

## **Competitiveness of Malaysian fresh agricultural and agro-based products in global markets: A case study in the United Arab Emirates**

(Daya saing produk segar dan produk berasaskan pertanian Malaysia di pasaran global: Kajian kes di Amiriah Arab Bersatu)

Roslina Ali\* and Rozhan Abu Dardak\*

Keywords: agricultural fresh and processed products, UAE, export markets, competitiveness

### **Abstract**

This study was conducted to evaluate the competitiveness of Malaysian fresh and agro-based products marketed in the United Arab Emirates (UAE). Both primary and secondary data were utilised and mainly obtained from in-depth interviews with selected major industry players through purposive sampling approach involving importers, supermarkets' procurement manager, trade commissioner and agriculture counselor in Dubai. Some information were gathered from in-store observations to assess the current status of Malaysian agricultural products at different marketing channels in Dubai including hypermarkets, supermarkets, convenience stores and traditional grocery stores. Results of the study revealed that tomatoes, jackfruits, rambutans, starfruits and sugarcanes are competitive. Instant drink coffee, instant noodles, biscuits and frozen *paratha (roti canai)*, tomato and chilli sauces manufactured by Malaysian multinational companies are competitive in Dubai market. Local consumers perceived that Malaysian fresh agricultural products are good quality, thus, repositioning Malaysian products as premiums would be a pertinent strategy for Malaysia to penetrate local and expatriate market segments that are of higher purchasing power, rather than going to mass markets. This strategy would remedy the issue of inconsistent and insufficient supply of the Malaysian fresh agricultural produce in the UAE.

### **Background**

The global demand for agricultural products is growing rapidly and is expected to increase by 10% between 2010 and 2015 (USDA 2013). The growing world demand for agricultural produce creates an opportunity for Malaysia to expand its export markets and contribute to the Gross National Income since global trade is a significant component of Malaysian economy. Currently, the value of agricultural trade is more than double that of Gross

Domestic Product, with the gross exports amounting to RM1.16 trillion in 2009 and expected to nearly double to RM2.19 trillion in 2015.

Subsequently, the major objective of the third Industrial Master Plan (IMP 3) 2006 – 2020 is to achieve global trade competitiveness through transformation and innovation of the manufacturing and service sectors including agro-based industries. One of the strategic thrusts is to enhance Malaysia's position as a major trading nation

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\*Economic and Management Research Centre, MARDI Headquarters, Serdang, P.O. Box 12301, 50774 Kuala Lumpur

E-mail: elyna@mardi.gov.my

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through increasing exports, developing and promoting Malaysian brands, enhancing exports through compliance with international standards, and nurturing domestic companies (i.e. GLCs and SMEs) to become globally competitive (Ministry of International Trade and Industry). The emphasis of expanding export markets became a policy thrust in the third National Agricultural Policy (2006 – 2010) and this mainstay persist emphasising under the National Agro Food Policy (2011 – 2020).

In spite of increases in the overall agricultural trade, the export earnings for agro-food products were deteriorated from RM108,686 million to RM86,858 million within 2008 and 2009 period, but gradually increased afterwards from RM106,099 million (2010) to RM119,648 million (2012). However, food export bills varied within the few past years (2008 – 2010) and slightly increased in recent years from RM20,494 million to RM20,620 million in 2011 and 2012 respectively. Agricultural fresh products, particularly fruits and vegetables, indicated growing signs even though contributing small proportion to the total food export, from 6.4% (2008) to 6.7% (2012).

For decades, Malaysia relied on Singapore as its traditional export market as compared to the other international marketplaces. *Table 1* shows that Malaysia exported fresh fruits valued nearly RM49 million to Singapore as compared to Netherlands (RM6.7 million), United Arab Emirates (RM2.6 million) and United Kingdom (RM1.9 million) in 2012.

*Table 1* indicated the significance of Malaysian fresh fruits export in generating income and expanding economy. Malaysia needs to penetrate to new potential markets instead of relying to only selected traditional markets. In line with the government's mandates, economic prospects and trends, it is timely for Malaysia to enhance its agricultural products competitiveness which requires focusing in promoting agricultural industries to global markets. Thus, the main

Table 1. Exports of Malaysian fresh fruits to selected countries (RM million), 2006 – 2012

	2006	2008	2010	2012
Singapore	39.4	39.4	40.1	48.8
Netherlands	6.4	7.5	8.8	6.7
Indonesia	4.6	5.4	7.3	5.7
Thailand	2.1	1.6	5.8	7.1
United Arab Emirates	1.8	1.9	3.5	2.6
United Kingdom	0.4	0.4	0.2	1.9

Source: Euromonitor (2006 – 2012)

purpose of this study was to evaluate the competitiveness of Malaysian agricultural products (fresh and processed) in the UAE market. The specific objectives were:

- 1) To assess market acceptance and market behaviour for Malaysian agricultural products with respect to brands and co-brands including country brands and accredited logo.
- 2) To identify significance factors that encouraged global industry players to procure Malaysian agricultural products.

### Market scenario of United Arab Emirates

The United Arab Emirates or UAE is a country located in the Southeast end of the Arabian Peninsula on the Persian Gulf. In 2013, UAE total population was 9.2 million, of which 1.4 million are Emirati citizens and 7.8 million expatriates. The UAE is a modern country and is the second largest economy in the Arab world after Saudi Arabia, with a gross domestic product (GDP) of more than USD370 billion in 2013. It employs a pro-business policy and was ranked the 11th best nation in the world in 2011, for doing businesses, based on its economy and regulatory environments.

The UAE, specifically Dubai has emerged as a leading regional commercial hub with state-of-the-art infrastructure and a world-class business environment. Dubai serves as the economic hub for Middle East and one of the largest importers of foodstuff in the region which the current value is USD5.32 billion. More than 75%

of its imported foods are for re-exporting to other Gulf countries. It has now become the logical place to engage businesses in the Middle East, providing investors with comprehensive value added platforms. With its strategic location and consistently strong economic outlooks, Dubai is the ideal base for multinationals and other companies targeting markets in Central Asia, the Middle East, Africa, the Asian Subcontinent and the Eastern Mediterranean.

Currently, the global city of UAE has moved to position itself as the global hub for Halal products which provide Malaysian companies a gateway for entering Halal food to the Middle East markets as well as expanding to other bordering regions including North Africa and Europe. As the leading regional trading hub, Dubai offers access to a market of outstanding potential for overseas companies in a wide range of sectors. UAE is the 15th biggest importer for food in 2012 (USD16 billion). According to the International Trade Statistics, UAE's imports of food represent 1.1% of the world's imports in value. The annual percentage increase in food imports recorded at 13% (WTO 2013).

The GULFOOD, one of the largest international food and hospitality trade exhibitions in Dubai designated Malaysia's largest participation of 70 companies, comprising 29 new exhibits every year. In 2012, from the participations, this marketing programme generated sales of RM638.9 million and received a total of 19,856 trade enquiries. According to MATRADE, Malaysian food products are well accepted and widely available in most supermarkets in this region. Agriculture-based food products were major products promoted by various companies such as palm oil-based products, beverages, food ingredients, confectioneries, sauces and paste, frozen foods and bakery products.

Currently, the exports of Malaysian processed food products to UAE increased from RM304 million in 2012 to RM334.4 million (2013). It is projected that the

growth will sustain in the future. The significant factors of being widely accepted by consumers in the UAE are that the Malaysian products have been perceived as of high quality, have many varieties and Halal (permitted under Islamic law). Besides the growing local market, UAE has also established itself as the re-export centre of the Middle East to supply to more than 2 billion people in the region including Africa, Iran, Iraq, Gulf countries, CIS countries, India and Pakistan.

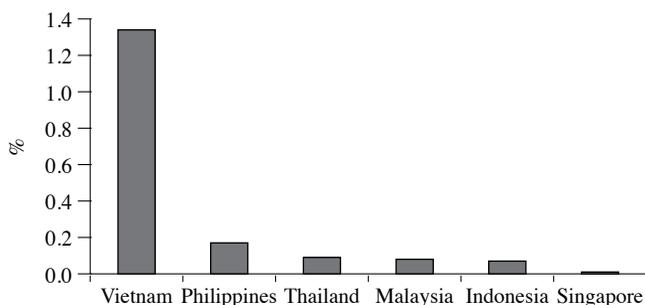
Malaysia has been recognised as one of the major food exporters in the UAE market, contributing shares ranging 5.5% – 11.9% within 2008 – 2010. The main exporter was India, followed by the United States and China (*Table 2*). However, for fresh and agro-based products, Malaysia contributed a very low share market, around 0.08% of the total UAE's import from Asian countries (*Figure 1*). Thus, it is timely for Malaysia to take the opportunity to expand its market share for fresh and processed agricultural products in the UAE and Middle East markets.

In general, the attractiveness of UAE market can be analysed using SWOT matrix as presented in *Table 3*. The SWOT analysis revealed that UAE is a high potential market for Malaysian agricultural fresh and processed products due to its second largest economy in the Arab continents (after Saudi Arabia). The economy was expected

Table 2. Major exporting countries for food to UAE, 2008 – 2010 (AED bn.)

	2008	2009	2010
India	7.2	6.1	6.5
United States	2.5	3.1	4.1
China	1.1	0.9	1.3
Malaysia	1.7	0.7	0.9
Thailand	0.9	0.8	0.7
Philippines	0.4	0.4	0.4
Indonesia	0.3	0.4	0.4
Total	14.2	12.7	14.4

Source: National Bureau of Statistics, UAE (2008 – 2010)



Source: National Bureau of Statistics, UAE (2012)

Figure 1. UAE: Average market shares for fruits, vegetables and agro-based products from Asian countries (%), 2012

Table 3. Results of SWOT analysis for the UAE market

Dimension	Factors
Strength	<ul style="list-style-type: none"> <li>i. UAE is a developed high income economy</li> <li>ii. The emirates are the global city and business gateway</li> <li>iii. Broaden market access with expanding economics</li> <li>iv. Stable political and environment conditions</li> </ul>
Weakness	Highly competitive markets (more than 160 countries exporting products to UAE)
Opportunity	<ul style="list-style-type: none"> <li>i. Less stringent trade requirements, regulations and laws</li> <li>ii. More than 50% of the population are from South East Asia, which are regular consumers of Asian products</li> <li>iii. Highly relied on food imports (more than 75% staple and necessities food products are imported)</li> <li>iv. Halal products are recognised</li> </ul>
Threat	Most food importers are among neighbouring countries (i.e. India, Sri Lanka, Morocco)

to grow between 4% and 4.5% per year. The markets create prospects to exporters since the regime is open, low tariffs and few non tariff barriers to trade. The current trade requirements are more flexible and the emirates are significantly depending on food imports. The market barriers include extremely competing with many other countries, particularly the nearer location to the UAE.

### Methodology

Both primary and secondary data were utilised in this study. The major data were obtained from in-depth interviews with selected industry players and in-store observations for current status of Malaysian agricultural products at various categories

of grocery outlets in Dubai in November 2013. A purposive sampling approach was applied to select industry and market players in both Malaysia and Dubai, and the scope of the study is Malaysian agricultural fresh and agro-based products. The interviews involved 11 industry players and their specific job functions are shown in *Table 4*.

The respondents were selected from industry players who have been engaged in both fresh agricultural and processed products industries in the UAE markets. They have been involved in importing fresh and processed agricultural products for their supermarkets, hypermarkets or as importing agents for other customers in Dubai. Data were also collected from in-store observations at various categories

of grocery outlets such as small retail stores, supermarkets and hypermarkets, including Lulu Hypermarkets, Carrefour, Spinneys, Sunrise Supermarkets, Tesco, Union Coop, Citi Mart Supermarkets and Geant. The observation aimed to identify fresh and agro-based products that are imported into Dubai, their competitiveness as compared with other similar products category from other countries and the general acceptance by consumers.

The observation focused on product classification (i.e. fresh, processed), product categories (i.e. fruits and vegetables, sauces, beverages, food ingredients, instant food, confectioneries, snacks) product locations, prices, products origins, product shelf placement and product brands and co-brands. All data were analysed using qualitative approach, such as grouping, coding and describing. These analyses are essential to understand the competitiveness and position of the Malaysian agricultural products in the UAE markets.

Table 4. Total of respondents: Job functions

Industry player	Sample size (n)
Importers	5
Procurement managers	2
Trade representative	1
Agriculture counselor	1
Exporter	1
Importing agent	1
Total	11

Table 5. Major fresh tropical fruits in the UAE markets

	Banana	Papaya	Pineapple	Mangosteen	Jackfruit	Rambutan	Starfruit	Mango	Sugarcane
Malaysia					√	√	√		√
Thailand		√	√	√	√	√		√	
Indonesia				√				√	
India	√	√			√			√	√
Sri Lanka	√	√			√			√	
Philippines	√		√						
Costa Rica	√	√						√	

## Results and discussion

The UAE employs an open market and business friendly policy. This policy creates an opportunity for the exporters from all over the world to trade their products in the UAE. It is reported that more than 150 countries exported their products to this country, and thus the competition is very stiff.

### *Competitiveness of fresh agricultural produce*

In general, many similar fresh tropical agricultural produce are marketed in Dubai such as banana, pineapple, rambutan, mango and jackfruit, which are imported from different countries including India, Sri Lanka, Brazil, Thailand, Vietnam and Malaysia. Generally, fresh tropical fruits and vegetables are homogenous, and thus very difficult to differentiate a product imported from one country to another. Some fresh tropical agriculture products marketed in Dubai are presented in *Table 5*.

Malaysian fresh agricultural products found in Dubai during the study were tomato, jackfruit, starfruit, rambutan and sugarcane. These products were traded by different exporters and using different company's brand. The local consumers perceived that the Malaysian fresh agricultural products to be of high quality and well-packed. Many consumers prefer fresh products from Malaysia and thus, the demand is always high and increasing.

Tomato has been recognised as the most competitive fresh agricultural produce from Malaysia. Some products' attributes that satisfy local consumers are as follow:

- |            |  |
|------------|--|
| Jackfruits | <ul style="list-style-type: none"> <li>• Golden flesh</li> <li>• Crunchy flesh</li> <li>• Medium in size</li> </ul>  |
| Sugarcane  | <ul style="list-style-type: none"> <li>• Juicy (produce more juice)</li> <li>• The juice is sweeter than that of the competitors</li> <li>• Better colour (greenish as compared to blackish by other competitors)</li> </ul> |
| Tomato     | <ul style="list-style-type: none"> <li>• Medium in size</li> <li>• The colour is reddish</li> <li>• The fruit is firm and crunchy</li> <li>• Less juice that suitable for salad</li> </ul>                                   |

The Malaysian tomato is recognised as of high quality product, compared to Indian, Sri Lankan, Jordan and Moroccan tomatoes. Most industry players believed that Malaysian tomato is very competitive and highly acceptable by local consumers, placing at more spacious and strategic areas in most grocery stores than that of other tomatoes from India, Sri Lanka, Jordan and Morocco. The quality of Malaysian tomato is implied by its price since consumers are willing to pay higher price for a high quality product. The price is DH8.95, as compared with India (DH6.50), Jordan (DH6.75), Holland (DH13) and France (DH26.26) (1DH = RM0.87).

The demand for Malaysian tomato is higher than others due to the most preferred attributes which satisfy locals' consuming for salad. The attributes demand is also high during winter season in the northern Gulf countries such as Morocco since these countries are unable to grow and export their products to the UAE. The Malaysian companies should seize the opportunity during these seasons and equip with sufficient quantity.

### ***Competitiveness of agro-based products***

In general, the competition in trading of agro-based products in the UAE is stiffer than fresh products. The Comtrade (2013) reported that more than 165 countries exported their processed products to the UAE markets. The widely marketed products include sauces and condiments, particularly chilli sauce, tomato sauce and soy sauce, followed by cordials and instant drinks.

There are many processed products of different product categories from Malaysia have been traded in the UAE, such as sauce, cordial, instant noodle, beverages, candy and chocolate, biscuit and frozen food. In this study, the competitiveness of products from Malaysia is determined by the placement of the products on the shelves, the locations of product displayed and the prices. Generally, competitive and fast selling products are placed at the eye-level shelves and located at the main entrance or strategic locations in the grocery stores. The supermarket also provides more spaces to promote the selected products.

For processed products, Malaysia's Alicafé is highly recognised and accepted brand for instant drink products, followed by Maggi and Kimball sauces products. These products are also placed at the top or eye-level shelves in the most stores. The eye-level products represent premium, highly demanded, widely recognised, and well accepted in the markets which positioning strategically in any grocery stores. The other Malaysian products such as Cocoon candies and jelly, Kipas Udang soy sauce and Babas curry powder are placed at the bottom shelves in most stores implying less competitive products regarding to the quality and demand in the markets.

Imported products from Europe (EU) and USA are highly recognised in terms of product quality and brands compared to products from other countries such as Thailand, Singapore, Indonesia, India and Sri Lanka. The Emirates also produce processed products domestically and these

products are positioned on the eye-level shelves, followed by the products of EU and USA.

### ***Impact of brand***

Brand is referred to name, phrase, design, symbol or a combination of these to identify the goods and services of one seller or a group of sellers, and to differentiate them from those of competitors (Kotler 1976). The basic purpose of branding a product is to be different. Osler (2003) suggests that companies use brand as a way to position their products in marketplace, focus their messages and create competitive advantages.

This study found that most exporters used company's brand and country name as the identification of their agricultural products. The company's brands and country names are stamped on the box that contains a number of fruits or vegetables. Very few companies used stickers or tags on the individual fruits, vegetables or packaging. However, when the fruits or vegetables are displayed in the supermarkets or hypermarkets, they are put altogether in display containers and identified as a product of certain countries. In this regards, country name or country of origin takes place the company's brands. For example, all tomatoes from Malaysia are displayed under the country brand of Malaysia, even though they grow or produce from different farms or companies.

These findings implied that generally, brands do not have significant impacts on fresh agricultural products in the UAE. Consumers did not recognise individual brand as an identification of a product, instead, consumers identified an agricultural product through its country of origin. In other words, country brand or country of origin is more important than the company's brand for agricultural products marketed in the international arena. One of the important findings is that consumers treated all agricultural commodities from the same country similarly, except the accredited

products with international standards such as good agriculture practice (GAP).

Co-brandings come with countries and accredited logos also did not contribute to significant additional values to fresh products. For example, fresh products, tagging with 1Malaysia Best, Malaysia Brands and Product of Malaysia, MyGap, MS ISO 9001, and SOM labels had no value added and would not be able to offer at premium prices. However, accredited products through global accreditations or standard such as EuroGap and WorldGap added relatively high values. Thus, exporters need to comply with the international standards and use the accredited logo as co-brands.

On the other hand, brands and co-brands played pertinent roles in marketing agro-based or processed products since consumers highly recognised the brands. Consumers use brand as an identification of a product. They recognise a brand and associate with either a premium or standard or low quality products. In the UAE markets, Malaysia is well recognised as Muslim country and Malaysian products are associated with high quality and Halal for both fresh and processed. The country brands and accreditations such as MS ISO 9001, HACCP and Halal (particularly Muslims' consumers) are adding values for processed products. For example, in Lulu Hypermarket, Malaysian jelly products (Cocoon brand) are repacked by the store as its store-brand because of high quality. With this store-brand, the products are strategically placed such as at the entrance and near to the store counters. This could imply the appreciation of Malaysian products by the market players in the UAE.

### **Conclusion and recommendation**

Malaysian fresh agriculture and agro-based industry products are competitive in the United Arab Emirates, especially in Dubai markets. Tomato is the most competitive fresh agricultural products, followed by jackfruit, rambutan and sugarcane. These

products are highly accepted by local consumers and perceived as high quality or premium products. The pertinent issue that has not been resolved for many years is the capability of Malaysian exporters to fulfil the higher demand for those products, especially during the particular period. For example, the demand for tomato reaches the peak during Ramadan, but Malaysia is often lacking in supplying the products sufficiently and consistently.

On the other hand, Malaysian agro-based brands are well known among consumers in Dubai. They associated Malaysian brands with high quality or premium products. For example, Alicafé has been recognised as energy booster in Dubai, thus, the product has been accepted by all categories of people. Alicafé is found in almost all categories of grocery stores and placed at strategic locations. This implied that Alicafé is one of the most competitive agro-based products in Dubai.

Generally, brands do not contribute significant impacts to marketing agricultural products in the UAE, particularly fresh products. Fresh products are mostly recognised through the country of origin. This implies that brands are less important in making decision to purchase fresh products. Fresh produce attach 1Malaysia Best, Malaysia Brands and Product of Malaysia, MyGap, MS ISO 9001, GMP and SOM labels had no added values to products and prices compared to the global accreditations such as EuroGap and WorldGap which adding high values.

In contrast, brands and co-brands play important roles in marketing agro-based or processed products since consumers highly recognised the brands. In the UAE markets, Malaysia is well recognised and Malaysian products are associated with high quality and Halal for both fresh and processed. The country brands and accreditations such as MS ISO 9001, HACCP and Halal (particularly Muslims' consumers) are added values for processed products.

Middle East market is more flexible in terms of compliance, standards and requirements, as compared to Japan, Europe and USA which is more stringent and requires high and premium quality. The interviews with industry players and market observations examine that UAE markets is one of the prospects to expand Malaysian agricultural exports in future. Nevertheless, the government and private sectors should overcome the crucial issues of insufficient capacity supply and inconsistent quality in the UAE markets which have been reviewed for many years, however, inconclusive.

Subsequently, the prior strategy to reposition Malaysian products in global markets is to ensure the readiness of exporters and supply capacity in spite of ambitiously joining trade promotional activities and programmes since export markets require highly commitments from the exporters. Upon engaging to importers and buyers through business matching, the exporters must prepare and equip to commit the trade business seriously including export regulations, requirements, certificates and others.

Basically, Malaysian products are in the middle-to-upper group of product ranges. Therefore, it is timely to reposition Malaysian products to be middle-to-upper group using high-end products which mainly from EU and USA as a benchmark. Global market selling points such as Japanese and EU markets are essential to penetrate markets globally which could attract some other international markets. However, the products need to be upgraded to high quality or premium and based on consumers' behaviour on their eating habits and diets (i.e. product taste and packaging) which corresponding to recent trends of people highly concern on products' quality, and they are willing to pay for premium prices due to their appreciation to the products.

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## Abstrak

Kajian ini dijalankan bagi menilai daya saing produk Malaysia di pasaran global dan fokus kajian ialah produk pertanian segar dan industri asas tani (yang dipasarkan di Amiriah Arab Bersatu (UAE). Kajian ini menggunakan data primer dan data sekunder dan kebanyakannya diperolehi menerusi temu bual terperinci secara persampelan tertuju yang melibatkan wakil industri terpilih yang terdiri daripada pengimport, pengurus pembelian, pegawai perdagangan dan kaunselor pertanian di Dubai. Sebahagian maklumat dikumpul melalui pemerhatian di dalam premis jualan bagi mengenal pasti status produk Malaysia di pelbagai peringkat saluran pemasaran di Dubai termasuk pasar raya, pasar mini dan kedai runcit. Dapatan kajian menunjukkan tomato, nangka, rambutan, belimbing dan tebu adalah berdaya saing. Minuman kopi segera, mi segera, biskut, roti canai sejuk beku, sos cili dan sos tomato yang dikeluarkan oleh syarikat multinasional Malaysia juga berdaya saing di pasaran Dubai. Pengguna tempatan beranggapan bahawa produk segar dari Malaysia adalah berkualiti. Oleh itu, peletakan semula (repositioning) produk segar Malaysia sebagai premium merupakan strategi utama bagi Malaysia untuk menyasarkan segmen pasaran tempatan dan asing yang mempunyai kuasa pembelian lebih tinggi berbanding dengan pasaran terbuka. Strategi ini juga dapat membantu menangani isu bekalan yang tidak konsisten dan tidak mencukupi bagi produk segar Malaysia di UAE.