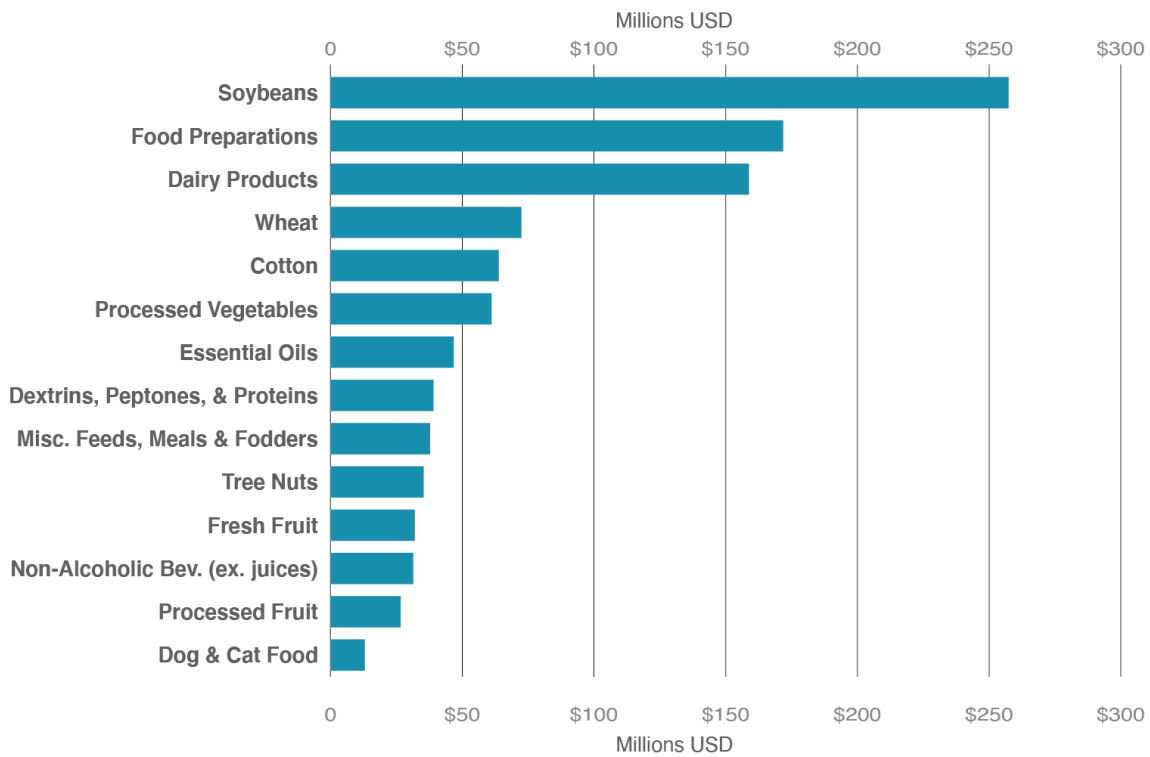


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Opportunities for U.S. Food Processing Ingredient Exports to Malaysia

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U.S. Agricultural Exports to Malaysia in 2021



Source: U.S. Census Bureau Trade Data, BICO HS-10

Executive Summary

Malaysia was the 25th largest export destination for U.S. agricultural products in 2021 and is a top prospect for exports of food and beverage ingredients because of its large and growing food processing industry. Food and beverages manufactured in Malaysia not only serve domestic consumers but are also exported to many neighboring countries. U.S. exporters of dairy products, fresh and processed potatoes, food-grade soy, processed fruit and juices, tree nuts and more have many opportunities to

supply Malaysian industry which depends on imports for key ingredients and inputs, and in doing so will reach consumers across Malaysia and throughout Southeast Asia.

Macroeconomic Perspective

Malaysia has a diverse and open economy with among the highest gross domestic product (GDP) per capita in Southeast Asia at \$11,371 in 2021.¹ It is currently considered an upper-middle income country by the World Bank (countries with gross national income per capita between \$4,096 and \$12,695) but is expected to become a high-income country within the next few years. In 2021, the Malaysian GDP was \$372.7 billion. GDP growth has been between 4 and 5 percent in recent years, apart from a decrease in 2020 due to the COVID-19 pandemic. With an estimated population of nearly 34 million in 2022, Malaysia is the 43rd most populous country in the world, and the sixth most populous in Southeast Asia.²

Agricultural Trade and the Food Processing Industry

Malaysia is the 25th largest export destination for U.S. agricultural products, with exports valued at \$1.2 billion in 2021. The United States was Malaysia’s sixth largest supplier, accounting for 7 percent of total agricultural imports. The mix of U.S. products is diverse, ranging from bulk products such as soybeans, wheat, and cotton, to consumer-oriented products such as dairy, tree nuts, fruits, and vegetables.

U.S. Agricultural Exports to Malaysia

Million USD

Product	2017	2018	2019	2020	2021
Soybeans	172.0	230.3	237.5	240.2	257.4
Food Preparations	80.4	85.3	107.1	109.4	171.8
Dairy Products	90.1	101.1	108.6	156.9	158.8
Wheat	55.4	48.7	130.5	72.7	72.4
Cotton	81.8	105.7	118.2	79.2	63.8
Processed Vegetables	58.8	58.1	70.7	52.0	61.1
Essential Oils	16.1	18.2	18.2	22.3	46.7
Dextrins, Peptones, & Proteins	22.6	23.7	19.6	25.9	39.1
Misc. Feeds, Meals & Fodders	26.1	37.5	39.1	41.8	37.8
Tree Nuts	26.0	35.2	36.7	37.5	35.4
<i>All Others</i>	279.6	315.1	266.1	224.1	241.5
Total Exported	908.9	1,058.7	1,152.3	1,062.0	1,185.9

Source: US Census Bureau Trade Data - BICO HS-10

¹ World Bank

² CIA World Factbook

The Malaysian food processing sector accounts for around 10 percent of total domestic manufacturing output and supplies both the internal and export markets.³ In 2021, Malaysian processed food and beverage exports excluding fats, oils (e.g., palm oil), and processed seafood totaled nearly \$6.3 billion. Top markets include other Association of Southeast Asian Nations (ASEAN) members Singapore, Thailand, Indonesia, the Philippines, and Vietnam, and other nearby countries such as China and Japan.

Malaysia Processed Product Exports*

Million USD

Partner Country	2017	2018	2019	2020	2021
Singapore	911.5	931.4	966.9	950.3	1,041.9
China	429.1	483.7	551.9	547.2	649.9
Thailand	442.5	412.2	356.5	396.6	448.0
Indonesia	424.6	440.1	397.5	317.6	423.2
Philippines	264.9	263.0	279.8	255.2	299.2
Japan	288.1	272.4	305.1	245.5	296.4
United States	168.6	174.5	267.5	293.5	241.3
Vietnam	288.6	329.6	273.4	192.8	228.9
Australia	184.1	192.4	222.2	183.2	225.4
European Union	116.8	115.7	166.5	168.9	193.8
<i>All Others</i>	<i>2,058.3</i>	<i>2,099.7</i>	<i>2,250.8</i>	<i>1,955.7</i>	<i>2,242.8</i>
Total Exported	5,577.0	5,714.7	6,038.1	5,506.6	6,290.8

*Excludes Fats, Oils, and Seafood

Source: Trade Data Monitor

The Malaysian food processing industry depends on imported ingredients to serve its consumers both domestically and abroad. The manufacturing of dairy products, wheat flour-based products, processed fruit and vegetables, and various specialty foods and beverages rely on imports. The United States is an important supplier of many of these ingredients, and prospects are strong because of the size and growth of Malaysian food processing. Because Malaysia is a regional supplier of processed foods, U.S. food and beverage ingredients can reach consumers in Malaysia and throughout Southeast Asia.

At least five U.S. agricultural products have high potential to expand in the Malaysian market for use in food processing: (1) dairy products, (2) fresh and processed potatoes, (3) food-grade soy products, (4) processed fruit and juices, (5) tree nuts.

³ Malaysian Investment Development Authority

Dairy Products

Malaysia imported \$1.7 billion of dairy products from all suppliers in 2021, up from \$1.4 billion in 2017. The United States exported \$159 million to Malaysia in 2021, holding a 10 percent market share. Nearly two-thirds (\$100 million) of U.S. dairy exports to Malaysia are of nonfat dry milk, a product commonly used in commercial bakeries, ice cream production, cheesemaking, and confectionery production. Other top U.S. dairy product exports include powdered or grated cheese (\$16 million), ice cream (\$9 million), and dried whey (\$8 million). Other major dairy suppliers include New Zealand (28 percent share), the European Union (24 percent share), and Thailand (11 percent share).

Fresh and Processed Potatoes

Malaysia imported \$204 million of fresh and processed potatoes from all suppliers in 2021, up from \$160 million in 2017. The United States exported \$62 million to Malaysia in 2021, the largest supplier, holding 30 percent market share. More than three-quarters (\$47 million) of U.S. exports were of frozen French fries, and \$5 million each of fresh potatoes, other frozen potato products, and processed potato products including potato chips. Malaysian retail sales of frozen processed potatoes experienced high growth in 2020 and 2021, as their versatility and shelf life were ideal for at-home cooking during the peak of the COVID-19 pandemic. Frozen processed potato sales are expected to continue growing due to the introduction of new potato products that include seasonings, spices, and herbs, as well as the growth of e-commerce retail channels which facilitate at-home consumption.⁴ As the largest supplier of fresh and processed potato products to Malaysia, the United States is well-positioned to meet increased demand in the future.

Food-Grade Soy Products

The United States is one of the largest exporters of soybeans in the world and is the largest supplier of soybeans to Malaysia. However, most soybeans produced and exported are for feed use rather than food use. The value of soybeans traded specifically for human consumption is difficult to measure, however the U.S. Soybean Export Council estimates that the Malaysian market size for food soy in 2021 was around 175,000 tons, with around 70,000 tons coming from the United States. The United States exported \$13 million of textured soy protein concentrate, a product used by food manufacturers to make many products which resemble meat, to Malaysia in 2021, making it the third-largest destination country. According to Euromonitor International, tofu and similar soy products are ideal for Malaysian consumers looking to prepare meals without meat as they are easy to cook, widely available, and high in protein.

⁴ Euromonitor International

Processed Fruit and Juices

Malaysia imported \$292 million of processed fruit and juices from all suppliers in 2021, up from \$274 million in 2017. The United States exported \$37 million to Malaysia in 2021, the third-largest supplier behind China and Thailand, holding 10 percent market share. The United States exports a diverse set of products, with dried fruits and juice mixtures making up the largest proportion. Processed cranberries (which include dried, sweetened cranberries) were the top product at \$10 million exported, followed by raisins (\$7 million), dried prunes (\$4 million), and mixed juices including fortified mixed juice (\$4 million). Shelf stability has driven increased demand for processed fruit products in recent years. Imported fruit products fill demand for variety and provide alternatives to products grown locally, and processed fruits and juices are generally more easily transported over long distances.

Tree Nuts

Malaysia imported \$204 million of tree nuts from all suppliers in 2021, up from \$157 million in 2017. The United States exported \$35 million to Malaysia in 2021, the second-largest supplier behind Indonesia, holding 18 percent market share. More than 60 percent of U.S. exports were shelled almonds, and \$22 million were exported in 2021. Other top products include in-shell pistachios (\$7 million), shelled walnuts (\$4 million), and shelled pecans (\$1 million). Malaysia's top imported tree nuts are coconuts and cashews, products for which the United States is not a major supplier. These come from regional partners like Indonesia and Vietnam. The United States holds very high market share for imported almonds, more than 80 percent, and high market share for pistachios and walnuts. According to Euromonitor International, sales of nuts, seeds and trail mixes in Malaysia have increased 4.5 percent annually on average since 2018, and this growth rate is forecast to increase during the next five years. Almonds, pistachios, and walnuts are common ingredients in nut mixes, and U.S. exports have good prospects because of the current market share for these tree nuts.

Trade Policy

Malaysia is a member of ASEAN and is thus part of the ASEAN Free Trade Area along with its neighbors Brunei, Cambodia, Indonesia, Laos, Malaysia, Burma, Singapore, Thailand, and Vietnam. As part of ASEAN, it has free trade agreements with Australia, China, India, Japan, New Zealand, and South Korea. It is a party to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership. Malaysia also has seven bilateral free trade agreements with countries including Australia, Chile, India, Japan, New Zealand, Pakistan, and Turkey. For information on trade policy and regulations relevant to the export of food processing ingredients to Malaysia, see FAS's most recent [Malaysia: Food Processing Ingredients](#) GAIN report.

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