

# NEWSLETTER

## EXPORTING TO MALAYSIA

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### Export opportunities for Australian food products

The Australian Food Grocery Council (AFGC) is the leading national organisation representing Australia's food, drink and grocery manufacturing industry. The AFGC supports and represents industry across a wide range of issues and, reflecting industry's focus on export opportunities to Asia, the AFGC has increased its engagement with international trade issues. The AFGC is working to deliver market reports on export opportunities for snacks, beverages, condiments and baking products to Malaysia, Thailand and China. This activity has received funding from Austrade as part of the Asian Century Business Engagement Plan.

#### Export opportunities to Malaysia

Malaysia has a population of approximately 30 million people with average annual economic growth of nearly five per cent over the last six years; per capita incomes are above the average for South East Asia. The Malaysian Government intends to increase national economic to seven per cent under their *Vision 2020* plan. Malaysia is currently Australia's third largest trading partner within the ASEAN grouping, and Australia's ninth largest trading partner overall.

AFGC representatives recently completed a market visit to Malaysia where they met retailers, associations and government officials to better understand the market and opportunities for Australian food exporters. Malaysians have increasing preferences for imported food products and there are significant opportunities for Australian agri-food exports as Australian products are familiar to many Malaysians due to time spent studying and/or holidaying in Australia.

Given Malaysia's low food import barriers and widespread use of English there is strong competition from local and imported products. Australian product is often the most expensive product so Australian exporters need to focus on creating value and minimising further price increases.

#### Australian Product available in premium retailers, foreign-owned retailers and distributors

Visual inspections of product ranges across multiple channels revealed that Australian products are relatively well represented. Multiple brands are present across the following categories:

- Snacks and biscuits
- Pasta sauce
- Table sauces
- Dips
- Baking products
- Spreads
- Non-alcoholic beverages
- Dairy products
- Cereals



## Key Findings

- Premium food products are in demand by the large number of tourists to Malaysia (approximately 25 million annually) and the increasing number of wealthy Malaysians.
- There are a significant number of Malaysian English speakers, and a large proportion of the Malaysian high income and professional sector have received tertiary education in Australia (some 300,000 at last estimate)
  - accordingly they are familiar with Australian food products and often regard Australian food products as trustworthy, giving Australian exporters some advantage
  - however as English is widely spoken it is very easy for exporters to enter the market, creating more competition.
- The Malaysia Australia Free Trade Agreement (MAFTA) provides improved access for Australian exporters to the Malaysian market. Under MAFTA, 97.6 per cent of Australia's exports became tariff-free from the beginning of 2013, rising to 99 per cent in 2017
  - while some processed food products enjoy tariff preferences under MAFTA, high product cost is a focus of retailer concerns.
- There are relatively low barriers for exporting to Malaysia
  - processed or packaged food is reported to face low levels of non-tariff barriers.
- The significant range of, and apparent preference for, Australian beef and dairy products creates opportunity to leverage this goodwill toward other processed food products
  - Australian products are often the most expensive on the shelf so there is a need to overcome high prices.
- Malaysia is in the early stages of growth in organic and allergen free products across all categories
  - premium stores have dedicated sections for organic and allergen free product. There is reportedly increasing food intolerances among the Malaysian population.
- Processed food products have to be unique and gourmet to be successful
  - there are great opportunities for Australian food SMEs.
- There is a widespread view that food needs to be Halal certified to be successful in Malaysia
  - given Malaysia's status as an Islamic country with arguably the strictest halal requirements globally, there is an opportunity for Australian exporters to meet Malaysian requirements and then export to or tranship to the Middle East.
- It is worth noting that Malaysia will introduce a Goods and Services Tax (GST) from April 2015. It is understood to be similar to arrangements for Australia's current GST.

## Next Steps

In June 2014, the AFGC will release full market reports on export opportunities in Malaysia, Thailand and China for snacks, beverages, baking products, and sauces and spreads. For further information please contact Michael Rogers: [Michael.Rogers@afgc.org.au](mailto:Michael.Rogers@afgc.org.au)



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