

Food Sector Business Opportunities in Malaysia

Ideal Prospects, Immense Opportunities

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Date: 14th August 2018
Time: 2.00 to 2.30 pm

Venue: Summit Hall, IDA Scudder
Trade Centre, Velamal Campus
Ring Road, Madurai



“Malaysia’s near term growth outlook remains strong, with sound economic fundamentals”

Dr. Richard Record, Lead Economist
World Bank Group



Country Demography

- A potpourri of ethnic mixes derived from some of the world's oldest civilizations
- Malaysia is poised to become one of the leading Asian countries in food production and processing
- Estimated to 6.6 million hectares from 33 million hectares
 - Industrial crops such as Oil Palm, rubber, cocoa, tobacco and pepper
- Agriculture is one of the sectors under National Key Economic Areas (NKEAs)

Malaysia's Food Industry

- Food processing – 10% of Manufacturing Output
 - Exported to 200 countries, < RM20B
- Net importer of food products, RM45.5B

Livestock and Dairy

- Poultry processing constitutes 60% of the meat processing industry
 - Net exporter of poultry meat but importer of meat products
 - Dairy products produced are milk powder, sweetened condensed milk, pasteurized or sterilized liquid milk, ice cream, yogurt and other fermented milk, dependent on imports



Malaysia's Food Industry

Fisheries

- More than 1.7 million tonnes of fish produced
 - 85% marine fisheries, balance contributed by aquaculture
 - Prawn Farming is the main activity, followed by fresh water fish and marine fish farming
- Malaysia's total exports of seafood including fish and other seafood processed products exceeded RM2.7 B in 2016



Malaysia's Food Industry

Cereal Products/ Flour Based Products

- Net exporter of cereal preparations/ products with a net export of more than RM3.3B (2016)
 - Range of products includes pre mixes, bread, biscuits, snack foods, instant noodles, vegetarian food, frozen cakes and pastries

Pepper and pepper products

- Exporter of pepper and pepper products exceeded RM490.2M
 - Value-added pepper and pepper products include specialty pepper and processed pepper based products such as spice mixes and blends, seasonings and flavourings



Malaysia's Food Industry

Fruits and Vegetables

- 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
- Malaysia remain a net importer of processed fruits and vegetables with import amounting to RM1.8B (2016)
- Tremendous potential for import substitution and export opportunities
 - Encouraged to undertake the commercial cultivation of fruits and vegetables



Malaysia's Food Industry

- Chocolate and Sugar Confectionaries
 - Malaysia is the 8th largest cocoa grinding center 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 cocoa preparations were valued at RM4.6B

Malaysia's Food Industry

- **Palm Oil-based Products**

- Malaysia is the world's largest exporter, 2nd largest producer of palm oil in the world
- Export earnings from oil palm products reached RM64.6B
 - Major markets for oil palm products are India, China, Europe, Pakistan and the USA
- Main products exported are RBD palm oil, RBD palm olein and stearin, specialty fats such as cocoa butter substitutes, margarine, shortening and vanaspati
- Value-added palm oil-based to cater to health conscious and vegetarian consumers



Growing Demand for Food

- Lifestyle changes have led to an increase in the demand for convenience and health foods
 - Steady increase in the standard of living and PP
- Positive growth indicating the increasing acceptance of Malaysia's food products in overseas market
- ASEAN with a population of over 600 million, Malaysia is poised to become a major exporter of processed food for the region



Growing Demand for Food

- Malaysia was the first nation in the 1970s
- With a majority muslim population, Malaysia has a ready domestic market for HALAL food
- Estimated potential market of the halal food industry ranges between USD 600 B and USD 2.1 T annually
- JAKIM, Dept of Islamic Development Malaysia certifies all halal food products.



Growing Demand for Food

- Malaysia's skilled young workforce and training facilities enable the country to be an excellent choice for nurturing and expanding the growing food industry
- It was reported that while many manufacturers in the Malaysian food business are aware of the advantage of the IR-4 in lowering costs of production.
- Government agencies and Supporting Network/ Infrastructure
- Quality Control



Growing Demand for Food

- Research & Development
 - Focuses on genetic improvement and development of value added products
 - MARDI, MPOB, MCB, FRIM, FRI

Growing Demand for Food

- Incentives for Investment
 - 100% Income Tax Exemption for 15 years or 100% Investment Tax Allowance for 10 years for manufacture of food products in the less developed areas
 - 100% Income Tax Exemption for 10 years for production of selected food activities
 - 100% Investment Tax Allowance for 10 years or income tax exemption on export sales for 5 years for productions of Halal specialty
 - Pioneer Status (PS)/ Investment Tax Allowance (ITA)
 - PS/ITA for small-scale companies



Growing Demand for Food

- Additional 5 years reinvestment incentives for promoted food products
- Reinvestment Allowance (RA) for 15 years
- 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



New Investment Opportunities

- Convenience food
 - Demand for ready to eat meals
- Food Ingredients
 - Food flavours and seasonings, sweeteners and palm oil-based additives



Thank you.



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