Australia’s third largest market, Malaysian dairy consumption is relatively high compared with the rest of Asia. Malaysia also imports a large amount of dairy for its extensive food manufacturing and processing industry.

Global Exports to Malaysia in 2015/2016
Rank at #10 in the global dairy market (by volume).
Destination for 352.5 thousand tonnes of dairy product, worth US $797.6 million (June 2015 to May 2016).
Exports to Malaysia have increased by 27.3% over 5 years.
The biggest volume growth (product categories exceeding US$20 million) has been in: Milk (76%), Butter (58%), Butter Oil (54%), Casein (53%) and WMP (45%).
The biggest volume decline (product categories exceeding US$20 million) has been in: Infant Powder (-4%).

Australian Market Share in 2015/2016
Rank at #3 in the share of the Malaysia import volume.
Destination for 53.7 thousand tonnes of Australian dairy product, worth US $137.4 million (June 2015 to May 2016).
Exports to Malaysia have increased by 90.7% over 5 years.
The biggest volume growth (product categories exceeding US$1 million) has been in: Milk (291%), SMP (179%), Yogurt (84%), WMP (55%) and Condensed Milk (54%).
The biggest volume decline (product categories exceeding US$1 million) has been in: Infant Powder (-80%), Butter Oil (-41%) and Whey Powder (-15%).

Tariff Environment
Trade between Australia and Malaysia is covered by overlapping agreements, including the Australia ASEAN New Zealand Free Trade Agreement (AANZFTA) and the bilateral Malaysia Australia Free Trade Agreement (MAFTA). Malaysia is also a signatory to the TPP. Exporters are encouraged to consult a customs broker to explore which agreement offers the greatest benefit. A summary of current tariffs for the major dairy categories imported by Malaysia can be found in Figure 7.

Key International Marketing Programs and Initiatives
Dairy Australia is involved in a number of marketing programs and promotional activities in Malaysia, such as cooking demonstrations and classes in premium hotels and hospitality colleges led by Chef Tim Hollands (#OzChefTim). Dairy Australia also selects Malaysian participants for the South East Asia Dairy Scholarship. Begun in 2015, the program familiarises students and food industry representatives from the region with aspects of the Australian dairy industry, including on-farm production, processing and manufacturing. The program stresses Australia’s clean environment, product quality and strict food safety standards.

Market Developments
Malaysia is a middle-income country with a high degree of trade-openness and an important market for Australian dairy products. Malaysian per capita dairy consumption is relatively high compared to other Asian countries, at over 50kg MEQ/per person/per year, much of this in the form of liquid milk and drinking yoghurt, whilst cheese is significantly less popular. Within the FMCG sector, the dairy segment is dominated by large international companies such as Fonterra, Nestle and FrieslandCampina, which have all expanded their presence in the higher-margin branded segment. Recently, concerns about Malaysia’s obesity rate (the highest in Asia), have seen government efforts to regulate the sale of sugary beverages. There is also growing consumer health-consciousness, with more consumers seeking reduced calorie and sugar-free food items.

Malaysia has an extensive food processing and manufacturing sector, in many cases owned by major dairy exporters such as Fonterra, for both domestic and export markets. In 2015 Malaysia exported 205 thousand tonnes of dairy products, of which condensed milk accounted for almost 80 thousand tonnes. Growth in local processing has also seen a change in the composition of Malaysia’s imports, with a decline in imports of condensed milk and infant formula, and strong growth for segments such as lactose, casein and whey powder. Malaysia’s small domestic dairy supply means this sector is heavily reliant on imports of dairy ingredients. Australian exports tend to focus on this market, rather than the retail channel.

Malaysia also has no domestic cheese production, meaning all whey and cheese must be imported. Whilst this might suggest a large potential export market, cheese is not a traditional element in Malay cuisine and not consumed often within households. Consumption of cheese is thus driven largely by demand for ‘westernized’ food, meaning cheese exports primarily supply the food service sector.
### Figure 1 Dairy imports (Republic of Korea)

<table>
<thead>
<tr>
<th></th>
<th>Market Share (USD)</th>
<th>Volume (thousand tonnes)</th>
<th>Value (million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011/12</td>
<td>2015/16</td>
<td>2011/12</td>
</tr>
<tr>
<td>Butter Blend</td>
<td>36.3</td>
<td>35.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Cheese</td>
<td>43.0</td>
<td>50.9</td>
<td>7.6</td>
</tr>
<tr>
<td>Milk</td>
<td>22.4</td>
<td>55.9</td>
<td>3.9</td>
</tr>
<tr>
<td>SMP</td>
<td>12.1</td>
<td>19.7</td>
<td>9.4</td>
</tr>
<tr>
<td>Whey powder</td>
<td>4.5</td>
<td>3.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Total Imports</td>
<td>11.7</td>
<td>16.1</td>
<td>32.8</td>
</tr>
</tbody>
</table>

### Figure 2 Top dairy exports by volume (Malaysia)

- Whey powder: 20%
- SMP: 26%
- Cheese: 6%
- Other: 21%
- Milk: 6%

### Figure 3 Top dairy imports by USD value (Malaysia)

- Whey powder: 24%
- SMP: 24%
- Cheese: 15%
- Other: 11%
- Milk: 4%

### Figure 4 Top Australian dairy exports by volume (Malaysia)

- SMP: 41%
- WMP: 30%
- Butter: 8%
- Milk: 8%
- Cheese: 39%

### Figure 5 Top Australian dairy exports by USD value (Malaysia)

- SMP: 30%
- WMP: 6%
- Milk: 8%
- Cheese: 39%
- Butter: 8%

### Figure 6 Australia’s exports (Indonesia)

<table>
<thead>
<tr>
<th>Product</th>
<th>Market Share (USD)</th>
<th>Volume (thousand tonnes)</th>
<th>Value (million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter Blend</td>
<td>36.3</td>
<td>35.4</td>
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<tr>
<td>Total Imports</td>
<td>11.7</td>
<td>16.1</td>
<td>32.8</td>
</tr>
</tbody>
</table>

### Figure 7 Dairy tariffs (Indonesia)

<table>
<thead>
<tr>
<th>Tariff Category</th>
<th>Product Category</th>
<th>Applied Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>040120100</td>
<td>Milk and cream, not concentrated nor containing added sugar or other sweetening matter; of fat content by weight, exceeding 1% but not exceeding 6%, in liquid form.</td>
<td>0.00%</td>
</tr>
<tr>
<td>040210000</td>
<td>In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5%</td>
<td>0.00%</td>
</tr>
<tr>
<td>040510000</td>
<td>Butter and other fats and oils derived from milk; butter</td>
<td>0.00%</td>
</tr>
<tr>
<td>040630000</td>
<td>Processed cheese, not grated or powdered</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

**Tariffs**

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

Contact Laurie Walker | (03) 9694 3751 | lwalker@dairyaustralia.com.au

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