Dairy Australia

Market brief Malaysia

Calendar year 2022

GLOBAL EXPORTS TO MALAYSIA

Ranked #8 in the global dairy market (by volume)

Destination for over 458,000 tonnes of dairy product, worth almost US$1,519 million (in 2022)

Exports to Malaysia have increased by 6% over the past five years (2018 – 2022)

The biggest volume growth (product categories exceeding US$20 million) has been in:

- Infant Powder 153%
- Condensed Milk 105%
- Cream 37%
- Buttermilk Powder 34%

The biggest volume decline (product categories exceeding US$20 million) has been in:

- Casein -14%
- WMP -13%
- SMP -12%

AUSTRALIAN MARKET SHARE

Ranked #5 in the share of Malaysia's import volume

Destination for almost 53,000 tonnes of Australian dairy product, worth US$135 million (in 2022)

Exports to Malaysia have decreased by 1% over the past five years (2018 – 2022)

The biggest volume growth (product categories exceeding US$1 million) has been in:

- Condensed Milk 299%
- Ice cream 110%
- Infant Powder 72%

The biggest volume decline (product categories exceeding US$1 million) has been in:

- SMP -58%
- WMP -57%
- Butter Oil -55%

Market developments

Malaysia is one of the most developed countries in Southeast Asia, and with a rapidly growing population, is an important market for dairy exports. Much like many other ASEAN countries, Malaysia is a middle-income country with over half of the population fitting into the middle or upper class. As such, increased purchasing power has supported growing demand for dairy; global dairy exports to Malaysia have increased 6 per cent over the past five years. A large portion of product consumed is imported from western countries, as Malaysia relies heavily on imported dairy to fill domestic needs. Despite disruptions during peak-pandemic years, rebounding tourism and a strengthening economy are supporting dairy consumption. Malaysia's hotel, restaurant and institutional (HRI) industry has been growing fast, and milk consumption continues to see major growth within both local and global coffee shops in urban areas.

Malaysia's heavy dependence on imported dairy products has spurred a drive to become fully self-sufficient in dairy production. The country's large focus on growing the national herd is led by significant investment by the Malaysian Government to increase milk production through the importation of dairy cows. While local production is being met with significant investment and growth, domestic product still only covers around 60 per cent of local demand and is outpaced by an expanding population and rising consumption rates.

Dairy consumption in Malaysia continues to grow, with per capita consumption higher than other ASEAN countries. Supported by increased disposable incomes, the Government continues to push consumption through improved education and awareness of dairy's nutritional value. This aligns with the rising popularity of healthy and organic foods and has been a key driver of dairy demand growth.

In retail markets, although Malaysian dairy products reportedly have strong brand name recognition among consumers, demand for imported products continues to grow. The bilateral and multilateral trade agreements in place between Australia and Malaysia support the export of Australian dairy products to this market. Although the total volume of Australian exports has slightly decreased over the past five years, exports of condensed milk and Ice cream have surged 299 per cent and 110 per cent during this time. After several years of growing Australian yoghurt exports to Malaysia, volumes imported have fallen 20 per cent in the last year due to an increased focus on domestic manufacturing.

Approximately 60 per cent of Malaysia's 32 million people are Muslim, resulting in strong demand for halal foods. Many businesses within the hospitality industry now ensure products used are 100 per cent halal certified, catering to all consumers. In 2018, the Malaysian Government initiated a measure for foreign producers and exporters of dairy products to apply for registration. This process is in place to not only ensure products are certified halal, but to also improve the traceability of imported products. With the long-term and recognised presence of Australian product in Malaysia, the quality and traceability of our product is appreciated by consumers, providing a competitive edge against lesser-known European product that is entering the market.

Compared to other ASEAN regions, Malaysia ranks as the top country for overweight citizens, with approximately 50 per cent of the adult population classified as overweight or obese. While consumer perceptions have been gradually shifting to favour healthier lifestyle choices, the Malaysian Government introduced a "sugar tax" in 2019, aiming to discourage purchases of sugary drinks. The tax of 40 Sen per litre (approximately A$0.13/L) is imposed on beverages with a sugar content higher than set product-specific levels. Under these requirements, flavoured milk that exceeds a sugar content of 5 grams per 100 millilitres, and is classified as 'ready to drink', will be taxed.

Tariff environment

Australia and Malaysia are both party to the multilateral ASEAN, Australia, New Zealand, Free Trade Agreement (AANZFTA), and the Malaysia Australia Free Trade Agreement. These agreements came into force on January 1, 2010, and January 15, 2013, respectively. Under both agreements, tariffs on all Australian origin dairy imports to Malaysia have reached 0 per cent, with the exception of Liquid Milk. Country Specific Quotas (CSQ's) for Australian origin Liquid Milk are included in both the AANZFTA and MAFTA agreements with In Quota Tariffs of 0 per cent and Out of Quota Tariffs of 20 per cent for Australian origin Liquid Milk (subject to Import Permits). A schedule of the Malaysia tariffs can be found in Table 2. For more information on Liquid Milk Quotas under AANZFTA and MAFTA see the **Malaysia Export Market Dairy Tariff Guide**.

Key international marketing programs and initiatives

Dairy Australia runs or is involved in a number of marketing programs and activities in Malaysia. These include the Southeast Asia Dairy Scholarship program, aimed at familiarising dairy and food industry professionals from the region, with aspects of the Australian dairy industry and the Southeast Asian Alumni Program from past scholars. Outside of COVID-19 travel restrictions, Dairy Australia regularly visits Malaysia and presents seminars to local industry players in key markets.

Figure 1 Dairy imports

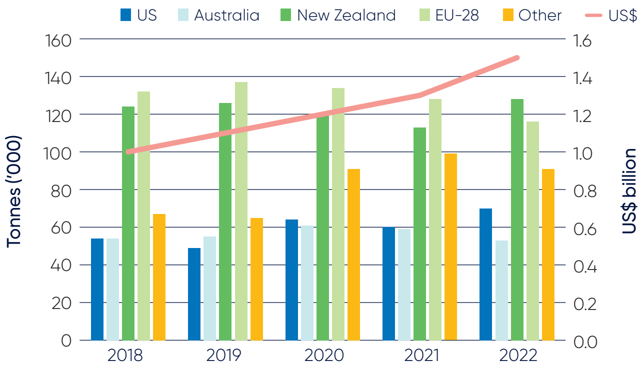

Figure 2 Top dairy exports to Malaysia by volume

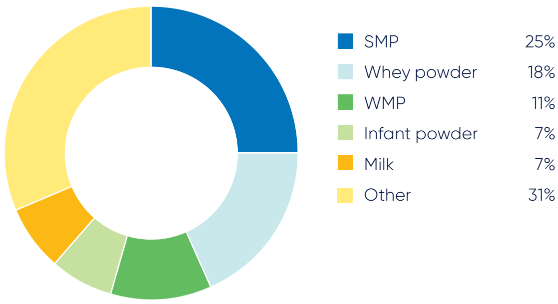

Figure 3 Top dairy exports to Malaysia by US$ value

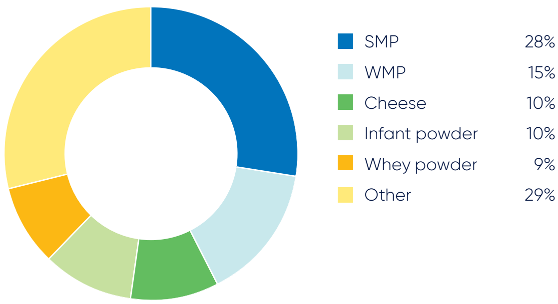

Figure 4 Top Australian dairy exports by volume

Figure 5 Top Australian dairy exports by US$ value

Table 1 Australia exports

Product group	Market share (US$ %)		Volume ('000)		Value (million US$)	
	2018	2022	2018	2022	2018	2022
Milk	69	55	21.0	19.8	16.1	16.1
Condensed Milk	55	73	3.4	13.7	6.9	27.7
Cheese	34	29	7.4	8.4	35.2	43.5
SMP	10	5	12.8	5.4	24.1	21.3
Whey Powder	6	3	4.0	2.2	4.5	4.4
Total	**12**	**9**	**53.7**	**53.3**	**114.5**	**134.9**

Table 2 Dairy tariffs

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

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

FURTHER INFORMATION

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