



MARKET BRIEF

MALAYSIA

Global Exports to Malaysia 2018-19

- Rank at #8 in the global dairy market by volume.
- Destination for 438,500 tonnes of dairy product, worth US \$1,006.1 million (March 2018 to February 2019).
- Exports to Malaysia have increased by 32.3 per cent over the past five years.
- The biggest volume growth (product categories exceeding US\$20 million) has been in: Cream (84 per cent), Milk (45 per cent), Casein (41 per cent) and Protein (40 per cent).
- The biggest volume decline (product categories exceeding US\$20 million) has been in: WMP (-32 per cent).

Australian Market Share in 2018-19

- Rank at #4 in the share of the Malaysia import volume.
- Destination for close to 56,800 tonnes of Australian dairy product, worth US\$118.2 million (March 2018 to February 2019).
- Exports to Malaysia have increased by 50.4 per cent over the past five years.
- The biggest volume growth (product categories exceeding US\$1 million) has been in: Milk (393 per cent), Condensed Milk (90 per cent), Yoghurt (68 per cent) and Whey Powder (40 per cent).
- The biggest volume decline (product categories exceeding US\$1 million) has been in: WMP (-72 per cent).

Market developments

Malaysia is a middle-income country that continues to be an important market for dairy exports as a key consumer of dairy products. The Malaysian economy, like many other ASEAN economies, has grown and combined with an increase in household incomes, this has led to an increased demand for dairy products. Much of this demand is driven by improved education and awareness that dairy products can provide essential vitamins and minerals. Over 50 per cent of Malaysia's population is in the middle to high income group meaning there is greater consumption of imported foods and beverages from western countries. This has resulted in a 32.3 per cent increase in dairy exports to Malaysia over the past five years.

Malaysia's local processing capacity is growing, with the food processing industry representing 12 per cent of the country's manufacturing output and growing at roughly three per cent per annum. Malaysia is striving to be 100 per cent self-sufficient in liquid dairy production within five years at which it currently stands at 58.25 per cent self-sufficiency. In order to achieve this, the Malaysian government has put in place various incentives in attempt to make the industry more appealing, particularly to young entrepreneurs. Due to population growth and per-capita consumption increases, imported dairy products are likely to remain vital to fill local demand. Since Malaysia abolished their Goods & Services Tax in June 2018, consumer spending is anticipated to significantly increase, particularly within retail food products.

In March 2018, Malaysia initiated a measure that requires foreign producers and exporters of dairy products to apply for registration with the Malaysian Government. This has been implemented to improve the traceability of imported dairy products and to ensure these products are certified halal. As Australian manufacturers have a history of exporting dairy products to Malaysia, they were granted an expedited review upon implementation.

On July 1, 2019, Malaysia introduced a 'sugar tax' of 40 Sen per litre on beverages with a sugar content beyond set levels. Drinks impacted by this include carbonated drinks with added sugar or other sweeteners or flavours, flavoured milk and fruit or vegetable juices with or without added sugar or other sweeteners. Flavoured milk that exceeds a sugar content of 5 grams per 100 millilitres will be taxed. The drinks will only be taxed if they exceed sugar content limits and are 'ready-to-drink'. The tax aims to encourage Malaysians to choose less sugary beverages particularly as they have been cited as the top country in the ASEAN region for being overweight, with 44.2 per cent of the nation classed as overweight or obese. The introduction of the tax is expected to see a reduction in consumer intake as well as a reduced demand for sugar-sweetened beverages.

Tariff environment

Australia and Malaysia are both party to the multilateral ASEAN, Australia, New Zealand, Free Trade Agreement (AANZFTA). Entry came into force in January 1, 2010. Australia and Malaysia are also both party to the Malaysia Australia Free Trade Agreement (MAFTA). This entry came into force January 15, 2013. Under the terms of its WTO commitment, Malaysia is required to offer at least one million litres of milk quotas with an in quota tariff rate of 20 per cent. The Government of Malaysia can increase this allowable limit depending on market situation. The out of quota rate is 50 per cent. A schedule of the Malaysia tariffs can be found in Figure 7.

Key international marketing programs and activities

Dairy Australia runs or is involved in a number of marketing programs and activities in Malaysia. These include the South East Asia Dairy Scholarship program aimed at familiarising dairy and food industry professionals from the region with aspects of the Australia dairy industry and the South East Asian Alumni Program from past scholars. Dairy Australia regularly visits Malaysia and presents seminars to local industry players in key markets.

Figure 1 Dairy Imports Malaysia

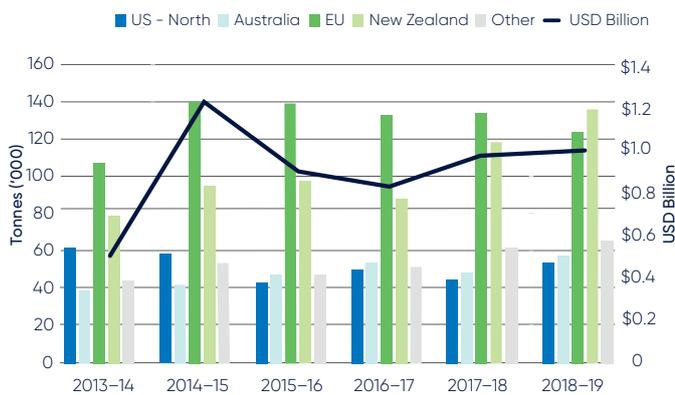


Figure 2 Top dairy imports by volume

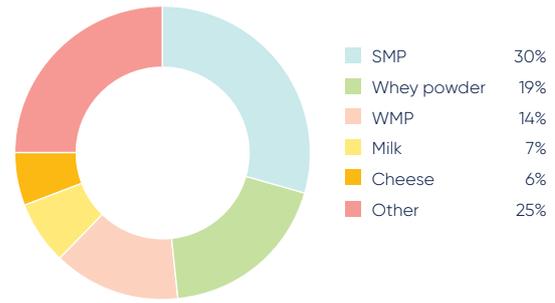


Figure 3 Top dairy imports by USD value

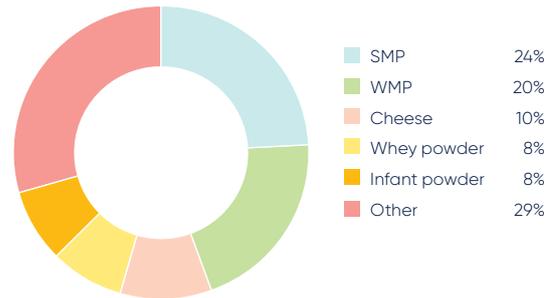


Figure 4 Top Australian dairy exports by volume

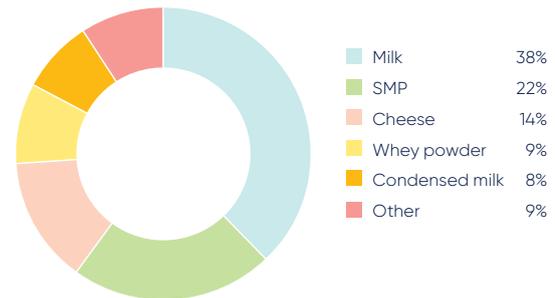


Figure 5 Top Australian dairy exports by USD value

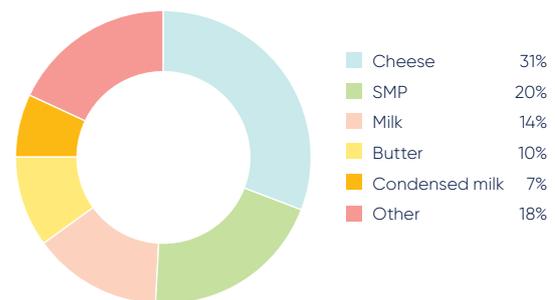


Figure 6 Australian exports

Product group	Market Share (USD)		Volume (1000 of tonnes)		Value (Million USD)	
	2014–15	2018–19	2014–15	2018–19	2014–15	2018–19
Cheese	43	35	7.9	7.8	39.2	36.2
SMP	13	10	15.0	12.5	50.1	23.6
Milk	19	71	4.4	21.7	5.1	16.4
Butter	36	23	2.5	2.0	11.2	11.8
Condensed Milk	57	60	2.3	4.3	5.3	8.6
Total	12	12	41.8	56.8	145.7	118.2

Figure 7 Dairy tariffs

Tariff category	Product category	Applied tariff %
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	0.0
0402	In powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5%	0.0
0405	Butter and other fats and oils derived from milk; dairy spreads	0.0
0406	Cheese and curd	0.0

FOR FURTHER INFORMATION

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Applied Tariffs are drawn from Integration Point. Where Australia does not have a specific tariff agreement in place, the Applied Rate for qualifying product is the MFN rate. Where a specific tariff agreement exists, the Applied Rate for qualifying product is as per that agreement. The countries with specific agreements in place are: India (ChAFTA), Indonesia (AANZFTA), Japan (JAEPA) The Republic of Korea (KAFTA), Malaysia (MAFTA), Philippines (AANZFTA), Singapore (SAFTA), Thailand (TAFTA), and the USA (AUSFTA).

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