **Peninsular Malaysia**

Peninsular Malaysia is home to Kuala Lumpur, Malaysia's largest city and capital. The bulk of the country's wealth is concentrated in this region. Major industries include: rubber; palm oil processing; light manufacturing; pharmaceuticals; electronics; tin mining and processing; and logging and timber processing. Chief agricultural products of the regions are rubber, palm oil, cocoa and rice (CIA, 2010).

### **Sarawak**

Sarawak is located on the island of Borneo and is the largest state by total land. The state is home to a population of over 2 million (Sarawak Government, 2010). Sarawak is also home to 27 different ethnic groups and can be termed the most multi-ethnic state within Malaysia (Sarawak Government, 2010). The state is also diverse in religion, with Christianity being the most prominent, followed by Islam, Buddhism and other religions (Sarawak Government, 2010). The largest city in the region is Kuching, which is also the state capital. Major industries include: agricultural processing, energy, and logging. Major agricultural crops include rubber, timber and pepper (CIA, 2010).



### **Sabah**

Sabah is a state located on the island of Borneo and is the second largest state in Malaysia by land area (Sabah State Government, 2011). It is also the least wealthy state in Malaysia. Sabah is similar to Sarawak in that it has a very diverse population (Sabah State Government, 2011). Sabah's major industries include logging and energy, while major agricultural products include subsistence crops, coconuts, rice, rubber, and timber (CIA, 2010).



## ► CONSUMER PROFILE

*Unless otherwise noted, all information in this section was derived from Euromonitor International, 2009.*

There is no such thing as a “standard” Malaysian consumer. The vast ethnic and religious diversity of the country means that there are wide variations in food preferences.

However, despite the varying ethnic and religious backgrounds, Malaysians have some commonalities. First, the population is young and growing. Second, the income of the average Malaysian grew steadily between 2001 and 2008, but this growth was briefly interrupted in 2009. Third, the average Malaysian is becoming an urban consumer - 71% of households currently reside in urban centres.

This increasing urbanization means that people will be living in higher density areas, resulting in reduced costs in bringing products to market due to more concentrated demand. In addition, urban consumers in Malaysia tend to consume more value-added products, whether in foodservice or in processed food products procured from grocery stores.

Most importantly, it is not uncommon for Malaysians to eat all their meals outside of the home on a daily basis. While this is primarily found amongst younger families and single people, it represents a trend across a significant portion of the Malaysian population (United States Department of Agriculture [USDA], 2009).

Pork and alcohol can be legally imported into Malaysia, and are in demand by the country's large, non-Muslim minority. Approximately 40% of Malaysians are not Muslim.

For a more comprehensive profile of Malaysian Consumers, please consult the 2011 AAFC report entitled: [The Malaysian Consumer: Behaviour, Attitudes and Perceptions toward Food Products.](#)

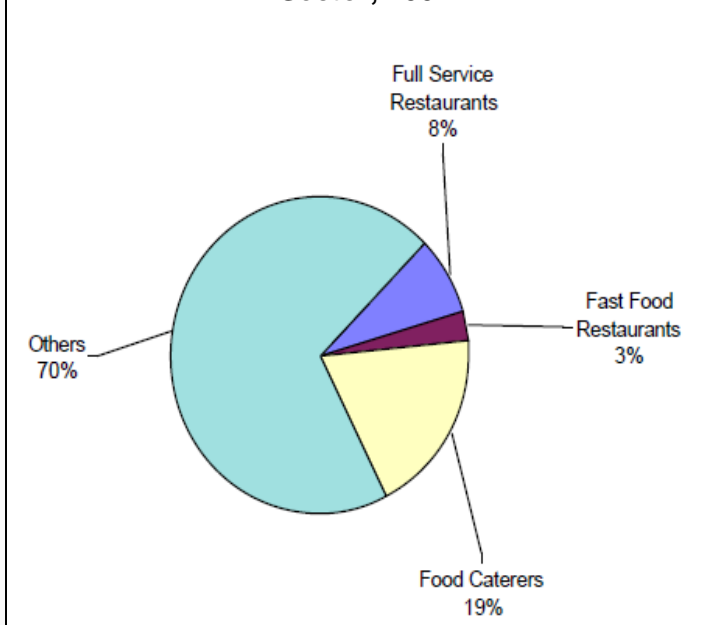
## ► OVERVIEW OF THE FOODSERVICE SECTOR

The Malaysian foodservice sector is very diverse and offers an array of options for consumers. Approximately 75% of the foodservice sector consists of small foodservice chains or stand-alone operations (USDA, 2010). This means the sector is highly fragmented and competitive as the varying operations battle for market share.

According to the USDA, the sector is composed of the following groups (2010):

- 19% food caterers
- 8% full-service restaurants
- 3% fast food restaurants
- 70% other areas of the industry

**Structure of the Malaysian Foodservice Sector, 2007**



Source: USDA, 2010



## ► OVERVIEW OF THE FOODSERVICE SECTOR (CONTINUED)

### Value

The Malaysian foodservice sector is in a period of expansion, with the value of sales increasing faster than volume. In the review period of 2004 to 2009, Malaysian consumers had more disposable income than ever before and were interested in trying new and higher quality food products. This has allowed for significant growth in the industry at a compound annual growth rate (CAGR) of 8.25%, and absolute growth of 48.64%.

In the period of 2004 to 2009, the fastest growing sector in the foodservice industry was the pizza foodservice industry, which grew at a CAGR of 13.4% and by 87.11% in absolute terms. However, the sector is quite small when compared to the fast food sector (CAGR of 11.46%; absolute rate of 72.06%) and the café/bar sector (CAGR of 10.48%; absolute rate of 64.58%).

Historic Market Value - US\$ mn - Current Prices - Fixed 2009 Exchange Rates						
	2004	2005	2006	2007	2008	2009
Consumer Foodservice	4,475.0	4,926.8	5,463.3	6,148.3	6,533.5	6,651.5
100% Home Delivery/Takeaway	15.9	18.5	21.8	23.0	27.9	33.0
Cafés/Bars	860.2	982.4	1,125.5	1,312.8	1,385.0	1,415.7
Full-Service Restaurants	1,990.9	2,139.6	2,311.8	2,517.3	2,646.8	2,649.1
Fast Food	502.1	539.1	591.3	689.0	813.4	863.9
Self-Service Cafeterias	114.2	121.1	129.0	138.0	146.3	152.0
Street Stalls/Kiosks	991.6	1,126.1	1,284.0	1,468.2	1,514.3	1,537.8
Pizza Consumer Foodservice*	86.9	104.8	119.2	132.6	153.2	162.6

**\*Note:** Pizza consumer foodservice includes three sub-sectors (pizza fast food, pizza full-service restaurants and pizza 100% home delivery/takeaway). These sub-sectors are already included in the total fast food, total full-service restaurants and total 100% home delivery/takeaway sectors.

**Source:** Euromonitor, 2010

Forecasts for the Malaysian consumer foodservice industry expect growth to slow over the period of 2010 to 2014. However, the industry is still expected to record a CAGR of 4.13% and absolute growth of 17.54%. The fastest growing sector is expected to be the fast food segment, with a CAGR of 6.21% and absolute growth of 27.24%. It is expected to be followed by the pizza foodservice segment (CAGR of 6.20%; absolute rate of 27.19%) and the full-service restaurant segment (CAGR of 4.09%; absolute rate of 17.41%). It should be noted that the tiny self-service restaurant segment is expected to grow faster than the full-service restaurant segment, but the prospects for growth beyond 2014 are limited, and the sector is almost non-existent in comparison to the vast amount of sales in the full service segment.

Market Value <b>Forecasts</b> - US\$ mn - Current Prices - Fixed 2009 Exchange Rates					
	2010	2011	2012	2013	2014
Consumer Foodservice	6,893.6	7,169.7	7,470.7	7,786.9	8,104.9
100% Home Delivery/Takeaway	33.0	36.7	40.2	43.6	50.2
Cafés/Bars	1,465.1	1,519.4	1,577.7	1,638.2	1,697.6
Full-Service Restaurants	2,735.1	2,836.2	2,952.3	3,078.8	3,211.3
Fast Food	925.0	989.3	1,053.1	1,116.3	1,177.0
Self-Service Cafeterias	159.1	166.9	174.9	183.4	191.3
Street Stalls/Kiosks	1,572.6	1,617.8	1,668.9	1,723.3	1,777.6
Pizza Consumer Foodservice*	171.4	181.4	192.7	204.9	218.0

**\*Note:** Pizza consumer foodservice includes three sub-sectors (pizza fast food, pizza full-service restaurants and pizza 100% home delivery/takeaway). These sub-sectors are already included in the total fast food, total full-service restaurants and total 100% home delivery/takeaway sectors.

**Source:** Euromonitor, 2010



## ► OVERVIEW OF THE FOODSERVICE SECTOR (CONTINUED)

### Volume

The number of transactions in the restaurant sector increased significantly over the period of 2004 to 2009, at a CAGR of 6.80%, and recorded an absolute growth of 38.92%. While this growth was slower than the growth in value, it remains quite rapid. The fastest growth was recorded in the fast food sector (CAGR of 11.64%; absolute rate of 7.40%), followed by the café and bar segment (CAGR of 7.93%; absolute rate of 46.47%) and the street stall segment (CAGR of 5.16%; absolute rate of 28.60%). It should be noted that while both self-service cafeterias and pizza foodservice transactions grew faster than the café and bar segment, the overall number of transactions was small. Pizza foodservice transactions were especially notable, because the low transaction volume appears to indicate higher prices are paid for pizza products.

Historic Transactions - '000 transactions						
	2004	2005	2006	2007	2008	2009
Consumer Foodservice	847,700	920,429	993,872	1,085,211	1,153,457	1,177,637
100% Home Delivery/Takeaway	6,681	7,446	8,181	8,507	8,936	9,472
Cafés/Bars	133,720	148,412	163,293	182,897	192,545	195,855
Full-Service Restaurants	196,219	209,437	222,671	235,931	245,976	245,804
Fast Food	141,992	156,182	170,693	199,079	231,362	246,210
Self-Service Cafeterias	16,475	18,883	21,336	23,896	25,928	26,828
Street Stalls/Kiosks	352,612	380,068	407,697	434,901	448,710	453,469
Pizza Consumer Foodservice*	11,470	13,061	14,395	15,383	16,541	17,226

**\*Note:** Pizza consumer foodservice includes three sub-sectors (pizza fast food, pizza full-service restaurants and pizza 100% home delivery/takeaway). These sub-sectors are already included in the total fast food, total full-service restaurants and total 100% home delivery/takeaway sectors.

**Source:** Euromonitor, 2010

The consumer foodservice industry is forecast to have increasing transaction volumes over the period of 2010 to 2014, but at a significantly slower pace than experienced in previous years. The CAGR is expected to be 1.56% with absolute growth at 6.40%. Fast food is expected to be the fastest growing segment of the foodservice industry with a CAGR of 3.47% and an absolute growth of 14.60%. It is expected to be followed by the café/bar segment (CAGR of 1.38%; absolute rate of 5.62%), and the full-service restaurant segment (CAGR of 1.12%; absolute rate of 4.57%). It should be noted again that self-service cafeterias and pizza foodservice are expected to grow faster than the café/bar segment, but they have very small bases to grow from. The pizza foodservice sector, however, is interesting in that it is expected to have significantly faster value than volume growth. This indicates higher pricing is predicted for this sector, perhaps indicating a further premiumization of the industry.

Forecast Transactions - '000 transactions					
	2010	2011	2012	2013	2014
Consumer Foodservice	1,203,877	1,227,107	1,247,488	1,265,720	1,280,962
100% Home Delivery/Takeaway	9,837	10,158	10,491	10,812	11,127
Cafés/Bars	199,750	202,919	205,909	208,702	210,979
Full-Service Restaurants	248,878	251,866	254,755	257,547	260,256
Fast Food	259,897	271,989	282,064	290,844	297,842
Self-Service Cafeterias	27,705	28,475	29,125	29,703	30,145
Street Stalls/Kiosks	457,809	461,700	465,144	468,112	470,613
Pizza Consumer Foodservice*	17,774	18,296	18,857	19,427	20,021

**\*Note:** Pizza consumer foodservice includes three sub-sectors (pizza fast food, pizza full-service restaurants and pizza 100% home delivery/takeaway). These sub-sectors are already included in the total fast food, total full-service restaurants and total 100% home delivery/takeaway sectors.

**Source:** Euromonitor, 2010



## ► OVERVIEW OF THE FOODSERVICE SECTOR (CONTINUED)

### Outlets

Malaysia experienced growth in both the value and volume of transactions in the period of 2004 to 2009. It is thus unsurprising that during this same time period, growth in outlets was fairly robust at a CAGR of 3.71% and 19.96% in absolute growth. The fast food sector, once again, was the leader in new outlets, recording a CAGR of 10.74% and an absolute growth of 66.55%. The full-service restaurant sector (CAGR of 3.75%; absolute rate of 20.18%) and the café and bar segment (CAGR of 2.83%; absolute rate of 14.99%) followed. It should be noted that while the pizza foodservice and self-service cafeterias recorded higher growth than the full-service restaurant sector, the base of outlets was very small.

Historic - Units/outlets						
	2004	2005	2006	2007	2008	2009
Consumer Foodservice	23,849	24,981	25,966	27,249	28,187	28,610
100% Home Delivery/Takeaway	151	161	170	177	189	207
Cafés/Bars	4,256	4,354	4,464	4,669	4,804	4,894
Full-Service Restaurants	8,106	8,577	9,010	9,434	9,717	9,742
Fast Food	1,647	1,873	1,988	2,312	2,574	2,743
Self-Service Cafeterias	180	200	220	240	258	268
Street Stalls/Kiosks	9,509	9,816	10,114	10,417	10,645	10,756
Pizza Consumer Foodservice*	312	339	368	396	429	450

**\*Note:** Pizza consumer foodservice includes three sub-sectors (pizza fast food, pizza full-service restaurants and pizza 100% home delivery/takeaway). These sub-sectors are already included in the total fast food, total full-service restaurants and total 100% home delivery/takeaway sectors.

**Source:** Euromonitor, 2010

The Malaysian consumer foodservice industry is expected to experience slower outlet growth as value and volume growth slow. It is expected that over the period of 2010 to 2014, the industry's CAGR in outlet terms will be 1.00%, with 4.07% growth in absolute terms. The fast food sector is expected to lead the growth in the foodservice industry in terms of outlets with a CAGR of 3.84% and absolute growth of 16.28% over the period of 2010 to 2014. The café and bar segment (CAGR of 0.79%; absolute rate of 3.21%) and the full-service restaurant segment (CAGR of 0.40%; absolute rate of 2.85%) are expected to follow in terms of growth. Once again, it should be noted that the miniscule self-service cafeterias and pizza outlets have not been included, due to their small base, even though they are expected to experience moderately stronger growth.

Forecast - Units/outlets					
	2010	2011	2012	2013	2014
Consumer Foodservice	29,036	29,399	29,716	29,993	30,217
100% Home Delivery/Takeaway	218	227	236	244	251
Cafés/Bars	4,958	5,008	5,052	5,089	5,117
Full-Service Restaurants	9,831	9,913	9,986	10,052	10,111
Fast Food	2,906	3,051	3,177	3,290	3,379
Self-Service Cafeterias	277	285	292	298	303
Street Stalls/Kiosks	10,846	10,915	10,973	11,020	11,056
Pizza Consumer Foodservice*	465	479	493	507	520

**\*Note:** Pizza consumer foodservice includes three sub-sectors (pizza fast food, pizza full-service restaurants and pizza 100% home delivery/takeaway). These sub-sectors are already included in the total fast food, total full-service restaurants and total 100% home delivery/takeaway sectors.

**Source:** Euromonitor, 2010

\*Note: Euromonitor and the USDA (as shown on page 5) use different methodologies for accounting for foodservice operations, which has a significant impact on the outcomes of the "composition" of the foodservice sector.



## ► THE FOODSERVICE SECTOR BY SEGMENT

*Unless otherwise noted, all information in this section was derived from Euromonitor International, 2010*

### **Cafés and Bars**

► While the Malaysian café and bar sector of the foodservice industry suffered a slowdown in 2009, it experienced fast growth in the five years prior to the global economic downturn. It is widely expected that through to 2014, the sector will recover and experience further growth. This can be largely attributed to a young population and rising disposable incomes.

► This sector innovated to deal with the economic downturn and began utilizing a number of promotions in order to ensure that growth remained positive. The sector is experimenting with new products, which will likely continue as well. Malaysia has a diverse diet as it is, and trying foods outside of traditional dishes is a regular practice. Exporters with new products may find this market to be an area of interest.

### **Fast Food**

► The fast food sector continued to grow in 2009, in spite of the economic downturn, although at a slower pace. In 2009, the industry focused on boosting sales through marketing and limited time promotions. This allowed the industry to continue to increase volume and value of sales in the face of the downturn.

► Again, the young population of Malaysia and rising incomes will likely drive growth in this sector into the near future.

► Similar to the café and bar sector, the Malaysian fast food industry is on track to provide more diversified offerings, presenting many opportunities for potential exporters of new or different products.

► It should be noted that the fastest growing area of consumption in the fast food industry is poultry products. While Canada has supply management in place, significant quantities of poultry products are still exported. Poultry products are more popular in the Malaysian fast food industry because of religious restrictions surrounding both pork and beef within the Islamic and Hindu populations, respectively.

### **Full-service Restaurants**

► Similar to the fast food and café/bar sector, the full-service restaurant industry engaged in promotional activities to maintain sales growth in the midst of the 2008/2009 global economic slowdown. An example of such a promotion would be a “buy one, get one free” deal, where the adult meal is paid for and a child eats for free.

► The most popular type of full-service restaurants are Asian cuisine. Thai, Chinese and Japanese cuisine are also all quite popular due to similarities to the Malay diet.

► While there is a highly fragmented market with many independent operators, the trend in Malaysia has been towards franchising full-service restaurants. This is fairly common across countries as large corporations find it easier to reduce costs, which gives them competitive pricing advantages.

### **Self-Service Restaurants/Cafeterias**

► The self-service sector is one of the slowest growing areas of the Malaysian foodservice industry. This is because prices for food at these locations are higher, and the sector is not innovative in its offerings. Also, self-service cafeterias are most successful in captive and semi-captive environments, where consumers have few, if any, other options for food. The sector is expected to grow at 4% in value terms over the period of 2010 to 2014.

► This sector is dominated by independent players, with only two chained outlets in the entire industry.



## ► THE FOODSERVICE SECTOR BY SEGMENT (CONTINUED)

### *Street Kiosks*

- Street kiosks increased in popularity in 2009, although growth was muted by the economic downturn. The Malaysian government has been cracking down on unlicensed street vendors and improving hygiene standards at street stalls/kiosks in order to improve food safety.
- The sector is poised for slower growth between 2010 and 2014 due to the expectation of increased regulation, coupled with the belief that the sector has become 'crowded.' New entrants are still expected but they will be in the chained foodservice category, rather than independent operators. If this does occur, it can be expected that the street kiosk sector will face increased competition, and like other sectors, the chained stalls will likely overtake the independent operators in sales and outlets.

### *Takeaway/Delivery*

- The takeaway and delivery segment of the consumer foodservice industry grew at a rate of 18% in 2009, apparently undisturbed by the global economic crisis. This sector is expected to continue to grow at a fast rate over the period of 2010 to 2014, as Malaysians seek more convenient options for food and more westernized cuisine.
- It should be noted that the fastest growing segment of the takeaway and delivery segment was the pizza industry.

## ► THE TOURISM SECTOR

### *Hotel Sector*

Kuala Lumpur is the major tourist destination in Malaysia and it has the majority of four- and five-star hotels in the country. The city is also home to many resorts. Hotels which range from three to five stars generally have at least one restaurant on the premises, while many of the finer hotels have more than one restaurant on their premises and innovative dishes are quite important. There are other three- to five-star hotels located through Malaysia, naturally, but the bulk of them are concentrated around Kuala Lumpur (USDA, 2009).

The quality of the food is generally higher in hotel establishments, and these places are generally frequented by people of higher income groups, not just the guests of the hotel, as they are seen as a symbol of status (these restaurants are frequented by celebrities and other famous people) and as a place to do business. Types of restaurants range from American to Indian to Turkish, and employ a variety of ingredients in their dishes. Hotel restaurants are also a common place for celebrations and weddings (USDA, 2009).

Historic Market Sizes - US\$ mn - Current Prices - Fixed 2009 Exchange Rates						
	2004	2005	2006	2007	2008	2009
Hotels	2,757.3	2,974.6	3,178.9	4,045.6	4,370.5	4,082.8
Other Travel Accommodation	258.5	299.8	339.0	423.8	457.0	476.9

*Source: Euromonitor, 2010*



## ► THE TOURISM SECTOR (CONTINUED)

### *Domestic Tourism*

Kuala Lumpur is, by far, the most popular tourism destination for Malaysians. The wide variety of options in terms of foodservice, shopping and entertainment, drives tourists to Kuala Lumpur. In addition to this, Kuala Lumpur, as the heart of domestic travel, is “a place where all roads lead to” and this helps lower the cost of trips to the city, encouraging tourism flows (Euromonitor, 2009).

However, the dominance of Kuala Lumpur in Malaysia does not mean that other areas do not have significant tourist flows. One area of significant growth in 2009 was the state of Sarawak on Borneo. Sarawak is multi-cultural and has wide offerings of different foods, cultures and locations to visit (Euromonitor, 2009).

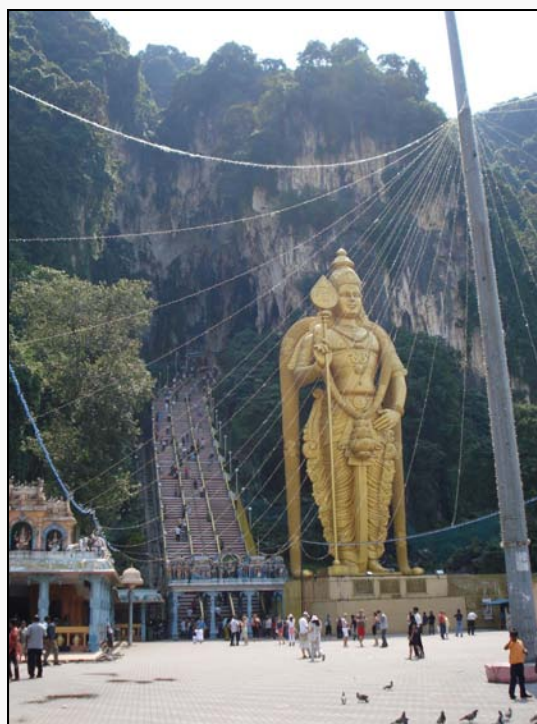
The Malaysian government has also been active in its advertising of domestic tourism and this is expected to bode well for domestic tourism flows in the near future.

### *International Tourism*

In 2009, the combination of H1N1 and the global economic crisis likely depressed global tourism demand. Despite this, Malaysia did receive increased tourism from some European countries due to the low cost of the destination, as well as its largest tourism partner, Singapore (Euromonitor, 2009).

Tourism Flows						
	2004	2005	2006	2007	2008	2009
Domestic Tourism - '000 trips	33,744	36,380	39,408	43,416	46,320	49,806
International Arrivals - '000 people	15,815	16,567	17,701	20,972	22,051	23,302

**Source:** Euromonitor, 2010



Entrance to the Batu Caves  
Kuala Lumpur, Malaysia  
**Source:** C. Palluau



## ► MALAYSIAN IMPORTS

### Agri-food

Total Malaysian agri-food imports were valued at US\$13.3 billion in 2010, up from US\$10.4 billion in 2009. Canada supplied Malaysia with US\$172 million worth of agri-food in 2010, and was the country's fourteenth largest supplier, accounting for 1.3% of Malaysia's total agri-food import value. Canada's top five competitors were Indonesia (22.7%), China (9.3%), Argentina (7.6%), Australia (7.2%) and the Thailand (7.0%).

Top 10 Suppliers of Malaysian Agri-food Imports - US\$						
	2005	2006	2007	2008	2009	2010
Total	6,160,884,238	7,119,494,724	8,916,816,750	11,433,933,199	10,375,186,901	13,334,509,204
Indonesia	850,367,203	1,114,517,072	1,444,213,732	2,332,613,587	2,048,823,388	3,030,553,486
China	625,005,445	711,356,390	942,715,368	821,721,687	928,549,987	1,243,887,748
Argentina	587,285,363	679,325,252	924,279,711	1,270,615,270	747,071,523	1,015,052,901
Australia	594,026,851	598,916,085	701,601,626	619,060,356	579,374,335	963,456,433
Thailand	741,961,854	763,676,103	749,163,980	900,602,140	895,568,303	939,208,349
United States	337,119,257	393,562,359	560,149,969	1,035,101,707	713,698,297	841,954,193
India	379,295,789	431,507,571	663,059,673	704,899,814	679,288,836	826,376,352
Brazil	153,822,084	213,196,409	325,840,867	312,078,422	597,253,756	719,176,359
New Zealand	253,600,326	237,594,311	359,609,383	546,765,918	365,610,318	478,521,947
Vietnam	139,295,164	239,010,679	235,260,876	491,720,729	537,739,987	456,437,741
Canada (14)	96,904,471	127,461,593	178,088,989	210,555,396	160,336,303	172,162,701

Source: GTIS, 2011

The top Malaysian agri-food imports in 2010 were palm oil, cocoa beans, coconut oil, cane, sugar, and corn.

Malaysia's Top 10 Agri-Food Imports - US\$						
	2005	2006	2007	2008	2009	2010
Total	6,160,884,238	7,119,494,724	8,916,816,750	11,433,933,199	10,375,186,901	13,334,509,204
Palm Oil	157,878,630	285,098,685	295,960,971	638,036,379	711,386,507	1,086,936,794
Cocoa Beans	377,386,124	671,440,477	787,092,400	1,185,914,260	767,666,543	969,823,427
Coconut Oil	219,148,836	230,859,657	398,069,977	588,125,235	390,928,813	804,655,268
Cane Sugar	297,774,261	394,058,815	445,939,058	416,214,042	600,745,802	802,030,985
Corn	367,755,965	401,483,459	614,893,889	676,775,129	568,062,712	770,511,824
Rice	182,629,249	286,460,680	312,758,127	827,374,589	549,628,376	496,899,611
Soybean Oilcake	208,745,187	198,482,836	266,410,190	395,122,168	426,723,279	467,185,263
Food Prep	188,722,889	201,804,780	235,643,719	277,473,347	299,519,189	427,915,226
Milk and Cream	344,129,633	334,605,204	513,361,332	552,793,416	281,575,185	378,235,781
Malt Extract	232,218,841	235,288,958	263,256,492	312,720,927	290,028,244	355,740,202

Source: GTIS, 2011



## ► MALAYSIAN IMPORTS (CONTINUED)

### Seafood

Total Malaysian seafood imports were valued at US\$750 million, up from US\$649 million in 2009. Canada supplied Malaysia with US\$8.2 million, making it the twelfth largest supplier in 2010 and accounting for 1.1% of the country's seafood import value. Canada's top five competitors were China (32.3%), Indonesia (16.9%), Thailand (16.2%), Myanmar (4.7%) and Vietnam (4.2%).

Top 10 Suppliers of Malaysian Seafood Imports - US\$						
	2005	2006	2007	2008	2009	2010
Total	513,229,214	553,072,519	620,297,452	562,069,587	648,666,446	750,299,726
China	106,454,772	122,118,186	133,214,507	110,765,645	182,179,042	242,528,948
Indonesia	66,599,944	66,780,081	96,712,222	102,811,722	106,294,676	126,789,594
Thailand	111,679,088	119,292,338	125,615,298	117,332,005	115,194,251	121,472,070
Myanmar	26,479,829	31,065,157	30,274,097	29,565,761	31,567,724	35,092,780
Vietnam	31,935,781	47,587,822	52,986,813	38,053,851	32,338,155	31,436,818
India	45,928,318	32,230,743	30,392,206	22,361,005	24,087,292	29,555,850
Japan	5,741,016	8,275,286	10,498,038	15,246,991	14,800,669	19,817,461
Norway	4,695,806	8,281,316	10,177,972	10,495,768	11,365,164	14,634,210
Taiwan	15,036,831	11,631,577	10,937,935	11,367,642	10,504,865	12,999,695
Pakistan	11,817,976	12,178,024	12,995,930	13,251,734	13,758,895	10,775,619
Canada (12)	1,411,665	1,503,545	2,076,496	2,490,143	8,468,000	8,178,587

Source: GTIS, 2011

The top Malaysian seafood imports were live crustaceans, frozen fish, fresh or chilled fish, fish fillets, and prepared or preserved fish.

Malaysia's Top 10 Seafood Imports - US\$						
	2005	2006	2007	2008	2009	2010
Total	513,229,214	553,072,519	620,297,452	562,069,587	648,666,446	750,299,726
Live Crustaceans	169,844,235	146,853,881	174,095,240	115,468,578	154,682,787	204,392,832
Frozen Fish	122,746,674	142,333,886	144,997,429	143,888,411	178,582,202	181,546,594
Fresh/Chilled Fish	97,462,109	102,547,177	116,777,306	121,061,650	117,366,341	144,104,364
Fish Fillets	33,296,145	54,702,015	63,667,207	48,852,853	50,665,486	56,856,748
Prep/Pres. Fish	33,789,137	40,924,814	45,156,108	53,433,912	52,037,472	50,445,994
Molluscs	19,327,288	24,114,828	29,163,897	31,565,226	41,705,497	50,269,011
Live Fish	15,317,152	15,646,599	18,412,142	19,616,383	22,210,992	24,510,074
Dried/Salted Fish	13,671,702	16,305,287	15,303,834	15,428,966	19,192,607	22,345,837
Other Aqua. Invert.	7,040,461	9,226,088	11,748,552	11,025,576	10,988,330	14,207,250
Extracts and Juices	734,311	417,945	975,737	1,728,032	1,234,730	1,621,023

Source: GTIS, 2011



## ► CANADIAN EXPORTS TO MALAYSIA

### Agri-food

Canada exported CAD\$116 million<sup>1</sup> of agri-food products to Malaysia in 2010, down from a peak year in 2008 (CAD\$239 million). Canada's top three exports were: soya beans (41.1% of total trade), wheat (28.7%) and crude canola oil (13.9%), at values of CAD\$48 million, \$33 million and \$16 million respectively. Canada's fastest growing products within the top ten exported goods were: frozen pork (CAGR: 76.2%), peas (43.6%), and ice cream (28.2%).

Top 10 Agri-food Products Exported to Malaysia from Canada (\$CAD)					
	2006	2007	2008	2009	2010
Total Agri-food Exports	129,702,010	129,625,220	239,378,043	114,343,732	116,046,428
Soya beans	21,614,292	35,021,928	44,004,727	45,870,156	47,706,300
Wheat	46,484,160	58,338,295	116,710,948	34,713,450	33,283,954
Crude canola oil, low erucic acid	18,595,304	12,151,236	18,158,028	4,117,450	16,086,748
Ice cream	1,112,996	1,987,199	2,325,688	2,471,604	3,002,923
Food preparations	1,291,480	1,718,561	2,052,636	1,730,506	2,449,588
Frozen pork offal	1,357,083	1,862,738	1,035,679	1,391,057	1,834,033
Frozen pork	181,790	75,723	590,574	1,781,036	1,754,089
Frozen fries	2,094,596	3,854,266	3,452,576	4,475,666	1,290,021
Non-alcoholic beverages	875,794	2,454,796	4,667,960	1,505,713	1,158,232
Peas	151,144	110,494	447,677	600,389	643,200

Source: Statistics Canada, 2011

### Seafood

Canada exported CAD\$4.2 million of seafood products to Malaysia in 2010, down from a peak year in 2009 (CAD\$5.1 million). Canada's top three exports were: frozen sardines (80.9% of total trade), live lobster (12.6%) and frozen shrimp and prawns (2.6%), at values of CAD\$3.4 million, \$534 thousand and \$110 thousand respectively. Canada's fastest growing products within the top ten exported goods were: frozen sardines (CAGR from 2008-2010: 103.3%), marine mammal fats (CAGR from 2008-2010: 89.5%), and seaweeds and other algae (CAGR not calculable as 2010 figure is the only data available).

Top 10 Seafood Products Exported to Malaysia from Canada (\$CAD)					
	2006	2007	2008	2009	2010
Total Seafood Exports	1,194,131	1,235,723	2,103,258	5,063,202	4,225,707
Frozen sardines	0	0	826,665	3,991,920	3,418,035
Live lobster	654,083	780,186	563,265	758,949	534,115
Frozen shrimps and prawns	0	154,752	0	0	110,143
Stimson's clams	37,960	70,982	102,930	92,517	78,146
Seaweeds and other algae	0	0	0	0	65,106
Non chemically modified marine mammal fats	0	0	2,880	2,880	10,338
Frozen tunas	0	0	0	0	9,824
Live whales, dolphins/porpoises	0	0	0	0	0
Seal meat	0	0	0	0	0
Live ornamental fish	0	0	0	0	0

Source: Statistics Canada, 2011

<sup>1</sup>The discrepancy between Malaysian import and Canadian export figures is explained by differences in methods of calculation and transshipments. For further detail, please see the Annex on page 16.



## ► MARKET ACCESS

Malaysia is a country devoted to free trade. However, like all countries, it has various procedures that must be completed prior to import. It is strongly recommended that Canadian exporters contact the trade commissioner responsible for the country, as well as Agriculture and Agri-Food Canada (see page 16 for contact information).

## ► HALAL INDUSTRY

Southeast Asia has the largest Muslim population in the world and is considered the centre for halal foods. Malaysian halal standards are considered something of a “gold standard.” Canadian businesses seeking to do business with Malaysian companies should be aware of the various requirements with respect to halal food, and should also be aware that preparing halal food for Malaysian standards will open doors to other Islamic countries.

For more information on halal requirements and market information in Malaysia and the world, contact the trade commissioner responsible for the country, and consult the following AAFC report (2011):

[Global Pathfinder Report—Halal Food Trends.](#)



Source: Shutterstock

## ► CONCLUSION

Malaysia is a young, rich, dynamic market with potential for Canadian agribusiness. Malaysia has experienced unprecedented growth over the last two decades and has become a leader in Southeast Asia. The country is poised for continued strong growth due to its close proximity to China and strong export potential. Malaysia is also ethnically diverse, posing challenges in getting food to suit a large population as there are varying tastes across ethnic groups. However, this also creates opportunities for companies seeking to diversify and create innovative products for the market.

Growth in the Malaysian consumer foodservice market will likely be led by the café/bar segment, full-service restaurant segment and the fast food segment. These three sectors account for over half the existing value in the Malaysian economy and will continue to play an important role into the foreseeable future.

Malaysia has also experienced significant import growth in agri-food and seafood products. Canada has been a major beneficiary of Malaysian import demand growth and will continue to be as Canada supplies a number of products that Malaysia demands.

Finally, Malaysia represents a doorway to the international halal market for Canadian producers. With the most populous Islamic country in the world as a neighbour (Indonesia) and high standards in halal regulations, Malaysia is an excellent entry point for Canadians looking to expand their businesses into new and growing markets.



## ► ANNEX

There are discrepancies between the import data reported by the Malay government and what Canada reports as exports to Malaysia. These discrepancies can be explained by many factors, such as:

1. The method of valuation: Canada's method is based on FOB (Freight On Board), which excludes the cost of freight and insurance, whereas Malaysia reports its imports based on CIF (Cost Insurance and Freight) and includes these fees.
2. Trans-shipments: It is very likely that Canada is exporting to South East Asia through other ports such as Japan, Hong Kong and others before entering Malaysia.

## ► RELATED AAFC REPORTS

A Strategic Review of Areas of Future Opportunity for Canadian Exporters in Malaysia's Livestock Genetics, Meat and Animal Feed Markets: An Executive Briefing

<http://www.ats-sea.agr.gc.ca/info/ase-eng.htm#Malaysia>

Characteristics of Malaysia's Animal Feed Market

<http://www.ats-sea.agr.gc.ca/info/ase-eng.htm#Malaysia>

Characteristics of the Markets for Bakery and Other Food Ingredients in Malaysia

<http://www.ats-sea.agr.gc.ca/info/ase-eng.htm#Malaysia>

Malaysia's Market for Imported Fish and Seafood

<http://www.ats-sea.agr.gc.ca/info/ase-eng.htm#Malaysia>

Global Pathfinder Report: Halal Food Trends (April 2011)

The Malaysian Consumer: Behaviour, Attitudes and Perceptions Toward Food Products (July 2011)

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The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

**Foodservice Profile - Malaysia**

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ISSN 1920-6593 Market Analysis Report

AAFC No. **11495E**

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Aussi disponible en français sous le titre :

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