



Potential and Challenges of Confectionery Products in the Malaysian Market 2015

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

Publisher:

EU-Malaysia Chamber of Commerce and Industry (EUMCCI)
Suite 10.01, Level 10, Menara Atlan,
161B Jalan Ampang,
50450 Kuala Lumpur
Malaysia

Telephone: +603-2162 6298
Fax: +603-2162 6198
E-mail: eumcci@eumcci.com
Homepage: <http://www.eumcci.com/>

Authors:

Malaysian-German Chamber of Commerce and Industry (www.malaysia.ahk.de)

Status:

January 2016

Disclaimer:

This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of the EU-Malaysia Chamber of Commerce and Industry (EUMCCI) and can in no way be taken to reflect the views of the European Union. This document and all of its parts are protected by copyright. Any use that is not expressly permitted by obligatory copyright law requires the prior consent of the publisher. All content has been created with great care and in good faith. The publisher assumes no responsibility for the topicality, correctness, completeness or quality of the provided information. The publisher is not liable for damages of material or immaterial nature caused directly or indirectly by the use or disuse of this document and the information included.

Copyright© EU-Malaysia Chamber of Commerce and Industry. EUMCCI is a Non-Profit Organization registered in Malaysia with number 263470-U.

Table of Contents

Table of Contents	2
List of Figures	4
List of Tables.....	5
List of Abbreviations.....	6
1. – Malaysia as the Gateway to ASEAN	7
1.1 – Economical Overview.....	8
1.2 – EU-Malaysia Trade Relations.....	11
1.3 – Economical Key Facts: EU-ASEAN.....	11
2. – Introduction of the Malaysian Confectionery Market	12
3. – Confectionery Products	13
3.1 – Gum	13
3.2 – Sugar Confectionery	14
3.3 – Chocolate Confectionery	16
3.4 – Biscuits	18
4. – Regulations and Legal Environment	20
4.1 – Food Act 1983 & Food Regulations 1985.....	20
4.1.1 – Labelling (Part IV)	20
4.1.2 – Food Additives and Added Nutrient (Part V).....	31
4.1.3 – Packages for Food (Part VI)	33
4.1.4 – Incidental Constituent (Part VII).....	35
4.1.5 – Standards and Particular Labelling Requirements for Food (Part VIII) - Confectionery	35
5. – Halal Certification.....	39
5.1 – What is Halal?	39
5.2 – Overview of Halal Products & Services.....	39
5.3 – Halal Food Chain	40
5.4 –Halal Certification	40
5.4.1 – Benefits of A Malaysian Halal Certification	40
5.4.2 – Halal Certification Process Work Flow	41
5.4.3 – Halal Certification Checklist.....	43
5.4.4 – Other Guidelines for Halal Certification	44
5.4.5 – Monitoring and Enforcement	45
5.4.6 – European Halal Certification Bodies.....	46
5.4.7 – Halal Logistics	49
6. – Import of Confectionery Products into Malaysia	51
6.1 –Import Regulations for Confectionery Products	51

6.2 – Import of Confectionery Overview	51
6.2.1 – Chewing Gum, whether or not sugar-coated (HS Code 1704.10)	52
6.2.2 – Sugar Confectionery (others than chewing gum) (HS Code 1704.90)	53
6.2.3 – Chocolate and other food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing more than 2 kg (HS Code 1806.20)	54
6.2.4 – Filled Chocolate and other filled food preparations containing cocoa in blocks, slabs or bars weighing less than 2kg (HS Code 1806.31)	55
6.2.5 – Not Filled Chocolate and other not filled food preparations containing cocoa in blocks, slabs or bars weighing less than 2 kg (HS Code 1806.32)	56
6.2.6 – Other Chocolate and other food preparations containing cocoa (HS Code 1806.90)	57
6.2.7 – Sweet Biscuits (HS Code 1905.31)	58
7. – Tariff Barriers	59
8. – Market Entry and Distribution	61
8.1 – Retailers	61
8.1.1 – Premium Retailers	61
8.1.2 – Hypermarkets	62
8.1.3 – Convenience stores	64
8.2 – Distribution	65
8.2.1 – Local Distributor	65
8.2.2 – Setting up own distributor	66
8.2.3 – Direct Distribution	67
9. – Executive Summary	68
10. – Contact List	69
10.1 – Governmental Agencies	69
10.2 – Major Retailers	71
10.3 – Others	72
11. – References	73

List of Figures

Figure 1: Map of Malaysia	7
Figure 2: Malaysia's GDP Growth Rate	9
Figure 3: Overview of the Halal Food Chain	40
Figure 4: Halal Certification Process Work Flow	42

List of Tables

Table 1: Economical Key Facts.....	10
Table 2: Sales of Gum 2009-2014 (RM Mio.)	13
Table 3: Annual Growth of Gum Sales 2009-2014 (in %).....	13
Table 4: Sales of Sugar Confectionery 2009-2014 (RM Mio.)	14
Table 5: Annual Growth of Sugar Confectionery Sales 2009-2014 (in %)	15
Table 6: Sales of Chocolate Confectionery 2009-2014 (RM Mio.)	16
Table 7: Annual Growth of Chocolate Confectionery Sales 2009-2014 (in %).....	17
Table 8: Sales of Biscuits 2009-2014 (RM Mio.)	18
Table 9: Annual Growth of Biscuits Sales 2009-2014 (in %)	18
Table 10: Checklist for Halal Certification Application	43
Table 11: List of European Halal Certification Bodies	47
Table 12: Total Imports of Chewing gum, whether or not sugar-coated in EUR Mio.....	53
Table 13: Total Imports of Sugar Confectionery (others than Chewing gum) in EUR Mio.	53
Table 14: Total Imports of Chocolate and other food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing more than 2 kg in EUR Mio.	54
Table 15: Total Imports of Filled Chocolate and other filled food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing less than 2 kg in EUR Mio.....	55
Table 16: Total Imports of not Filled Chocolate and other not filled food preparations containing cocoa in blocks, slabs or bars weighing less than 2 kg in EUR Mio.	56
Table 17: Total Imports of other chocolate and other food preparations containing cocoa in EUR Mio.	57
Table 18: Total Imports of sweet biscuits in EUR Mio.	58
Table 19: Rate of duty for Confectionery Products classified by HS Codes	59

List of Abbreviations

µg:	.....	Microgram
ASEAN:	.....	Association of South-East Asian Nations
Bhd:	.....	Berhad
BIC:	.....	Business Information Centre
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
Sdn Bhd:	.....	Sendirian Berhad
TQM:	.....	Total Quality Management System
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

As of January 2015, the country recorded a total population of 30,382,740 persons. Malaysia is a multi-ethnic, multicultural and multilingual society. 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%. Hence the country is reflected by a very colorful 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.

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 economic 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.

The country is rich with diverse natural attractions, which become an asset to its development. Approximately half 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 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, capital-intensive and by nature export-driven 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 and full employment 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 percent in September 2014. Deposit growth slowed to the single digits and domestic liquidity conditions began to tighten. Reserves declined by over USD 15 billion between mid-august of 2014 to the end of December 2014 amid capital

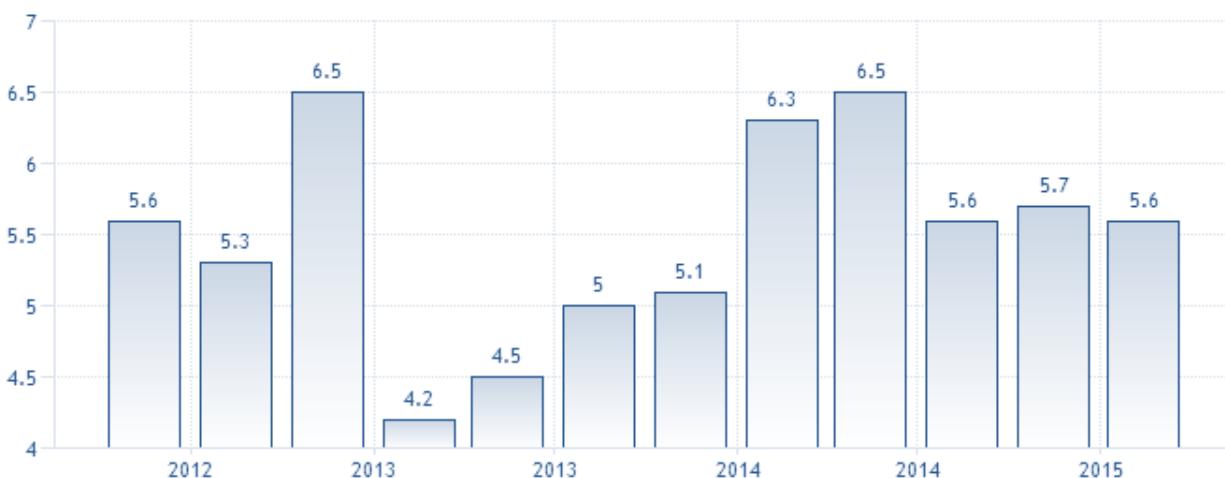
¹ World Bank Database

² www.pemandu.gov.my

³ Forbes.com, 21 September 2011.

outflows.⁴ Oil prices fell by almost 50 percent since the beginning 2014, subsequently the Ringgit depreciated against the USD by about 6.8 percent during 2014, with further depreciation of about 9.0 percent between January and the end of July 2015.⁵

Figure 2: Malaysia's GDP Growth Rate



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

The Malaysian economy expanded by 4.7 percent during the third quarter of 2015 (Q2 2015: 4.9%). Growth was supported by both domestic and export-oriented activities, despite a challenging external environment. On the supply side, all sectors posted positive growth. The services sector remained the key driver of growth, expanding by 4.4 percent (Q2 2015: 5%) supported mainly by wholesale and retail trade, information and communication as well as business services activities. Meanwhile, growth in the manufacturing sector was further strengthened by 4.8 percent (Q2 2015: 4.2%), supported by higher output particularly in the electrical and electronics (E&E) subsector. Further, the private sector remained the key driver of growth, expanding by 4.4 percent (Q2 2015: 5.7%), with private investment increased by 5.5 percent (Q2 2015: 3.9%). Meanwhile, public sector expenditure grew by 2.8 percent in the third quarter of 2015 (Q2 2015: 0.9%).⁶

The government forecasts gross domestic product will grow 4.0 percent to 5.0 percent in 2016, compared with 4.5 percent to 5.5 percent projected for 2015. According to the 2015/2016 Economic Report, the national economy is expected to grow 4.0 to 5.0 percent, namely driven by domestic demand. Private sector spending will remain a significant contributor as it is expected to be the main component of domestic demand with an expected growth rate of 6.4 percent in 2016. Moreover, despite the depreciation of the Ringgit, inflation is expected to remain low as a result of the drop in global crude oil prices the slowdown and the wearing down of the effects of the Goods and Service Tax (GST) implemented in April.⁷

⁴ International Monetary Fund, March 2015.

⁵ www.finanzen.net

⁶ Ministry of Finance Malaysia

⁷ www.nasdaq.com

Table 1: Economical Key Facts

Currency	1 Ringgit (RM) = 100 Sen
Exchange rates	1 Euro = RM 4.7355; 1USD = RM 4.3736 (as on 13 January 2016) ⁸
GDP (RM billion)	2013: 787.6 ⁹ ; 2014: 835 ¹⁰
GDP – growth rate ¹¹	2013: 4.7% ; 2014: 6.0%; 2015 (Q3): 4.7% ¹² ; Forecast 2016: 4.5% ¹³
Inflation rate	2.5% (June 2015) ¹⁴
Exports	RM 698.44 billion (2014) ¹⁵ ; RM 568.21 billion (Jan – Sep 2015) ¹⁶
Exports - commodities	Electrical & Electronic Products 35.9%; petroleum products 7%; LNG 6.1%; chemical products 7.2%; palm oil 5.2%; crude petroleum 3.3%; machinery, appliances & parts 4.6%; manufactures of metal 4.2%; optical & scientific equipment 3.3%; rubber products 2.6%; other products 20.8% (Jan – Sep 2015) ¹⁷
Exports – partners	Singapore 14.2%, China 12.1%, Japan 10.8%, USA 8.4%, Thailand 5.3%, Hong Kong 4.8%, Australia 4.3%, India 4.2%, Indonesia 4.1%, South Korea 3.7%, Germany 2.3%, Netherlands 3.1% (as on 22 November 2015) ¹⁸
Imports	RM624.52 billion (2014) ¹⁹ ; RM504.30 billion (Jan – Sep 2015) ²⁰
Imports - commodities	Electrical & Electronics Products 29.1%, petroleum products 9.3%, chemical products 9.5%, machinery, appliances & parts 8.7%, manufactures of metal 6.6%, transport equipment 5.3%, crude petroleum 2.2%, iron & steel products 3.4%, optical & scientific equipment 3.1%, processed food 2.6%, transport equipment 5.3%, other products 20.2% (Jan – Sep 2015) ²¹
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) ²²
Unemployment rate	3.1% (as of October 2015) ²³
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) ²⁴
Population below poverty line	1% (2014) ²⁵

⁸ <http://www.finanze.net>⁹ <http://www.statistics.gov.my>¹⁰ Ibid¹¹ Ibid¹² <http://www.imf.org/external/country/MYS/>¹³ Ibid¹⁴ http://www.bnm.gov.my/index.php?ch=mone&pg=mone_dld&lang=en¹⁵ <http://www.matrade.gov.my/en/malaysia-exporters-section/33-trade-statistics/3188-components-of-malaysias-exports-2014>¹⁶ <http://www.matrade.gov.my/en/malaysia-exporters-section/33-trade-statistics/3816-top-10-major-export-products-2015>¹⁷ Ibid¹⁸ <http://www.worldstopexports.com/malaysias-top-import-partners/3111>¹⁹ <http://www.matrade.gov.my/en/malaysia-exporters-section/33-trade-statistics/3185-top-10-major-import-products-2014>²⁰ <http://www.matrade.gov.my/en/malaysia-exporters-section/33-trade-statistics/3817-top-10-major-import-products-2015>²¹ Ibid²² <http://www.statistics.gov.my>²³ <https://www.statistics.gov.my>²⁴ <http://www.statistics.gov.my>²⁵ 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 Confectionery Market

The aim of this study is to provide European small and medium sized enterprises an overview into the Malaysian confectionery 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.

The Malaysian confectionery market has developed steadily over the past years. As urbanization continues to expand in Malaysia, significant young and adult population has influenced the launch of new confectionery products. This provided growth opportunities across the confectionery market and also led to the growth of premium confectionery products across categories. Hypermarkets and supermarkets account for majority sales in Malaysia's confectionery market, and has presence of both international and domestic players. However, convenience stores are also gradually increasing in presence and many small neighborhood stores have opened to cater to the same demand among consumers. Further, the increasing young population in Malaysia had resulted in purchasing decision influenced mainly by the young consumers. As a result, confectionery products are marketed to include product innovation, novel packaging as well as creative positioning – in order to influence the young consumers.

Healthy choice is becoming an increasing priority for consumers when choosing confectionery products, with this trend particularly benefiting nutrition. Consequently, confectionery manufacturers are also tailoring their new product development and marketing to focus on healthier options, with reduced sugar confectionery. Despite the increasing health awareness among consumers, Malaysians in general still perceive less sweet chocolates to be less appetizing, and prefer sweet chocolates. This is because, chocolate confectionery is mostly consumed for the purpose of indulgence with strong considerations regarding taste and appreciation of high quality. Nevertheless, chocolate confectionery is the largest category by value and volume sales in Malaysia, and recorded the highest growth rate in the confectionery market.

Significant numbers of foreign confectionery manufacturers have been active in the Malaysian confectionery market for a long period of time. Apart from confectionery imports from European countries such as Belgium, Sweden, the Netherlands and Germany, there have also been significant imports of confectionery products from its neighboring countries such as Thailand, Indonesia and Singapore. At the present moment, the confectionery market in Malaysia is dominated by international brands such as Nestle, Mondelez, Kraft Foods, and Mars. Premium brands continue to compete by focusing on quality, flavor and indulgence, while standard brands tend to focus on offering lower prices. On the other hand, economy brands offer the lowest price and tend to offer more basic products.

Malaysia is reflected by a very colorful composition in terms of languages, religions and cultural practices. The Malaysian constitution guarantees freedom of religion, although Islam is the largest and official religion. Since a large share of the Malaysian population is Muslim, one important aspect of consideration in the Malaysian food market is the Halal certification. Although a product does not necessarily need to be Halal or Halal certified to be imported 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 confectionery manufacturers who may wish to look into this field. Malaysian Halal certification is widely accepted and European confectionery manufacturers investing in Malaysia will result in changing domestic market dynamics while encouraging growth in confectionery consumption amongst Malaysians.

3.– Confectionery Products

3.1 – Gum

Just as there are different kinds of confectionery products, market structure, and competitive situation as well their development trends differ from each other. Malaysia's market of Gum products can be divided into Bubble Gum and Chewing Gum (including Sugar Free Gum and Sugarised Gum). The total turnover of Gum in Malaysia increased from RM 114 million to RM 133 million over the last six years. Although the sales numbers for Gum are not the highest among Malaysia's confectionery, especially the sub category of sugar free chewing gum, which accounts for 47% market share of Malaysia's gum sales, still exhibits a very interesting market for European confectionery manufacturers.

Table 2: Sales of Gum 2009-2014 (RM Mio.)

	2009	2010	2011	2012	2013	2014
Bubble Gum	10.3	10.4	10.5	10.6	10.6	10.6
Chewing Gum	104.2	108	111.8	115.7	119.1	122.7
- Sugar Free Gum	50.8	53.4	55.7	58.4	60.7	63.2
- Sugarised Gum	53.3	54.6	56.1	57.3	58.4	59.5
Total	114.5	118.4	122.4	126.2	129.7	133.3

Source of Data: Euromonitor Market Report 2015 – Packaged Food

As the following table shows, over the last six years Malaysia's total turnover of Gum confectionery has clearly increased with an average annual growth rate of 3.1%. Comparing the growth of the four categories, one can see that Bubble Gum only experienced moderate growth, while especially sugar free Gum has experienced highest growth rates between 3.9% and 5.1%. Whereas between 2009 and 2013 the growth rates of some Gum categories have slightly slowed down, most recently all categories have experienced stable growth rates or even an upswing in growth rates again.

Table 3: Annual Growth of Gum Sales 2009-2014 (in %)

	2009/10	2010/11	2011/12	2012/13	2013/14
Bubble Gum	1.0	1.0	1.0	0.0	0.0
Chewing Gum	3.6	3.5	3.5	2.9	3.0
- Sugar Free Gum	5.1	4.3	4.8	3.9	4.1
- Sugarised Gum	2.4	2.7	2.1	1.9	1.9
Total	3.4	3.4	3.1	2.8	2.8

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

Beyond these numbers, Malaysia's bubble gum and chewing gum market remains dominated by international brands and especially by Mars Malaysia, who accounts for almost half of Malaysia's total gum sales.

Remarkably, especially sugar-free chewing gum has experienced exceptional high growth rates of more than 4%. Therefore, many gum manufacturers already added sugar-free chewing gum to their assortment. The most popular gum flavors are double mint, followed by peppermint, and spearmint, however there are constantly new launches of different flavors throughout the year. In addition to that, new product launches might also comprise products for niche markets such as gum that contains additional special ingredients like relaxing properties, liquid and solid flavors, or caffeine.

Due to the large variety of different bubble gums and chewing gums, consumers tend to compare the prices. Therefore, the introduction of highly priced premium gums is less recommended because it limits the interest of the price-conscious consumers. In contrast, current standard and economy brands that compete in the Malaysian market by offering more value for money, e.g. by selling discounted multi-packs are more successful. In order to increase sales even further, most of international brands adopted intensive media advertising and particularly social media in order to promote new product launches.

3.2 – Sugar Confectionery

One of the most important markets of confectionery, with a turnover of about RM 505.6 Mio in 2014, is Malaysia's market for other sugar confectionery products. This number can be divided into the main categories (1) Boiled Sweets, (2) Lollipops, (3) Medicated Confectionery, (3) Mints, (4) Pastilles, Gums, Jellies and Chews, (5) Toffees, Caramels and nougat, and (6) other sugar confectionery e.g. marshmallows and malt-based sweets. Among this broad variety of sugar confectionery categories especially medicated confectionery as well as the category of Pastilles, Gums (e.g. gummy bears), Jellies and Chews are major ones, each accounting for more than RM 150 million. On the other hand, Lollipops, Power Mints, as well as Toffees, Caramels and Nougat are being characterized as niche markets.

Table 4: Sales of Sugar Confectionery 2009-2014 (RM Mio.)

	2009	2010	2011	2012	2013	2014
Boiled Sweets	70.3	66.6	65.6	64.3	63.3	62.7
Lollipops	11.6	12.2	12.5	12.7	12.9	13.1
Medicated Confectionery	138.0	143.5	148.5	152.5	156.5	160.5
Mints	82.4	85.3	88.3	91.8	95.6	99.6
- Power Mints	10.1	10.5	10.8	11.3	11.8	12.3
- Standard Mints	72.3	74.8	77.4	80.5	83.8	87.3
Pastilles, Gums, Jellies and Chews	139.2	143.4	147.0	150.7	154.3	157.9
Toffees, Caramels and Nougat	5.3	5.4	5.6	5.8	6.0	6.2
Other Sugar Confectionery	4.9	5.1	5.2	5.4	5.5	5.6
Total	451.7	461.5	472.7	483.1	494.1	505.6

Source of Data: Euromonitor Market Report 2015 – Packaged Food

In total, sugar confectionery has experienced moderate but very constant growth rates of about 2.3% p.a. on average. The taste for sugar confectionery has changed over time. Whereas five years ago lollipops and

medicated confectionery experienced highest growth rates among sugar confectionery, most recently especially mints became more popular, with annual growth rates that have increased over time from 3.5% to 4.2%.

Table 5: Annual Growth of Sugar Confectionery Sales 2009-2014 (in %)

	2009/10	2010/11	2011/12	2012/13	2013/14
Boiled Sweets	-5.3	-1.5	-2.0	-1.6	-0.9
Lollipops	5.2	2.5	1.6	1.6	1.6
Medicated Confectionery	4.0	3.5	2.7	2.6	2.6
Mints	3.5	3.5	4.0	4.1	4.2
- Power Mints	4.0	2.9	4.6	4.4	4.2
- Standard Mints	3.5	3.5	4.0	4.1	4.2
Pastilles, Gums, Jellies and Chews	3.0	2.5	2.5	2.4	2.3
Toffees, Caramels and Nougat	1.9	3.7	3.6	3.4	3.3
Other Sugar Confectionery	4.1	2.0	3.8	1.9	1.8
Total	2.2	2.4	2.2	2.3	2.3

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

Malaysia's sugar confectionery market is dominated by international brands such as Mentos, Kopiko, Chupa Chup, and Fisherman's friend who account for about 25% market share, whereas domestic brands such as Torrone, Lot100, and Rinda only hold a combined market share of 9%. An interesting case is the market for lollipops since there are only a very few large companies in the market like Chupa Chups Group and Khee San Food Industries. This may provide some potential for European confectionery manufacturers.

The most significant trend in Malaysia's sugar confectionery market is the shift from sugarised confectionery to the increasingly popular sugar-free alternatives that is caused by the peoples' increasing health awareness. The demand for sugar-free confectionery is expected to grow much faster than sugarised confectionery and many brands already introduced sugar-free alternatives. Therefore, if European manufacturers of sugar confectionery are interested to enter the Malaysian market, they should seriously consider having sugar-free products in their assortment.

Since most kinds of sugar confectionery, also those from popular brands, are sold at an affordable price, the consumers are usually not differentiating between premium, standard and economy brands. As a consequence, private labels are barely seen in Malaysia's retail shops and new confectionery manufacturers in Malaysia can offer their brands without competing with private labels. Furthermore, consumers tend to compare prices because of the large number of international and domestic brands that are competing in the Malaysian sugar confectionery market. One of the strategies that was successful in the past and that is also recommended for European sugar confectionery manufacturers is selling the products via multiple distribution channels, with a wide range of product varieties on offer, and aggressive promotional activities such as offering frequent price discounts and bundle packaging. This especially becomes clear in the case of boiled sweets, where a lack of advertisement has been identified as one of the reasons for the shift of market shares from boiled sweets towards medicated confectionery and mints.

Interestingly, while there is some substitution among different kinds of sugar confectionery, especially between sugarised and sugar-free confectionery, other types of snacks are rarely competing with sugar confectionery. The reason is that most consumers do not trade up from sugar confectionery to other confectionery such as chocolate due to different purposes e.g. confectionery is often consumed for keeping the breath fresh, whereas chocolate is mainly consumed for indulgence purposes.

3.3 – Chocolate Confectionery

Chocolate products (including dark-, sweet-, couverture-, milk-chocolate, and other chocolate variations) are another well-known type of confectionery that is prepared from cocoa and cocoa materials with sugars and may contain sweeteners, milk products, flavoring substances and other food ingredients.²⁶ As shown in the following table, Malaysia's market for chocolate confectionery accounts for about RM 473 million of sales. Moreover, the market is divided into four product categories, namely count lines which account for more than half of the chocolate market (MYR 232 millions), bagged self-lines/soft-lines (MYR 70 millions), boxed assortments (MYR 51 millions), and tablets (MYR 120 millions).

Table 6: Sales of Chocolate Confectionery 2009-2014 (RM Mio.)

	2009	2010	2011	2012	2013	2014
Bagged Selflines / Softlines	57.3	59.6	62.0	64.8	67.6	70.3
Boxed Assortments	39.9	42.3	44.0	46.2	48.4	50.6
Countlines	191.8	200.8	207.8	216.1	224.3	232.4
Tablets	95.4	98.7	102.7	108.3	113.9	119.6
Total	384.4	401.5	416.5	435.5	454.3	472.9

Source of Data: Euromonitor Market Report 2015 – Packaged Food

For European confectionery manufacturers Malaysia's chocolate confectionery market provides particular potential because it has the highest growth rates among confectionery in Malaysia. New tastes and changing preferences drive the chocolate confectionery market as well. While the annual growth rates for boxed assortments slowed down, other chocolate products have accelerated their growth compared to some years ago. This is especially the case for chocolate tablets, whose market was recently growing by 5.0%.

²⁶WHO, International Food Standards for chocolate, http://www.codexalimentarius.org/download/standards/67/CXS_o87e.pdf

Table 7: Annual Growth of Chocolate Confectionery Sales 2009-2014 (in %)

	2009/10	2010/11	2011/12	2012/13	2013/14
Bagged Self-lines / Soft-lines	4.0	4.0	4.5	4.3	4.0
Boxed Assortments	6.0	4.0	5.0	4.8	4.5
Count lines	4.7	3.5	4.0	3.8	3.6
Tablets	3.5	4.1	5.5	5.2	5.0
Total	4.4	3.7	4.6	4.3	4.1

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

Malaysia's chocolate confectionery that is dominated by international brands comprises a large variety of products. Among different chocolate taste varieties there is a special potential beyond plain chocolate since consumers are increasingly enjoying chocolate with additional ingredients and flavors such as peanuts, hazelnut, almond, and mixed fruits.

Additionally, different chocolate products are purchased for different purposes. Whereas chocolate boxes and assortments are often purchased as gifts during the main **festive periods** in Malaysia, which are Hari Raya, Christmas, and Chinese New Year, chocolate tablets are popular throughout the whole year and became especially very popular in the most recent years due to aggressive promotion and advertisements.

Due to the generally increasing **health consciousness** that caused some restraints for chocolate consumption in general, one of the reactions by the chocolate industry was the introduction of chocolate with less sugar and healthy additives. However, this kind of chocolate remains a niche market since chocolate is mostly consumed for the purpose of indulgence with strong considerations regarding taste and appreciation of high quality. This is even bolstered by the development that consumers became even more quality conscious in the recent years with the consequence that premium chocolate brands with good reputation experienced outstanding sales. Since European brands are generally perceived as being of superior quality, this provides additional potential for European chocolate manufacturers who are interested to enter the Malaysian market.

Based on the higher quality perception of European brands, it is strongly recommended for European chocolate manufacturers to **focus on quality assurance** and to promote the products' quality and taste. Compared to that, standard chocolate confectionery brands are faced with larger competition and deal with customers whose purchase decision is more driven by the value for money. Therefore, in order to achieve high sales, many standard brands offer bundle discounts or other promotions that provide higher value for money.

Another potential for European companies is caused by higher production costs for local manufacturers, e.g. due to higher electricity tariffs and increasing wages, that forced them to raise the retail price. This particularly benefits foreign chocolate manufacturers who export their already manufactured chocolate products to gain a competitive advantage.

It is interesting for European manufacturers to note that shopping outlets have increased dramatically in the last decade, particularly in the Greater KL (Kuala Lumpur) area. At prime locations in shopping malls, specific chocolate outlets have become popular. They offer high-end chocolate experience in creative ways, e.g. a fruits dipped in chocolate.

3.4 – Biscuits

The market of Malaysia's sweet biscuits comprises a large variety, including alfajores, chocolate coated biscuits, cookies, filled biscuits, plain biscuits, and sandwich biscuits. Moreover, it accounts for more than MYR 396 million of sales, with plain biscuits accounting for about MYR 173 million sales.

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

	2009	2010	2011	2012	2013	2014
Savoury Biscuits and Crackers	339.2	352.0	362.6	378.9	394.1	409.0
Sweet Biscuits	335.0	347.2	357.2	370.5	383.7	396.7
- Alfajores	-	-	-	-	-	-
- Chocolate Coated Biscuits	25.5	25.9	26.2	26.6	27.1	27.6
- Cookies	43.9	44.5	45.4	47.0	48.6	50.2
- Filled Biscuits	50.1	51.0	52.3	53.9	55.3	56.7
- Plain Biscuits	145.8	152.7	156.5	162.0	167.5	172.8
- Sandwich Biscuits	69.7	73.1	76.8	81.0	85.2	89.4
Total	674.2	699.2	719.8	749.4	777.7	805.8

Source of Data: Euromonitor Market Report 2015 – Packaged Food

As the following table shows, sweet biscuits experienced an average growth of about 3.4% over the last six years, however, different types of sweet biscuits experienced very different growth rates. Although the growth rate of chocolate coated biscuits has increased over the last years the rates are still moderate with 1-2% annually, whereas others, in particularly sandwich biscuits grew remarkably with about 5% annually.

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

	2009/10	2010/11	2011/12	2012/13	2013/14
Savoury Biscuits and Crackers	3.8	3.0	4.5	4.0	3.8
Sweet Biscuits	3.6	2.9	3.7	3.6	3.4
- Alfajores	-	-	-	-	-
- Chocolate Coated Biscuits	1.6	1.2	1.5	1.9	1.8
- Cookies	1.4	2.0	3.5	3.4	3.3
- Filled Biscuits	1.8	2.5	3.1	2.6	2.5
- Plain Biscuits	4.7	2.5	3.5	3.4	3.2
- Sandwich Biscuits	4.9	5.1	5.5	5.2	4.9
Total	3.7	2.9	4.1	3.8	3.6

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

Malaysia's market for sweet biscuits is different to European and other confectionery markets. Compared to other confectionery categories, Malaysia's market of biscuit confectionery is more fragmented, with many

international brands like Mondelez as well as domestic companies such as Hup Seng Perusahaan Makanan and Munchy Food Industries who sell their products through a wide range of distribution channels.

The consumers' preference for healthy and convenient food caused strong growth for biscuits, with many healthy biscuits being introduced. This demand is not limited to sweet biscuits but also applies to other snacks and baked goods, which has increased the general demand of raw materials like wheat flour, sugar, salt, and oats and finally caused a price hike for raw materials as well as in retail selling prices. However, the sales value of sweet biscuits was barely affected but continued its relative strong growth.

Remarkable is the situation that current biscuit manufacturers frequently launch new products, flavors, and packaging that attract the interest of new customers, whereas old stocks or brands are phased out relatively quickly.

It is important to recognize that the considerable growth of the sweet biscuit market gained attention, even from companies of other confectionery. Due to the increased competition, it is strongly recommended for manufacturers of sweet biscuits, and especially for new brands, to distinguish the individual brand with extensive and unique promotional campaigns that attract customers' attention, including price discounts, free gifts and vouchers, as well as special displays in highly visible areas.

4.– Regulations and Legal Environment

4.1 – 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:²⁷

- 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 Confectionery Products.

4.1.1 – Labelling (Part IV)

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.

4.1.1.1 – *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.

4.1.1.2 – *Particulars in labelling*

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

²⁷ Ministry of Health, 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.

4.1.1.3 – 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.

4.1.1.4 – Size and color 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.

4.1.1.5 – 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.

4.1.1.6 – 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.

4.1.1.7 – 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.

4.1.1.8 – 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.

4.1.1.9 – 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 fiber) 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.

4.1.1.11 – 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>

4.1.1.12 – 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 fiber</i>	<i>2 kcal/g</i>	<i>(8.5kJ)</i>

4.1.1.13 – 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 fiber 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.

4.1.1.14 – 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 fetus;*

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 fiber (b-glucan):

- *Oat soluble fiber (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 utilize 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.

4.1.2 – Food Additives and Added Nutrient (Part V)

4.1.2.1 – 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, odor, 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, coloring substance, flavoring substance, flavor 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 coloring substance or flavoring 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.

4.1.2.2 - 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."

4.1.2.3 – 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*.

4.1.2.4 – Colouring substance

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

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

Coloring preparation shall contain not less than 4% of permitted coloring substance. Liquid form of coloring 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 coloring substance to be used for coloring food has to be labelled:

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

For the full list of permitted coloring substances, coloring 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.

4.1.2.5 – Flavouring substance

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

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

- Generally Recognized 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

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

“Natural flavoring substance” means any flavoring 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 flavoring, or by enzymatic or microbiological processes from material of plant or animal origin, and is not synthetic flavoring substance or any flavoring substance formed by chemical synthesis.

For the full list of permitted flavoring 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

4.1.2.6 – Flavor enhancer

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

Where a permitted flavor 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 flavor enhancer*) as permitted flavor enhancer".

4.1.2.7 – 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.

4.1.3 – Packages for Food (Part VI)

4.1.3.1 – 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.

4.1.3.2 – 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.

4.1.3.3 – 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.

4.1.3.4 – 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.

4.1.3.5 – 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.

4.1.3.6 – 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.

4.1.4 – Incidental Constituent (Part VII)

4.1.4.1 – 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, coloring substance, flavoring substance, flavor 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.

4.1.5 – Standards and Particular Labelling Requirements for Food (Part VIII) - Confectionery

4.1.5.1 – Particular Labelling Requirement of Confection

No package of any confection shall be labeled with the word "fruit", "egg" "milk" or any word of similar meaning, unless it contains a substantial quantity of fruit, egg or milk.

No package of any confection to which has been added a permitted flavoring substance shall be labeled with the name of any fruit or other natural substance imitated in flavor unless the name is conjoined in uniform lettering with the word "flavor".

No picture of a fruit, or expression or device (other than the name of a fruit conjoined with the word "flavor") that indicates, suggests or implies the presence of a fruit or fruit juice shall appear in the label on a package of frozen confection, ice confection or table confection unless such confection contain at least 5 percent of that fruit or fruit juice.

4.1.5.2 – Flour Confection

Flour confection including pastry, cake and biscuit shall be the product prepared from a mixture of flour or meal and other food. It may be cooked or uncooked.

Flour confection may contain sorbic acid and its sodium, potassium or calcium salts not exceeding 2000 mg/kg and propionic acid and its sodium, potassium or calcium salts not exceeding 2000 mg/kg as permitted preservative; permitted coloring substance; permitted flavoring substance; or ammonium chloride as a permitted food conditioner not exceeding 2500 mg/kg of flour or meal used and other permitted food conditioners.

The coating of biscuit described as "chocolate" shall comply with the standard for chocolate prescribed in Regulation 279.

4.1.5.3 – Sugar Confection

Chewing gum and bubble gum may contain carnauba wax not exceeding 1,200 mg/kg as a glazing agent and α -cyclodextrin not exceeding 20,000 mg/kg as permitted food conditioner.

Sugar confection shall be any product made principally from sugar, glucose, sorbitol or any other sweetening substances, other than non-nutritive sweetening substance, with or without other food, and shall include chewing gum, bubble gum and other masticatory confection and cake decoration but shall not include frozen confection.

Sugar confection may contain permitted coloring substance, permitted flavoring substance and permitted food conditioner.

4.1.5.4 - Frozen Confection

Frozen confection includes products of milk or skimmed milk with milk fat or edible vegetable fat or a combination of these, as well as cream or butter or a combination of these, with sugar and other food. Frozen confection should comply with the standards for ice cream prescribed in Regulation 116. In addition, frozen confection that are sold as "milk blocks" or under any other description in which the word "milk" or "dairy" or any word of similar meaning is used shall contain not less than 3.25 percent of milk fat.

4.1.5.5 - Ice Confection

Ice confection is defined as a frozen preparation of water with other food. It shall include cream ices, water ices, ice sherbets and ice lollipops. Further, ice confection may contain permitted colouring substance, permitted flavouring substance and permitted food conditioner.

4.1.5.6 – Table Confection

Table confection means any preparation including jelly crystals that is suitable and intended for use as a dessert or for ready conversion into a dessert and for which no other standard is prescribed in these Regulations.

Table confection may contain permitted coloring substance, permitted flavoring substance and permitted food conditioner.

4.1.5.7 – Controlled Jelly Confection

Controlled jelly confection shall be any table confection for which a standard is prescribed in Regulation 139 and is ready-to-eat, of the size and shape of less than or equal to 45 millimeters in diameter of a spherical product or similar to spherical product. Controlled jelly confection includes mini cups jelly and other similar products.

No person shall import, manufacture, advertise for sale or sell any controlled jelly confection.

4.1.5.8 – Chocolate

Chocolate shall be the product prepared from cocoa paste or cocoa with sugar, with or without milk components, cocoa butter and other food.

Chocolate may contain not more than 5 percent of milk fat or edible vegetable fat other than cocoa butter; shall contain not less than 14 percent of cocoa paste on water-free and fat-free basis, and shall comply, in its water-free, fat-free and alkali-free content, with the regulations regarding Cocoa paste, cocoa mass, cocoa slab or cocoa liquor (Reg. 276).

Chocolate may contain permitted flavoring substance and permitted food conditioner including lecithin in a proportion not exceeding 0.8 percent, monoglycerides and diglycerides, in a proportion not exceeding 0.5 percent; and polyglycerol polyricinoleate, in a proportion not exceeding 0.5 percent if the total emulsifier content of the chocolate does not exceed 1.5 percent.

Dark chocolate shall not contain more than 3 percent milk fat and chocolate for coating biscuits or confectionery or similar products shall contain not less than 12 percent of cocoa paste on water-free and fat-free basis.

4.1.5.9 – White Chocolate

White chocolate shall be the product prepared from cocoa butter, sugar, with or without milk components, and other food.

White chocolate may contain not more than 5 percent of milk fat or edible vegetable fat other than cocoa butter; and shall comply, in its water-free, fat-free and alkali-free content, with the regulations regarding Cocoa paste, cocoa mass, cocoa slab or cocoa liquor (Reg. 276).

White chocolate may contain permitted flavoring substance and permitted food conditioner including lecithin in a proportion not exceeding 0.8 percent, monoglycerides and diglycerides in a proportion not exceeding 0.5 percent; and polyglycerol polyricinoleate, in a proportion not exceeding 0.5 percent if the total emulsifier content of the chocolate does not exceed 1.5 percent.

4.1.5.10 – Milk Chocolate

Milk chocolate shall be the product prepared by mixing cocoa paste or cocoa with sugar, milk solids, cocoa butter, with or without the addition of other food.

Milk chocolate shall contain not less than 2 percent of milk fat; 10.5 percent of milk solids on a fat-free basis; and 3 percent of cocoa paste on water-free and fat-free basis.

Milk chocolate that is described as "rich full cream milk chocolate" or "dairy milk chocolate" shall contain not less than 4.5 percent of milk fat; 10.5 per cent of milk solids on a fat-free basis; and 3 percent of cocoa paste on water-free and fat-free basis.

Milk chocolate may contain permitted flavoring substance and permitted food conditioner.

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.– 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, behavior, 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.

5.1 – 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.

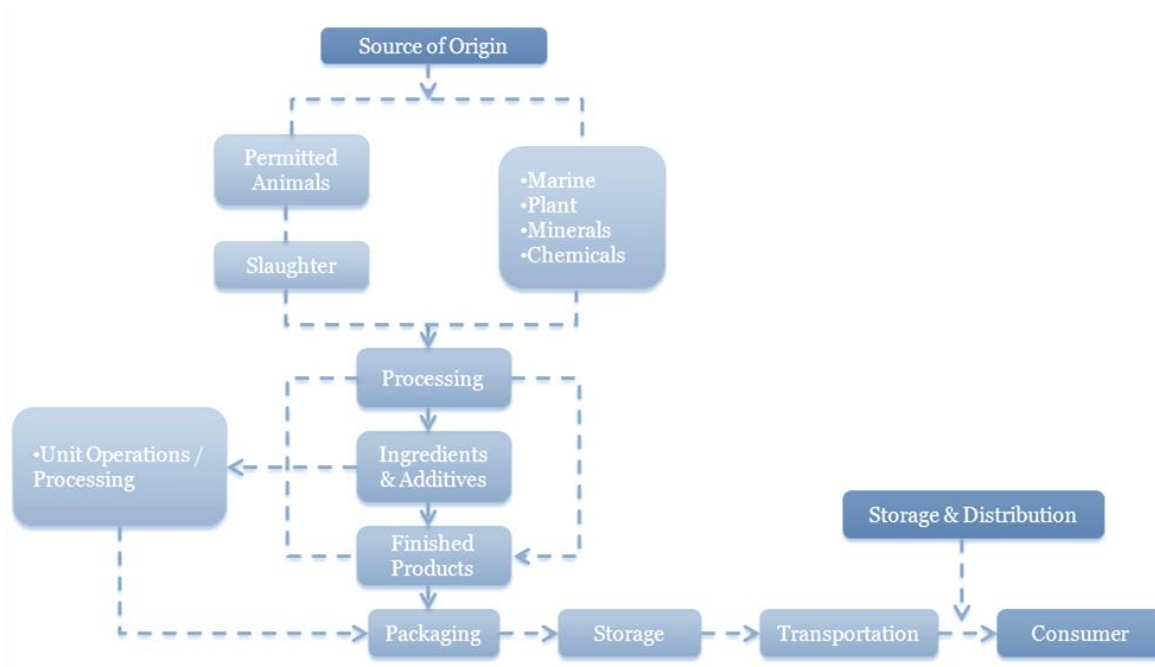
5.2 – Overview of Halal Products & Services

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.

5.3 – Halal Food Chain

Figure 3: Overview of the Halal Food Chain



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

5.4 –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: ²⁸

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

5.4.1 – Benefits of A Malaysian Halal Certification

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

²⁸ 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.

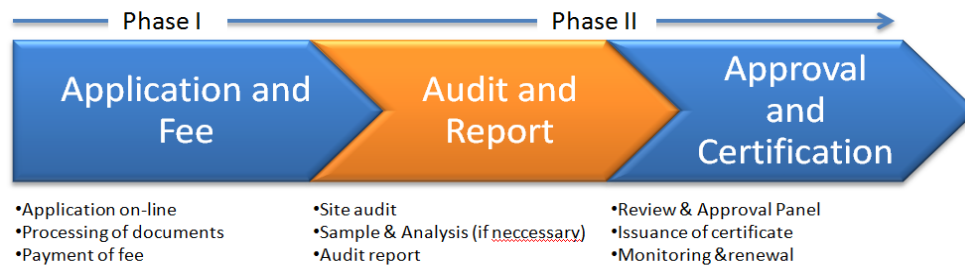
It also involves Shariah & Food Science/Technology experts and officials, Fatwa Committee Representatives, Industry Representatives, and Consumer Associations' Representatives.

5.4.2 – 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 for 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

5.4.3 – 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 10: 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 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

5.4.4 – Other Guidelines for Halal Certification ²⁹

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 *Najis* 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:

²⁹ 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 center recognized 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.

5.4.5 – 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

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

5.4.6 – 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 confectionery products are approved prior to their 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 15 February 2016, JAKIM has recognized a total of 54 foreign certification bodies and 4 authorities from 32 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, a 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 11: 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: +43 699 884 658 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) Kazım 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 Fax: +44 116 273 8228 Email: info@tmfb.net / yusuf@tmfb.net

5.4.7 – Halal Logistics³⁰

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.

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.

³⁰ Information from interview with LBB 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

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:

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

6.– Import of Confectionery Products into Malaysia

Under the consideration of the Halal certification, Malaysia's growing demand for confectionery products, offers several opportunities for Malaysian companies but especially for foreign companies. Among several options, such as setting up new manufacturing plants, or licensing, one of the most popular ways to enter the Malaysian market is to export the products to Malaysia. Therefore, apart from the country's general regulations regarding labeling, additives and packaging of confectionery and Halal certification, also the import regulations are of high importance for European confectionery companies.

6.1 –Import Regulations for Confectionery Products

Similar to many countries in the world, Malaysia has specific import regulations that particularly apply to confectionery imports. Hence, companies wishing to enter this growing market should be aware of the particular import regulations and procedures.

According to the Third Schedule of the Malaysian Trade Classification and Customs Duties Order the importation of confectionery products into Malaysia is subject to the approval of the Food Safety and Quality Division of the Ministry of Health.

This regulation covers all confectionery under the product categories:

- (I) Sugars and sugar confectionery
- (II) Cocoa and cocoa preparations
- (III) Preparations of cereals, flour, starch, or milk, pastry cooks' products

6.2 –Import of confectionery overview

Malaysia has experienced rapidly growing demand for confectionery products, which offers great opportunities for foreign companies. Interestingly, beside countries like Singapore, China, the United States, a considerable share of confectionery products is imported from Europe. Malaysia's recent import data show that for Malaysia's different confectionery products categories, there are always several European countries among the top 10 origin countries.

Remarkably, some of Malaysia's confectionery products are highly concentrated on a few origin countries, with sugar confectionery, and especially chewing gum mainly coming from East Asian and South East Asian countries. In the case of chocolate and other food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing more than 2 kg, the concentration of a few origin countries is even higher with more than 98% of Malaysia's imports in 2014 coming from three countries: Singapore (68.6%), Belgium (23.3%) and Indonesia (6.2%).

For the importation of chocolate and chocolate products, European countries are already important partners, with especially Belgium, Italy, Sweden, the Netherlands, and Germany being the most successful ones. For

example, in the category of not-filled chocolate and other food preparations containing cocoa in blocks, slabs or bars weighing less than 2 kg, European countries account for more than 50% of Malaysia's imports, with Sweden exporting more to Malaysia than any other country. Additionally, many European countries have experienced increasing demand from Malaysia, especially Sweden and Germany, who have increased the value of their confectionery export to Malaysia during the recent years significantly.

The importation of sweet biscuits into Malaysia comes mainly from its neighboring countries, Thailand and Indonesia. According to data from MATRADE, as of September 2015, Thailand recorded the highest share of imports of sweet biscuits into Malaysia at 25.12%, whereas 22.37% comes from Indonesia. This is followed by China (17.55%), United Kingdom (5.29%) and Philippines (4.27%). Further, the importation of sweet biscuits into Malaysia has increased by 10.48% from 2014 (January-September) to 2015 (January – September).

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

- Chewing gum, whether or not sugar-coated (HS Code 1704.10)
- Sugar confectionery (except chewing gum) (HS Code 1704.90)
- Chocolate and Other food preparations containing cocoa in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg (HS Code 1806.20)
- Filled Chocolate and other food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing less than 2kg (HS Code 1806.31)
- Not Filled Chocolate and other not filled food preparations containing cocoa in blocks, slabs or bars weighing less than 2 kg (HS Code 1806.32)
- Other Chocolate and other food preparations containing cocoa (HS Code 1806.90)
- Sweet biscuits (HS Code 1905.31)

The definitions and import data of these are provided below.

6.2.1 – Chewing Gum, whether or not sugar-coated (HS Code 1704.10)

According to The Malaysian Trade Classification and Customs Duties Order, products under this category include Chewing gum, whether or not sugar-coated.

Between 2013 and 2014 Malaysia's total imports of chewing gum (HS Code 1704.10) decreased from EUR 7.352 Mio to EUR 6.214 Mio, which equals a decrease of 15.48%. The table below shows the top 10 importer countries.

Table 12: Total Imports of Chewing gum, whether or not sugar-coated in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	Philippines	3.609	3.742	2.811	-24.89
2	Vietnam	2.081	1.232	1.807	46.59
3	China	2.110	1.694	1.119	-33.96
4	Indonesia	0.757	0.405	0.375	-7.52
5	United States	0.090	0.058	0.047	-18.62
6	Turkey	0.277	0.000	0.024	0.00
7	United Kingdom	0.000	0.004	0.007	88.70
8	Canada	0.007	0.005	0.007	38.35
9	Iran	0.000	0.000	0.006	0.00
10	France	0.002	0.000	0.006	0.00

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

6.2.2 – Sugar Confectionery (others than chewing gum) (HS Code 1704.90)

According to The Malaysian Trade Classification and Customs Duties Order, products under this category include Sugar confectionery others than chewing gum.

Between 2013 and 2014 Malaysia's total imports of sugar confectionery (others than Chewing gum) (HS Code 1704.90) has increased from EUR 32.650 Mio to EUR 35.286 Mio, which equals a growth rate of 8.07%. The table below shows the top 10 importer countries.

Table 13: Total Imports of Sugar Confectionery (others than Chewing gum) in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	Vietnam	5.204	7.028	9.440	34.33
2	China	7.142	7.292	7.283	-0.13
3	Thailand	6.636	7.319	6.854	-6.36
4	Indonesia	7.014	5.110	3.542	-30.68
5	Singapore	1.180	1.735	1.690	-2.60
6	United Kingdom	0.162	0.127	1.083	754.77
7	Switzerland	0.418	0.674	0.787	16.80
8	India	0.502	0.491	0.771	57.06
9	Netherlands	0.282	0.315	0.711	125.60
10	Hong Kong	0.227	0.258	0.595	130.38

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

6.2.3 – Chocolate and other food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing more than 2 kg (HS Code 1806.20)

According to The Malaysian Trade Classification and Customs Duties Order, products under this category include chocolate and other preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg

Heading/ Subheading No.	Description
1806	Chocolate and other food preparations containing cocoa
1806.20	- Other preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg

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

Between 2013 and 2014 Malaysia's total imports of Chocolate and other food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing more than 2 kg (HS Code 1806.20) has increased from EUR 22.202 Mio to EUR 27.543 Mio, which equals a growth rate of 24.06%. The table below shows the top 10 importer countries.

Table 14: Total Imports of Chocolate and other food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing more than 2 kg in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	Singapore	14.178	12.839	18.919	47.35
2	Belgium	0.687	7.145	6.407	-10.33
3	Indonesia	1.854	1.772	1.716	-3.12
4	United States	0.187	0.139	0.100	-28.37
5	France	0.047	0.113	0.097	-14.23
6	Philippines	0.000	0.037	0.089	140.56
7	Australia	0.084	0.054	0.084	54.80
8	Taiwan	0.000	0.003	0.053	1,600.72
9	South Korea	0.000	0.000	0.034	0.00
10	United Kingdom	0.029	0.011	0.022	90.27

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

6.2.4 – Filled Chocolate and other filled food preparations containing cocoa in blocks, slabs or bars weighing less than 2kg (HS Code 1806.31)

According to The Malaysian Trade Classification and Customs Duties Order, products under this category include filled chocolate and other filled food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing less than 2 kg.

Heading/ Subheading No.	Description
1806	Chocolate and other food preparations containing cocoa
1806.31	- Other, in blocks, slabs or bars
100	- Filled:
900	- Chocolate confectionery
	- Other

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

Between 2013 and 2014 Malaysia's total imports of filled chocolate and other filled food preparations containing cocoa in blocks, slabs or bars weighing less than 2 kg (HS Code 1806.31) has increased from EUR 20.151 Mio to EUR 22.395 Mio, which equals a growth rate of 11.14%. The table below shows the top 10 importer countries.

Table 15: Total Imports of Filled Chocolate and other filled food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing less than 2 kg in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	China	4.579	4.222	4.997	18.36
2	Switzerland	3.362	2.893	4.338	49.92
3	Australia	2.214	2.534	3.129	23.48
4	United States	1.923	2.226	2.183	-1.92
5	Netherlands	2.344	2.400	1.882	-21.57
6	Italy	1.121	1.586	1.338	-15.59
7	Germany	1.190	0.962	0.894	-7.13
8	Belgium	1.093	0.933	0.816	-12.47
9	Hong Kong	0.150	0.974	0.690	-29.15
10	Sweden	0.155	0.262	0.439	67.66

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

6.2.5 – Not Filled Chocolate and other not filled food preparations containing cocoa in blocks, slabs or bars weighing less than 2 kg (HS Code 1806.32)

According to The Malaysian Trade Classification and Customs Duties Order, products under this category include NOT filled chocolate and other NOT filled food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing less than 2 kg.

Heading/ Subheading No.	Description
1806	Chocolate and other food preparations containing cocoa
1806.32	- Other, in blocks, slabs or bars
100	- Not Filled:
900	- Chocolate confectionery
	- Other

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

Between 2013 and 2014 Malaysia's total imports of NOT filled chocolate and other NOT filled food preparations containing cocoa in blocks, slabs or bars or other bulk form weighing less than 2 kg (HS Code 1806.32) has increased from EUR 34.721 Mio to EUR 38.235 Mio, which equals a growth rate of 10.12%. The table below shows the top 10 importer countries.

Table 16: Total Imports of not Filled Chocolate and other not filled food preparations containing cocoa in blocks, slabs or bars weighing less than 2 kg in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	Sweden	4.123	5.339	5.664	6.09
2	Switzerland	3.691	4.324	4.678	8.18
3	United States	4.455	4.273	4.675	9.41
4	Italy	3.037	3.570	3.267	-8.49
5	Germany	1.784	2.052	2.532	23.38
6	China	0.342	2.63	2.443	-7.24
7	South Korea	0.098	1.166	2.431	108.48
8	Poland	1.142	1.711	2.213	29.30
9	Netherlands	2.249	1.884	1.897	0.69
10	Thailand	0.568	1.285	1.630	26.83

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

6.2.6 – Other Chocolate and other food preparations containing cocoa (HS Code 1806.90)

According to The Malaysian Trade Classification and Customs Duties Order, products under this category include other (than abovementioned) chocolate and other food preparations containing cocoa.

Heading/ Subheading No.	Description
1806	Chocolate and other food preparations containing cocoa
1806.90	- Others

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

Between 2013 and 2014 Malaysia's total imports of other chocolate and other food preparations containing cocoa (HS Code 1806.90) has increased from EUR 26.420 Mio to EUR 27.658 Mio, which equals a growth rate of 4.68%. The table below shows the top 10 importer countries.

Table 17: Total Imports of other chocolate and other food preparations containing cocoa in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	Australia	3.904	4.047	4.141	2.30
2	China	3.561	2.774	4.019	44.91
3	Italy	12.207	8.025	3.445	-57.07
4	Singapore	0.070	0.157	3.281	1,988.84
5	United States	2.134	1.723	1.833	6.41
6	Cameroon	2.437	1.984	1.621	-18.30
7	Belgium	1.296	1.136	1.217	7.14
8	Thailand	1.352	1.045	1.137	8.76
9	Switzerland	0.489	0.499	1.054	111.47
10	New Zealand	1.145	0.932	1.050	12.74

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

6.2.7 – Sweet Biscuits (HS Code 1905.31)

According to The Malaysian Trade Classification and Customs Duties Order, products under this category include sweet biscuits, waffles and wafers.

Heading/ Subheading No.	Description
1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products
1905.31	- Sweet biscuit, waffles and wafers - Sweet biscuits

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

Between 2013 and 2014 Malaysia's total imports of sweet biscuits (HS Code 1905.31) has increased from EUR 30.552 Mio to EUR 35.894 Mio, which equals a growth rate of 17.49%. The table below shows the top 10 importer countries.

Table 18: Total Imports of sweet biscuits in EUR Mio.

Rank	Country	2012	2013	2014	% Change (14/13)
1	Indonesia	8.149	8.559	8.726	1.95
2	China	6.430	6.609	8.907	34.76
3	Thailand	4.560	4.708	7.442	58.07
4	United Kingdom	1.818	1.601	2.091	30.59
5	Philippines	0.344	0.650	0.778	19.8
6	Singapore	0.740	0.767	0.767	-0.05
7	Hong Kong	0.326	0.285	0.776	171.96
8	United States	0.810	0.879	0.852	-3.1
9	Italy	1.287	1.484	1.164	-21.59
10	Taiwan	0.382	0.433	0.322	-25.55

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

7.- Tariff Barriers

The import of confectionery to Malaysia is subject to certain tariff barriers. Below, a table has been listed to inform on the various tariff barriers relevant to the import of confectionery products to Malaysia. 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'. For full information, please refer to chapters 17, 18 & 19 of the publication "Malaysian Trade Classification and Customs Duties Order" from 10th March 2015, which can be obtained from MATRADE.

Table 19: Rate of duty for Confectionery Products classified by HS Codes

Heading/ Subheading No.	Description	Rate of Duty (for Import)	
		Tariff Rate Quota	Goods and Services Tax (GST)
1704	Sugar confectionery (including white chocolate), not containing cocoa		
1704.10 000	- Chewing gum, whether or not sugar-coated	15%	6%
1704.90 000	- Other	15%	6%
1806	Chocolate and other food preparations containing cocoa		
1806.10 000	- Cocoa powder, containing added sugar or other sweetening matter	10%	6%
1806.20 000	- Other preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg	15%	6%
1806.31	- Other, in blocks, slabs or bars:		
	- Filled:		
100	- Chocolate confectionery	15%	6%
900	- Other	15%	6%
1806.32	- Not Filled:		
100	- Chocolate confectionery	15%	6%
900	- Other	15%	6%
1806.90 000	- Other	15%	6%

Source: The Malaysian Trade Classification and Customs Duties Order – Chapters 17,18, 10th March 2015

Heading/ Subheading No.	Description	Rate of Duty (for Import)	
		Tariff Rate Quota	Goods and Services Tax (GST)
1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products		
1905.10	000 - Crispbread	Nil	6%
1905.20	000 - Gingerbread and the like	Nil	6%
	- Sweet biscuit, waffles and wafers		
1905.31	000 - Sweet biscuits	6%	6%
1905.32	000 - Waffles and wafers	6%	6%
1905.40	- Rusks, toasted bread and similar toasted products:		
	000 - Not containing added sugar, honey, eggs, fats, cheese or fruit	Nil	6%
	900 - Other	6%	6%
1905.90	- Other		
	100 - Unsweetened biscuits	6%	6%
	- communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	Nil	6%
	300 - Other bread, ships' biscuits and other ordinary bakers' wares, not containing added sugar, honey, eggs, fats, cheese or fruit	Nil	6%
	900 - Other	Nil	6%

Source: The Malaysian Trade Classification and Customs Duties Order – Chapter 19, 10th March 2015

8.– Market Entry and Distribution

8.1 – Retailers

The emergence of multinational retailers, especially in food retailing, has changed the retail scenario in Malaysia over the last decade. In the past, retail formats such as supermarkets, mini markets, and convenience stores dominated the Malaysian retail scene. Today however, consumers are given the choice of shopping in premium retailers as well as hypermarkets. As a result of this growing trend towards shopping for packaged food at supermarkets, premium retailers and hypermarkets, more of these modern retail stores are expected to open in the near future in Malaysia. Therefore, prior to entering the Malaysian market, it is important for European manufacturers to weigh the costs and benefits of the different distribution channels that exist in the market. This chapter explains the different channels of food retailing in Malaysia, which are divided into three main categories namely, premium retailers, hypermarkets, and convenience stores.

8.1.1 – Premium Retailers

Premium retailers mainly target the upper income group. They are mostly located in high-end malls in the city center or in affluent neighborhoods where high income shoppers and expatriates reside in Malaysia. A large percentage of the products sold by the premium retailers are imported. Thus, these retailers provide a good platform for European companies targeting particularly the highly quality-oriented group of customers with a higher willingness to pay a price markup for foreign premium brands.

Major premium retailers in Malaysia³¹: -

- i. Cold Storage
 - Targets the upper middle to high income shoppers as well as high income expatriates residing in Malaysia
 - Located in high-end malls in Malaysia
 - Carries a wide variety of local products as well as imported products
- ii. Jaya Grocer
 - Targets the upmarket community
 - Located near affluent neighborhoods
 - More than 50 percent of their products are imported.
- iii. The Village Grocer
 - Targets the upmarket community
 - Stocks high quality and difficult-to-find overseas food products

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 freshly made products. Some of these retailers are also equipped with a fresh-food area, offering fish, or fresh cooked foods for takeaway. Meanwhile, the confectionery products at these premium retailers are of great variety with many mainly being imported from abroad and of international brands. Often the confectionery products are organized by their categories in aisles and cover a relatively large area.

³¹ GAIN Reports: Retail Foods – Malaysia, 2014

In premium retailers as well as hypermarkets, there had been new product launches of fortified healthy chocolate or chocolate with less sugar. However, in Malaysia, chocolate is often consumed for indulgence purposes and most consumers perceive less sweet or unsweetened chocolate as not as appetizing and still prefer to purchase sweet chocolate – nonetheless, a higher share of shelves are still being occupied with sweet chocolate confectionery. Some premium retailers may also organize their wide range of confectionery products by their name of brands. This is particularly true for sugar confectionery as well as chocolate confectionery products where oftentimes they are displayed by their own in a prominent section near the checkout counters or between the aisles, with the name of the brands labelled on the shelves. Some of these shelves would also have labels for new products introduced in the market.

Furthermore, in Malaysia, a number of festivities are celebrated nationwide – this include Hari Raya, Chinese New Year, Deepavali as well as Christmas. During these main festive seasons, premium retailers often have a dedicated section in the store that display only seasonal products which usually consist of assorted premium confectionery products such as chocolates, candies or biscuits – displayed in a variety of seasonal packaging of different shapes and sizes.

Premium retailers, however, mostly cater to the group with above-average purchasing power of mainly high income households and expatriates; while a large percentage of Malaysia's households are part of the country's middle-income class who are less willing to pay a price mark-up for premium confectionery brands – although there are increasing preferences on imported confectionery products among this group of consumers. Nevertheless, the next category of retailer, the hypermarkets are more popular among the middle income group as well as the more price-conscious consumers.

8.1.2 – Hypermarkets

In Malaysia, hypermarkets are common in cities as well as in towns, while small-sized supermarkets are still the norm in suburbs and more rural areas. Today, hypermarkets are becoming more popular than supermarkets due to their bright and modern environment, as well as their economical prices. It can also be observed that most consumers in Malaysia are increasingly becoming more concerned with quality and freshness of products, although price remains a more important factor.

Hypermarkets are visited by everyone regardless of social status, income and even background – mostly located in areas with high population density. Many consumers prefer to purchase and consume products frequently sold in hypermarkets. Thus, the hypermarket is a common retailing outlet to everyone since it also covers a wide spectrum of products. Foreign-owned hypermarkets operating in Malaysia include Tesco, Giant and Aeon. They typically have a considerable representation of imported products to meet demand from their middle and high-income customers.

Major hypermarkets in Malaysia³²:-

- i. Giant
 - Home grown trusted brand
 - Offers best value for money products on the shelves, targeting middle income customers
 - Carries economy brand under its private label for a wide range of products
 - Many products are obtained and developed locally

³² GAIN Reports: Retail Foods – Malaysia, 2014

- ii. Tesco
 - Operates Tesco and Tesco Extra stores in major cities, targeting the mass market
 - Carries economy brand under its private label for a wide range of products
 - Carries mainly locally sourced products, but is increasing the proportion of imported products (mainly from the UK)
- iii. Aeon
 - Took over Carrefour Malaysia in 2012
 - Operates Jusco stores nationally, which is the largest high-end department store chain with supermarkets, targeting middle to high income customers
 - AEON Big is AEON's hypermarket chain
 - Carries mainly locally sourced products, but is increasing the proportion of imported products (mainly from Japan)

Further, electronic hypermarket which was only introduced in the recent years is also slowly gaining popularity in Malaysia. Tesco is the first hypermarket in Malaysia to make their wide range of products accessible to consumers via online. Although still insignificant in the Malaysian market, electronic hypermarket could be one of the ways to meet consumers' demand for shopping convenience.

Hypermarkets usually have a large sales area and a wide range of confectionery sections which are often divided into different categories by aisle. They carry a wide variety of not only local products but also imported products, especially products from Europe, USA, Australia, New Zealand, Thailand, Indonesia, and Japan amongst others. Confectionery products are often put on prominent display on the shelves by their aisle categories. For imported confectionery products, one may also find an aisle in the hypermarket that display these products by its country of origin – with the shelves labelled by either the flags or names of the country of origin of the imported products. Further, there continues to be a strong demand in indulgence confectionery products such as chocolates. Hypermarkets offer a wide range of chocolate confectionery, of both local and imported chocolates. Chocolate confectionery in hypermarkets may cover a sales area of 1 to 2 aisles. Some hypermarkets may also have a separate section that display only imported or premium chocolates, and confectionery products with novelty packaging. As chocolates consumption increases, hypermarkets tend to carry more variety of chocolate over time. This in turns offers a great opportunity for European chocolate manufacturers.

Likewise, hypermarkets are now providing more variety of impulse confectionery products such as chewing gum, hard mints, and candy confectionery. This range of products are most often displayed strategically near the checkout counters. Because these items may not necessarily be items that customers at the hypermarkets seek out during their trips for grocery shopping, they are placed in a highly visible place where customers will see them as they line up at the checkout counters. This in turns encourage impulse purchase. Most hypermarkets usually have impulse confectionery products at each checkout counters which mostly come in small, convenient packaging. These products, however, are mainly locally manufactured products and rarely can we see imported products displayed at the checkout counters.

With the increasing health awareness among the consumers in Malaysia, nutrition aspects play a major role, causing a higher demand for products that has reduced sugar and contain a high amount of healthy nutrition. This in turns impact the assortment of confectionery products in hypermarkets which now offer more variety of reduced sugar confectionery and healthier options. 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.

Additionally, with majority of the customers being Muslims, Halal certification is very important as it provides a formal means of quality assurance for Muslim consumers. Most hypermarkets in Malaysia carry products which are Halal certified. The certification is, however, not compulsory, although it would offer significant marketing opportunities as well as greater access in the local market. Hence, in the case of selling the products via these retailers, foreign confectionery manufacturers should definitely consider the Halal certification, if the products are to reach out to the majority of the market.

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 consider the aforementioned aspects.

Although hypermarkets provide the advantage of a broad assortment and offer mostly competitive prices, they might be remote from residential areas, so it might be inconvenient for customers to go to the hypermarkets without a car. Even in large cities, the infrastructure of public transport has yet to reach out to most residential areas, thus making monthly or even weekly 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.

8.1.3 – Convenience stores

Convenience stores offer products and services that are within reach of consumers without own vehicles or other transport possibilities, as compared to supermarkets and hypermarkets. Convenience stores such as 7-Eleven, KK Mart, 99, Speedmart provide a small range of everyday goods and are often open 24/7. The largest 24-hours convenience store in Malaysia is 7-Eleven with about 1,600 outlets across the country. There are also larger-sized convenience shops such as Mydin with greater product assortment and promotion activities. The convenience retail format is also building out among the petrol station chains — there are now more than 3,000 petrol station convenience stores operated by petroleum companies such as Petronas, Shell, Petron, Caltex and BHPetrol. These air-conditioned convenience stores carry a smaller range of popular confectionery products compared to those offered by supermarkets and hypermarkets.³³

On the other hand, there are many small independent convenience stores in Malaysia, so-called “Sundries”. They are mostly small family-owned businesses and sell a heterogeneous range of products, including confectionery products – targeting mainly price-sensitive customers and those looking for convenience. These mainly open-fronted stores usually offer local products and only rarely any popular imported products. In the larger cities however, these stores are increasingly upgrading to a ‘mini-market’ — with wider aisles and better organized shelves. They try to compete against the supermarket and hypermarket chains, while maintaining a friendly neighborhood atmosphere.³⁴ Confectionery products sold at these stores are also more catered towards children as they are more easily accessible for children than hypermarkets or premium retailers. For example, in contrast to chewing gum that is mainly bought by adults, bubble gum mainly attracts children and is predominantly sold through independent small convenience stores.

With its considerably smaller size, convenience stores carry fewer products on the shelves and limited variety in both brands and flavors. Their confectionery range of products are often locally-produced; whereas imported confectionery products in these stores are rare, if any, with most coming from the neighboring countries such as

³³ http://www.appma.com.au/wp-content/uploads/2015/02/afgc03268_malaysia_web_140627.pdf

³⁴ Ibid

Indonesia or Thailand. The limited assortment of products is due to limited storage capacity and warehousing system. Thus, most convenience stores purchase the majority of foreign products via local food distributors instead of buying in bulk from foreign manufacturers.

8.2 – Distribution

Confectionery products can take different paths to reach the retail customers. The distribution systems may involve many players – including so-called middlemen. By the time a product is placed on the shelves in a retailing outlet, it may have traveled countless miles and have been handled by many people. There are three main options of distribution systems in Malaysia: (1) via local distributors; (2) via own distribution company; and (3) via direct distribution. In order to be successful with market entry, it is recommended that companies weigh the cost and benefits of each of these distribution systems.

8.2.1 – Local Distributor

European confectionery manufacturers may find it useful to go through local distributors in order to reach the retailers. The function of a local distributor is similar to a “consolidator” in Europe – they assist both domestic as well as foreign food manufacturers in finding the right retail partners, and distribute the products in the Malaysian market. These local distributors are, however, different from the European consolidators such that they are present in large numbers in the market and consist of specialized small distributors, each with expert knowledge about the storage conditions, the logistics and the consumer market for specific types of food. With the wide range of confectionery products, it is known that some may be more temperature sensitive than others and would therefore require extra care during handling. Thus, these specialized distributors cater to the requirements of each of the different confectionery products.

Local distributors are familiar and have had relevant foot prints in the domestic market. They provide a convenient option for European confectionery manufacturers to enter the Malaysian market as the local distributors usually buy products in bulk and handle the import procedures, certification, repackaging, and sell the products to retailers. Redistribution of products by the local distributors are done either via exclusive agreement with one retailer or with several retailers at the same time. The common scenario is such that a local distributor would approach different retailers in the local market with a product catalogue containing information about the manufacturing companies the distributor is representing and about all the products offered. The local distributor would then bargain about the assortment in which the retailer is interested to carry in their stores, the amount, and finally the price. This product catalogue may also contain seasonal confectionery products during main festivities in Malaysia.

Distribution via a local distributor provides convenience and facilitated access to retailers; and is highly recommended to European confectionery manufacturers, who are new to the Malaysian market and have limited experience and understanding of the local confectionery market environment and its competitive landscape. Moreover, this distribution channel is particularly suitable for smaller European confectionery companies, with only a small sales department and no contacts in Malaysia, but wish to enjoy the advantages of the growing demand for confectionery products in Malaysia without being too overwhelmed with the import regulations, procedures and certifications. The cooperation with a local distributor is the fastest way of entering the Malaysian confectionery market and allows European manufacturers to reap advantages from the distributors’ established network to local retailers.

Engaging local distributors means the manufacturers rely a lot on these intermediaries not only in terms of finding the best retailer but also with regard to suitable promotion and pricing of their products in the Malaysian market. This also means some share of the revenue as well as some control is transferred to the local distributors. The local distributor would be profiting by selling the product at prices higher than the price at which the product was bought from the manufacturer. Further, the importance given to a manufacturer's product by the local distributors is not under the manufacturer's control. Similarly a competitor's product may enjoy greater importance as the local distributors might be getting a higher promotional incentive.

On top of that, by relying solely on the local distributor, European confectionery manufacturers may not be able to gain sufficient insights into the Malaysian confectionery market, therefore limiting further strategic plans needed to encourage business growth. 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 crucial. It is important that European companies assess what value the local distributor adds to their products and business; as well as compare the benefits received to the amount paid for using the services of the local distributors. Questions such as: 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. Finding the right local distributor is key. Many local distributors sell to specific types of retailers. For European confectionery manufacturers that are targeting a specific type of retailer, it is recommended to choose a primary distributor for that retailer.

8.2.2 – Setting up own distributor

Although engaging a local distributor may cost less than trying to run the entire distribution all by oneself, setting up an own distribution affiliate allows for more control and exclusive dealing with the retailers. This format of distribution is also further encouraged and supported by the Malaysian ministries and government agencies such as the Ministry of International Trade and Investment (MITI) and Malaysia Investment Development Agency (MIDA), which provides Investment Tax Allowances and other incentives to attract foreign companies 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 confectionery products in the ASEAN region.

Setting up an exclusive distribution affiliate in Malaysia is one way to ensure commitment on the promotion, redistribution, as well as selling of products. This further allows European manufacturers to focus on the right distribution and business strategy solely for the company. Establishing an own distribution center will cost more time and money in order to gain market intelligence, and to build up the required connections with the retailers. This, however, could be beneficial in the long run as manufacturers have much more control over own food retail market strategies as well as pricing.

To get new confectionery products onto retail shelves, manufacturers and distributors may offer to sell to retailers on consignment rather than asking for payment upfront. This is a great way to test the waters. Typically, this is a preferred method by most retailers to evaluate the market demand and consumers' preference for new confectionery brands or products introduced in the Malaysian market. Selling new confectionery products on consignment puts less pressure on the retailers as they have no money invested and are not obligated to push the sales of the products. Consequently, retailers have the right to return products which does not sell to the distributor. After a retailer has made positive experience with a product in terms of high turnover, or if retailers see large potential to sell the new products in a short period of time (e.g. in case of positive experience with similar popular products), especially larger retailers with more capital, prefer to buy products outright. Once the retailer is relatively confident about the particular products, retailers may prefer to opt for purchasing in 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.

As the internet is said to become a key battleground for the food retail industry in the future, European confectionery manufacturers may consider online distribution channels to introduce their products in the Malaysian market. Although this electronic distribution channel is still at its early stage in Malaysia, it is increasingly becoming more acceptable and preferred, despite growing in popularity at a modest pace. European confectionery manufacturers looking into setting up an own distribution channel may also consider online distribution – not only are there no listing fees for renting shelf space, online distribution also allows for better monitoring of the supply chain. Premium imported confectionery products have high potential via the online distribution system, especially to cater to the food and hospitality industry or even individual customers. Online distribution could also further offer premium seasonal confectionery products during festive seasons in Malaysia.

8.2.3 – Direct Distribution

A direct distribution is the shortest and simplest form of distribution channel of which European confectionery companies may undertake. This involve direct dealing with the retailers without any involvement of intermediaries. Direct distribution to retailers is, however, only recommended for internationally experienced European companies that possess extensive familiarity and right understanding of the Malaysian market and existing competitors. Via direct distribution, confectionery manufacturers may eliminate the cost of engaging intermediaries necessary to generate the business. It also generates personal contact with the retailers as well as allows confectionery manufacturers to keep full control of the distribution channels and promotional activities in direct agreement with the retailer – this, in turn, can ensure that the distribution is in accordance with the manufacturer's business strategy.

This system, nevertheless, would require ample commitment from the manufacturers and products may even take longer to be on the shelves of the retailers than via indirect distribution system. This is because manufacturers would need to liaise directly with the retailers which may involve regular personal meetings with the retailers. Moreover, proper knowledge of the local requirements, regulations as well as formalities is necessary for this format of distribution. This is to ensure both geographical reach and distribution volume can remain competitive in the Malaysian market.

9.– Executive Summary

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

One of the significant trends in Malaysia's confectionery market is the shift of consumer preferences to sugar-free confectionery. The sugar-free confectionery in Malaysia is expected to grow faster than sugarised confectionery as demand continues to grow due to increasing health awareness among consumers. This is also evident in the gum confectionery market where sugar-free chewing gum has experienced high growth rates over the years. Further, it can be observed that Malaysia's chocolate confectionery market in particular offers great potential to European confectionery manufacturers because it has the highest growth rates among the different confectionery segments. This is mainly driven by new tastes and changing preferences among Malaysian consumers. Meanwhile, Malaysia's market for sweet biscuits is different to European confectionery market as it is more fragmented, and is concentrated with many international brands.

The study provides an overview about the most important regulations for potential European confectionery companies such as the Food Regulations 1985 regarding labeling requirements, food additives, and packaging.

It is highlighted that Malaysia is characterized by a colorful composition of different ethnicities, cultures and religions. Due 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 also includes 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 confectionery 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 confectionery companies are able to choose their most suitable strategy, such as utilizing the excellent reputation of European confectionery 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 confectionery market to cooperate with an experienced local food distributor.

10.–Contact List

10.1 – 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
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 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
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

10.2 – 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://presto.my
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

10.3 – Others

Company & Address	Contact
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	Contact
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	Contact
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: www.eumcci.com Email: eumcci@eumcci.com

11.–References

Resources

Euromonitor International, Euromonitor Market Report 2015 – Packaged Food

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

World Trade Atlas, MATRADE Business Information Centre (BIC)

Online Resources

Department of Statistics Malaysia,
<https://www.statistics.gov.my> (accessed on 17th June 2015)

Finanzen.net,
http://www.finanzen.net/devisen/us_dollar-malaysischer_ringgit-kurs (accessed on 10th July 2015)

Halal Industry Development Corporation,
http://www.hdcglobal.com/publisher/bhihc_pro_and_req (accessed on 29th July 2015)

International Monetary Fund,
<http://www.imf.org/external/pubs/ft/survey/so/2015/car030315c.htm> (published on 3rd March 2015)

Jakim Halal Certificate,
http://www.dagangasia.com/download/Checklist%20of%20JAKIM%20Halal%20Certificate_AGENT.pdf
(accessed on 13th August 2015)

Malaysia External Trade Development Corporation (MATRADE),
<http://www.matrade.gov.my> (accessed on 2nd June 2015)

Ministry of Health,
<http://fsq.moh.gov.my/v4/index.php/perundangan2/food-regulations-1985> (accessed on 23th August 2015)

Nations Online Project,
http://www.nationsonline.org/oneworld/map/malaysia_map.htm (accessed on 19th August 2015)

The Star,
<http://www.thestar.com.my/Business/Business-News/2015/01/13/GDP-growth-seen-at-55-this-year-Economists-see-slowdown-in-consumer-spending-in-first-half-on-goods/?style=biz> (published on 13th January 2015)

Trading Economics,
<http://www.tradingeconomics.com/malaysia/gdp-growth-annual> (accessed on 10th August 2015)

World Bank Database,
<http://data.worldbank.org> (accessed on 3rd august 2015)

This publication is co-funded
by the European Union



www.eumcci.com



CONTACT DETAILS:

Suite 10.01, Level 10, Menara Atlan, 161B Jalan Ampang, 50450 Kuala Lumpur, Malaysia
Tel: +603 2162 6298 Fax: +603 2162 6198 E-mail: eumcci@eumcci.com

For more information, helpdesk for EU companies can be found at www.eu-sme.my and www.eu-sme.com.my