

Potential and Challenges of Dairy Products in the Malaysian Market 2015

Market Analysis
with focus on Import
Regulations and Halal
Certification in
Malaysia

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List of Abbreviations

µg:	Microgram
APTVM:	Malaysian Veterinary Document Register Standard Operating Procedure
ASEAN:	.....	South-East Asian Nations
Bhd:	.....	Berhad
BIC:	.....	Business Information Centre
CAGR:	.....	Compound Annual Growth Rate
CCM:	.....	Company Commission of Malaysia
CIAP-MOA:	.....	Committee on Import of Animal and Animal Products
DVS:	.....	Department of Veterinary Services
g:	.....	Gram
GDP:	.....	Gross Domestic Product
GHP:	.....	Good Hygienic Practices
GMP:	.....	Good Manufacturing Practices
GST:	.....	Goods and Services Tax
HACCP:	.....	Hazard analysis and critical control points
HS Code:	.....	Harmonised System Code
ISO:	.....	International Organization for Standardization
JAIN:	.....	Department of State Religious Affairs
JAKIM:	.....	Department of Islamic Development Malaysia
kcal:	.....	Kilocalorie
kg:	.....	Kilogram
kJ:	.....	Kilojoule
MAIN:	.....	State Religious Council
MAQIS:	.....	Malaysian Quarantine and Inspection Services
MATRADE:	.....	Malaysian External Trade Development Corporation
mg:	.....	Milligram
NKEAs:	.....	National Key Economic Areas
NRV:	.....	Nutrient Reference Value
OIC:	.....	Organization of Islamic Cooperation
RM:	.....	Ringgit Malaysia
RMCD:	.....	Royal Malaysian Customs Department
SKIE:	.....	Quarantine and Import/Export section
Sdn Bhd:	.....	Sendirian Berhad
SMK:	.....	Royal Malaysian Customs
TQM:	.....	Total Quality Management System
TRQ:	.....	Tariff Rate Quota
UHT Milk:	.....	Ultra-high Temperature Processed Milk
USD:	.....	US Dollar

1.- Malaysia as the Gateway to ASEAN

Malaysia is centrally located within the Association of South-East Asian Nations (ASEAN) and consists of two regions separated by the South China Sea. These are Peninsular Malaysia and East Malaysia (consisting of the states of Sabah and Sarawak on the island of Borneo). It has a total land mass of 329,847 square kilometers (127,350 square miles). Malaysia is a federation of 13 states and three federal territories. The capital city is Kuala Lumpur, whereas Putrajaya is the federal administrative center of Malaysia. The official language of Malaysia is Bahasa Malaysia, but English as well as Chinese are also widely spoken.

Figure 1: Map of Malaysia



Source: http://www.nationsonline.org/oneworld/map/malaysia_map.htm

The country is rich with diverse natural attractions, which become an asset to its development. Approximately four-fifths of the Malaysian land is covered by tropical rainforest. In addition, the geographic location of Malaysia, which is surrounded by sea, offers amazing surrounding islands attractions in the form of well-preserved nature, white sandy beaches, diverse sea creatures as well as beautiful corals. Due to its bio-diverse range of flora and fauna, sandy beaches and brilliant scenery, the country is one of the region's key tourist destinations.

Malaysia, a former British colony, gained its independence in 1957. Since Independence, Malaysia has adopted the political system of a parliamentary democracy with a constitutional monarch, whose position is rotated every five years between each of the nine hereditary state rulers.

Malaysia is also a founding member of ASEAN and the Organization of Islamic Cooperation. It is also a member of the Commonwealth of Nations. Further, the country participates in other international organizations such as the United Nations, the Asia-Pacific Economic Cooperation, the Developing 8 Countries, and the Non-Aligned Movement. Previously, the country has chaired ASEAN, the Organization of Islamic Cooperation as well as the Non-Aligned Movement. In 2015 Malaysia again leads the ASEAN's ten member countries as the Chairman.

1.1 – Economical Overview

Malaysia is a dynamic country which is constantly evolving. Being a middle-income country, Malaysia has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy spurred on by high technology, knowledge-based and capital-intensive industries. Malaysia's Economic Performance ranked at 18th out of 189 economies in 2015.¹ Strategically located in the heart of South-East Asia, Malaysia offers a cost-competitive location for investors intending to set up offshore operations in order to manufacture advanced technological products for both regional and international markets.

In 2011, the Malaysian Government launched the Economic Transformation Programme which is managed by the Performance Management & Delivery Unit under the patronage of the Prime Minister.² The Economic Transformation Programme identifies National Key Economic Areas (NKEAs) which are drivers of economic activities that have the potential to materially contribute to the growth of Malaysia. Its objective – also known as “Vision 2020” – is to transform Malaysia into a “high income country” by year 2020, and raise per capita income to at least USD 15,000, meeting the World Bank's Threshold for high income nation.³

In 2014, the Malaysian economy continued to perform well and the authorities have taken advantage of favorable conditions provided by the growing economy, full employment, and a benign political calendar to implement key fiscal reforms. Growth accelerated as the recovery of exports and continued strong private demand offset mild headwinds from lower public spending. Private investment continued to be fueled by accommodative financial conditions and the catalytic effects of long term public investment programmes. Additionally, strong employment and wage growth supported private consumption. The removal of fuel subsidies pushed inflation above its historical average, but without any signs of more generalized inflationary pressures, despite a positive output gap. Credit growth moderated yet remained brisk, with residential property loan growth close to 14% in September 2014. Deposit growth slowed to the single digits and domestic liquidity conditions began to tighten. Reserves declined by over USD15 billion between mid-august of 2014 to the end of December 2014 amid capital outflows.⁴ Oil prices fell by almost 50% since the beginning 2014, subsequently the Ringgit depreciated against the USD by about 6.8% during 2014, with further depreciation of about 9.0% between January and the end of July 2015.⁵

¹ World Bank

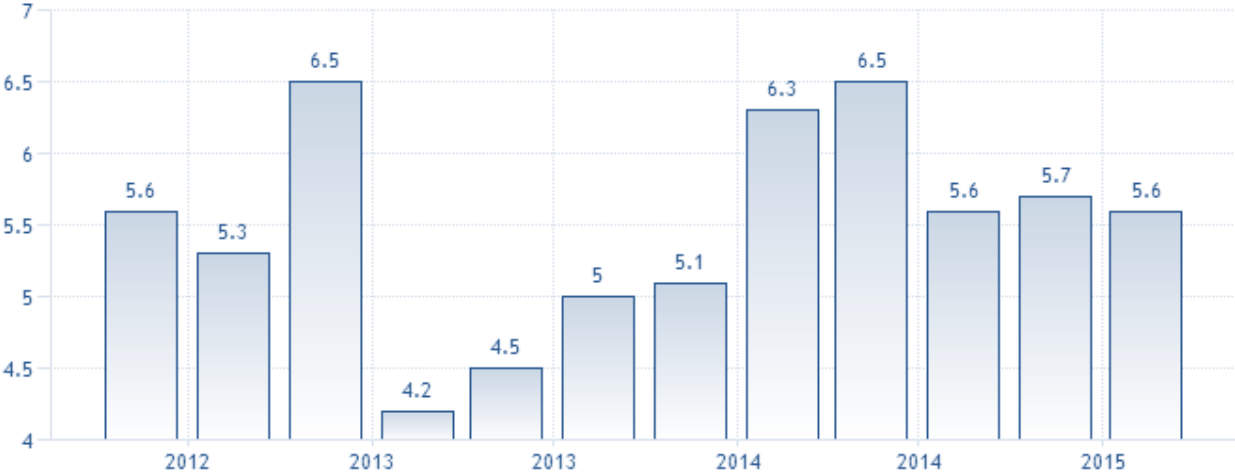
² www.pemandu.gov.my

³ Forbes.com, 21 September 2011

⁴ International Monetary Fund, March 2015

⁵ www.finanzen.net

Figure 2: Malaysia's GDP Growth Rate



Source: <http://www.tradingeconomics.com/malaysia/gdp-growth-annual>

GDP growth is expected to moderate to a still robust rate of 5.5% in 2015. Activity will be led by growth in private investment in the non-oil sector, which is likely to benefit from lower energy costs. Private consumption growth is likely to moderate, reflecting the net effects of lower commodity prices, the impact of goods and services tax (GST) as well as slower credit growth. The projected decline in average crude oil prices for 2015 compared to 2014 will affect Malaysia's economy. Nevertheless, only a modest negative impact on growth is expected as lower energy costs should help stimulate the non-oil sector and boost activity in Malaysia's main trading partners. Financial conditions remain accommodative but are tightening, a trend that should continue in 2015 and become a drag on growth, particularly private consumption. GST implementation will increase inflation on introduction in April 2015 but lower fuel prices, subdued underlying inflation, and a narrowing output gap will mitigate the impact.⁶

⁶ International Monetary Fund, March 2015

Table 1: Economical Key Facts

Currency	1 Ringgit (RM) = 100 Sen
Exchange rates	1 Euro = RM4.2203 ; 1USD = RM3.8182 (as on 28 July 2015) ⁷
GDP (RM billion)	2013: 787.6 ⁸ ; 2014: 835 ⁹
GDP – growth rate	2013: 4.7% ; 2014: 6.0% ; Q1/2015: 5.6% ; Q2/2015: 4.9% ¹⁰ Forecast 2015: 5.5% ¹¹
Inflation rate	1.4% (average January-June 2015) ¹²
Exports	RM 698.44 billion (2014) ¹³
Exports - commodities	Electrical & electronic products 33.3%; petroleum products 9.3%; LNG 8.3%; chemical products 6.7%; palm oil 6.2%; crude petroleum 4.5%; machinery, appliances & parts 3.9%; manufactures of metal 3.4%; optical & scientific equipment 3.1%; rubber products 2.4%; other products 2.4% (2014) ¹⁴
Exports – partners	Singapore 14.2%, China 12.0%, Japan 10.8%, EU 9.5%, USA 8.3%, Thailand, 5.3%, Australia 4.4%, Indonesia 4.2%, Republic of Korea 3.6%, Taiwan 3.3% (January – November 2014) ¹⁵
Imports	RM624.52 billion (2014) ¹⁶
Imports - commodities	Electrical & electronics products 27.9%, petroleum products 11.8%, chemical products 9.1%, machinery, appliances & parts 8.3%, manufactures of metal 6.0%, transport equipment 5.5%, crude petroleum 3.8%, iron & steel products 3.7%, optical & scientific equipment 3.0%, processed food 2.5%, other products 18.3% (2014) ¹⁷
Imports - partners	China 16.7%, Singapore 12.6%, EU 10.4%, Japan 8.0%, USA 7.6%, Thailand 5.8%, Taiwan 5.0%, Republic of Korea 4.7, Indonesia 4.0, Australia 3.0% (January – November 2014) ¹⁸
Unemployment rate	3.0% (as of December 2014) ¹⁹
Average monthly wage 2013	Managers (RM 5,516); Professional (RM 4,121); Technicians and associate professionals (RM 2,679); Clerical support workers (RM 1,847); Service and sales workers (RM 1,490); Skilled agricultural, forestry and fishery workers (RM 1,121); Craft and related trade workers (RM 1,468); Plant and machine operators and assemblers (RM 1,390); Elementary occupations (RM 1,057) ²⁰
Population below poverty line	1% (2014) ²¹

⁷ <http://www.finanzen.net>

⁸ <http://www.statistics.gov.my>

⁹ <http://www.statistics.gov.my>

¹⁰ <http://www.statistics.gov.my>

¹¹ <http://www.thestar.com.my>, article from 13th January 2015

¹² <http://www.tradingeconomics.com>

¹³ <http://www.matrade.gov.my/en/malaysia-exporters-section/33-trade-statistics/3188-components-of-malaysias-exports-2014>

¹⁴ <http://www.matrade.gov.my/en/malaysia-exporters-section/33-trade-statistics/3184-top-10-major-export-products-2014>

¹⁵ <http://www.statistics.gov.my>

¹⁶ <http://www.matrade.gov.my/en/malaysia-exporters-section/33-trade-statistics/3185-top-10-major-import-products-2014>

¹⁷ <http://www.matrade.gov.my/en/malaysia-exporters-section/33-trade-statistics/3185-top-10-major-import-products-2014>

¹⁸ <http://www.statistics.gov.my>

¹⁹ <http://www.statistics.gov.my>

²⁰ <http://www.statistics.gov.my>

²¹ World Bank Database

1.2 – EU-Malaysia Trade Relations

In accordance with the Delegation of the EU to Malaysia, cooperation in trade and economic issues have been the driving force for closer ties between the EU and Malaysia.

In October 2010, Malaysian Prime Minister Najib Razak and the EU leaders launched two major EU-Malaysia bilateral initiatives, namely the negotiations for the Free Trade Agreement (FTA) and for the Partnership and Cooperation Agreement (PCA). The two initiatives are respectively aimed at boosting bilateral trade and investment and at creating a new strategic dimension for the EU-Malaysia political dialogue and economic cooperation. Both negotiations are currently in progress.

The EU is Malaysia's fourth largest trading partner and accounts for about 10% of Malaysia's total external trade. It is also the third source of imports and fourth export destination. In 2013, the European Union was the third largest source of Foreign Direct Investment into Malaysia after the United States and South Korea. Malaysia is the EU's second largest trading partner in ASEAN after Singapore. Globally, Malaysia is the EU's 23rd largest trading partner.

As the ASEAN countries continue on the path of regional integration, the strategic position of Malaysia is becoming increasingly more attractive for trading partners such as the EU. Malaysia has improved its ranking in the Ease of Doing Business Report 2014 from 12th to 6th spot to join countries like Singapore, Hong Kong, New Zealand and Denmark.

Over 2,000 European companies are present in Malaysia. In 2013, EU investments grew by over 28% compared to 2012. The Netherlands led the way with RM 2.4 billion, followed by Germany (RM 1.7 billion), the United Kingdom (RM 0.5 billion) and Belgium (RM 0.3 billion).

1.3 – Economical Key Facts: EU-ASEAN

The EU and ASEAN enjoy a strong trade relationship. ASEAN as a whole represents the EU's third largest trading partner outside Europe with more than EUR 235 billion of trade in goods and services in 2012. The EU is ASEAN's second largest trading partner worldwide.

The EU remains the biggest investor in ASEAN. It is the largest provider of Foreign Direct Investment (FDI) to ASEAN, accounting for 24% of total FDI inflow. The EU's main exports to ASEAN are chemical products and machinery and transport equipment. The main imports from ASEAN to the EU are machinery and transport equipment, agricultural products as well as textiles and clothing. The largest part of EU FDI stock in ASEAN is concentrated in Singapore, Malaysia, Thailand, Indonesia and the Philippines.

2.- Introduction of the Malaysian Dairy Market

The aim of this study is to provide European small and medium sized enterprises an overview into the Malaysian dairy market and to identify opportunities and challenges of market entry. This report includes market data and analysis, legal framework conditions and import regulations as well as a chapter on Halal certification and its benefits.

In the past years, Malaysia's dairy market has developed very positively with constant growth rates. While demand for dairy products has surged, domestic supply of milk has been kept to a minimum and has not been able to keep up with the increasing demand. Self-sufficiency rate for milk in Malaysia is about 5%, with more than 90% of milk and milk products imported from abroad, mainly Australia and New Zealand. A main reason for this is the tropical climate of Malaysia which does not provide optimal conditions for rearing dairy cattle, so that the domestic supply of milk is very limited. Land available for cattle farming is also limited. As a result of the supply shortage, prices for dairy products have continuously been on the high side in the past. For example drinking milk currently usually ranges between RM6.5 and RM10 per liter (ca. EUR1.55 -2.37), depending on the brand and type of store.

Recognizing the market potential, several dairy companies from abroad have seized the opportunity and have become active in the growing Malaysian dairy market. Some of the well-established dairy brands have been active on the Malaysian market for a long period of time. Nestle, with Headquarters in Switzerland, has been operating in Malaysia for around a century and offers milk products for adults and children, yoghurt drinks and yoghurts, as well as confectionery. Owned by Dutch parent company Royal Friesland Campina, Dutch Lady has been producing dairy products in Malaysia for more than 50 years, with milk, flavoured milk and yoghurt drinks well accepted by consumers. Fonterra has its roots in New Zealand and is well known in Malaysia for the adult milk brand Anlene, which offers a range of high calcium dairy products formulated to promote bone health, and Annum, which offers nutritional milk products to meet needs of mothers and young children. The company Malaysia Milk, which was established in 1969 to distribute products by their Singaporean counterpart Malaysia Dairy Industries, began their own manufacturing operations a few years later, and is the producer of well-known and well-accepted cultured drink Vitagen and the Marigold milk and milk products brand. F&N's dairy business grew out of a joint venture with an American company in the late 50s with the construction of Southeast Asia's first sweetened condensed milk plant in Malaysia. Today, it is well-known for its sweetened condensed milk and evaporated milk as well as for its dairy brands Magnolia and Farmhouse.

In the past years, in addition to the handful of well-established brand names, an increasing amount of dairy products is coming from abroad. Most of the imported products, especially those from Europe, enjoy an excellent reputation. Local dairy producers still account for a small percentage of the market share. For some product groups, such as cheese, the percentage of imports is close to 100%. The dominance of foreign brands also led to a high awareness for the products' origin, so that most consumers in Malaysia are rather conscious regarding the country of origin for a particular dairy product, rather than being brand conscious.

Noteworthy, the demand for dairy products in general and for overseas brands is not only fast growing but also in very stable manner. One example that could be observed showing the growth stability of Malaysia's dairy market over the past, when the Malaysian Ringgit has depreciated making imported products for Malaysian consumers more expensive, was that, remarkably, although dairy products became more expensive, sales of dairy products, dominated by foreign brands, have not been largely affected. Demand for dairy products still exceeds supply.

Malaysia is reflected by a very colourful composition in terms of language, religions and cultural practices. The Malaysian constitution guarantees freedom of religion, although Islam is the largest and official religion. Approximately 61.3% of the population practice Islam, 19.8% Buddhism, 9.2% Christianity, 6.3% Hinduism, and 2.6% practice Confucianism and other traditional religions. Since a large share Malaysian population is Muslim, one important aspect of consideration in the Malaysian food market is Halal certification. Although a product does not necessarily need to be Halal or Halal certified to be imported to or sold in Malaysia, such certification is important in order to reach out to the entire Malaysian market. A chapter on Halal Certification provides the basic guidelines and information for European dairy manufacturers who may wish to look into this field.

3.- Malaysia's ethnic diversity and consumption habits

Malaysia is a multi-ethnic, multicultural and multilingual society with a total population of 30,382,740 persons, as of January 2015. Ethnic Malays make up the majority of the population at 57.1%, followed by Chinese at 24.6%, Indian at 7.3% and other local ethnicities at 11%. In the 1970's an imbalance of these ethnic groups in terms of share of the national economy was realized, with the minority "ethnic Chinese" holding the clear majority of the business in the country and the "Malays" that time less than 10%. Hence a so called "Bumiputera Policy" was introduced. The objective of this policy is to improve the economical situation of the native Malay (Bumiputera) and allow the Malays to reach a stronger share of the economy. Meanwhile approximately 23% of the economy is held by Malays.

Due to Malaysia's multi-ethnic composition, European dairy companies that are operating in Malaysia need to consider different market trends, developments as well as consumption habits that are different from Europe, however they might also differ among the country's distinct ethnic groups.

One of the attributes that distinguishes Malaysian consumers and European ones relates to the significantly different share of people who are able to digest lactose. Whereas in Europe breeding milk cattle has been common for several centuries so that people had become accustomed to the consumption of dairy products, this is not the case for Malaysia. Dairy products have just experienced exceptional growing popularity in the recent decades, so that the digestion of many Malaysians has not become accustomed to lactose yet and therefore many are not able to digest lactose properly. Whereas in Europe only 10%-15% of the people are still found to be lactose intolerant, according to the findings of Bonaventure Boniface, this share is much higher in Malaysia with about 88% of the Malays, 91% of the Chinese and 83% of the Indians were found to be lactose intolerant.²²

However, it is of high interest that, despite their lactose intolerance, the majority of Malaysians has no reaction to lactose at all as long as consumed in moderate dose, and with only one third of the people experiencing minor physical symptoms after the consumption of dairy.²³ Apart from this, lactose intolerance only concerns a limited range of dairy products such as fresh milk and drinking milk products due to their high lactose content. Most other dairy products, in particular fermented dairy products, such as yoghurt, butter and cheese only contain a negligible amount of lactose or no lactose at all due to its way of processing.²⁴ Hence, these processed dairy products can be consumed regardless of peoples' lactose intolerance and do not need further considerations by dairy companies regarding lactose intolerance.

In general, most consumers like dairy products, especially milk, as they are high in calcium and good for bones and general health. The awareness of these health aspects is also the result of various health campaigns, contests and events organized by present dairy companies, supported by government initiatives to promote healthy lifestyles and food consumption in Malaysia. Interestingly, beside household's characteristic like age, gender, or presence of young children, health consciousness additionally differs among Malaysia's various ethnic groups. Especially the Malay and Chinese-Malaysian consumers have been changing their preferences towards more healthy and nutritional products in the past years.²⁵

²² Barling, P. Michael, 2012

²³ Die Welt, 2007

²⁴ Die Welt, 2007 & Der Tagesspiegel, 2007

²⁵ Bonaventure Boniface, 2012

Due to the higher lactose intolerance, and in accordance with the movement towards more healthy products, also several non-dairy alternatives such as soy milk are rather popular, as some consumers may not like the milk taste or feel that milk is too high in fat. Moreover, in Malaysia the assortment of these non-dairy alternatives is considerably larger than in Europe, with a large assortment in most supermarkets including rice milk, almond milk, and several brands of flavoured and unflavoured soy milk of different price levels, ranging from products for price-conscious consumers to premium products that might cost more than RM 20 (EUR 4.74) per liter. Furthermore, the increasing demand for these non-dairy alternatives is by far not limited to retail but also increasingly driven by a growing demand for these products in hotels, restaurants bistros, and coffee shops.

Hence, in the recent years the market for non-dairy alternatives has experienced growth rates of 4.7%. With sales of RM 421 million in 2014, the non-dairy milk alternatives represent about 17.8% share of Malaysia's market of drinking milk products, which also includes dairy products such as flavoured and unflavoured milk and milk powder.²⁶ Noteworthy, in Malaysia such growth rates are not unique for non-dairy alternatives but the case for most kind of dairy products, whose recent development and current market situation is discussed in more detail in the following chapter.

²⁶ Euromonitor Market Report 2015 – Packaged Food

4.- Dairy Products Market Watch

4.1 – Drinking Milk Products

Just as there are different kinds of dairy products, the market structure, competitive situation as well their development trends differ from each other. One of such sub-markets is Malaysia's market of drinking milk products, which can be divided into four main categories: flavored milk drinks, flavored powder milk drinks, milk, and milk powder. Over the last six years the total turnover increased from RM 1.56 billion to RM 1.94 billion making this category one of the most important ones compared to other dairy categories such as yoghurt, butter or cheese. Among these drinking milk products, especially flavored milk drinks, and flavored powder milk drinks have accounted for the major share (>60%) of sales, whereas milk and powder milk account for the rest.

Table 2: Sales of Drinking Milk Products 2009-2014 (RM Mio.)

	2009	2010	2011	2012	2013	2014
Flavoured Milk Drinks	371.5	399.0	420.9	446.2	471.9	500.3
Flavoured Powder Milk Drinks (incl. malt-based, chocolate-based and other non chocolate-based)	616.2	628.5	647.3	662.9	680.1	699.1
Milk (incl. cow & goat milk)	234.2	250.6	264.7	281.3	299.1	318.3
Powder Milk	342.3	359.4	379.2	394.3	409.3	424.1
Total	1564.2	1637.5	1712.1	1784.7	1860.4	1941.8

Source of Data: Euromonitor Market Report 2015 – Packaged Food

As the following table shows, over the last six years Malaysia's total turnover of drinking milk products has clearly increased with an average annual growth rate of 4.4%. Comparing the growth of the four categories, one can see that powder products (including flavored powder milk drinks and powder milk) have experienced moderate growth rates between 2.0% and 5.5%.

Whereas the growth of flavored powder milk drinks has accelerated slightly over time, the growth rate for powder milk has slowed down. In contrast, very stable growth rates can be seen for flavored milk drinks, and milk has experienced the highest sale growth rates, with about 6% annually. Among drinking milk products these two product categories have the highest growth rates, most recently even with a tendency of accelerating growth rates.

Table 3: Annual Growth of Drinking Milk Products Sales 2009-2014 (in %)

	2009/10	2010/11	2011/12	2012/13	2013/14
Flavoured Milk Drinks	7.4	5.5	6.0	5.8	6.0
Flavoured Powder Milk Drinks (incl. malt-based, chocolate-based and other non chocolate-based)	2.0	3.0	2.4	2.6	2.8
Milk (incl. cow & goat milk)	7.0	5.6	6.3	6.3	6.4
Powder Milk	5.0	5.5	4.0	3.8	3.6
Total	4.7	4.6	4.2	4.2	4.4

Source of Data: Own calculations based on data from Euromonitor Market Report 2015 – Packaged Food

Beyond these numbers, Malaysia’s market for drinking milk products with its several foreign dairy companies already present has some unique features. In particular, the country’s market structure for drinking milk products is clearly dominated by a few international brands like Nestle, Dutch Lady and Fonterra, who entered Malaysia’s growing dairy market at an early stage and have been present in Malaysia for several decades. Although, consumers have remained confident in purchasing popular and long-established brands that had driven these companies to sustain their top three positions in drinking milk products, recent market entries of premium brands like “Mr. Farmers” and “Greenfields” in 2014 have proven that the market is by far not saturated yet and still provides large market potential for additional foreign brands.

One category of drinking milk products consists of brands like Dutch Lady, F&N Magnolia, Goodday and Marigold, who are competing in Malaysia’s market for drinking milk products, targeting the country’s growing middle income class and families, with major sales achieved at convenience stores and hypermarkets. In addition, there are various premium brands that are perceived to offer high-quality milk and targeting higher income groups by selling at major hypermarkets or high-end retailers. For companies who are interested to enter the market, it is important to know that both kinds of categories, those targeting the middle-income customers as well as those targeting high-income customers, consistently offer promotional activities such as price discounts and bundle sales, working with schools on milk-drinking promotional projects, and advertise aggressively. These strategies have proven to be successful in order to attract consumer attention and to promote sales. If European dairy companies decide to enter the Malaysian market for drinking milk products, one should consider similar strategies to promote sales and increase brand awareness to stay competitive.

In the future, Malaysia’s market for drinking milk products is expected to continue its strong growth as experienced in the past. However, some special aspects should be considered. Health aspects, for example, are becoming a key driver for the market of drinking milk products. While consumers may lack in knowledge about the differentiation between fresh, pasteurized and UHT milk, most consumers have strong considerations regarding health aspects of drinking milk products, so that above average growth is expected for skimmed/low fat fresh and pasteurized milk.

Beside cow’s milk, a niche market in the Malaysian market for drinking milk products is goat’s milk. Consumed mainly for health purposes, goat’s milk is found mainly in Malaysian Indian communities, who represent about 7.3% of Malaysia’s population. A special feature of this goat milk is that usually it is not sold in milk cartons similar to European ones but unpackaged or in small plastic bags, without company brands.

4.2 – Yoghurt Products

Another important market, with a turnover of about RM 564 Mio in 2014, is Malaysia’s market for yoghurt products. This number can be divided into drinking yoghurt and spoonable yoghurt, with about 90% of the sales coming from drinking yoghurt, and only 10% from spoonable yoghurt.

Table 4: Sales of Yoghurt Products 2009-2014 (RM Mio.)

	2009	2010	2011	2012	2013	2014
Yoghurt:	347.8	382.0	435.2	484.7	530.9	564.5
- Drinking Yoghurt	306.7	338.9	388.4	434.4	476.7	505.9
- Spoonable Yoghurt (incl. plain, flavored and fruited)	41.1	43.1	46.8	50.3	54.1	58.7

Source of Data: Euromonitor Market Report 2015 – Packaged Food

The market for yoghurt has experienced the highest growth rates among all dairy product categories, with 62% higher total sales in the year 2014, compared to the numbers in 2009. The market for drinking yoghurt products grew even faster than that, however, its annual growth slowed down since 2011. On the other hand, the sales for spoonable yoghurt, which still accounts for a small market share yet, accelerated in sales growth over the last six years.

Table 5: Annual Growth of Yoghurt Products Sales 2009-2014 (in %)

	2009/10	2010/11	2011/12	2012/13	2013/14
Yoghurt:	9.8	13.9	11.4	9.5	6.3
- Drinking Yoghurt	10.5	14.6	11.8	9.7	6.1
- Spoonable Yoghurt (incl. plain, flavored and fruited)	4.9	8.6	7.5	7.6	8.5

Source of Data: Own calculations based on data from Euromonitor Market Report 2015 – Packaged Food

Malaysia’s current market for yoghurt is dominated by some major domestic brands, which have been already established in the Malaysian market for several decades. The most popular brands in Malaysia’s supermarket’s shelves are brands like Nestle, Sunglo, Marigold and Vitagen, targeting more value-conscious consumers. Moreover, there are some international premium brands like Chobani, Lactel, Fage and Emmi that can mainly be found in high-end retail stores.

It is important to recognize that consumers in Malaysia are very value-conscious regarding the purchase of yoghurt products. One of the reasons are recently higher inflation rates, so that under increasing prices and with limited monthly budgets, consumers may have less disposable income to spend on non-essential products. As a result, the growth in the recent years is expected to continue, however, mainly driven by strong growth of standard brands, whereas newly introduced premium yoghurt products are expected to slow down in performance over the short-term as consumers might compare prices and may choose standard brands.

Although consumers are sensitive to prices, new premium products still attract much attention, as consumers are open to look out for new and interesting products. In accordance with consumers' increasing demand for product variety, Malaysia's market for yoghurt products is characterized by consistent new product launches. This is especially the case for the growing market of spoonable yoghurt products, where most brands such as Nestle, Chobani, Fage, Lactel and Emmi launched new products in the past few years, most of them also being premium products. Brands such as Fonterra and Malaysia's own Mamee Double-Decker have introduced different cultured milk drinks such as Solivite or Nutrigen.

Another key aspect that needs additional consideration is the increasing health awareness among consumers. The fact that yoghurt products are commonly perceived as being good for the immune and digestive system has been identified as a key driver for increasing sales. Thus, apart from many aggressive promotional activities such as road shows, discounts and bundle sales boosting the sales of yoghurt products, especially health related advertisements and promotion campaigns have been proven as successful strategies. For example, two of such campaigns were the Vitagen World Digestive Health Day 2014 and Vitagen Healthy Digestion Walk 2014, which significantly contributed to the brand image and boosted product sales.

Malaysia's market for yoghurt products has clearly been attractive in the past, however, the market shows first indication of being saturated by existing players in the range of standard brands and products. Hence, the general sales growth of Malaysia's market for standard yoghurt products is expected to normalize on a lower but still positive level in the future. A growing market that promises large potential for European dairy companies is the market for fruited spoonable yoghurt, with above-average and even increasing sales growth over the last six years. It is predicted to remain popular compared to plain yoghurt due to its superior taste with various fruit flavors. Rather than for plain yoghurt, consumers are eager to look for fruited flavors yoghurt as it is less sour tasting. Strawberry, mixed fruits and berries were found to be the most popular fruited yoghurt flavors.

4.3 – Butter and Dairy Spreads

Butter is used as a spread, but also in baking and as a substitute for oil in cooking. Within Malaysia's dairy industry, butter and dairy spreads are a niche market in terms of sales, with sales of butter amounting to RM56.1 Mio in the year 2014.

Table 6: Sales of Butter and Dairy Spreads 2009-2014 (RM Mio.)

	2009	2010	2011	2012	2013	2014
Butter	42.6	45.3	47.7	50.5	53.3	56.1

Source of Data: Euromonitor Market Report 2015 – Packaged Food

Over the last six years the market for butter and other spreads has experienced an annual growth of 5.5% on average. However, the growth is slowing down with slightly above-average growth in 2009 (5.6%) and slightly below-average growth in the most recent year 2014 (5.3%). One of the reasons for this progression is due to the high production costs which increased the average unit price for domestically manufactured butter. This situation, in fact, affects most of the butter and dairy spreads, which are based on imported raw milk and just being manufactured in Malaysia.

On the other hand, the share of imported butter and dairy spreads that is manufactured abroad, and therefore independent of the increased production costs, is rather small. Due to the products' temperature sensitivity and the tropical climate in Malaysia, the proper handling of butter and dairy spreads is more challenging in order to avoid decay. Therefore, the range of imported butter and dairy spreads is limited to premium products which have exceptional high yields.

Table 7: Annual Growth of Butter and Dairy Spreads Sales 2009-2014 (in %)

	2009/10	2010/11	2011/12	2012/13	2013/14
Butter	5.6	5.3	5.9	5.5	5.3

Source of Data: Own calculations based on data from Euromonitor Market Report 2015 – Packaged Food

4.4 – Cheese Products

Although the sales numbers for cheese are not the highest among Malaysia's dairy products, cheese exhibit one of the most interesting markets for European dairy manufacturers since all of the available cheese in Malaysia is imported. In general, Malaysia's cheese market, which accounts for RM93.4 Mio sales, is divided into the categories of unprocessed cheese and processed cheese (including spreadable and unspreadable ones). Among these categories, unspreadable processed cheese is by far the most important since it accounts for more than 90% of all cheese consumed and because all of it is imported, it provides especially large potential for European dairy companies.

Table 8: Sales of Cheese 2009-2014 (RM Mio.)

	2009	2010	2011	2012	2013	2014
Processed Cheese	67.5	72.3	75.9	80.0	84.6	89.5
- Spreadable Processed Cheese	2.1	2.2	2.2	2.3	2.4	2.5
- Unspreadable Processed Cheese	65.4	70.2	73.7	77.7	82.1	87.0
Unprocessed Cheese	3.2	3.3	3.5	3.6	3.8	3.9
- Hard Cheese:	2.4	2.5	2.6	2.7	2.8	2.9
- Packaged	2.4	2.5	2.6	2.7	2.8	2.9
- Unpackaged	-	-	-	-	-	-
- Soft Cheese	0.8	0.8	0.9	0.9	1.0	1.0
- Spreadable Unprocessed Cheese	-	-	-	-	-	-
Total	70.7	75.7	79.4	83.7	88.4	93.4

Source of Data: Euromonitor Market Report 2015 – Packaged Food

As the following table shows, Malaysia's entire market for cheese has experienced strong growth over the last six years, with most recent growth rates of 5.7%. Among the different cheese categories, unprocessed cheese and spreadable processed cheese have grown comparably slower, whereas in particular the market for unspreadable processed cheese has grown above average with 33% higher sales in 2014, compared to the figure in year 2009.

Table 9: Annual Growth of Cheese Sales 2009-2014 (in %)

	2009/10	2010/11	2011/12	2012/13	2013/14
Processed Cheese	7.1	5.0	5.4	5.7	5.8
- Spreadable Processed Cheese	4.8	0.0	4.5	4.3	4.2
- Unspreadable Processed Cheese	7.3	5.0	5.4	5.7	6.0
Unprocessed Cheese	3.1	6.1	2.9	5.6	2.6
- Hard Cheese:	4.2	4.0	3.8	3.7	3.6
- Packaged	4.2	4.0	3.8	3.7	3.6
- Unpackaged	-	-	-	-	-
- Soft Cheese	0.0	12.5	0.0	11.1	0.0
- Spreadable Unprocessed Cheese	-	-	-	-	-
Total	7.1	4.9	5.4	5.6	5.7

Source of Data: Own calculations based on data from Euromonitor Market Report 2015 – Packaged Food

Malaysia’s growing market for cheese provides outstanding opportunities, since cheese is not produced domestically yet. Noteworthy, although 100% of the consumed cheese is imported, it is not treated as a western product.

It is very important to recognize that the way of cheese consumption differs significantly between Europe and Malaysia. Whereas in Europe cheese is mainly consumed as a spread, in Malaysia it is rather considered as a common essential ingredient for certain meals, with many local restaurants offering dishes cooked with cheese. However, besides its major consumption as an ingredient in cooking, it has also become a recent trend in Malaysia to consume it together with bread.

For many of the lower or medium-income consumers, cheese is still perceived as an expensive product, however, Malaysia’s more affluent consumers continue to enjoy high-quality products leading to strong growth of premium cheese brands in Malaysia, with Cheddar remaining the most popular type of cheese, followed by Parmesan, Mozzarella, Brie and Camembert. Apart from the quality-conscious customers, another group of customers are parents who perceive cheese as a healthy product due to its high calcium content and purchase it for their children. As a consequence, cheese varieties are found at hypermarkets and premium retailers. In contrast to that, the cheese assortment is very limited in smaller convenience stores, usually only consisting of one or two types of sliced cheese (e.g. Cheddar) and one kind of creamy cheese (e.g. laughing cow).

Several companies are active in Malaysia’s current cheese market, however, with a combined market share of about 80%, international brands such as Fonterra, Unibel, and Mondelez clearly dominate the market. Among them, especially Mondelez, with a market share of more than 50%, its wide range of cheese products and a strong distribution network, currently maintains its position as the market leader for cheese in Malaysia.

One key factor that contributed to their success, which is also very important for European companies who are interested to enter the market to note, is that aggressive promotion activities throughout the year are necessary, such as price discounts and bundle sales, as well as additional promotional campaigns such as cheese testing in hypermarkets during weekends.

With reference to consumers' preferences, it should be considered that most consumers in Malaysia usually prefer packaged cheese due to hygienic purposes and the convenient way of handling and transportation when buying them. In most cases such packaging consists of thin-wall containers, flexible paper and plastic. There are, however, cheeses which stand out with more fancy packaging and particularly attract customers' attention, like Babybel in small plastic cubes, with the additional benefit of making the consumption of small portions more convenient. Furthermore, it is increasingly purchased for children to consume due to its high calcium content. This fact is expected to help cheese to grow faster in the near future because of increasing demand and awareness towards the health benefits of the product.

4.5 – Other Dairy Products

Other dairy products than the discussed ones, including coffee whitener, condensed/evaporated milk, and cream, are also of strong significance for Malaysia's dairy market, accounting for RM672 Mio sales in total in 2014. Accounting for more than 95%, in particular the product category of condensed/evaporated milk provides large market potential for European dairy companies. Compared to that, the market size of the residual dairy products is relatively small, with RM29.3 Mio sales of coffee whitener and RM3.8 Mio of cream.

Table 10: Sales of Other Dairy Products 2009-2014 (RM Mio.)

	2009	2010	2011	2012	2013	2014
Coffee Whitener	22.9	23.9	25.1	26.5	27.9	29.3
Condensed / Evaporated Milk (incl. plain and flavored)	563.8	570.0	581.4	598.9	618.1	639.1
Cream	3.1	3.2	3.4	3.5	3.7	3.8
Total	589.9	597.2	609.9	628.9	649.7	672.2

Source of Data: Euromonitor Market Report 2015 – Packaged Food

As shown in the following table, the market of coffee whitener, condensed milk, evaporated milk and cream is growing slightly slower than the sales of dairy products such as drinking milk products, yoghurt, butter, and cheese, however, its annual sales growth rate already increased from 1.2% in 2009 to 3.5% p.a. recently. This positive development is strongly driven by the product category of condensed/evaporated milk, whereas the sales growth of coffee whitener and cream do not show a particular trend of acceleration or slowing down but rather stayed relatively constant over the past six years.

Table 11: Annual Growth of Other Dairy Products Sales 2009-2014 (in %)

	2009/10	2010/11	2011/12	2012/13	2013/14
Coffee Whitener	4.4	5.0	5.6	5.3	5.0
Condensed / Evaporated Milk (incl. plain and flavored)	1.1	2.0	3.0	3.2	3.4
Cream	3.2	6.3	2.9	5.7	2.7
Total	1.2	2.1	3.1	3.3	3.5

Source of Data: Own calculations based on data from Euromonitor Market Report 2015 – Packaged Food

In the case of coffee whitener, due to the company's aggressive advertising and marketing campaigns, Nestle has achieved high growth rates and gained significant market shares over the last years. The company has a market share of almost 100% for coffee whitener in Malaysia.

Due to the limited variety of brands and products in general, this also brings advantages for potentially new companies. A new brand would attract customer's attention, especially that of customers who are eager to try out new brands and products. A new brand should be easily accessible in the shelves of supermarkets, which again facilitates the market entry for European companies.

For the market of plain condensed/evaporated milk the competitive situation looks different. In general, the market is roughly divided into three product categories, in particular premium, standard and economy brands with premium brands being e.g. Gold Coin, Carnation and Marigold by providing highest quality taste products that can be easily differentiated by customers. Standard brands, e.g. F&N and Dairy Champ compete with premium brands by providing high quality taste for lower prices than premium brands. Economy brands such as Private Label and Saji target value-conscious consumers and are mainly used by smaller local F&B service operators.

A large share of the market for condensed/evaporated milk is dominated by a few international companies such as Fraser & Neave (F&N), Etika Dairies and Malaysia Milk, who account for more than 80% of the market. Apart from that, domestic companies such as GCH Retail and Delima Oil Products have only about 3% sales share. They do not stand in heavy competition with the international ones who have a wide range of products, various distribution channels and strong brand image. Therefore, European brands should expect more competition from the international companies, as compared to the domestic ones.

Due to the increasing demand for milk in general, combined with an insufficient supply of domestically produced milk, the price for the dairy products' feedstock and finally for coffee whiteners, condensed/evaporated milk and cream is expected to rise in the next years. This might discourage value-conscious consumers to purchase premium or even standard brands but cause a shift of the consumers' preference towards economy products.

As consumers are becoming more health-conscious in general, this also caused recent developments for condensed/evaporated milk products to add healthy ingredients. Many brands of condensed/evaporated milk like F&N, Dairy Champ and Marigold were found to contain healthy ingredients like vitamin A, B1 and D3. Another particular example for this development is the high calcium sweetened creamer, launched by F&N in 2012, which accelerated the brand's sales performance in the past two years. Such health and nutrition aspects should be considered by European companies as well.

5.- Regulations and Legal Environment

5.1 – Food Act 1983 & Food Regulations 1985

The Food Safety and Quality Division under the Ministry of Health Malaysia has the role to monitor and strengthen activities to protect the public and consumers against health hazards and frauds. Its tasks are to check, address and evaluate food safety and quality issues, and implement and enforce measures to ensure that consumers are protected in the entire supply chain e.g. preparation, processing, packaging, transportation, storage and sale. It also has to ensure that these processes are in compliance with the Food Act 1983, Food Regulations 1985, and Food Hygiene Regulations 2009.

In this study, we shall take a closer look at the following regulations under the Food Regulations 1985, which are significant for food manufacturers exporting to Malaysia:

- Labelling (Part IV)
 - Food Additives and Added Nutrients (Part V)
 - Packages for Food (Part VI)
 - Incidental Constituent (Part VII)
- and in particular the:
- Standards and Particular Labelling Requirements for Food (Part VIII) for Dairy Products.

5.1.1 – Labelling (Part IV) ²⁷

According to the regulation on Labelling, any food contained in a package must bear a label containing all the particulars required by the Regulations. The label containing the particulars have to be in the position or manner required by these Regulations. One must also note, however, that if the package bears a label containing anything that is prohibited by these Regulations, the preparation or advertising for sale of this food is now allowed.

5.1.1.1 – Language to be used

In the case of food produced, prepared or packaged in Malaysia, any word, statement, information or direction required by the Regulations on the label of any package of food shall be in Bahasa Malaysia. In the case of imported food, the required information shall be in Bahasa Malaysia or English, and in either case may include a translation thereof in any other language.

5.1.1.2 – Particulars in labelling

Every package containing food for sale shall bear on it a label containing the following particulars, namely—

²⁷ Ministry of Health (a), August 2015

- the appropriate designation of the food or a description of the food containing the common name of its principal ingredients;
- in the case of mixed or blended food, words which indicate that the contents are mixed or blended, and such word shall be conjoined with the appropriate designation of the food, in the following form:

"mixed" (*here insert the appropriate designation of the food*); or "blended" (*here insert the appropriate designation of the food*);

Provided that the word "mixed" or "blended" shall not be conjoined with the designation of any mixed or blended food which does not comply with the standard prescribed by these Regulations, e.g.

- where the food contains beef or pork, or its derivatives, or lard, a statement as to the presence of such beef or pork, or its derivatives, or lard in that food, in the form—
 - "CONTAINS (*state whether beef or pork, or its derivatives, or lard, as the case may be*)" or in any other words to this effect;
- where the food contains added alcohol, a statement as to the presence of alcohol in that food, in capital bold-faced lettering of a non-serif character not smaller than 6 point, in the form—
 - "CONTAINS ALCOHOL"
 - or in any other words to this effect;
- where the food consists of two or more ingredients, other than water, food additives and added nutrient, the appropriate designation of each of those ingredients in descending order of proportion by weight and, wherever required by these Regulations, a declaration of the proportion of such ingredient;
- if the food contains ingredients known to cause hypersensitivity, the ingredients shall be declared on the label;
- where the food contains edible fat or edible oil or both, a statement as to the presence of such edible fat or edible oil in that food, together with the common name of the animal or vegetable, from which such fat or oil is derived;
- where the food contains food additive, a statement as to the presence of such food additive in that food, in the form—
 - "Contains permitted (*state the type of the relevant food additive*)";
- a statement of the minimum net weight or volume or number of the content of the package;
- in the case of food packed in liquid, a statement of the minimum drained weight of the food;
- in the case of food locally manufactured or packed, the name and business address of the manufacturer or packer, or the owner of the rights of manufacture or packing or the agent of any of them;
- in the case of imported food, the name and business address of manufacture, or the agent of any of them, and the name and business address of the importer in Malaysia and the name of the country of origin of the food;

- such other particulars as are required by these Regulations to be given in the case of any particular food;
- where the ingredients of the food, or the food additives added to such food, are derived from an animal, the common name of such animal shall also be stated on the label of that food;
- the specific food or ingredients known to cause hypersensitivity are as follows:
 - cereal containing gluten including wheat, rye, barley and oat;
 - nut and nut product including peanut and soybean;
 - fish and fish product;
 - milk and milk product (including lactose);
 - egg and egg product.
- the origin of food and food ingredients obtained through modern biotechnology shall be stated as follows:

“gene derived from (*common name of such animal*)” or “gene derived from (*origin*)”

Food and food ingredients obtained through modern biotechnology shall be labelled as follows:

- in the case that food and food ingredients are composed of or contains genetically modified organisms, the words “genetically modified (*name of the ingredient*)” shall appear on the label;
- in the case of food and food ingredients are produced from, but does not contain genetically modified organisms, the words “produced from genetically modified (*name of the ingredient*)” shall appear on the label;
- in the case of single-ingredient foods, the information shall appear on the principal display panel in close proximity with the name of the food and shall be in not less than 10 point lettering;
- in the case of multi-ingredient foods, the information shall appear in the list of ingredients immediately following the ingredients; and
- the statement “contains genetically modified ingredient” shall be stated on the principal display panel in close proximity with the name of the food and shall be in not less than 10 point lettering.

5.1.1.3 – Form and manner of labelling

The particulars that are required by the Regulations to appear on the label, shall appear conspicuously and prominently in the label:

- The lettering for the particulars that are required to appear on a label shall be prominent in height, visual emphasis, and position as to be conspicuous by comparison with any other matter appearing on the label. This, however, shall not apply to a trade mark.
- All particulars that are required by these Regulations to appear on a label shall be written in no smaller than 10 point lettering, and with equal prominence with any other matter appearing on or attached to the package.
- The statement of ingredients may be written in no smaller than 4 point.
- Every label required by the Regulations to be borne on a package shall be legibly and durably marked either on the material of the package or on material firmly or permanently attached to the package.
- A label may be firmly placed inside a package if the package is made of clear transparent material and the food contained in the package is not ready for direct consumption; or in the case of food ready for direct consumption, is completely enclosed in its natural shell or pod or interior wrapper such that it has no direct contact or is not likely to come into contact with the label.
- No label shall appear on the extra wrapper of any food.

5.1.1.4 – Size and colour of letters

Except as otherwise provided in these Regulations and for internationally accepted unit symbols of weights and measures, the lettering of every word or statement required to appear on labels shall be—

- all capital letters; or
- all lower case letters; or
- lower case letters with an initial capital letter

The height of the lettering shall be uniform in every word or statement that is separately required.

Where words are required to appear on labels in letters of specified size and the package to be labelled is so small as to prevent the use of letters of that size, letters of smaller size may be used if they are of the largest size practicable in the circumstances and are in any event no smaller than 2 point.

The requirement in these Regulations as to the height of letters shall be sufficiently complied with if the letters used are of a greater height than the height prescribed. All lettering shall appear in a colour that contrasts strongly with its background.

5.1.1.5 – Date Marking

"Date Marking", in relation to a package of food, means a date permanently marked or embossed on the package, or in the label on the package, of any food signifying the expiry date or the date of minimum durability of that food.

The expression "expiry date", in relation to a package of food, means the date after which the food, when kept in accordance with any storage conditions set out in the label of such food, may not retain the quality attributes normally expected by a consumer.

The expression "date of minimum durability", in relation to a package of food, means the date until which the food, when kept in accordance with any storage conditions set out in the label of such food, will retain any specific qualities for which tacit or express claim has been made.

Only marking in clear unmistakable date which can be correctly interpreted by the consumer shall constitute date marking. The marking of date in code form for lot identification does not constitute date marking.

The expiry date in respect of any food shall be shown in one of the following forms;

- "EXPIRY DATE or EXP DATE (*here insert the date, expressed in day, month and year or in month and year*)";
- "USE BY (*here insert the date, expressed in day, month and year or in month and year*)";
or
- "CONSUME BY or CONS BY (*here insert the date, expressed in day, month and year or in month and year*)"

The date of minimum durability in respect of any food, shall be shown in the following form: "BEST BEFORE or BEST BEF (*here insert the date, expressed in day, month and year or in month and year*)";

Provided that where only a month of a particular year is stated, it shall be presumed that the expiry date or date of minimum durability shall be by the end of that month.

Where the validity of the date marking of a food to which this regulation applies is dependent on its storage, the storage direction of that food shall also be required to be borne on its label.

The date marking required shall be in capital bold-faced lettering of a non-serif character not smaller than 6 point.

5.1.1.6 – Statement of strength of ingredient

Where the standards of strength, weight or quantity of any ingredient or component part of any food are mentioned on the label, "%" shall mean % by weight, "parts per million" shall mean parts per million by weight, and "parts per billion" shall mean parts per billion by weight.

5.1.1.7 – Matter forbidden on any label

No descriptive matter appearing on or attached to any package of food shall include any comment on, reference to or explanation of any statement or label required if such comment, reference, or explanation either directly or indirectly contradicts or modifies the statement or the content of that label.

Words to indicate grading, quality or superiority or any other words of similar meaning shall not appear on the label of any package of food unless such description of quality grading conform to those established by the relevant authorities responsible for such grading. Where such words appear on the label it shall be presumed that the food is in compliance with the requirements established by the relevant authorities in respect of that quality grading.

No label which describes any food shall include the word "pure" or any other words of the same significance unless—

- the food is of the strength, purity, or quality prescribed by the Regulations and is free from any other added substance apart from those essential in the processing of such food;
- there is no expressed stipulation in the Regulations prohibiting the inclusion of such word in the label in respect of that food.

No label which describes any food shall include the word "compounded", "medicated", "tonic" or "health" or any other words of the same significance.

Except as otherwise provided in these Regulations, pictorial representation or design may be included in the label for the purpose of illustrating recipes involving the use of the food or suggestions on how to serve the food. The representation or design is immediately preceded or followed or otherwise closely accompanied, in not less than 6 point lettering, with the words "RECIPE" or "SERVING SUGGESTION" or other words of similar meaning.

No label which describes any food shall include the word "nutritious" or any other words of the same significance unless—

- the food contains a range of nutrients including carbohydrate, fat, protein, vitamin and mineral;
- the food contains a substantial amount of energy of more than 40 kcal per 100g or 20 kcal per 100 ml;
- the food contains source of protein not less than 5g per 100g or 2.5g per 100ml;
- the food contains at least four vitamins of an amount that meets the criteria for claim as source and two minerals (excluding sodium) of an amount that meets the criteria for claim as source; and
- the amount of the nutrients mentioned is declared.

No label which describes any food shall include any claim

- stating that any given food will provide an adequate source of all essential nutrients, except as otherwise permitted in these Regulations;
- implying that consuming a balanced diet or combination of variety of foods cannot supply adequate amounts of all nutrients;
- which cannot be substantiated;
- as to the suitability of a food for use in the prevention, alleviation, treatment or cure of a disease, disorder or particular physiological condition, except as otherwise permitted in these Regulations; or

- which could give rise to doubt about the safety of a similar food or arouse or exploit fear in the consumer.

5.1.1.8 – Claims on the label

Claims which highlight the absence or non-addition of a particular substance in or to food may be included in the label provided that the claims are not misleading and the substance-

- is not subject to specific requirements in this regulation;
- is one which consumers would normally expect to find in the food;
- has not been substituted by another substance giving the food equivalent characteristics unless the nature of the substitutions is clearly stated with equal prominence; and
- the presence or addition is permitted in the food

Claims which highlight the absence or non-addition of one or more nutrients in or to food shall be regarded as nutrition claims and Regulation 18B “Nutrition Labeling” shall apply to those claims.

Nutrition claims in this Regulation include the following claims:

- nutrient content claim;
- nutrient comparative claim;
- nutrient function claim; and
- claim for enrichment, fortification or other words of similar meaning.

5.1.1.9 – Nutrition labelling

“Nutrition Labelling”, in relation to a package of food, means a description intended to inform the customer of the nutrient content of a food.

The following information has to be on the label of the food:

- The amount of energy, expressed in kilocalorie (kcal) or kilojoule (kJ) or both per 100g or 100ml or per package if the package contains only a single portion and per serving as quantified on the label; and
- The amount of protein, available carbohydrate (that is carbohydrate excluding dietary fibre) and fat, expressed in g per 100g or per 100ml or per package if the package contains only a single portion and per serving as quantified on the label.

4.1.1.10 – Total sugars

On the label on a package of ready-to-drink beverage, the amount of total sugars shall be provided in the following form:

<i>Carbohydrate</i>	.....	<i>g</i>
<i>Total sugars</i>	.....	<i>g</i>

A reference to “sugars” shall be a reference to all monosaccharides and disaccharides contained in foods either naturally occurring or added.

5.1.1.11 – Fatty Acids

Where a claim is made regarding the amount or type of fatty acids, the amounts of saturated, monounsaturated, polyunsaturated and trans fatty acid shall be declared in the following form:

<i>Fat</i>	.....	<i>g</i>
<i>comprising of</i>		
<i>monounsaturated fatty acid</i>	.....	<i>g</i>
<i>polyunsaturated fatty acid</i>	.....	<i>g</i>
<i>saturated fatty acid</i>	.....	<i>g</i>
<i>trans fatty acid</i>	.....	<i>g</i>

5.1.1.12 – Energy Amount

The amount of energy to be listed should be calculated by using the following conversion factors:

<i>Carbohydrates</i>	<i>4 kcal/g</i>	<i>(17kJ);</i>
<i>Protein</i>	<i>4 kcal/g</i>	<i>(17kJ);</i>
<i>Fat</i>	<i>9 kcal/g</i>	<i>(37kJ);</i>
<i>Alcohol (Ethanol)</i>	<i>7 kcal/g</i>	<i>(29kJ);</i>
<i>Organic acid</i>	<i>3 kcal/g</i>	<i>(13kJ);</i>
<i>Dietary fibre</i>	<i>2 kcal/g</i>	<i>(8.5kJ)</i>

5.1.1.13 – Protein Amount

The amount of protein to be listed shall be calculated using the following formula: Protein = Total Kjeldahl Nitrogen x Conversion factor for specific food.

The conversion factors for specific food shall be as follows:

Foods	Conversion factor
<i>Milk and milk Products</i>	6.38
<i>Edible fats and Edible Oil</i>	6.38
<i>Margarine, Butter</i>	6.38

Only vitamins and minerals which are listed in the Nutrient Reference Values (NRV) which are present in not less than 5 % of the NRV can be provided on the label of the food.

The numerical information on vitamins and minerals shall be expressed in metric units per 100g or per 100ml or per package if the package contains only a single portion and per serving as quantified on the label, or this information may be expressed as a percentage of the NRV per 100g or per 100ml or per package.

Where the numerical information on vitamins and minerals has been expressed as a percentage of NRV, the following NRV shall be used for labeling purposes:

Nutrient Reference Values (NRV)

<i>Vitamin A</i>	<i>(µg)</i>	<i>800</i>
<i>Vitamin D</i>	<i>(µg)</i>	<i>5</i>
<i>Vitamin C</i>	<i>(mg)</i>	<i>60</i>
<i>Vitamin E</i>	<i>(mg)</i>	<i>10</i>
<i>Thiamin</i>	<i>(mg)</i>	<i>1.4</i>
<i>Riboflavin</i>	<i>(mg)</i>	<i>1.6</i>
<i>Niacin</i>	<i>(mg)</i>	<i>18</i>
<i>Vitamin B6</i>	<i>(mg)</i>	<i>2</i>
<i>Folic Acid</i>	<i>(µg)</i>	<i>200</i>
<i>Vitamin B12</i>	<i>(µg)</i>	<i>1</i>
<i>Calcium</i>	<i>(mg)</i>	<i>800</i>
<i>Magnesium</i>	<i>(mg)</i>	<i>300</i>
<i>Iron</i>	<i>(mg)</i>	<i>14</i>
<i>Zinc</i>	<i>(mg)</i>	<i>15</i>
<i>Iodine</i>	<i>(µg)</i>	<i>150</i>
<i>Choline</i>	<i>(mg)</i>	<i>550</i>

The amount of cholesterol and sodium shall be expressed in mg per 100g or per 100ml or per package if the package contains only a single portion and per serving as quantified on the label. Dietary fibre shall be expressed in g per 100g or per 100ml or per package if the package contains only a single portion and per serving as quantified on the label.

Where a food makes a nutrition claim, it is also mandatory to include a nutrition labeling and the amount of any other nutrient for which a nutrition claim is made.

5.1.1.14 – Nutrition function claims

“Nutrient function claim” means a nutrition claim that describes the physiological role of the nutrient in the growth, development and normal functions of the body.

A nutrient function claim shall not imply or include any statement to the effect that the nutrient would offer a cure or treatment for or protection from a disease.

Except as otherwise provided in the Regulations, only the following nutrient function claims or any other words of similar meaning shall be permitted:

Folic acid:

- *Folic acid is essential for growth and division of cells;*
- *Folate plays a role in the formation of red blood cells;*
- *Folate helps to maintain the growth and development of the foetus;*

Sialic acid:

- *Sialic acid is an important component of the brain tissue;*

Iron:

- *Iron is a factor in red blood cell formation;*
- *Iron is a component of hemoglobin in red blood cell which carries oxygen to all parts of the body;*

Inulin and oligofructose (fructo-oligosaccharide):

- *Inulin helps increase intestinal bifidobacteria and helps maintain a good intestinal environment;*
- *Oligofructose (fructo-oligosaccharide) helps increase intestinal bifidobacteria and helps maintain a good intestinal environment;*
- *Inulin is bifidogenic;*
- *Oligofructose (fructo-oligosaccharide) is bifidogenic;*

Iodine:

- *Iodine is essential for the formation of thyroid hormone;*

Calcium:

- *Calcium aids in the development of strong bones and teeth;*

Magnesium:

- *Magnesium promotes calcium absorption and retention;*

Niacin:

- *Niacin is needed for the release of energy from proteins, fats and carbohydrates;*

Protein:

- *Protein helps build and repair body tissues;*
- *Protein is essential for growth and development;*
- *Protein provides amino acids necessary for protein synthesis;*

Oat soluble fibre (b-glucan):

- *Oat soluble fibre (b-glucan) helps lower or reduce cholesterol;*

Plant sterol or plant stanol:

- *Plant sterol or plant stanol helps lower or reduce cholesterol;*

Vitamin A:

- *Vitamin A aids in maintaining the health of the skin and mucous membrane;*
- *Vitamin A is essential for the functioning of the eye;*

Vitamin B1/Thiamine:

- *Vitamin B1/Thiamine is needed for the release of energy from carbohydrate;*

Vitamin B2/Riboflavin:

- *Vitamin B2/Riboflavin is needed for release of energy from proteins, fats and carbohydrates;*

Vitamin B12/ Cyanocobalamin:

- *Vitamin B12/Cyanocobalamin is needed for red blood cell production;*

Vitamin C:

- *Vitamin C enhances absorption of iron from non-meat sources;*
- *Vitamin C contributes to the absorption of iron from food;*

Vitamin D:

- *Vitamin D helps the body utilise calcium and phosphorus;*
- *Vitamin D is necessary for the absorption and utilization of calcium and phosphorus;*

Vitamin E:

- *Vitamin E protects the fat in body tissues from oxidation; and*

Zinc:

- *Zinc is essential for growth.*

For the complete list of regulations and their full information, companies are advised to refer to the Food Act 1983 & Food Regulations 1985, or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

5.1.2 – Food Additives and Added Nutrient (Part V)²⁸

5.1.2.1 – Food Additives

According to the Regulations, "food additive" means any safe substance that is intentionally introduced into or on a food in small quantities in order to affect the food's keeping quality, texture, consistency, appearance, odour, taste, alkalinity, or acidity, or to serve any other technological function in the manufacture, processing, preparation, treatment, packing, packaging, transport, or storage of the food. Food additive includes any preservative, colouring substance, flavouring substance, flavour enhancer, antioxidant and food conditioner, but does not include added nutrient, incidental constituent or salt. Only food additives permitted by and which comply with the standards prescribed in the Regulations are allowed.

A food additive may be present in any food where:

- the additive is permitted by these Regulations to be in any ingredient used in the manufacture of the food;
- the proportion of the additive in any such ingredient does not exceed the maximum proportion, if any, for that ingredient;
- the total proportion of the additive in the final product does not exceed the maximum proportion, if any, for that product;
- the food into which the additive is carried over does not contain the additive in a greater quantity than would be the case if the food were made under proper technological conditions and in accordance with sound manufacturing practice;
- the additive carried over is present in the food at a level that is significantly less than that normally required for the additive to achieve an efficient technological function in its own right.

A package of food containing food additive imported, manufactured, advertised for sale or sold has to carry a label with the chemical name of the food additive as permitted as well as the type of food additive. In the case of colouring substance or flavouring substance it shall be sufficient to state the common name or the appropriate designation of that food additive in place of the chemical name. A statement giving direction for its use has to be given.

5.1.2.2 - Preservatives

According to the Food Regulations 1985 "preservative" means any substance that, when added to food, is capable of inhibiting, retarding or arresting the process of decomposition, fermentation, or acidification of such food. However herb, spice, vinegar or wood smoke is not included.

Only preservatives permitted by the Regulations are allowed. For the full list of permitted preservatives and information on their usage, please refer to the Food Regulations 1985 or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

Where sulphite or sulphur dioxide has been added and the amount of sulphite or sulphur dioxide as a permitted preservative is more than 10 mg/kg, the label shall carry the words "contains sulphur dioxide."

²⁸ Ministry of Health (b), August 2015

5.1.2.3 – Antimicrobial agent

"Antimicrobial agent" means any substance used to preserve food by preventing the growth of microorganisms and subsequent spoilage, including fungistats, mould and rope inhibitors, or to sterilize polymeric food-contact surfaces.

Only antimicrobial agents permitted by the Regulations are allowed. For the full list of permitted antimicrobial agents and information on their usage, please refer to the Food Regulations 1985, or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

Nisin may be used in the preservation of cheese and canned foods which have been sufficiently heat processed to destroy spores of clostridium botulinum.

5.1.2.4 – Colouring substance

"Colouring substance" means any substance that, when added to food, is capable of colouring food and includes "colouring preparation". Only colouring substances permitted by the Regulations are allowed.

Colouring preparation means a product prepared by admixing one or more permitted colouring substances with permitted diluents. A diluent means any component of colouring preparation that itself is not a colouring substance and has been mixed therein with the purpose to facilitate the use of the mixture in colouring foods.

Colouring preparation shall contain not less than 4% of permitted colouring substance. Liquid form of colouring preparation may contain benzoic acid as permitted preservative in proportion not exceeding 400 mg/kg and acidity regulators as permitted food conditioner.

Every package containing colouring substance to be used for colouring food has to be labelled:

- in the case of synthetic dye or colouring preparation containing synthetic dye, the colour index number specified in relation to the colouring substance;
- in the case of colouring preparation, the common name, and the total percentage proportion, of the colouring substance present in the preparation.

For the full list of permitted colouring substances, colouring preparations and diluents and information on their usage, please refer to the Food Regulations 1985, or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

5.1.2.5 – Flavouring substance

"Flavouring substance" means any chemically-defined substance with flavouring properties either formed by chemical synthesis or obtained from materials of plant or animal origin.

Permitted flavouring substances may include substances which are listed in at least one of the following publications:

- Generally Recognised As Safe (GRAS) Flavoring Substances published by the Flavor and Extract Manufacturers' Association of the United States (FEMA) contained in the Food Technology, a publication of the Institute of Food Technologists; or

- Flavourings, List of Codex Specifications for Food Additives (CAC/MISC 6).

“Natural flavouring substance” means any flavouring substance obtained by physical processes, e.g. drying, roasting and fermentation, that may result in unavoidable but unintentional changes in the chemical structure of the components of the flavouring, or by enzymatic or microbiological processes from material of plant or animal origin, and is not synthetic flavouring substance or any flavouring substance formed by chemical synthesis.

For the full list of permitted flavouring substances and information on their usage, please refer to the Food Regulations 1985, or contact the Food Safety & Quality Division under the Ministry of Health Malaysia

5.1.2.6 – Flavour enhancer

"Flavour enhancer" means any substance that, when added to food, is capable of enhancing or improving the flavour of that food. Only flavor enhancers permitted by the Regulations are allowed.

Where a permitted flavour enhancer has been added to any food, the label on a package containing such food must carry the words "contains (*state the chemical name of the flavour enhancer*) as permitted flavour enhancer".

5.1.2.7 – Added Nutrient

“Added nutrient” includes any mineral, vitamin, amino acid, fatty acid, nucleotide or other food components which, when added singly or in combination to food, improves the nutritional value of the food. Every package containing food to which an amino acid, fatty acid, nucleotide or other food components has been added shall be labelled with:

- the name of the amino acid, fatty acid, nucleotide or other food components added to the food; and
- the amount of the added amino acid, fatty acid, nucleotide or other food components that is contained in a specified quantity of the food.

For the full list of permitted added nutrients and information on their usage, please refer to the Food Regulations 1985, or contact the Food Safety & Quality Division under the Ministry of Health Malaysia.

5.1.3 – Packages for Food (Part VI)²⁹

5.1.3.1 – Prohibition of harmful packages

Any package, appliance, container or vessel which is toxic, injurious or tainting to its contents in the course of preparation, packaging, storage, delivery or exposure of food for sale is not allowed.

²⁹ Ministry of Health (3), August 2015

5.1.3.2 – Use of polyvinyl chloride package containing excess vinyl chloride monomer prohibited.

Usage of any rigid or semi-rigid package, appliance, container or vessel made of polyvinyl chloride which contains more than 1 mg/kg of vinyl chloride monomer in the preparation, packaging, storage, delivery or exposure of food for sale is prohibited.

5.1.3.3 – Food packaged in polyvinyl chloride container shall not contain excess vinyl chloride monomer.

Import, preparation or sale of any food in any rigid or semi-rigid package, appliance, container or vessel made of polyvinyl chloride is prohibited if the food contains more than 0.05 mg/kg of vinyl chloride monomer.

5.1.3.4 – Use of packages for non-food product prohibited.

The usage of any package, appliance, container or vessel in the preparation, packaging, storage, delivery or exposure for sale of food is prohibited, if these have been used or are intended to be used for any non-food product.

5.1.3.5 – Recycling of packages prohibited

The following are prohibited for re-usage in the preparation, packaging, storage, delivery or exposure for sale:

- for any sugar, flour or meal: any sack that has previously been used for any purpose;
- for any edible fat or edible oil: any bottle or metal container, other than silos and tankers for edible fat and edible oil, that has previously been used for any purposes;
- for any food of non-swine origin: any package, appliance; container or vessel that is intended for use or has been used for any product of swine origin;
- for any food: any plastic bottle that has previously been used for any purpose, other than that packaged in an extra wrapper
- for any food: any bottle that has previously been used for alcoholic beverage or shandy, other than alcoholic beverage and shandy,
- for any milk, soft drink, alcoholic beverage or shandy: any glass bottle that has previously been used for another food;
- for any vegetable, fish or fruit: any box or crate that has previously been used for another food;
- for any polished rice: any gunny sack that has previously been used for another food.

5.1.3.6 – Use of damaged package prohibited

The term "damaged" includes chipping or distortion that affect the integrity of the package or container, or the wholesomeness of the product, or perforation, corrosion or leakage, or a combination of these.

The import, preparation or sale of any food in damaged package or container is not allowed.

5.1.4 – Incidental Constituent (Part VII)³⁰

5.1.4.1 – Incidental constituent.

In the Food Regulations 1985, "incidental constituent" means any foreign, extraneous, toxic, noxious or harmful substances that is contained or present in or on any food and includes metal contaminant, microorganisms and their toxins, drug residue and pesticide residue, but does not include preservative, colouring substance, flavouring substance, flavour enhancer, antioxidant, food conditioner, non-nutritive sweetening substance or added nutrient or any other substance permitted to be added to food.

It is prohibited to keep, carry, spread or use any toxic, noxious or harmful substance to expose a food intended for sale to the risk of contamination by that substance at any time in the course of the preparation, manufacture, storage, packaging, carriage, delivery, or exposure for sale of the food.

5.1.5 – Standards and Particular Labelling Requirements for Food (Part VIII) –for Dairy Products

5.1.5.1 – Milk, raw milk or fresh milk

According to the Regulations, "milk", "raw milk" or "fresh milk" means the normal, clean, fresh mammary secretion of healthy cow, buffalo, goat or sheep that is properly fed and kept, excluding that obtained during the four days immediately following calving.

Milk shall contain not less than 3.25% of milk fat, and 8.5% of non-fat milk solids, and shall not contain any added water; permitted food additive, other added substance, or trace of antibiotic substance.

Milk may have been cooled but shall not have been subjected to heat, irradiation, or any other physical treatment. Milk, when subjected to the Reductase Test, shall not completely decolourize any methylene blue solution in less than 4 hours.

The standards prescribed for milk and milk product in these Regulations are those of cow's milk.

5.1.5.2 – Skimmed milk, skim milk, non-fat milk or separated milk

Skimmed milk, skim milk, non-fat milk or separated milk shall be milk from which milk fat has been removed.

Skimmed milk, skim milk, non-fat milk or separated milk shall not contain more than 0.5% of milk fat and shall contain not less than 8.5% of non-fat milk solids.

³⁰ Ministry of Health (d), August 2015

In the label on a package containing skimmed milk, skim milk, non-fat milk or separated milk the words “skimmed milk” or “skim milk” or “non-fat milk” or “separated milk” have to be present, immediately followed by the words “NOT SUITABLE FOR INFANTS EXCEPT ON MEDICAL ADVICE”. The words shall form the first line or lines of the label and no other words shall appear in the same line or lines.

5.1.5.3 – Pasteurised milk.

Pasteurized milk is milk that has been efficiently heat-treated by the following Holding Method or by the “High Temperature Short Time Method” respectively:

Holding Method

The temperature of the milk is raised to not less than 63°C and not more than 65°C and retained at not less than 63°C and not more than 65°C for at least 30 minutes and then immediately and rapidly reduced to 4°C or less and maintained at that temperature with protection from contamination until the milk is removed from the premises for delivery.

High Temperature Short Time Method

The temperature of the milk is raised to not less than 73°C and retained at that temperature for at least 15 seconds or its equivalent of time and temperature relationship and then immediately and rapidly reduced to 4°C or less and maintained at that temperature with protection from contamination until the milk is removed from the premises for delivery.

Pasteurized milk shall conform to the following tests:

- when subjected to the Reductase Test the sample shall not completely decolourize the methylene blue solution in less than 5 hours
- when subjected to the Phosphatase Test, it shall give a reading not exceeding 10µg p-nitrophenol per ml of milk;
- when pasteurized milk is homogenized, it shall comply with the Homogenization Test.

In the label on a package containing pasteurized milk the words "pasteurized milk" have to be present.

5.1.5.4 – Sterilized milk

Sterilized milk shall be milk which has been filtered, homogenized and thereafter heated to and maintained at a temperature of not less than 100°C for a length of time sufficient to render it commercially sterile and shall be packed in hermetically sealed containers.

In the label on a package containing sterilized milk the words "sterilized milk" have to be present.

4.1.5.5 – Ultra high temperature milk or UHT milk

Ultra high temperature milk or UHT milk shall be milk which has been subjected to heat treatment by being retained at a temperature of not less than 135°C for at least two seconds to render it commercially sterile and immediately aseptically packed in sterile containers.

In the label on a package containing ultra high temperature milk or UHT milk the words "ultra high temperature milk" or "UHT milk" have to be present.

5.1.5.6 – Flavoured milk

Flavoured milk shall be milk or recombined milk to which permitted flavouring substance has been added and may contain sugar or salt or both. It shall have been efficiently heat-treated by one of the aforementioned methods and comply with the Homogenization Test.

Flavoured milk shall contain not less than 2% of milk fat and 8% of non-fat milk solids.

Flavoured milk may contain sucralose as permitted sweetening substance not exceeding 300mg per kg, permitted colouring substance and permitted food conditioner.

In the case of flavoured milk prepared from pasteurized milk, permitted colouring substance and permitted flavouring substance may be added to such milk after pasteurizing. The permitted colouring substance and permitted flavouring substance have to be sterilized and the addition is made immediately before the flavoured milk is packed into final containers.

In the label on a package containing flavoured milk, the words “flavoured milk” or the name of the flavour conjoined with the words “flavoured milk” have to be provided. These words shall form the first line of the label and no other words shall appear in the same line.

5.1.5.7 – Full cream milk powder or dried full cream milk

Full cream milk powder or dried full cream milk shall be milk or recombined milk from which the water has been removed.

Full cream milk powder or dried full cream milk shall not contain more than 5% of water, and shall contain not less than 26% of milk fat. It may contain permitted food conditioner.

In the label on a package containing full cream milk powder or dried full cream milk the words “full cream milk powder” or “dried full cream milk” immediately followed by the words “NOT SUITABLE FOR INFANTS BELOW SIX MONTHS OF AGE” must be present. The words shall form the first line or lines of the label and no other words shall appear in the same line or lines.

In the label, there shall also be the words “*to prepare a liquid milk which shall contain not less than 3.25 % of milk fat and not less than 8.5% of non-fat milk solids, add (state the number) parts of water by volume to 1 part of this milk powder by volume*”.

The label shall not carry the words “specially suitable for young children” or any expressions having the same or a similar effect in the label.

5.1.5.8 – Skimmed milk powder, skim milk powder, dried non-fat milk solids or separated milk powder

Skimmed milk powder, skim milk powder, dried non-fat milk solids or separated milk powder shall be the product obtained by removing the water from skimmed milk.

Skimmed milk powder, skim milk powder, dried non-fat milk solids or separated milk powder shall not contain more than 5% of water and 1.5% of milk fat. Permitted food container is allowed.

In the label on a package containing skimmed milk powder, skim milk powder, dried non-fat milk solids or separated milk powder, the words “skimmed milk powder” or “skim milk powder” or “dried non-fat milk solids” or “separated milk powder” have to be immediately followed by the words “NOT SUITABLE FOR INFANTS EXCEPT ON MEDICAL ADVICE”. The words shall form the first line or lines of the label and no other words shall appear in the same line or lines.

Every package of skimmed milk powder, skim milk powder, dried non-fat milk solids or separated milk shall be labelled with a direction for its use.

5.1.5.9 – Malted milk powder.

Malted milk powder shall be the dried product prepared from milk or dried milk or a combination of both, with or without edible vegetable fat or edible vegetable oil and the soluble solids of malt.

Malted milk powder shall contain:

- not less than 7.5% of milk fat or edible vegetable fat or edible vegetable oil or a combination of both; and
- soluble solids produced from wheat or other cereals by the enzymatic action of malt;
- may contain not more than 0.8% of soya bean lecithin; and
- shall not contain more than 5% of water.

Malted milk powder may contain permitted flavouring substance and permitted food conditioner.

5.1.5.10 – Formulated milk powder for children

“Formulated milk powder for children” from the age of twelve months to nine years shall be prepared from milk of cows or of other animals, with or without the addition of other constituents of animal or plant origin, which have been proven suitable for children, and with or without other ingredients necessary to achieve the essential composition of the product.

Formulated milk powder for children shall contain not less than 11.2g per 100g of fat and not more than 25g per 100g of fat, and not less than 7g per 100 g of protein from milk. It may contain other suitable food substances including cocoa, honey, corn, soya, cereals and fruits.

It may also contain sucrose, glucose, fructose, glucose syrup and dextrose as permitted sweetening substances. The total sucrose content in formulated milk powder for children shall not exceed 12g per 100g. For flavoured variants of formulated milk powder for children, the total sucrose content shall not exceed 20g per 100g. Permitted food conditioner, flavouring and colouring substance are allowed.

On a package containing formulated milk powder for children, the label shall carry:

- in not less than 12 point lettering, except for packages below 250g
 - the words “Formulated milk powder for children”; and
 - the recommended age group;
- in not less than 10 point lettering and in bold the following statements:
 - “NOT SUITABLE FOR INFANTS BELOW TWELVE (12) MONTHS OF AGE”;
 - “BREAST MILK IS THE BEST FOOD FOR INFANTS”; and
 - “THIS PRODUCT IS NOT THE ONLY FOOD FOR CHILDREN”;
- the amount of energy expressed in kilocalorie (kcal) per 100g or per package, or expressed in kilojoule (kJ per 100g or per package if the package contains only a single portion and per serving as quantified on the label;
- the amount of protein, fat and carbohydrate expressed in gram per 100g or per package if the package contains only a single portion and per serving as quantified on the label;
- the amount of nutrients expressed in per 100g or per package if the package contains only a single portion and per serving as quantified on the label;
- the method of preparing the food which shall include a statement of the quantity or the amount of food directed to be used in the preparation to be given to the children;
- a statement suggesting the amount of the prepared food to be given at one time, and the number of times such amount is to be given per day; and
- direction for storage and information regarding its keeping before and after the package has been opened.

Formulated milk powder for children or ingredients used in making the product shall not contain partially hydrogenated oils and fats, and shall not have been treated by ionizing radiation.

5.1.5.11 – Recombined milk

Recombined milk is the product prepared from the constituents of milk combined with water or milk or both and shall be subjected to pasteurization, sterilization or ultra high temperature. It may contain salt and permitted food conditioner.

A package containing recombined milk shall carry a label with the words "recombined milk" and the words shall be conjoined in uniform lettering with the type of heat treatment applied.

5.1.5.12 – Reconstituted milk

Reconstituted milk shall be the liquid product prepared by the addition of water to full cream milk powder and shall be subjected to pasteurization, sterilization or ultra high temperature. It may contain salt and permitted food conditioner.

A package containing reconstituted milk shall carry the words "reconstituted milk" and the words shall be conjoined in uniform lettering with the type of heat treatment applied.

5.1.5.13 – Evaporated milk or unsweetened condensed milk.

Evaporated milk or unsweetened condensed milk shall be the product obtained by evaporating from milk a portion of its water or by recombining of milk constituents and part evaporation.

Evaporated milk or unsweetened condensed milk shall contain not less than 8% of milk fat, 28% of total milk solids, and 670 International Units of Vitamin A per 100g.

Evaporated milk or unsweetened condensed milk may contain the following permitted food conditioner:

- sodium, potassium and calcium salts of hydrochloric acid, citric acid, carbonic acid, orthophosphoric acid, and polyphosphoric acid, either singly in a proportion not exceeding 0.2% or in combination, in a proportion not exceeding 0.3% calculated on a water-free basis;
- carrageenan in a proportion not exceeding 0.015%;
- lecithin in a proportion not exceeding 0.2 %;

The label on a package containing evaporated milk or unsweetened condensed milk shall carry the words "evaporated milk" or "unsweetened condensed milk", immediately followed by the words "NOT SUITABLE FOR INFANTS". The words shall form the first line or lines of the label and no other words shall appear in the same line or lines.

The label shall also carry the words "*to prepare a liquid milk which shall contain not less than 3.25% of milk fat and not less than 8.5% of non-fat milk solids, add (state the number) parts of water by volume to 1 part of this unsweetened condensed milk by volume*".

5.1.5.14 – Condensed milk or sweetened condensed milk

Condensed milk or sweetened condensed milk shall be the product obtained by evaporating from milk, a portion of its water or by recombining milk constituents and adding sugar to the remainder.

Condensed milk or sweetened condensed milk shall contain not less than 8% of milk fat, 28% of total milk solids; and 670 International Units of Vitamin A per 100 g.

The label on a package containing condensed milk or sweetened condensed milk has to carry the words, "condensed milk" or "sweetened condensed milk", immediately followed by the words "NOT SUITABLE FOR INFANTS". The words shall form the first line or lines of the label and no other words shall appear in the same line or lines.

In the label, the information "*to prepare a liquid milk which shall contain not less than 3.25% of milk fat and not less than 8.5% of non-fat milk solids add (state the number) parts of water by volume to 1 part of this sweetened condensed milk by volume*".

5.1.5.15 – Lactose hydrolysed milk

Lactose hydrolysed milk shall be the product made from milk treated with enzyme lactase to give a low lactose milk, containing glucose and galactose, and shall contain not less than 3.25% of milk fat and 8.5% of non-fat milk solids. However, it shall not contain more than 1.25% of lactose.

Lactose hydrolysed milk may contain permitted flavouring substance and permitted colouring substance. Where lactose hydrolysed milk is flavoured, it shall contain not less than 2% of milk fat and 8% of non-fat milk solids, and shall not contain more than 1.25% of lactose.

The label on a package containing lactose hydrolysed milk shall carry the words “lactose hydrolysed milk”, and in the case of flavoured lactose hydrolysed milk, the words “flavoured lactose hydrolysed milk” or the name of the flavoured conjoined with the words “flavoured lactose hydrolysed milk”. The words shall form the first line of the label and no other words shall appear in the same line.

5.1.5.16 – Filled milk

Filled milk shall be a product which in general composition, appearance, characteristic and intended use is similar to milk and in which the milk fat has been replaced wholly or partly by an equivalent amount of edible vegetable oil or edible vegetable fat or a combination of these. It shall be subjected to sterilization of ultra high temperature.

Filled milk shall contain not less than 3.25% of fat, 9% of non-fat milk solids and 670 International Units of Vitamin A per 100g., and may contain permitted food conditioner.

The label on a package containing filled milk shall carry the words “filled milk” to be conjoined with the type of heat treatment applied, immediately followed with the words “NOT SUITABLE FOR INFANTS”. The words shall form the first line or lines of the label and no other words shall appear in the same line or lines. It should also carry a statement as to the type of edible vegetable fat or edible vegetable oil present as an ingredient.

5.1.5.17 – Filled milk powder

Filled milk powder shall be a product which in general composition, appearance, characteristic and intended use is similar to full cream milk powder or dried full cream milk. In filled milk powder, milk fat has been replaced wholly or partly by an equivalent amount of edible vegetable oil or edible vegetable fat or a combination of both.

Filled milk powder shall contain not less than 670 International Units of Vitamin A per 100g and may contain permitted food conditioner.

A package containing filled milk powder should carry a label with the words “Filled milk powder” immediately followed by the words “NOT SUITABLE FOR INFANTS” and other words shall not appear in the same line or lines. Furthermore, the words “*To prepare liquid filled milk powder which shall contain not less than 3.25% of milk fat and not less than 8.5% of non-fat milk solids, add (state the number) parts of water by volume to 1 part of this liquid filled milk powder by volume.*” should be on the label.

5.1.5.18 – Evaporated filled milk or unsweetened condensed filled milk

Evaporated filled milk or unsweetened condensed filled milk is evaporated milk with milk fat content replaced by edible vegetable oil or edible vegetable fat.

The label on a package containing evaporated filled milk or unsweetened condensed filled milk shall carry the words “evaporated filled milk” or “unsweetened condensed filled milk”, immediately followed by the words “NOT SUITABLE FOR INFANTS”. The words shall form the first line or lines of the label and no other words shall appear in the same line or lines.

The label should also provide the words “contains vegetable fat” or “contains vegetable oil”, and the words “*to prepare a liquid milk which shall contain not less than 8.5% of non-fat milk solids, add (state the number) parts of water by volume to 1 part of this unsweetened condensed filled milk by volume*”.

5.1.5.19– Condensed filled milk or sweetened condensed filled milk.

Condensed filled milk or sweetened condensed filled milk shall in all respects comply with the standard for sweetened condensed milk except that the milk fat content is replaced by edible vegetable oil or edible vegetable fat.

A package containing condensed filled milk or sweetened condensed filled milk shall carry the words “condensed filled milk” or “sweetened condensed filled milk”, immediately followed by the words “NOT SUITABLE FOR INFANTS”. The words shall form the first line or lines of the label and no other words shall appear in the same line or lines.

The information “contains vegetable fat” or “contains vegetable oil” should also be in the label, as well as the words “*to prepare a liquid milk which shall contain not less than 8.5 % of non-fat milk solids, add (state the number) parts of water by volume to 1 part of this sweetened condensed filled milk by volume*”.

5.1.5.20 – Cream or raw cream

Cream or raw cream shall be the fatty liquid prepared from milk by separating the milk constituents, through a separation process in such a manner so as to extract the milk fat content.

Cream or raw cream shall contain not less than 35% of milk fat. It should not contain any added substance, and when subjected to the Reductase Test shall not completely decolourise the methylene blue in less than 4 hours.

5.1.5.21 – Pasteurized cream

Pasteurized cream shall be cream which has been efficiently heat-treated either by the Holding Method or by the “High Temperature Short Time Method”.

The package of pasteurized cream shall carry a label with the words “pasteurized cream”. Alternatively, the disc, cap or device used for sealing the package may be labeled or embossed, in not less than 4 point lettering, with these words.

5.1.5.22 – Reduced cream or pouring cream

Reduced cream or pouring cream shall be the product containing not less than 18% and not more than 34% of milk fat. In all other respects it shall comply with the standard for pasteurized cream.

A package containing reduced cream or pouring cream should carry a label with the words “reduced cream” or “pouring cream”.

5.1.5.23 – Butter

“Butter” means the solid product derived exclusively from milk or cream, or both. Butter shall contain not less than 80% of milk fat, not more than 16% of water, and may contain salt.

Butter may contain permitted colouring substance of vegetable origin and permitted antioxidant.

5.1.5.24 – Recombined butter

Recombined butter shall be the product obtained from anhydrous milk fat, which consists of 99.9% of pure milk fat, with potable water and milk solids or skimmed milk. It may contain permitted food conditioner.

The label on a package containing recombined butter should carry the words “recombined butter”.

5.1.5.25– Ghee

Ghee shall be the pure clarified milk fat obtained by removal of water and non-fat milk solids from milk, butter or cream.

Ghee shall not contain more than 0.3% of water and 3% of free fatty acid (as oleic acid), and may contain permitted antioxidant.

5.1.5.26 – Cheese

Cheese shall be the fresh or matured solid or semi-solid product obtained by coagulating milk, cream, skimmed or partly skimmed milk or any component of milk, or a mixture of any such substance with rennet or any other protein coagulating enzymes.

Cheese may contain ripening ferments, harmless acid-producing bacterial cultures, special mould cultures and may be coated with harmless wax or plastic.

Cheese shall contain not less than 40% of milk fat on a water-free basis. It may contain permitted preservative, permitted colouring substance of vegetable origin and permitted flavouring substance, as well as transglutaminase as a permitted food conditioner. Hard cheese shall be cheese containing not more than 39% of water.

5.1.5.27 – Cottage cheese

Cottage cheese shall be cheese made from pasteurized milk from which part of its fat has been removed, or by the addition of dried non-fat milk solids. Cottage cheese shall not contain more than 80 % of water.

Where cottage cheese is sold as “creamed” or designated as “creamed cottage cheese” the product shall contain not less than 20% of milk fat on a water- free basis. Cottage cheese may contain permitted preservative.

5.1.5.28 – Cream cheese

Cream cheese is made from cream or from milk to which cream has been added. It shall not contain more than 55% of water and 0.5% of stabiliser or emulsifier as permitted food conditioner. It shall also not contain less than 65% of milk fat on a water-free basis.

Cream cheese may contain permitted preservative.

In the label on a package containing cream cheese the words “cream cheese” have to be present.

5.1.5.29 – Processed cheese

Processed cheese shall be the product obtained by grinding, mixing, melting and emulsifying one or more varieties of cheese and may contain cultures of harmless bacteria, cream, butter and other milk products, salt, sugar, vinegar and other food.

Processed cheese shall be derived from at least 51% dry matter of cheese, and may contain permitted preservative, colouring substance, flavouring substance, flavour enhancer and food conditioner.

5.1.5.30 – Cheese paste, cheese spread or cheese mixture

Cheese paste, cheese spread or cheese mixture shall be the product obtained by mixing cheese with condiments and other cheese food.

Cheese paste, cheese spread or cheese mixture shall contain not less than 75% of cheese and not more than 3% of permitted emulsifier and 50% of water.

Cheese paste, cheese spread or cheese mixture may contain permitted preservative, permitted colouring substance of vegetable origin, permitted flavouring substance and permitted food conditioner.

5.1.5.31 – Dried cheese or powdered cheese

Dried cheese or powdered cheese shall be the product obtained by the drying of cheese. It shall not contain more than 8% of water. It may contain permitted preservative and not more than 4% of emulsifier as permitted food conditioner.

5.1.5.32 – Cultured milk or fermented milk

Cultured milk or fermented milk shall be the product prepared by culturing pasteurized milk, sterilized milk, skimmed milk, recombined milk, pasteurized cream or reduced cream with suitable lactic acid bacteria.

Cultured milk or fermented milk include e.g. yogurt, cultured cream or sour cream.

It may contain living culture of permitted organisms and added milk solids, permitted sweetening substance, salt and fruit. It shall have an acidity of not less than 0.5% calculated as lactic acid.

Cultured milk or fermented milk may contain permitted colouring substance, flavouring substance and food conditioner.

The label on a package containing fermented milk should carry the words “fermented milk”.

5.1.5.33 – Ice cream

Ice cream shall be made from milk or milk product with milk fat, vegetable fat, cream, butter or a combination of these and sugar, and may contain other wholesome food.

Ice cream shall contain not less than 10% of milk fat or vegetable fat or a combination of these, and comply with the microbiological standard prescribed in Regulation 39 of the Food Regulations 1985.

Ice cream may contain permitted colouring substance, permitted flavouring substance and permitted food conditioner.

The ingredients of ice cream shall be efficiently heat-treated either by being kept at a temperature of not less than 69°C for at least 20 minutes, or not less than 74°C for at least 10 minutes, or not less than 80°C for at least 15 seconds or not less than 86°C for at least 10 seconds or other equivalent time-temperature relationship and then frozen.

The volume of air incorporated in ice cream shall be such that the weight per unit volume of the ice cream in its frozen condition shall be not less than 0.43 calculated as gram per millilitre.

Only ice cream with not less than 5% of a fruit or the juice of that fruit can be advertised or sold with indication of the name of the fruit. The word “flavour” has to be conjoined with the name of the fruit.

The ice cream cannot be labeled with the word "dairy" or any word of similar meaning unless its fat content is derived solely from milk. Any labelling with pictures of any fruit or expression that suggests or implies the presence of a fruit or fruit juice is only allowed when the ice cream contains at least 5% of that fruit or fruit juice.

5.1.5.34 – Particular labelling requirements of milk and milk product

Particularly for milk and milk products the following labelling requirements are to be considered:

- The term "fresh" may be used on the label on any package of pasteurized milk, UHT milk, sterilized milk and flavoured milk. In the case of flavoured milk, the term "fresh" shall not be conjoined with the words "flavoured milk".
- Other than cow's milk and products prepared from cow's milk, a label on a package containing milk or milk products has to provide the common name of the animal which is its source, in not less than 10 point lettering
- The term "full cream" may only be used for milk products that comply with the standards for full cream milk powder before or after dilution, in not less than 10 point lettering
- The word "butter" or "cream" shall not appear on the label of any package of food other than creamer, cream crackers, cream soda, cream soup, cream biscuit and confectionery cream.
- A picture of an infant or parts of an infant shall not be displayed in the label on a package containing milk or milk product.
- The label on a package containing milk or milk product or on the accompanying leaflet has to carry a detailed instruction or direction for its preparation and storage before and after the package has been opened.
- All particulars required to appear on the label on a package of the milk products specified in Food Regulations 84, 90, 91, 94, 95, 97, 98 and 99 shall be in Bahasa Malaysia and may include a translation thereof in any other language.

To obtain the full list of the Food Regulations 1985 and their full details, as well as further information related thereto, companies are advised to contact:

Food Safety and Quality Division

Ministry of Health Malaysia

Level 3, Block E7, Parcel E

Federal Government Administrative Centre

62590 Putrajaya, Malaysia

Tel: +603-8883 3558 / Fax: +603-8889 3815/3341

Website: <http://fsq.moh.gov.my>

5.2 – Food Hygiene Regulations 2009

5.2.1 – Special Requirements in Handling, Preparing, Packing, Serving, Storing and Selling of Specific Food

5.2.1.1 – Temperature requirements for Milk

- (1) A food handler who processes milk shall, upon acceptance of milk, ensure that the milk is cooled as soon as possible to a temperature not more than 6°C and kept at that temperature until the milk is processed.
- (2) Notwithstanding sub-regulation (1), a food handler may keep the milk at a higher temperature if -
 - (a) The processing of the milk begins immediately after milking, or within four hours after its acceptance; or
 - (b) The food handler can satisfy the Director or an officer authorized by him that a higher temperature is required for technological reasons concerning the processing of certain milk products.
- (3) Any food handler who fails to comply with sub-regulation (1) or (2) commits an offence and shall, on conviction, be liable to a fine not exceeding ten thousand ringgit or to imprisonment for a term not exceeding two years.

5.2.1.2 Sale of Milk

Any person who sells milk in a sealed package shall comply with the following requirements:

- (a) The seal is not tampered with before sale and:
- (b) The milk is sold in its original form, container and quantity in which it was received on the food premises from which it is sold.

Any person who fails to comply with the above sub-regulations commits an offence and shall, on conviction, be liable to a fine not exceeding ten thousand ringgit or to imprisonment for a term not exceeding two years.

6.– Halal Certification

Development and innovations of *Halal* products are an increasingly popular and significant topic in Asia with a growing Muslim population in this region. More than 60% of the Malaysian population are Muslims. Although a product does not need to be Halal or Halal certified to be imported to or sold in Malaysia, products that are Halal certified are of significance, in terms of reaching out to the entire Malaysian market.

Halal involves the supervision of speech, dress, behaviour, conduct, mannerism, and dietary laws. Halal products and services cover many industries, including pharmaceuticals, clothing, cosmetics, financial services, logistics, and food production and consumption. With an estimated value of US\$580 billion, the global Halal food market is one of the rapidly growing industries.

6.1 – What is Halal?

Halalan Toyyiban – or Halal – is a combination of Islamic/Shariah law and standard requirements. These requirements are met through the fulfillment of hygienic, sanitation and safety requirements. It also ensures that halal products are of high quality in nutritional value. All these conditions are permissible for Muslim consumption and are acceptable to non-Muslim consumers as well.

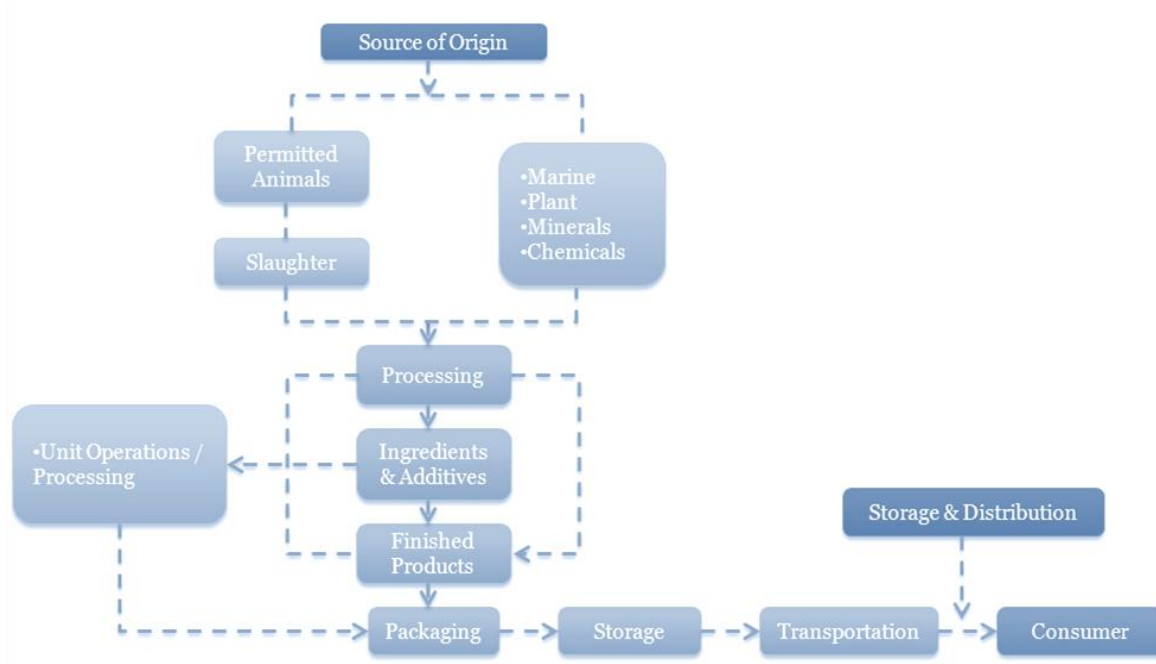
6.2 – Overview (What are Halal Products & Service)

Halal products are products that do not contain any parts or products of animals that are non-Halal to Muslims or products of animals which are not slaughtered according to Shariah law and *Fatwa* - which means “opinion”. *Fatwa* carries more weight than just random opinions of any persons. Muslim scholars are expected to give their “*fatwa*” based on religious evidence, not based on their personal opinions. Therefore, their “*fatwa*” is sometimes regarded as a religious ruling. The National Fatwa Committee was formed in 1970, under the National Council for the Malaysian Islamic Affairs.

Halal products also should not contain any ingredients that are *Najs* according to Shariah law. Examples of *najs* are liquor and other spirituous drinks, dogs, swine, dead animals that were not ritually slaughtered, blood, excrements, and milk of animals whose meat Muslims are not allowed to consume. Preparation, processing or manufacturing of Halal products should not be done using equipment that is contaminated with things that are *najs* according to Shariah law and *fatwa*. Halal products should also be safe for use/consumption and not intoxicating or harmful to health. Even during the preparation, processing, packaging, storage or transportation, the food should be physically separated from any other food that does not meet the Halal requirements.

6.3 – Halal Food Chain

Figure 3: Overview of the Halal Food Chain



Source: Halal Hub Division Department of Islamic Development, Malaysia (Jakim)

6.4 – What is Halal Certification?

Halal Certification is defined as the examination of product processes in its preparation, slaughtering, cleaning, processing, handling, disinfection, packaging, storage, transportation, distribution and management practices. It involves the entire system of Halal productions and services.

The Halal Certificate is issued to the industry player upon compliance of standards and requirements. The scope or requirements include: ³¹

- Raw materials and ingredients
- Processing
- Equipment and processing aids
- Hygiene and sanitation
- Workers
- Packaging
- Storage

6.4.1 – Benefits of A Malaysian Halal Certification

Products or services certified as 'Halal' by Malaysian authorities come with the following benefits:

³¹ Halal Hub Division Department of Islamic Development, Malaysia (JAKIM)

1. Penetration to the largest market share in the food sector as Malaysia's Halal logo is highly respected and well accepted by other Muslim countries.
2. Malaysia's Halal certification systems give the confidence to your business, customer, suppliers and other stakeholders that one's product is Halal and complies with Syariah laws.
3. The Malaysian Halal Certification Standards (MS 1500:2009) entail specific technical requirements on Halal for products to be Halal Syariah laws compliant.
4. Complying to standards provides companies with the accolades for competitive edge.

The Halal Certification Policy involves policy formation and endorsement through three committees; the Halal Steering Committee, the Halal Advisory Committee and the Halal Certification Panels.

It also involves Shariah & Food Science/Technology experts and officials, Fatwa Committee Representatives, Industry Representatives, and Consumer Associations' Representatives.

6.4.2 – Halal Certification Process Work Flow

To apply for Halal Certification, please go to www.halal.gov.my. The following Certification process applies:

1. Register online - create ID and password.
2. Confirmation of account – within 24 hours/one day.
3. Delivery of support documents necessary within five (5) working days after submitting the online application.
4. After documents are received, application status will reflect waiting document's process and completion.
5. Checking process: if supporting documents are complete, application will be processed within 1-5 working days according to the number of products / menus / premises. A letter on service fee to be charged will be issued. If supporting documents are not complete, the status will reflect 'incomplete' and the applicant must submit a correction or provide feedback within five (5) working days.
6. Processing fee must be paid within 14 working days.
7. The receipt will be issued one (1) day after payment is received.
8. The application status will reflect 'audit processing'. Audit will be conducted within 30 days after payment is received.
9. Approval process will be subject to meeting dates of Certification Panel Meetings.
10. If approved, the certificate will be issued within five working days. In the case of non-approval, the applicant will be notified via formal mail.

Figure 4: Halal Certification Process Work Flow



Source: www.hdcglobal.com/publisher/bhihc_pro_and_req

Applicants who are eligible to apply for Halal Certification are categorized as follows:

- a) Manufacturer/ producer
- b) Distributor/ trader
- c) Sub-contract manufacturer
- d) Repacking
- e) Food premises
- f) Abattoirs

6.4.3 – Halal Certification Checklist

The applicant must complete the application forms by furnishing all the information as required and the following certificates/documents must be enclosed together with the application form.

Table 12: Checklist for Halal Certification Application

No.	Items	Check
1	Company Profile	
2	Company registration	
3	Business/manufacturing license from local council	
4	Name and product description/menu for verification	
5	Type of packaging materials	
6	Design and label of products	
7	Contents of ingredients	
8	Names and addresses of manufacturer/ supplier of the ingredients	
9	Halal status for the ingredients and the Halal certificate or the product specification for critical ingredients (if applicable)	
10	Manufacturing process flow chart and production procedures	
11	Other documents such as HACCP, ISO, GHP, TQM and so forth (if applicable)	
12	Manufacturing license from Cosmetic and drug Control Authority (for health products and cosmetic);	
13	Premise/factory location map	
14	Layout Plan	
15	Copy of Import Permit Issued by the Dept of Veterinary Services Malaysia for meat/animal-based product.	
16	Copy of annual financial income statement	
17	Copy of valid Halal certificate of ingredients or Copy of product specification	
18	Copies of identity cards and employment letter for two (2) Muslims with Malaysian citizenship at the production area, or chef at the food outlet/premise or checker for the slaughter house;	
19	Slaughtering certificates for the slaughterer (for slaughter house only)	
20	Veterinary Health Certificate from Veterinary Department for slaughter house (for slaughter house only)	
21	Copy of expired Halal certification (for re-application)	

Source: DagangAsia, http://www.dagangasia.com/download/Checklist%20of%20JAKIM%20Halal%20Certificate_CUSTOMER.pdf

Applications for Halal Certification for national and international markets must be forwarded directly to Malaysian Halal certification at the Department of Islamic Development Malaysia (JAKIM).

Applications for Halal Certification for the local/domestic market may be forwarded directly to the relevant State Islamic Department/Council.

For detailed information, please visit www.islam.gov.my and www.halal.gov.my. Or contact:

Department of Islamic Development
Malaysia (JAKIM)
Blok D7 & D9, Kompleks D,
Pusat Pentadbiran Kerajaan Persekutuan,
62519, Wilayah Persekutuan,
MALAYSIA
Tel: +603-8886 4000
Fax: +603-8889 2039
Email: webmaster@islam.gov.my

Halal Hub Division,
Department of Islamic Development
Malaysia (JAKIM)
Aras 1 & 3, Menara PJH No. 2 Jalan Tun
Abdul Razak,
Presint 2, 62100 Putrajaya,
MALAYSIA
Tel: +603-8892 5000/5001
Fax: +603-8892 5005
Email: ehalal@islam.gov.my

6.4.4 – Other Guidelines for Halal Certification ³²

1. Food manufacturer/ food premise must only produce/manufacture/ sell / distribute halal products only.
2. Applicants must ensure that sources of ingredients are Halal and deal with suppliers which supply Halal materials, or the suppliers are Halal certificate holders.
3. The company must abide to the procedures in all aspects as spelt out in the Malaysian Halal Certification Procedure Manual (for the manual, please contact JAKIM).
4. Those companies which are classified under Multinational and Small and Medium Industry must form an internal Halal Audit Committee and appoint one Islamic Affairs executive (Islamic studies) to handle and ensure the compliance of Halal certification procedures.
5. There must be at least two full time Muslim workers who are also Malaysian citizens being employed in the handling / processing of food.
6. During the preparation, handling, processing, packaging or transporting of the product, the product must be clean and free from any non-Halal ingredient.
7. Apparatus and facilities in the premise must be clean and free from being contaminated by any substance considered as *Najs* or harmful to health.
8. The transportation is only used for Halal products.
9. The company must ensure that the cleanliness of tools, transportation, production area and surrounding area are in line with Good Manufacturing Practice or GMP.
10. All workers are required to practice the code of ethics and good hygiene practices as follows:

³² Jakim Halal Certificate Jakim Halal Certificate,
http://www.dagangasia.com/download/Checklist%20of%20JAKIM%20Halal%20Certificate_AGENT.pdf

- a. All workers are to obtain medical injection (TY2) from any medical centre recognised by the Government before being employed.
 - b. All workers are required to practice good health care and personal hygiene, especially those who work as production operators.
 - c. Any worker who is sick or injured and may affect the product quality must not be allowed to work until he/she recovers.
 - d. Workers are not allowed to touch bare-handedly any raw material or semi-finished product.
 - e. Activities which may affect the production quality like smoking, eating, drinking and others must be done in a special area and away from the production area.
 - f. All parties who want to enter the production area must wear special attire for the factory or decent and clean clothing (if without special attire) which follows healthcare procedures and personal healthcare. This is applicable to permanent workers, temporary workers, management staff, visitors and others.
 - g. A worker must always take care of his/her health and wear suitable attire, head and mouth cover, suitable gloves and shoes.
11. A worker must always wash his/her hands with soap as follows;
 - a. Before starting any activity of food handling
 - b. After using the toilet
 - c. After handling raw materials or contaminated substances
 12. Workers are not allowed to wear any jewelry or accessories, watch and others in the food processing area which may cause contamination to the food product.
 13. Workers must always be working and functioning at the designated place like “check point”.
 14. Workers must be committed and responsible according to the stipulated Halal policy.
 15. Religious worshipping items are strictly forbidden in the premise/ food processing area.

6.4.5 – Monitoring and Enforcement

The use of the Halal Logo is monitored and enforced through the Trade Description Act (TDA) 2011. The Trade Descriptions (Definition of Halal) Order 2011 defines Halal and other related expressions to Halal. It also defines an offense for deceiving or misleading consumers pertaining to Halal. Penalties are also defined in the Trade Descriptions Order 2011.

The Trade Descriptions (Certification and Marking of Halal) Order 2011 defines JAKIM, the States Religious Council (Majlis Agama Islam Negara / MAIN) and the Department of State Religious Affairs (Jabatan Agama Islam Negara / JAIN) as the competent authorities for monitoring and enforcement. The order also defines the

illegalisation of self-declaration. Therefore, all Halal declared products/consumables must have obtained Halal certification. Moreover, imported products bearing the Halal logo must be recognised by Halal certification bodies which are recognised by JAKIM.

6.4.6 – European Halal Certification Bodies

Having the imported products certified prior to its importation by one of the Halal bodies that are approved by JAKIM might not only help to avoid uncertainty in handling by the custom service and might increase the speed of custom clearance but also might help to improve the handling during the subsequent steps of the supply chain.

Since Halal food should be stored physically separated from any other food that does not meet the Halal requirements in order to avoid cross-contamination, some warehouses as well as packaging, storage, and transportation services might be limited in giving access to food that has the Halal certification already. As a result, if the dairy products are approved prior to its importation to Malaysia, European companies may draw on a relatively larger range of potential companies for cooperation in processing and logistic services.

Companies who wish to have their products certified Halal before exporting those to Malaysia may wish to contact one of the Halal Certification Bodies in Europe recognized by the Department of Islamic Development Malaysia (JAKIM).

As of July 2015, JAKIM has recognized a total of 56 foreign certification bodies and 16 authorities from 33 states. The name(s) of the certification bodies shall be marked on the products and goods to be exported.

According to “Pekeliling Pensijilan Halal Malaysia Bil. 3/2012”,

- (a) The Halal certificate shall be issued by the Halal certification body which is recognized by JAKIM and from the product’s country of origin. If there is no recognized Halal certification body in the manufacturing country, the Halal certificate could be obtained from the nearby countries.
- (b) There is exception for EU countries. For these countries, Halal certificate could be issued by the recognized Halal certification bodies in the manufacturing country or the EU member states.

The table below shows a list of Halal certification bodies in Europe recognized by JAKIM:

Table 13: List of European Halal Certification Bodies

Austria	
Organization & Address	Contact
Islamic Information and Documentation Center A-4050 Traun, Theodor Körner Str. 10 A A-1010 Vienna 1, Sterngasse 3 Austria	Tel: +43699 884 658 04 Email: kontakt@iidz.at / office@iidz.at Website: www.halal-iidz.eu / www.iidz.at
Belgium	
Organization & Address	Contact
Halal Food Council of Europe (HFCE) 4 Rue De la Presse 1000 Brussels Belgium	Tel: +32 2227 1114/ +32 2227 2728 Fax: +32 2218 3141 Email: halal@hfce.eu
France	
Organization & Address	Contact
Ritual Association of Lyon's Great Mosque (Association Rituelle de la Grande Mosquee de Lyon) 146 bd Pinel 69008 Lyon France	Tel: 04 78 76 00 23 Fax: 04 78 75 77 42 Email: argml@mosquee-lyon.org
Germany	
Organization & Address	Contact
Halal CONTROL e.K (EU) Prüf- und Zertifizierungsstelle für Halal-Lebensmittel European Inspection- and Certification Body for Halal-Food Kobaltstr 2-4 D-65428 Rüsselsheim Germany	Tel: +49 (0) 6142 301987-0 Fax: +49(0) 6142 301987-29 Email: info@halalcontrol.eu
Italy	
Organization & Address	Contact
Halal International Authority (HIA) Via Bicetti de Buttinoni N.1 20156 (MI) Milan Italy	Tel: +39 02 3944 9134 Fax: +39 02 3984 4129 Email: info@halalitaly.org / info@halalint.org

Netherlands	
Organization & Address	Contact
Total Quality Halal Correct Certification PB 179 2300 AD Leiden Netherlands	Tel: +31 71 523 5770 Fax: +31 71 523 5771 Email: info @halalcorrect.com
Control Office of Halal Slaughtering B.V & Halal Quality Control Laan Van Meerdervoort 53D 2517 AE Den Hague Netherlands	Tel: +31 (0) 70 3469 795 Fax: +31 (0) 70 3450 033 Mobile: +31 (0) 61 4959 748 Email: info@halaloffice.com
Halal Feed and Food Inspection Authority (HFFIA) Fijnjekade 225, 2521 DT The Hague Netherlands	Tel: 0031-(0) 70-364 91 91 Fax: 0031-(0) 70-364 54 60 Email: info@halal.nl Website: www.halal.nl
Poland	
Organization & Address	Contact
The Muslim Religious Union in Poland (MRU) ul. Piastowska 13F 15-207 Bialystok Poland	Tel: 0048 605 61 2137 Fax: 0048 857 32 4023 Email: mzm@mzm.pl / halalpoland@gmail.com Website: www.halalpoland.pl
Switzerland	
Organization & Address	Contact
Halal Certification Services P.O Box 247 4310 Rheinfelden Switzerland	Tel: +41 61 813 30 64 Fax: +41 61 813 30 65 Email: info@halalcs.org Website: www.halalcs.org
Turkey	
Organization & Address	Contact
Association For The Inspection And Certification Of Food And Supplies (GIMDES) Teskitilkent B5 Blok No: 76 Esenler - Istanbul Turkey	Tel: +90 212 438 33 18 Fax: +90 212 438 33 19 Email: irtibat@gimdes.org
Kas Uluslararası Sertifikasyon Göz. Tek. Kont. Hizm. Ltd. Sti. (Kascert International) Kazim Dirik Mah. Kurtulus Cad. No. 27/3 35100 Bornova, Izmir, Turkey	Tel: +90 232 435 61 00 Fax: +90 232 435 61 20 Email: manager@kascert.com

United Kingdom	
Organization & Address	Contact
Halal Food Authority Finchley House (7th Floor) 707 High Road London N12 0BT United Kingdom	Tel: +44 (0) 20 8563 1994 Fax: +44 (0) 20 8563 1993 Email: info@halalfoodauthority.com
The Muslim Food Board P.O Box 1786 Leicester LE5 5ZE United Kingdom	Mr. Yusuf Aboobakar Tel Fax: +44 116 273 8228 Email: info@tmfb.net / yusuf@tmfb.net

6.4.7 – Halal Logistics³³

Manufacturers who wish to obtain a Halal Certificate will have to comply with the Malaysian Standards MS 1500:2009. Although the Halal Certification covers food production, preparation, handling and storage, for a Muslim consumer, the logistics management of a Halal product is equally important. Halal certified products may be exposed to certain environment conditions from long supply chain lead times, resulting in cross-contamination.

Several factors can lead to cross-contamination of a Halal product. Exposure to Haram (forbidden) materials may lead to impurity and filthiness. Poor packaging and management of air flow in containers and warehouses may also result in cross-contamination. Exposure to certain temperatures or moisture levels on the other hand can cause the deterioration of the quality of a product. Dairy products manufacturers and distributors need to put a lot of effort into properly storing and distributing dairy products along the entire supply chain as dairy products need to be stored under low temperatures to prolong its shelf life.

Although Halal logistics have yet to be formalized in Malaysia, there exists a standard for food industry players to comply with: the MS 2400:2010. This standard covers the Management system requirements for transportation of goods and/or cargo chain services, for warehousing (and related activities), and for retailing. It serves as a basis for Halal food trade in Malaysia to ensure that those products which are intended to be sold as Halal products are distributed and delivered in accordance with Halal requirements to maintain its Halal integrity throughout the whole supply chain.

In Malaysia, the company LBB International is known for specializing in Halal logistics design and Halal supply chain optimization. The Dutch company provides tailored solutions for several industries, including the Halal food industry and third party logistics.

For detailed information on Malaysian Standards, companies are advised to contact:

Department of Standards Malaysia
Ministry of Science, Technology and Innovation
Level 1 & 2, Block 2300, Century Square
Jalan Usahawan
63000 Cyberjaya
Selangor Darul Ehsan
MALAYSIA

OR

SIRIM Berhad
(Company No. 367474 – V)
1, Persiaran Dato' Menteri
Section 2
40000 Shah Alam
Selangor Darul Ehsan
MALAYSIA

Tel: +603-8318 0002
Fax: +603-8319 3131
Website: www.standardsmalaysia.gov.my
Email: central@standardsmalaysia.gov.my

Tel: +603-5544 6000
Fax: +603-5510 8095
Website: www.sirim.my
Website: msonline@sirim.my

³³ Information from interview with LBB Logistics

For further information on Halal logistics and the design of Halal supply chain, please contact:

Dr. Ir. Marco Tieman
Chief Executive Officer

LBB International
B-5-8 Plaza Mont Kiara
Mont Kiara
50480 Kuala Lumpur
MALAYSIA

Tel: +603-5021 9087
Fax: +603-5021 9097
Website: www.lbbinternational.com
Email: marco@lbbteams.com

7.- Import of Dairy Products into Malaysia

Apart from the country's regulations and the Halal certification, it is important to note that Malaysia is not self-sufficient in the production of milk and that more than 90% of milk in its various forms and other dairy products need to be imported. One of the main reasons for this derives from the fact that Malaysia has a tropical climate and does not provide optimal climate conditions for rearing dairy cattle. The country's limited capabilities for domestic supply of milk, combined with the growing demand for dairy products in the last decades have consequently turned Malaysia into a net importer of dairy products.

This offers opportunities for foreign companies and interestingly, beside New Zealand, Australia, and the United States, a considerable share of dairy products is imported from Europe. Malaysia's recent import data show that for Malaysia's different dairy products categories, there are always several European countries among the top 10 origin countries, with France, Germany, Belgium and the Netherlands usually being the most important European import partners. For some dairy categories European countries are even the number one, such in case of whey and other milk products (HS Code 0404), where France exports more products to Malaysia than any other country worldwide.

It is important to know that imports from different origin countries also differ in their characteristics significantly. Whereas imports of dairy commodities and products for industrial use are dominated by Anglo-Saxon countries, premium products e.g. premium cheese and butter are mainly coming from Europe. As a consequence of this, Anglo-Saxon countries and European countries are not in direct competition for market shares, although the fluctuation of the exchange rate, in particular between the Australian Dollar and the Euro, is an important driver that makes some countries temporarily more attractive for imports.

According to the Malaysian Trade Classification and Customs Duties Order, which can be obtained from the Malaysian External Trade Development Corporation (MATRADE), the dairy products are categorized as follows:

- Milk and Cream, not concentrated nor containing added sugar or other sweetening matter (HS Code 0401)
- Milk and Cream, concentrated or containing added sugar or other sweetening matter (HS Code 0402)
- Buttermilk, Curdled Milk and Cream, Yoghurt, Kephir and Other Fermented or Acidified Milk and Cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa (HS Code 0403)
- Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of Natural Milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included (HS Code 0404)
- Butter and Other Fats and Oils derived from Milk; Dairy spreads (HS Code 0405)
- Cheese and Curd (HS code 0406)

The definitions and import data of these are provided below.

7.1 – Milk & Cream, Not Concentrated nor Sweetened (HS Code: 0401)

Products under this category include fresh cow and goat milk.

The subcategories for non-concentrated or sweetened milk and cream products (according to The Malaysian Trade Classification and Customs Duties Order) are as follows:

Table 14: Subcategories for Non-Concentrated or Sweetened Milk and Cream

Heading/ Subheading No.	Description
04.01	Milk and cream, not concentrated nor containing added sugar or other sweetening matter
04.01.10 100 900	- Of a fat content, by weight, not exceeding 1%: - In liquid form - Other
0401.20 100 900	- Of a fat content, by weight, exceeding 1% but not exceeding 6%: - In liquid form - Other
0401.40 110 120 210 220	- Of a fat content, by weight, exceeding 6% but not exceeding 10%: - Milk: - In liquid form - In frozen form - Cream: - In liquid form - In frozen form
0401.50 100 900	- Of a fat content, by weight, exceeding 10% - In liquid form - Other

Source of Data: The Malaysian Trade Classification and Customs Duties Order – Chapter 4, 10th March 2015

The table below shows the top 10 importer countries for non-concentrated or sweetened milk and cream products under HS Code 0401.

Table 15: Total Imports of Non-Concentrated or Sweetened Milk and Cream Products in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	New Zealand	8.229	9.846	11.195	13.71
2	Australia	5.652	6.654	8.419	26.51
3	Singapore	2.974	3.173	3.172	-0.03
4	France	1.500	2.308	3.009	30.36
5	Germany	1.546	1.533	2.623	71.09
6	Indonesia	0.989	1.801	1.575	-12.50
7	United States	0.655	0.767	0.813	5.92
8	Belgium	0.472	0.552	0.546	-1.08
9	Netherlands	0.827	0.410	0.542	32.19
10	Denmark	0.163	0.124	0.275	121.34

Source of Data: World Trade Atlas, MATRADE Business Information Centre (BIC)

7.2 – Milk & Cream, Concentrated or Sweetened (HS Code: 0402)

Products under this category include flavoured milk drinks, flavoured powder drinks (malt-based, chocolate, and non chocolate-based), soy milk drinks and other non-dairy milk alternatives.

According to The Malaysian Trade Classification and Customs Duties Order, the subcategories for concentrated or sweetened milk and cream products are as follows:

Table 16: Subcategories for Concentrated or Sweetened Milk and Cream

Heading/ Subheading No.	Description
04.02	Milk and cream, concentrated or containing added sugar or other sweetening matter
0402.10 000	- In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5%
0402.21 000	- In powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5%:
0402.29 000	- Not containing added sugar or other sweetening matter
	- Other
0402.91 000	- Other:
0402.91 000	- Not containing added sugar or other sweetening matter
	- Other

Source of Data: The Malaysian Trade Classification and Customs Duties Order – Chapter 4, 10th March 2015

The table below shows the top 10 importer countries for concentrated or sweetened milk and cream products under HS Code: 0403.

Table 17: Total Imports of Concentrated or Sweetened Milk and Cream Products in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	New Zealand	226.269	178.395	296.921	66.44
2	United States	57.766	84.005	95.061	13.16
3	Australia	45.416	45.363	51.442	13.40
4	Germany	9.711	18.837	21.860	16.05
5	Netherlands	15.288	14.782	20.957	41.77
6	France	5.488	3.799	18.189	378.81
7	India	0.105	6.045	15.782	161.06
8	Ireland	2.186	2.088	9.008	331.39
9	Iran	0.000	0.000	7.536	0.00
10	Uruguay	0.496	0.916	5.353	484.16

Source of Data: World Trade Atlas, MATRADE Business Information Centre (BIC)

7.3 – Buttermilk, Curdled Milk & Cream, Yoghurt, etc. (HS Code: 0403)

Products under this category include sour milk products, drinking yoghurt, spoonable yoghurt (flavoured, fruited and plain), and yoghurt and sour milk products.

The subcategories for buttermilk, curdled milk/cream, yoghurt, and other sour milk products (according to The Malaysian Trade Classification and Customs Duties Order) are as follows:

Table 18: Subcategories for Buttermilk, Curdled Milk/Cream, Yoghurt and Other Sour Milk Products

Heading/ Subheading No.	Description
0403	Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa
0403.10	- Yoghurt
100	- Flavoured or containing added fruit or nuts (including jam)
200	- Containing cocoa
900	- Other
0403.90	- Other:
100	- Flavoured or containing added fruit or nuts (including jam)
200	- Containing cocoa
900	- Other

Source of Data: The Malaysian Trade Classification and Customs Duties Order – Chapter 4, 10th March 2015

The table below shows the top 10 importer countries for buttermilk, yoghurt, curdled milk and cream products under HS Code 0403.

Table 19: Total Imports of Buttermilk, Yoghurt, Curdled Milk and Cream Products in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	Australia	1.607	2.473	3.812	54.17
2	New Zealand	6.663	5.034	4.403	-12.52
3	Netherlands	3.074	3.940	3.725	-5.46
4	Germany	0.820	0.922	2.964	221.65
5	Belgium	0.483	0.723	1.978	173.54
6	United States	2.040	4.218	1.514	-64.11
7	France	0.731	0.520	0.952	83.10
8	Switzerland	0.045	0.014	0.396	2,642.92
9	Finland	0.000	0.498	0.269	-46.04
10	Ireland	0.799	2.869	0.309	-89.21

Source of Data: World Trade Atlas, MATRADE Business Information Centre (BIC)

7.4 – Whey, Other Milk Products (HS Code: 0404)

Products under this category includes chilled and shelf stable desserts, chilled snack, coffee whiteners, condensed/evaporated milk, fromage frais and quark (flavoured and plain), and other dairy products.

The subcategories for whey and other milk products (according to The Malaysian Trade Classification and Customs Duties Order) are as follows:

Table 20: Subcategories for Whey and Other Milk Products

Heading/ Subheading No.	Description
04.04	Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included.
0404.10	- Whey and modified whey, whether or not concentrated or containing added sugar or other sweetening matter:
100	- Fresh
910	- Other:
990	- In powder form
	- Other
0404.90	- Other:
100	- For infant and young children use
900	- Other

Source of Data: The Malaysian Trade Classification and Customs Duties Order – Chapter 4, 10th March 2015

The table below shows the top 10 importer countries for whey and other milk products under HS Code 0404.

Table 21: Total Imports of Whey and Other Milk Products in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	France	21.223	23.560	19.610	-16.77
2	United States	19.658	13.393	18.114	35.25
3	Poland	11.176	10.755	12.953	20.45
4	Czech Republic	4.740	9.876	11.277	14.18
5	Germany	9.780	8.185	7.239	-11.56
6	New Zealand	26.893	131.902	32.975	-75.00
7	Australia	5.841	6.102	5.061	-17.07
8	Finland	2.584	0.788	2.780	252.61
9	Netherlands	2.968	4.224	3.036	-28.12
10	Ireland	4.538	10.243	2.076	-79.74

Source of Data: World Trade Atlas, MATRADE Business Information Centre (BIC)

7.5 – Butter, Other Fats & Oils Derived from Milk (HS Code: 0405)

Products under this category include butter, dairy spreads, ghee, and anhydrous butterfat used to manufacture reconstituted milk. Butter will experienced a 5% value growth in 2014 – the highest in this category.

The subcategories for butter, other fats and oils products derived from milk (according to The Malaysian Trade Classification and Customs Duties Order) are as follows:

Table 22: Subcategories for Butter, Other Fats and Oils derived from Milk

Heading/ Subheading No.	Description
04.05	Butter and other fats and oils derived from milk; dairy spreads
0405.10 000	- Butter
0405.20 000	- Dairy spreads
0405.90 000	- Other:
100	- Ghee
210	- Anhydrous butterfat:
290	- For use in the manufacture of reconstituted milk
900	- Other
	- Other

Source of Data: The Malaysian Trade Classification and Customs Duties Order – Chapter 4, 10th March 2015

The table below shows the top 10 importer countries for butter, other fats and oil products under HS Code: 0405.

Table 23: Total Imports of Butter and Other Fats & Oils derived from Milk Products in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	New Zealand	33.130	33.258	44.801	34.71
2	Australia	11.844	10.453	10.852	3.81
3	Netherlands	0.379	0.522	1.552	197.52
4	Belgium	1.804	1.498	1.661	10.85
5	France	0.990	1.895	1.554	-18.01
6	United States	0.156	0.136	0.809	494.82
7	Germany	0.071	0.166	0.525	217.40
8	Denmark	0.592	0.710	0.672	-5.33
9	Pakistan	0.000	0.000	0.275	0.00
10	India	0.107	0.190	0.196	3.36

Source of Data: World Trade Atlas, MATRADE Business Information Centre (BIC)

7.6 – Cheese & Curd (HS Code: 0406)

Products under this category include processed and unprocessed cheese (spreadable and unspreadable), unprocessed cheese, hard cheese (packaged and unpackaged) and soft cheese.

The subcategories for cheese and curd products (according to The Malaysian Trade Classification and Customs Duties Order) are as follows:

Table 24: Subcategories for Cheese and Curd Products

Heading/ Subheading No.	Description
04.06	Cheese and curd
0406.10 100 200	- Fresh (unripened or uncured) cheese, including whey cheese and curd: - Fresh (unripened or uncured) cheese, including whey cheese - Curd
0406.20 000	- Grated or powdered cheese, of all kinds
0406.30 000	- Processed cheese, not grated or powdered
0406.40 000	- Blue-veined cheese and other cheese containing veins produced by <i>Penicillium roqueforti</i>
0406.90 000	- Other cheese

Source of Data: The Malaysian Trade Classification and Customs Duties Order – Chapter 4, 10th March 2015

The table below shows the top 10 importer countries for cheese and curd products under HS Code: 0406

Table 25: Total Imports of Cheese and Curd Products in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	Australia	25.941	26.070	33.041	14.27
2	New Zealand	13.331	20.221	22.520	19.07
3	United States	4.317	3.012	3.564	11.37
4	Singapore	1.308	1.752	2.588	18.30
5	Netherlands	1.803	2.566	1.915	47.72
6	Argentina	0.802	0.892	1.267	-25.39
7	Germany	0.594	1.703	1.885	41.97
8	Poland	0.690	0.954	1.315	10.64
9	France	1.522	2.019	2.003	37.91
10	Denmark	1.379	1.037	1.246	-0.77

Source of Data: World Trade Atlas, MATRADE Business Information Centre (BIC)

8.–Import Regulations for Dairy Products

Since Malaysia has experienced a rapid economic development and increasing participation in international trade, the Malaysian government permanently seeks to improve its services and its efficiency by adjusting the structure of the governmental bodies to new needs and requirements. Therefore, functional responsibilities of governmental bodies might change more rapidly than in Europe, which is also driven by the ongoing efforts by the Malaysian government for establishing harmonized import processes.

Similar to many countries in the world, Malaysia has specific import regulations that particularly apply to dairy imports. Hence, companies wishing to enter this growing market should be aware of these import regulations and procedures. In particular, the regulations under this section apply to liquid milk, milk powder, cheese, cream containing milk, butter, ice cream containing milk, yoghurt and other milk/dairy products (HS Codes: 0401-0406). This pertains to any purpose of import and from any exporting country. These regulations are empowered under Section 8 of Animal Rules, 1962.

8.1 – Veterinary Health Certificate³⁴

For foreign companies or manufacturers who wish to export milk and milk products to Malaysia, a Veterinary Health Certificate from the country of origin is needed for the import permit application process. The Malaysian Veterinary Health Certificate (issued by Department of Veterinary Services) is only needed for exporting of goods from Malaysia.

Each consignment of milk or milk products shall be accompanied by an official veterinary health certificate in English dated within seven (7) days of export and signed or endorsed by a competent veterinary officer of the Government Veterinary Authority of the exporting country certifying that:

1. the country of origin or part of country or province of origin has been free from foot and mouth disease and rinderpest for the past twelve (12) months prior to and till the date of export;
2. the milk or milk products were derived from herds/flocks that have been kept in the country during the preceding twelve (12) months prior to export;
3. The farm of origin has been certified free from tuberculosis and brucellosis by the Government Veterinary Authority of the exporting country.
4. The animals were found to be healthy and free from any clinical sign of infectious or contagious diseases (including ectoparasites) at the time of milking;
5. The milk or milk products were processed and packed in a plant that has been approved for export by the competent authority of the exporting country (the name, address and establishment number of the plant as well as batch/lot number and date of production must be clearly stated in the certificate);
6. The milk or milk products were processed, packed and stored under sanitary condition and do not contain any preservative, colouring matter, residue or any foreign substance or harmful material injurious to health including melamine and that every precaution has been taken to prevent contamination of the milk or milk products during the processing, packing, storing and handling prior to export;

³⁴ Department of Veterinary Services (DVS)

7. The milk or milk products shall undergo following process ;
 - (i) In case of milk or cream for human consumption, the milk used has been treated by ultra high temperature (UHT) at a minimum of 132 °C for at least 1 second or by simple high temperature short time pasteurisation (HTST) at 72 °C for at least 15 seconds for milk with pH less than 7.0 or double HTST for milk with pH 7 or over.
 - (ii) Milk for animal consumption has been subjected to either double HTST or in case of simple HTST or UHT, this was combined with either physical treatment to maintain pH 6 for at least 1 hour or additional heating to at least 72 °C combined with desiccation.
8. In the case of milk or milk products intended for human consumption, that the milk or milk products are wholesome and fit for human consumption.

8.2 – Import Permit³⁵

The consignment of milk or milk products shall be accompanied by a valid import permit issued by the Director General of Veterinary Services, Malaysia or the State Director concerned permitting the importation of such milk or milk products into the State(s) of Malaysia.

The import and export procedure for animal products are subject to the Animals Act 1953 and the Feed Act 2009. The Malaysian Veterinary Document Register Standard Operating Procedure (APTVM) was established to prevent any outbreak of animal transmitted diseases in Malaysia. Moreover, this procedure can guarantee that Malaysians will receive a safe and quality supply of animal products. The APTVM is used in Peninsular Malaysia and the Federal Territory of Labuan and covers the importation and the exportation of animal products.

8.3 – Import Procedure According to APTVM

Before a company is allowed to import dairy products to Malaysia, an import permit must be acquired from the Department of Veterinary Services (DVS) of the Ministry of Agriculture and Agro-Based Industry Malaysia. The application of an import permit has to be submitted online through the e-Permit system, as a valid document released by the DVS. The procedure/document may be altered according to the circumstances depending on the new requirements that are recognised.

Furthermore, the applicant must assure that the Veterinary Health Certificate from the veterinary authority from the exporting country is prepared for importation of animal products, including the Halal Certificate (if relevant) that is issued by JAKIM or alternatively a Certification Body recognised by JAKIM.

After the applicant successfully acquired the import permit from the DVS, the import permit needs to be printed out by the applicant as a proof for the Malaysian Quarantine Inspection Services (MAQIS), which reviews the required documents and the import permit and finally certify the import permit.

8.3.1 – Flow Process of Application for Import Permit through e-Permit System

The agencies involved in the e-Permit are as follows:

³⁵ Department of Veterinary Services (DVS)

1. The importer and the agent hired to organise the permit
2. Department of Veterinary Services (DVS)
3. Royal Malaysian Customs Department's (RMCD) Information Technology Division
4. Dagang Net (DNT) – e-Permit system service provider

Figure 5: Flow Process of Application for Import Permit through e-Permit System

Flow Process	Explanation	Status in e-Permit system
<pre> graph TD Start[Start] --> App[Application/Request] App --> Eval[Evaluation] Eval -- No --> App Eval -- Yes --> Appr[Approval] Appr -- No --> App Appr -- Yes --> SMK[Register with SMK] SMK -- No --> App SMK -- Yes --> Print[Printing] Print --> Pay[Payment of Permit] Pay --> Done[Done] </pre>	<ul style="list-style-type: none"> a) Application of permit done through: http://epermit.dagangnet.com b) All information must be filled in c) Click “Submit to OGA” to send application 	<p>Awaiting OGA approval</p>
	<ul style="list-style-type: none"> a) Application will be verified to ensure validity of information b) If an error is detected, application will be rejected c) A new application will have to be submitted 	<p>Verified by OGA Rejected by OGA</p>
	<ul style="list-style-type: none"> a) Application will be sent to an officer for the approval process b) Application will be re-verified again before approval c) If an error is detected, application will be rejected d) A new application will have to be submitted if it involves a technical error in the information filled into the e-Permit (not an error pertaining to DVS rules & regulations) 	<p>Approved by OGA Rejected by OGA</p>
	<ul style="list-style-type: none"> a) Application will be sent to SMK for registration process b) SMK will respond to each permit registered c) If not registered, a new application will have to be submitted 	<p>Acknowledged by Customs Rejected by Customs</p>
	<p>Permit must be printed</p>	
	<p>Applicant must make payment for permit at the DVS office</p>	

Source: Department of Veterinary Services (DVS)

8.3.2 – Import Procedure from non-approved countries

In case of an application from a country that has not been approved by DVS, the application must be sent to the Quarantine and Import/Export Section (SKIE) under the DVS, or the Malaysian Quarantine and Inspection Service (MAQIS). The application must contain clear information regarding the animal products that will be imported into Malaysia and must be submitted together with the related supporting documents

8.3.2.1 – Supporting Documents

The “Application of Meat, Milk, Poultry and Product to export to Malaysia” form (available on www.dvs.gov.my) must be completed by the applicant and approved by the veterinary authority from the exporting country/country of origin.

A questionnaire on “The Disease Status of the Exporting Country” must be completed and approved by the veterinary authority from country of origin. This must be done if the premise is situated in a country that hasn’t been approved by the World Organisation for Animal Health (OIE). A list of countries that have been approved by the OIE is available on their website: www.oie.int

8.3.2.2 – Risk Assessment of Imports

Risk assessment of imports to detect the potential hazards or errors and the assessment of the competency of the Veterinary Authority in the exporting country must be done for new import applications (refer to the APTVM document on the Analysis on Import Risks).

8.3.2.3 – Inspection of Exporting Country’s Premise

Inspection of animal products premises in the exporting country must be done if necessary, to guarantee that the premises for animal products comply with the standards and import standards of DVS.

8.4 – Transportation & Landing Place

Each consignment of milk or milk products imported into Malaysia shall be carried by ship or aircraft or any vehicle directly to the prescribed landing place in Malaysia.

8.5 – Labelling of the Products

Milk or milk products intended for purposes other than for human consumption should be clearly identified and labeled (in RED) as "unfit for human consumption" or "not for human consumption" or "for animal use only" or "animal feeds" or "stock feeds".

8.6 – Surrender of Official Documents in Malaysia

Upon arrival in Malaysia, all documents and the products shall be surrendered for inspection and verification by the veterinary authority at the point of entry. Random samples will be collected for laboratory testing and DVS has the right to reject, destroy or further detain any consignment when deemed necessary.

8.7 – Contravention of Regulations

Importation in contravention to the above regulations or in the event of an outbreak of epizootic diseases anytime during importation, the Director General of Veterinary Services Malaysia (Director General) shall at his discretion reject or return the consignment to the country of origin or dispose the products in any manner as he may find or impose additional procedures as and deemed necessary.

8.8 – The Right to Amend Import Regulations

The Director General shall reserve the right to amend the regulations and the fees below or suspend importation at any time, as and when deemed necessary.

8.9 – Other Conditions

The processing or packing plant shall be subject to inspection and accreditation by the DVS prior to approval when necessary. All costs incurred shall be borne by the importers.

8.10 – Fees

Each consignment of milk or milk products imported into Malaysia shall be subjected to the following fees –

- | | | |
|--------------------------|---|-------------------------|
| 1. Import Permit | : | RM3.00 per consignment |
| 2. Veterinary Inspection | : | RM50.00 per consignment |

9.- Tariff and Non-Tariff Barriers

As of April 1st 2015, all taxable supplies of goods imported into Malaysia are subject to a 6% Goods and Services Tax (unless exempted). Moreover, several supplies and goods are subject to a 'Quota Duty Rate'. Below, several tables have been listed to inform on the various tariff and non-tariff barriers relevant to the import of dairy products to Malaysia. For full information, please refer to chapter four of the publication "Malaysian Trade Classification and Customs Duties Order" from 10th March 2015, which can be obtained from MATRADE.

Table 26: Rate of duty for Dairy Products classified by HS Codes

Heading/ Subheading No.	Description	Rate of Duty (for Import)		
		Tariff Rate Quota*		Goods and Services Tax (GST)
		In-quota Duty Rate	Out-quota Duty Rate	
04.01	Milk and cream, not concentrated nor containing added sugar or other sweetening matter			
0401.10 110 900	- Of a fat content, by weight, not exceeding 1%: -- In liquid form -- Other	20% 5%	50% 5%	6% 6%
0401.20 110 900	- Of a fat content, by weight, exceeding 1% but not exceeding 10%: -- In liquid form -- Other	20% 5%	50% 5%	6% 6%
0401.40 110 120 210 220	- Of a fat content, by weight, exceeding 6% but not exceeding 10%: - Milk: -- In liquid form -- In frozen form - Cream: -- In liquid form -- In frozen form	20% 5% Nil Nil	50% 5% Nil Nil	6% 6% 6% 6%
0401.50 100 900	- Of a fat content, by weight, exceeding 10%: -- In liquid form -- Other	Nil Nil	Nil Nil	6% 6%

Heading/ Subheading No.	Description	Rate of Duty (for Import)		
		Tariff Rate Quota*		Goods and Services Tax (GST)
		In-quota Duty Rate	Out-quota Duty Rate	
04.02	Milk and cream, concentrated or containing added sugar or other sweetening matter			
0402.10 000	- In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5%	Nil	Nil	6%
0402.21 000	- In powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5%: - - Not containing added sugar or other sweetening matter	Nil	Nil	6%
0402.29 000	- - Other	Nil	Nil	6%
0402.91 000	- Other - - Not containing added sugar or other sweetening matter	5%	5%	6%
0402.99 000	- - Other	Nil	Nil	6%
04.03	Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter of flavoured or containing added fruit, nuts or cocoa			
0403.10 100	- Yoghurt: - - Flavoured or containing added fruit or nuts (including jam)	Nil	Nil	6%
200	- - Containing cocoa	Nil	Nil	6%
900	- - Other	Nil	Nil	6%
0403.90 100	- Other: - - Flavoured or containing added fruit or nuts (including jam)	Nil	Nil	6%
200	- - Containing cocoa	Nil	Nil	6%
900	- - Other	Nil	Nil	6%

Heading/ Subheading No.	Description	Rate of Duty (for Import)		
		Tariff Rate Quota*		Goods and Services Tax (GST)
		In-quota Duty Rate	Out-quota Duty Rate	
04.04	Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included.			
0404.10	- Whey and modified whey, whether or not concentrated or containing added sugar or other sweetening matter:			
100	- Fresh	Nil	Nil	6%
910	- Other:	Nil	Nil	6%
990	- - In powder form	Nil	Nil	6%
	- - Other	Nil	Nil	6%
0404.90	- Other:			
100	- For infant and young children use	Nil	Nil	6%
900	- Other	Nil	Nil	6%
04.06	Cheese and curd			
0406.10	- Fresh (unripened or uncured) cheese, including whey cheese, and curd:			
100	- Fresh (unripened or uncured) cheese, including whey cheese	Nil	Nil	6%
200	- Curd	Nil	Nil	6%
0406.20	- Grated or powdered cheese, of all kinds	Nil	Nil	6%
0406.30	- Processed cheese, not grated or powdered	Nil	Nil	6%
0406.40	- Blue-veined cheese and other cheese containing veins produced by <i>Penicillium roqueforti</i>	Nil	Nil	6%
0406.90	- Other cheese	Nil	Nil	6%

Source: The Malaysian Trade Classification and Customs Duties Order – Chapter 4, 10th March 2015

Table 27: Prohibition of Import: Third Schedule (Part I)

Description of food (including HS Code)	Country	Manner of import
Milk and milk-based products. HS Codes: 0401 – 0406	All countries	<p>For importation into Peninsular Malaysia and Labuan:</p> <ul style="list-style-type: none"> (i) An import permit issued by or on behalf of the Director General of Malaysian Quarantine and Inspection Services (MAQIS) under the Malaysian Quarantine and Inspection Services Act 2011 [Act 728] (ii) Subject to inspection and approval by the Malaysian Quarantine and Inspection Services (MAQIS) <p>For importation into Sabah:</p> <ul style="list-style-type: none"> (i) An import license issued by or on behalf of the Director of the Department of Veterinary Services and Animal Industry, Sabah (ii) Subject to inspection and approval by the Department of Veterinary Services and Animal Industry, Sabah <p>For importation into Sarawak:</p> <ul style="list-style-type: none"> (i) An import permit issued by or on behalf of the State Veterinary Division of the Department of Agriculture, Sarawak (ii) Subject to inspection and approval by the State Veterinary Division of the Department of Agriculture, Sarawak

Source: The Malaysian Trade Classification and Customs Duties Order – Chapter 4, 10th March 2015

Table 28: Prohibition of Import: Third Schedule (Part III)

Description of food (including HS Code)	Country	Manner of import
<p>Any Terrestrial Animal as specified in the Appendices of the Third Schedule of the International Trade in Endangered Species Act 2008 [Act 686] caught from the wild or bred in captivity including any readily recognizable part or derivative of the animal, substantially complete or part or derivative of an animal, in natural form, stuffed, chilled, preserved, dried, processed or otherwise treated or prepared which may or may not be contained in preparations, and includes:</p> <ul style="list-style-type: none"> (i) Milk (ii) Anything which is claimed by any person, or which appears from an accompanying document, the packaging, a label or mark or from any other circumstances, to contain any part or derivative of the animal. <p>HS Codes: 0401, 0402, 0403, 0405, 0406</p>	<p>All countries</p>	<p>That the import is accompanied by:</p> <ul style="list-style-type: none"> (i) For importation into Peninsular Malaysia and Labuan, an import permit under the International Trade in Endangered Species Act 2008 [Act 686] issued by Department of Wildlife and National Parks Malaysia (ii) For importation into Sabah, an import permit under the International Trade in Endangered Species Act 2008 [Act 686] issued by Sabah Wildlife Department (iii) For importation into Sarawak, an import permit under International Trade in Endangered Species Act 2008 [Act 686] issued by or on behalf of Director Forest, Forest Department Sarawak <p>For goods in transit, the consignment shall be accompanied by:</p> <ul style="list-style-type: none"> (i) A valid export or re-export permit, licence, certificate or written permission in accordance with the Convention on International Trade in Endangered Species of Wild Fauna and Flora issued by the competent authority of the country of export or re-export of the scheduled species; and (ii) where required by the country of import, a valid import permit, licence, certificate or written permission, in accordance with the Convention on International Trade in Endangered Species of Wild Fauna and Flora, issued by the competent authority of country of destination

Source: The Malaysian Trade Classification and Customs Duties Order – Chapter 4, 10th March 2015

10.- Market Entry and Distribution

10.1 – Retailers

The current Malaysian dairy market provides considerable potential for European companies. However, if European dairy manufacturers wish to enter the Malaysian dairy market, they would need to consider different aspects of distribution such as choosing the right category of retailers in order to meet the right target audience. Therefore, the following chapter explains the different channels of packaged food retailing in Malaysia, which basically can be divided into three categories, premium retailers, hypermarkets and convenience stores.

10.1.1 – Premium Retailers

Premium retailers, as the first category, focus on upper income groups and are located in a few top locations, mainly in high-end shopping malls. These shopping malls can be found either in the city centers or high-end residential areas. These stores provide the feeling of an exclusive shopping experience and offer a large variety and fresh products. Their entrance area is usually furnished with several small snack shops at the edge, offering bread or other fresh made products. Some of these retailers are also equipped with a fresh-food area, offering fish, or fresh cooked foods for takeaway.

The section for dairy products is relatively large, with about 12 to 15 meters width of the shelves occupied by un-chilled dairy products (including UHT milk, and flavored UHT milk, coffee whitener and condensed milk, and milk powder), and another 12 to 15 meters width with chilled dairy products (including fresh milk, yoghurt, cream, butter, cheese, and others).

These premium retailers have a large assortment variety that is characterized by international brands and imported products, with about 10 brands of chilled milk and up to 30-40 different brands of cheese. Chilled milk products consist of about 10 brands. The section of un-chilled UHT milk (either pure or flavored) is dominated by a few brands like Dutch Lady and Nestlé, occupying more than 80% of the shelf-space of durable milk.

About 90% of the products sold by these retailers are imported goods. Thus, these retailers provide a good platform for European dairy companies by targeting a highly quality-oriented group of customers with a higher willingness to pay a price markup for premium brands, including premium brands from abroad.

Whereas this target group with above-average purchasing power consists mainly of high-income households and expatriates, most of Malaysia's households are part of the country's middle-income class. This group of consumers is less willing to pay a price mark-up for exclusive brands, but instead create an increasing demand for dairy products of an intermediate price level. As a result, they are more attracted by a second category of retailer, the so-called hypermarkets, which are particularly targeting more price-conscious consumers consisting of families and middle-income households.

10.1.2 – Hypermarkets

Hypermarkets such as Giant, Tesco, and Aeon Big are mostly located at the suburban areas and in areas with high population density. Characterized by frequent promotional activities and often preferred by the middle-income consumers for shopping in general, these retailers sell products at a significantly lower price level than the aforementioned premium retailers. Hypermarkets usually have a large sales area and a large dairy section with about 25-30 meter width of chilled dairy products and about 15-20 meter width of un-chilled dairy products. The dairy assortment of hypermarkets consists of about 75% locally-manufactured products whose raw materials are mostly imported. Dairy products that are manufactured abroad and those that are considered as more expensive by the majority of the middle-income class such as cheese play a minor role in the assortment of the hypermarkets. Compared to European hypermarkets, such products are not promoted in distinctly separated displays but just being part of the markets' dairy assortment.

European companies interested in selling their products in one of these retailer's shelves, as a popular way of targeting Malaysia's large and continuously growing group of middle-income households, should take the following into consideration:

Firstly, many of the customers are Malay and Muslim. Therefore, Halal certification is very important for these retailers and hypermarkets. Most of their products are Halal certified, although the certification discussed in previous chapters is not an obligation for import into Malaysia. Hence, in the case of selling the products via these retailers, dairy products should definitely consider the Halal certification, if the products are to reach out to the majority of the market.

Secondly, since hypermarkets seem to be a very popular retailer category with most families, children are an important consumer group for these hypermarkets. This is also obvious with the hypermarkets' assortment. For example, some retailers have a section of about 2 meter width cooling shelves that is marked with "kids' favourite" and only contain products for kids, including cooled flavored milk, yoghurt, ice cream and fruit drinks. In the case of flavored and unflavored milk, major brands like Dutch Lady, F&N, and Marigold already adjusted their assortment and sell small packages of milk with about 0.2 liter mini-cartons that is particularly designed for children, and being available in different flavors. For other categories of dairy products, for example in the case of yoghurt, only a few products are especially designed for children, providing a potential niche market for new brands and products. Thus, European dairy companies who want to sell dairy products that are especially made for the demand of young consumers, hypermarkets provide an excellent distribution channel.

Thirdly, since parents are particularly health-conscious when it comes to their children, nutrition aspects play a major role, causing a high demand for products that are rich in vitamins and containing a high amount of healthy nutrition. The customers' more health-conscious orientation also impacts the assortment in the hypermarkets, e.g. in terms of a higher share of shelves being occupied by fruit-milk drinks and by soy milk. Furthermore, in the case of drinking yoghurt, some established brands have their own advertisements at the shelves pointing out healthiness and the benefits for digestion. Thus, in order to be competitive, European companies that target Malaysia's middle-income class and want to sell their products via hypermarkets should emphasize the health benefits of their products.

Although hypermarkets provide the advantage of a broad assortment and offer mostly competitive prices, they might be remote from residential areas, so that it might be less inconvenient for customers to reach them

without a car. Even in large cities, the infrastructure of public transport has yet to reach out to most residential areas, thus making weekly or even monthly groceries shopping heavily dependent on cars. Therefore, for many people, an alternative to hypermarkets are convenience stores, which provide the comfort of groceries shopping near their home.

10.1.3 – Convenience stores

Convenience stores like 7-Eleven, KK Mart, 99 Speedmart, Mydin and other Sundry shops provide a variety of everyday goods with some even being often open 24/7. Within the category of convenience stores, there are basically two types of convenience stores in Malaysia: Franchise shops like 7-Eleven, KK Mart, 99 Speedmart and Mydin with a product assortment and promotion activities that are strongly linked to the groups' strategy. This category of convenience stores provides the advantage that most company groups have experience with overseas companies and extensive knowledge about the potential of specific dairy products in the market. On the other hand, there are many small independent convenience stores in Malaysia, so-called "Sundries". These are small stores that are mostly operated by family members and selling a heterogeneous range of products, including dairy products.

Since all convenience stores are considerably smaller, they have fewer products in the shelves and a smaller assortment with less variety in brands and flavours. Their assortment mainly consists of locally manufactured products, whereas imported dairy products in these stores are rare. The product range of milk and flavored milk in these stores is often dominated by Dutch Lady or Nestle, usually representing a share of more than 50% of the stores' milk assortment. Other kinds of dairy products that are imported or considered as expensive, e.g. cheese, are usually only available in very limited varieties, with one or two brands.

One of the main reasons for the limited assortment of dairy products is that these convenience stores do not have comprehensive warehousing systems and only limited storage and cooling capacity. Thus, convenience stores are not able to buy and import bulk from foreign dairy manufacturers directly but need to purchase the majority of foreign products via local food distributors. Such food distributors play a key role for foreign manufacturers in order to obtain access to the different retailers and to bring the products into the shelves of the stores.

10.2 – Distribution

Basically, there are three established distribution channels in Malaysia: via local distributors, via an own distribution company or via direct distribution. Since the choice of the right distribution channel strongly determines the success of the market entry, European dairy companies should look into various ways of distribution and the unique advantages and disadvantages of each distribution channel in Malaysia.

10.2.1 – Local Distributor

The first popular option is the cooperation with a local food distributor, who acts as an intermediary. Similar to European "Consolidators", they help domestic and foreign food manufacturers find the right retail partners, and distribute the products in the Malaysian market. However, what makes them different to their European counterparts is the large number with thousands of specialized small distributors, each with expert knowledge

about the storage conditions, the logistics and the consumer market for specific types of food. This is especially important for dairy products, since most of these products are temperature sensitive and require respective conditions of low-temperature storage.

Generally, experienced local distributors offer foreign manufacturers a convenient way to enter the Malaysian market. Manufacturers may sell their dairy products to the distributor in bulk, who take care of the import procedures, certification, repackaging, and then selling the products to local retailers again. There are two different ways how they redistribute the products, depending on the target customer group, e.g. either with an exclusive agreement with just one retailer or offering the products to an open market of retailers. For this purpose, the distributor has a product catalogue that usually changes seasonally and sometimes according to festivities, and contains information about the manufacturing companies the distributor is representing and about all the products offered. With this catalogue the distributor approaches different retailers and bargain about the assortment in which the retailer is interested to carry in their stores, the amount, and finally the price.

The distribution via a local food distributor is most convenient and highly recommended for European dairy companies who have none or only limited experience with the Malaysian market and the local dairy market in particular. Moreover, this distribution channel is particularly suitable for smaller European dairy companies, with only a small sales department and no contacts in Malaysia, but wish to enjoy the advantages of the growing demand for dairy products in Malaysia without being too overwhelmed with abovementioned import regulations, procedures and certifications. The cooperation with a local distributor is the fastest way of entering the Malaysian dairy market and allows enjoying the advantages of the distributors' established network to local retailers.

On the other hand, the cooperation with a local distributor means that some share of the revenue as well as some control is transferred to the local partner. European dairy companies need to rely on the expertise of the local distribution partner, not only in terms of finding the best retailer but also with regard to suitable promotion and pricing of the dairy products. Furthermore, companies gain only limited insights into the Malaysian dairy market if the whole distribution value chain is handed over to a Malaysian distributor. Since the choice of the right distributor is the key to perform well in the market, mutual trust, close cooperation, and continuous and consistent communication are needed. Several considerations need to be made in order to find the best distribution partner, like the distributor's market experience, its storage facilities, but also questions like if the distributor is specialized on a target audience or a geographical area, and if the distributor also sells competitors' products, have to be addressed.

10.2.2 – Setting up own distributor

Alternatively, European dairy companies may wish to set up their own distribution affiliate in Malaysia, which is also encouraged by ministries and government agencies like the Ministry of International Trade and Investment (MITI) and the Malaysia Investment Development Agency (MIDA), which provides Investment Tax Allowances and other incentives to attract foreign MNCs to invest in Malaysia. This option is recommended for European companies that not only want to export to Malaysia but also want to use Malaysia as an investment hub in order to enjoy the huge potential for dairy products in the ASEAN region. Having an own, exclusive distribution affiliate in Malaysia brings the benefit that this distributor is then completely dedicated to one dairy company and allows to focus on the right distribution strategy solely for this company. Although it will indeed take some time to establish such a new distributor, to gain market intelligence, and to build up the required connections to the retailers, it allows more control over retail strategies, promotional activities and pricing in the long run.

If European dairy companies decide to enter the Malaysian market via a distributor, irrespective of whether it is a local one or an own distribution affiliate, it is important to recognize that there are two types of contracts between the food distributor and retailer which being applied in different situations and also being related to very different treatment of the products by retailers.

Dairy products are mostly being sold “on consignment”, which means that distributors pay a listing fee for placing their products in the retailers’ shelves, which again is calculated based on the stock keeping unit, the particular listing fee per stock keeping unit, and the number of stores where the products are being sold. Beside unconditional rebate, one of the most common agreements is conditional rebate that refers to growth or turnover targets.

In addition to the basic listing fee, the trading term agreements cover a broad range of extra advertisement and promotion services that can be negotiated individually between the distributor and the retailer. There is a broad range of promotion services that are usually offered by the retailer such as special offers during the opening of a new store, advertising in the retailer’s brochure, or seasonal promotion during Hari Raya and Christmas. Therefore, the consignment equips the distributor with full control and allows following a consistent brand and product strategy including price, placement, and promotion throughout different retail channels. Moreover, most consignment agreements allow the distributor to pay the listing fee about 6-9 months after delivery.

Consignments are preferred by most of the retailers because the distributor stays the owner of the products and retailers do not need to buy the product in advance. Furthermore, the retailers may also return the unsold units to the distributor. As a consequence, they do not bear the risk of non-seller products, which is especially important for dairy products with a very limited shelf-life.

This commonly practiced right of the retailer to return products also causes another feature European dairy companies should pay additional attention to, particularly those who are interested to set up their own distribution company. In the face of Malaysia’s tropical climate of high temperatures and humidity, it is very important to ensure that all the participants in the supply chain who handle the dairy products are aware of the need of a continuous uninterrupted cold supply chain. This is particularly important for retail staff that is often not equipped with professional training on food handling. Therefore, in order to guarantee the safety and freshness of the products as well as to avoid high returning rates it is very important to ensure that personnel of both the distributor and the retailer are trained how dairy products are to be handled properly.

One option to avoid the interruption of the cold supply chain during the handling by the retailer and to minimize the risk of decay is to set up an own distribution company whose portfolio of services also covers online delivery of dairy products to the hospitality industry. Whereas current business models for private consumers in Malaysia that allow ordering food online have only experienced limited growth in the past, there is high potential for distributors who provide online services to the hospitality industry. This is particularly the case of premium products e.g. ordered by high-class hotels and restaurants, where quality and freshness of the products are of utmost significance. In addition to the advantage of a better monitoring of the cold supply chain, the distributor also reaps financial benefits, since there are no listing fees for renting shelf space.

In case of a local or own distribution company, the European dairy companies would be dependent on its performance. Additionally, established distributors are also only willing to carry these products in their portfolio if they experience high sales and are not consistently left with a pile of non-seller products. The distributor does not only need to bargain about the price, and placement of the products but also has the task of doing the necessary promotion if sales numbers are not satisfying from the start. Therefore, with all the efforts that the local distributor has to put in, they would naturally prefer to focus on products which have greater potential and can be easily sold.

The other type of trade agreement is to buy products outright, which is only preferred by retailers, especially large ones with more capital, who see large potential in selling huge amounts of a particular product in a short

period of time. This is mainly the case during special seasons and festivals such as Hari Raya and Chinese New Year, or other special promotions. Additionally, retailers might prefer to buy products outright in cases where they have gained positive experience with similar popular products and are interested to see the potential of a particular variation before they decide to rent out shelf space in the long term to the distributor. Once the retailer is relatively confident, the retailer may even decide to opt for purchasing bulk because it gives them a better position in negotiation with distributors and therefore a larger return on investment and more control. On the other hand, for the distributor, the outright method brings the advantage that full payment is settled before delivery and that the risk of turnover is carried by the retailer.

Noteworthy, outright purchase agreements are rather short-termed. Since, the retailer becomes the owner of the product, important instruments such as product presentation and promotions are left to the retailer. As a consequence, 'outright' provides only limited opportunities for detailed evaluation of Malaysia's market potential and monitoring of different sales strategies, which is especially important for European companies who are new in the Malaysian market.

10.2.3 – Direct Distribution

Perhaps as a final way, the European dairy company can also approach the retailer directly, without any involvement of a distributor. It should be considered that this method is rather recommended for internationally experienced European companies but less for smaller ones with no experience in the Malaysian market yet. The advantage of this method is that the dairy manufacturer keeps full control of the distribution channels, and promotional activities in direct agreement with the retailer, and can ensure that the distribution is in accordance to the company's strategy. Another important aspect is building up a network with local retailers. Whereas this way provides long term advantages and allows higher margins since no intermediary is involved, it requires extensive knowledge about the current market situation, including the particular competitors. Also, it needs stronger commitment, e.g. it would be advisable for a company representative to fly in for direct meetings with the retailers regularly. It is also advisable for the company representative to study the local requirements and obtain a full picture on regulations and necessary formalities. And finally, it might take up a much longer time before European dairy companies get their products into the shelves of the Malaysian retailers.

11.- Executive Summary

In conclusion, Malaysia provides large potential for European dairy companies to enter the market since the country does not only perform well in its overall economic development but particularly provides a dairy market that is driven by rapidly increasing demand for dairy products.

Due to the country's local climate conditions, the amount of milk that is produced domestically is not sufficient to meet the increased demand. As one of the results, the prices paid by Malaysian consumers for dairy products are much higher than in Europe, turning the Malaysian dairy market into a very attractive market, especially for companies who are interested to export milk or their manufactured dairy products. Beside the top origin countries Australia and New Zealand, several European countries including France, Germany, Belgium and the Netherlands are among the top 10 origin countries for many dairy product categories.

The study points out Malaysia's import regulations and provides an overview about the most important regulations for potential European dairy companies such as the Food Regulations 1985 regarding labeling requirements, food additives, and packaging. Furthermore, the study offers an overview of Malaysia's import regulations and procedures as well as the particular steps to get an import permit for dairy products through the e-permit system.

It is highlighted that Malaysia is characterized by a colourful composition of different ethnicities, cultures and religions. Due to a large share of Muslims who currently account for about 61% of Malaysia's population, the Halal certification by JAKIM plays a crucial role. This certification is defined as the examination of particular product processes and the fulfillment of hygienic, sanitation and safety requirements. Although it is not compulsory it is highly recommended for European dairy companies who want to sell their products in the Malaysian market to apply for the Malaysian Halal certification at JAKIM or have their products already certified before exporting those to Malaysia by one of the Halal Certification Bodies in Europe recognized by JAKIM. A list of these Certification Bodies has been included in this study.

Due to Malaysia's many different distribution and retail opportunities, another important aspect is the right choice of retailer. In order to reach the particular target audience, foreign dairy companies are able to choose their most suitable strategy, such as utilizing the excellent reputation of European dairy products in Malaysia and targeting Malaysia's high-income class, or targeting families and the country's growing middle-income class. Furthermore, in order to get in touch with the local retailers and parties, it is highly recommended for European companies who have only limited experience with the Malaysian dairy market to cooperate with an experienced local food distributor.

12.-Contact List

12.1 – Governmental Agencies

Organization & Address	Contact
Department of Islamic Development Malaysia (JAKIM) Blok D7 & D9, Kompleks D, Pusat Pentadbiran Kerajaan Persekutuan 62519, Wilayah Persekutuan, Malaysia	Tel: +603-8886 4000 Fax: +603-8889 2039 Website: www.islam.gov.my Email: projakim@islam.gov.my
Organization & Address	Contact
Department of Standards Malaysia Ministry of Science, Technology and Innovation Level 1 & 2, Block 2300, Century Square Jalan Usahawan 63000 Cyberjaya Selangor Darul Ehsan, Malaysia	Tel: +603-8318 0002 Fax: +603-8319 3131 Website: www.standardsmalaysia.gov.my Email: central@standardsmalaysia.gov.my
Organization & Address	Contact
Department Of Veterinary Services (DVS) Ministry of Agriculture & Agro-Based Industry Malaysia Wisma Tani, Persiaran Perdana, Presint 4,, Lot 4G1, Precint 4 62624 Putrajaya, Malaysia	Tel: +603 8870 2000 Fax: +603 8888 6021 Website: www.dvs.gov.my/en Email: pro@dvs.gov.my
Organization & Address	Contact
Department of Veterinary Services and Animal Industry Sabah Level 3, Block B, Wisma Pertanian, Lake Road, Luyang, Locked Bag 2051, 88999 Kota Kinabalu, Malaysia	Tel: +6-088-287 400 Fax: +6-088-238 418 Website: http://vet.sabah.gov.my Dr. Yeo Boon Kiat (Department Director) Email: boonkiat.yeo@sabah.gov.my
Organization & Address	Contact
Food Safety and Quality Division Ministry of Health Malaysia Level 3, Block E7, Parcel E Federal Government Administrative Centre 62590 Putrajaya, Malaysia	Tel: +603-8883 3558 Fax: +603-8889 3815/3341 Website: http://fsq.moh.gov.my

Organization & Address	Contact
Halal Hub Division Department of Islamic Development Malaysia (JAKIM) Aras 1 & 3, Menara PJH No. 2 Jalan Tun Abdul Razak, Presint 2, 62100 Putrajaya, Malaysia	Tel: +603-8892 5000 /5001 Fax: +603-8892 5005 Website: http://islam.gov.my/en Email: ehalal@islam.gov.my
Organization & Address	Contact
Malaysian External Trade Development Corporation (MATRADE), Jalan Sultan Haji Ahmad Shah, 50480 Kuala Lumpur, Malaysia	Tel: +603-6207 7077 Fax: +603-6203 7037 Website: www.matrade.gov.my Email: info@matrade.gov.my
Organization & Address	Contact
Malaysian Investment Development Authority (MIDA) No.5, Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur, Malaysia	Tel: +603-2267 3633 Fax: +603-2274 7970 Website: www.mida.gov.my Email: investmalaysia@mida.gov.my
Organization & Address	Contact
Ministry of International Trade and Industry (MITI) Block 10, Government Offices Complex, Jalan Tuanku Abdul Halim, 50622 Kuala Lumpur, Malaysia	Tel: +603-8000 8000 Fax: +603-6201 2337 Website: www.miti.gov.my Email: webmiti@miti.gov.my
Organization & Address	Contact
Malaysian Quarantine and Inspection Services (MAQIS) Level 7, Menara 4G2 Wisma Tani, Presint 4 No. 30, Persiaran Perdana, 62624 Putrajaya, Malaysia	Tel: +603-8870 4030 Fax: +603-8870 2910 Website: www.maqis.gov.my Fauzidah Bt. Othman Email: fauzidah@moa.gov.my Muhammad Ezamry Bin Arpan Email: ezamry@moa.gov.my
Organization & Address	Contact
Royal Malaysian Customs Department (RMCD), Kompleks Kementerian Kewangan No 3, Persiaran Perdana, Presint 2, 62596, Putrajaya, Malaysia	Tel: 1300 888 500 Website: www.customs.gov.my/en Email: ccc@customs.gov.my

Organization & Address	Contact
SIRIM Berhad 1, Persiaran Dato' Menteri Section 2 40000 Shah Alam Selangor Darul Ehsan, Malaysia	Tel: +603-5544 6000 Fax: +603-5510 8095 Website: www.sirim.my Email: msonline@sirim.my
Organization & Address	Contact
State Veterinary Division of the Department of Agriculture Sarawak Lot 877, Jalan Semenggok Off Jalan Batu 12 Jalan Kuching Serian 93250 Kuching, Sarawak, Malaysia	Tel: +6082-6282 48 /49 Website: www.doa.sarawak.gov.my Dr. Chia Pek Chin Email: Chiapc1@sarawak.gov.my Dr. Adrian Susin Ambud Email: adriansa@sarawak.gov.my

12.2 – Major Retailers *

Company & Address	Contact
Cold Storage (Store in KLCC mall) Concourse Level, A2, Jalan Ampang 50450 Kuala Lumpur, Malaysia	Tel: +603-2166 2370 Fax: +603-2166 2375 Website: www.coldstorage.com.my
Company & Address	Contact
ISETAN (Store in KLCC mall) Suria KLCC Kuala Lumpur City Centre 50088 Kuala Lumpur, Malaysia	Tel : +603 2382 7777 Fax : +603 2382 6666 Website: www.isetankl.com.my
Company & Address	Contact
Presto Supermarkets (Store in CITTA mall) LG-01, CITTA Mall, Jalan PJU 1a/48, Ara Damansara, Petaling Jaya, Malaysia	Tel: +603-7629 5511 Fax: +603-7629 5510 Website: https://prestomy
Company & Address	Contact
AEON BiG (Store in Midvalley mall) AT1 Mid Valley Megamall, Mid Valley City, 58000 Kuala Lumpur, Malaysia	Tel: 1300 80 2366 Website: http://aeonbig.com.my

Company & Address	Contact
Giant Hypermarket Shah Alam Stadium, Mezzanine Floor Lot 2, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor, Malaysia	Tel: +603-5544 8888 Fax: +603-5544 8646 Website: www.giant.com.my
Company & Address	Contact
Tesco Stores (Malaysia) Sdn Bhd Head Office, Level 3, No.3, Jalan 7A/62A, Bandar Menjalara, 52200 Kuala Lumpur, Malaysia	Tel: +603 6287 6000 Website: www.tesco.com.my
Company & Address	Contact
Speed Mart Lot P.T. 33198, Batu 4, Jalan Kapar, Mukim Kapar, 42100 Klang, Selangor, Malaysia	Tel: +603 3291 7699 Fax: 603 3291 7199 Website: www.99speedmart.com.my
Company & Address	Contact
7-Eleven Malaysia Level 3A, Podium Block, Plaza Berjaya No. 12, Jalan Imbi, 55100 Kuala Lumpur, Malaysia	Tel: +603-2142 1136 Fax :+603-2142 1139 Website:www.7eleven.com.my
Company & Address	Contact
Mydin Mohamed Holdings Berhad, Lot 675 & 676 Persiaran Subang Permai USJ 1, 47500 Subang Jaya, Selangor, Malaysia	Tel: +603- 8073 6000 Website: www.mydin.com.my

*This list of retailers is not intended to be exhaustive but refers to major dairy companies named in the “Euromonitor Market Report 2015 – Packaged Food”

12.3 – Others

Company & Address	
LBB International B-5-8 Plaza Mont Kiara Mont Kiara 50480 Kuala Lumpur, Malaysia	Tel: +603-5021 9087 Fax: +603-5021 9097 Website: www.lbbinternational.com Dr. Ir. Marco Tieman (CEO) Email: marco@lbbteams.com
Company & Address	
Malaysian-German Chamber of Commerce and Industry (MGCC) Suite 47.1, Level 47, Menara Ambank 8, Jalan Yap Kwan Seng 50450 Kuala Lumpur, Malaysia	Tel: +603-9235 1800 Fax: +603-2072 1198 Website: www.malaysia.ahk.de Email: info@malaysia.ahk.de
Company & Address	
EU-Malaysian Chamber of Commerce and Industry (EUMCC) Suite 10.01, Level 10, Menara Atlan, 161B Jalan Ampang, 50450 Kuala Lumpur, Malaysia	Tel: + 603-2162 6298 Fax: +603-2162 6198 Website: http://www.eumcci.com Email: eumcci@eumcci.com

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