



FOOD PROCESSING INDUSTRY



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STRATEGIES AND POLICIES

TARGETS

1.01 During the IMP3 period, 2006-2020, the food processing industry will be expanded and diversified towards making Malaysia a regional food production and distribution hub, with particular emphasis on *halal* foods. Greater initiatives on total factor productivity (TFP) growth will be undertaken to strengthen the competitiveness of the industry. These include upgrading human resource and technology, enhancing R&D, undertaking the production and export of high value-added and niche products, and adopting quality standards. Targets have been set on investments and exports for the industry:

- total investments in the industry at RM24.6 billion for the entire IMP3 period, or RM1.6 billion per annum; and
- exports to grow at an average annual rate of 7.8 per cent to reach RM24.2 billion by 2020 (Table 1.1).

TABLE 1.1

PROJECTIONS FOR THE FOOD PROCESSING INDUSTRY

	2006-2010	2011-2015	2016-2020	2006-2020	2006-2020
	(RM billion)				Average Annual Growth (%)
Investments	6.5	8.2	9.8	24.6	5.3
Investments per year	1.3	1.6	2.0	1.6	n.a. ¹
Exports (end period)	13.5	18.3	24.2	24.2	7.8

Note: ¹ Not applicable

Source: Ministry of International Trade and Industry

STRATEGIC THRUSTS

1.02 To meet the targets, seven strategic thrusts have been set:

- (1) ensuring the availability of the supply of raw materials;
- (2) expanding and diversifying food processing activities and promoting the growth of the targeted areas;
- (3) enhancing sectoral linkages and support services;
- (4) intensifying R&D;
- (5) enhancing the competitiveness of and increasing the export of Malaysian food products in the regional and international markets;
- (6) strengthening human resource development (HRD); and
- (7) strengthening the institutional support and delivery system for the further development and promotion of the industry.

(1) ENSURING THE AVAILABILITY OF THE SUPPLY OF RAW MATERIALS

1.03 During the IMP3 period, the production of food commodities is expected to grow at an average rate of 7.6 per cent per annum. Towards achieving the growth target in production, the Government will continue to promote modern and large scale farming to increase the supply of locally available raw materials, through new land development, replanting, land consolidation and rehabilitation, and productivity improvement. In respect of the supply of fish, the existing fish landing complex in Tanjung Manis, Sarawak, will be further developed into an integrated deep sea fishing complex. The policy to allow imports of raw materials duty-free for the food processing industry will be continued. This is to ensure that the industry is able to source raw materials at competitive prices. The private sector, including agriculture-based Government-linked companies (GLCs), will be encouraged to expand and undertake outward investments in resource rich countries, to supplement and secure the supply of raw materials, on a long term basis, for downstream processing.

(2) EXPANDING AND DIVERSIFYING FOOD PROCESSING ACTIVITIES AND PROMOTING THE GROWTH OF THE TARGETED AREAS

1.04 Food processing companies will be encouraged to expand and diversify their product range in the targeted growth areas:

- convenience foods, with a focus on the growing niche market for ethnic foods;

- functional foods, focusing on developing products using Malaysia's traditional herbs;
- food ingredients; and
- *halal* foods.

1.05 Measures to encourage investments in the industry and related services include:

- reviewing the present incentives and facilities to promote a shift towards higher value added food production; and
- encouraging the establishment of regional production and distribution facilities.

1.06 Related support services will be further developed and promoted to meet the increasing requirements of the industry, including:

- laboratory services for chemical testing, microbiology testing, testing of compounds, nutritional labelling and traceability testing;
- auditing services for companies applying for the HACCP certification; and
- integrated logistics, including efficient and cost effective cold chain facilities, warehousing, packaging and bulk breaking of raw materials.

(3) ENHANCING SECTORAL LINKAGES AND SUPPORT SERVICES

1.07 Linkages between the food-based industry with other related industries and support services will be strengthened, including encouraging:

- local manufacturers of machinery and equipment to collaborate with the food-based industry to customise their machinery and equipment; and
- the packaging industry to collaborate with the food processing manufacturers, in keeping pace with advances in technologies, to meet rising consumer expectations and new lifestyles, in terms of convenience and aesthetics.

(4) INTENSIFYING RESEARCH AND DEVELOPMENT

1.08 Food manufacturers will be encouraged to:

- undertake research, on their own or in collaboration with research institutes, in product development, to keep pace with changing consumer tastes and preferences;
- commercialise R&D findings of public research institutes, such as MARDI and Malaysian Cocoa Board;

- leverage upon emerging technologies, such as biotechnology and nanotechnology, to develop new products and improve the technology in food processing; and
- develop centres of excellence for biotechnology-based food production and processing.

1.09 Technologies which will be enhanced include:

- integrating product and process designs to improve cost and quality, and reduce the time-to-market requirement;
- food preservation and packaging technologies, by incorporating food safety and sanitation practices for foods which undergo minimum processing and food products which do not use preservatives;
- extraction and purification technologies, including the application of biotechnology, to obtain bio-active substances for food ingredients. Processes such as heat, fermentation, mechanical compression and immersion, will be further developed; and
- efficacy analysis and standardisation, which are important in the processing of functional foods and food ingredients.

(5) ENHANCING COMPETITIVENESS AND INCREASING EXPORTS

1.10 Measures will be undertaken to promote Malaysia's image as a source of supply of safe and quality food products:

- promoting Malaysia's *halal* certification, based on MS1500:2004, as the premium standard in the world market for the production, preparation, handling and storage of *halal* foods;
- ensuring the entire supply chain, from farm to plate, complies with the *halal* requirements;
- establishing a one-stop centre to facilitate the compliance on food safety and quality; and
- encouraging the industry to adopt a self-regulatory approach in meeting the requirements on safety and quality.

1.11 Measures will be undertaken to enhance the competitiveness of and exports of Malaysian foods:

- developing a specific theme for recipe-based ethnic food products, such as 'Malaysia - The Tastes of Asia' and 'Malaysia - The Truly Asian Kitchen';
- developing programmes with Tourism Malaysia to promote Malaysian foods overseas;

- enhancing the role of MATRADE in promoting agro-based products;
- making available Malaysian agricultural specialists in selected countries having high market potential, to promote agriculture produce and agro-based food products;
- encouraging strategic partnerships with companies overseas with strong marketing networks;
- encouraging branding and product differentiation by nurturing the development and promotion of indigenous brands, as well as encouraging local companies to acquire known brands in overseas market, through mergers and acquisitions (M&As);
- promoting the establishment of Malaysian food outlets and restaurants overseas;
- enhancing the access into market information using ICT, as well as encouraging the trading of food products through e-commerce;
- encouraging food-based cluster development, which will involve the provision of comprehensive services and facilities to improve the efficiency and reduce the costs of production. This will include the establishment of integrated *halal* hubs in Kedah, Perlis, Seberang Prai in Pulau Pinang, northern Perak and Pahang, and the development of a new biotechnology centre and a beef valley in Negeri Sembilan;
- encouraging outward investments in cost competitive locations to sustain the competitive edge of local food manufacturers; and
- strengthening the existing support programmes to facilitate the application of modern processing technologies, innovative packaging and branding.

(6) STRENGTHENING HUMAN RESOURCE DEVELOPMENT

1.12 HRD will be strengthened in the following areas to support the growth of the industry and enhance productivity:

- encouraging the industry to collaborate with universities and training institutes to produce the required workforce to support new technologies in areas such as product and process design integration, food preservation, packaging, extraction and product development. In addition, collaboration will include the development of joint apprenticeship programmes;
- encouraging universities and training institutes to expand their courses to produce the required expertise, such as food technologists, biotechnologists, application specialists and analytical chemists; and
- improving the knowledge and training in GMP and HACCP.

(7) STRENGTHENING THE INSTITUTIONAL SUPPORT AND DELIVERY SYSTEM

1.13 Measures will be undertaken to enhance the institutional support for the further development of the industry:

- strengthening the advisory and promotional roles of the Food Safety and Quality Division of the Ministry of Health to improve the food safety and quality standards of the industry, especially among the SMEs;
- strengthening the enforcement on compliance with food regulations. The public sector food testing facilities will be expanded, in tandem with the increasing demand for health certification by the industry; and
- enhancing the role of MARDI in R&D of value-added products, as well as collaboration with the industry. The R&D facilities of the institute will be expanded to accommodate the expected demand for research in product development.

Under the RMK-9, *Halal* Industry Development Board will be established, with the lead role of developing and promoting the *halal* industry.

1.14 In respect of improving the delivery system, measures which will be undertaken include:

- the Government continuing to collaborate with trade, industry and consumer associations in providing a comprehensive education programme on food safety and quality. This will contribute towards inculcating a culture of food hygiene, safety and quality among the manufacturers and distributors; and
- establishing an on-line food industry portal which will, among others, provide comprehensive information to industry on the various support programmes provided by the Government and facilitate the flow of information among various Government agencies involved in providing services and granting the necessary approvals to the industry, for example, approvals for health and *halal* certifications.

1.15 Assistance programmes will be provided to support the industry in complying with standards and undertaking R&D. Areas of assistance include:

- renovation and plant re-design, to enable food manufacturers to comply with safety and quality standards, especially for HACCP and *halal* certifications; and
- technology development up-scaling by public sector research institutes to assess the viability of R&D projects for commercialisation.