

PRESENTATION
BY
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COUNTRY FARM ORGANICS
MALAYSIA

3RD IFOAM TRADE SYMPOSIUM
BIOFACH 2010

16TH FEBRUARY 2010



COUNTRY FARM ORGANICS

What we do:

- Importer / Distributor
- Official Organic Partner for supermarket
- Retailer and Restaurant cum Juice Bar
- Contract Packer
- Exporter (minor) to Middle East, S-E Asia for CF brand of products



HOW I STARTED IN 1998

- No customer
- No knowledge on how to distribute food products.
- No precedent for organic food sector in Malaysia
- Lack of awareness.
- Crazy to sell organic vegetable – No moral support from family and friends

Now:

When you talk about organic: 8 out of 10 people now knows the term organic. Not all these 8 people eat organic, perhaps 4 to 5 out of these 10 have tried some organics.



THE PIONEERS - ORGANIC FARMING IN MALAYSIA



**Mr & Mrs GK Gan
(GK Farms)**



**Ms Tan Siew Luang
(Cetdam - NGO)**



**Mr Tien Kuen
(Terra Farm)**



**Mr Lau Kuan
(Dragon Chives)**



**Mr Lee Ong Sing
(Cameron Organic)**



**Mr Ho San Cheh
(Vision Eco Organic Farm)**



**Mr Lim
(Titi-Eco Farm)**

**•Dr Chew Boon Hock –
Consultant**

•Mr Stephen Leong

HISTORY OF RETAILING IN MALAYSIA

LATE 1996 - 1999

- Sickness Industry
- Customer Profile: 95% ethnic Chinese who are : -
 - a) cancer patients
 - b) degenerative diseases
 - c) Vegetarians,
 - d) Buddhists

From 2003

- Emergence of “Mom and Pop” shops
- Growth started from 2003 onwards.

From 2005 – Today

- Organic corners in major supermarket: Jusco, Carrefour, Tesco, Cold Storage
- Slow growth in “Mom and Pop” shops since 2006
- Diversion of “Mom and Pop” shops to selling more natural items



PRESENT CUSTOMER PROFILE

- Malaysians are more knowledgeable about organic and health food in South East Asia
- 80% are ethnic Malaysian Chinese.
- Psychographic profiles are divided into G1 and G2.

G1 Group (80%) – Chinese educated Mandarin speaking (understand some English)

G2 Group (20%) - English educated, English speaking, some Mandarin (aka Bananas – ‘Yellow outside and White Inside’)

Every Chinese speaks their own dialects – Cantonese, Fujian, Hakka, Hainanese

All Malaysian Chinese speaks the Malay language

- The present consumer profiles have changed and are attracting more health conscious people in their early forties and those with young families
- Mothers will always give the best to their babies and kids.
- Aging baby boomers (late forties to sixties) - refused to age.
- Higher disposable income compared to their fathers time.



MAJOR IMPORT

Country of Origin

USA

Finland

Sweden

Italy

France

Germany

Brazil

Argentina

Bolivia

Peru

Turkey

Japan

China

Inner Mongolia

Sri Lanka

India

Indonesia

Philippines

Myanmar

Australia

New Zealand



SUPERMARKETS AND HYPERMARKETS

In Malaysia

- Jusco
- Carrefour
- Cold Storage / selected Giant stores
- Niche Supermarkets
 - Isetan
 - Sogo
 - Village Grocers
 - Mercato



- Supermarkets and hypermarkets are paying attention to organic products. Carrefour and Jusco have set up organic corners measuring from 50 to 800 sq m, adjacent to the vegetable section.
- Smaller supermarkets have a few dedicated shelves for popular organic items



COUNTRY FARMS INSIDE SUPERMARKET & HYPERMARKET



In Carrefour



In Jusco



In Jusco



In Cold Storage



COUNTRY FARMS RETAIL OUTLET CUM RESTAURANT



Grocery



Restaurant cum
Juice Bar



Vegetable Corner



CFO RESTAURANT SERVING TASTY ORGANIC AND WHOLESOME FUSION FOOD



Tom Yam Spaghetti



8 - Booster Rojak



CF Organic Salad



Organic Nasi Lemak with Rendang Chicken



Organic Soy Smoothies Fortified with Organic Flaxseed Oil



Organic Fresh Juice - Green Apple with Wheat Grass



“MOM AND POP” SHOPS

Typical Health Food Stores in Malaysia



- Store size: 50 – 120 sq m
- Est. 100 stores nationwide run by owner operators
- Shops carry about 40% organic, 60% natural products mostly from Taiwan
- Numbers are declining



NATURAL PROCESSED PRODUCTS FROM TAIWAN



Multi-grain Rice



Asian Sauces



Powdered Beverages in Tin Cans



Cookies and Instant Beverages



BUSINESS ORIENTATION

- Most health food stores tend to orientate towards:
 - (a) Macrobiotic
 - (b) Vegan or Vegetarian (shops refuse to sell meat products)
 - (c) Buddhism
- Country Farms – APOLITICAL
 - We serve consumers from all walks of life
 - Halal (Pork Free)



PRICE WAR

- Not uncommon – price war do exist amongst the distributors.
- Many similar products in different labels
- China organic product has negative image – some distributors purposely omit the Country of Origin and replace it with “Product of Japan”
Common products like organic beans and seeds from China



CHALLENGES



WHOLESALE & RETAILING PROBLEMS IN MALAYSIA

Problems:

- Shortage of Organic Vegetables
- Limited Assortment
- High Price
- Not Many Certified Organic Farmers and Processors
- Rely Heavily on Imports

**Demand
For
Vegetables**

More than

Supply



FARMING PROBLEMS



LOCAL FARMERS

- 70% of organic farmers are highly educated with **tertiary** education.
- Most farmers practiced some form of organic farming

Certified farmers by **NASAA, Australia**

- Titi-Eco
- Zenxin
- Loh Organic

Certified by **SOM, Malaysia**

- Titi Eco Farm
- Kahang Organic
- Natural Red (Ishak)
- GK Farms
- Ponak Plantation



MAIN LOCATIONS OF ORGANIC FARMS

- Four Hills of Malaysia
 1. Cameron Highlands
 2. Lojing Heights
 3. Bukit Tinggi
 4. Gunung Jerai
- Lack of suitable land in Cameron Highlands.
Moratorium on hill cultivation
- Other highland areas - not cold enough
to produce carrots/broccoli/cauliflower /celery/potato.



COMMON COMPLAINTS BY FARMERS IN MALAYSIA

- Lack of Suitable Land
- Poor Top Soil
 - * *Rich deep soil suitable for cultivation of palm oil, rubber and timber*
- No Economies of Scales – Small acreage, 2 - 10 acres
- Not many passionate and knowledgeable organic farmers. Young people not interested in farming\
- Labour Problem – Malaysia has more than 2.1 million foreign workers (legal and illegal) in various industries. Population of Malaysia is 26.5 million
- Climate - Too much rain or too dry
- Insufficient capital for expansion or to build rain shelters
- Low Yield
- Constant Insect and Fungus Attacks





Poor Top Soil



“Kangkong” & Local Spinach – easy to grow



Wet climate – susceptible to



Lots of soil conditioning needed



TEMPERATE CLIMATE VEGETABLES

- Strong demand for temperate climate produce by consumers
- Heavy reliance on imported produce for assortments – USA, Australia, New Zealand
- Malaysia's climate not conducive to grow temperate climate produce



Imported - USA



Imported - Australia



LIMITED ASSORTMENTS



Asian Leafy Vegetables



Asian Leafy Vegetables



Tropical Fruits



Tropical Fruits



HIGH PRICE POINT

- The price differential between conventional and organic in the USA and EU is narrow - about **25%** to **30%**.
- Price differentials are very wide: ranging from **100%** and **500%** (depending on the type of products)
 - Imported products:
 - logistics,
 - custom duties
 - currency exchange,
 - no economies of scale
 - short shelf life



SUPPLY CHAIN PROBLEMS

- 85% of organic products in Malaysia are imported all over the world.
- Few Certified Organic Processors in Malaysia
3 certified organic food processor (standards qualified for export) :
 - Noodle
 - Soy sauce
 - Sweet Chilli Sauce

5 undergoing organic certifications :

- Soy Milk beverage
- Biscuit / Crackers
- Asian Sauces and Seasoning
- Instant Noodles
- GABA Rice (germinated brown rice)

(all of the above certifications are initiated by Country Farms and most are under ICEA)



LOGISTIC & QUALITY PROBLEMS

Fruits and Vegetables

- Transportation and Handling
- Post harvest
- Cold Chain Responsibility

Groceries

Due to tropical climate:

- Insect Infestation
- Heavy Investment in cold room storage
- Leakages eg: due to fermentation



ISSUES WITH ORGANIC CERTIFICATIONS

- Organic certification is the most important factor in the organic industry. Malaysian government has not enforced rules on organic labeling yet.
- Liberal use of the word “**Organic**” and Organic logos
- Customers do not question the authenticity of the products. It’s all based on trust.



MALAYSIAN ORGANIC CERTIFICATION UNDER THE DEPARTMENT OF AGRICULTURE



SOM

(SKIM ORGANIK MALAYSIA)

- launched in 2005
- certified five (19) farm operators to date



SERVICE PROVIDER / ORGANIC CERTIFICATION IN MALAYSIA



SOM (Farm Production)



OAM (Service Provider)



ACT (Export)



ICEA



STANDARDS AND MARKS



NOP



ICEA



EU (old logo)



HALAL



HACCP



GMP



COUNTRY FARMS' LONG TERM PLAN

- Grow the Organic market to create a wider market
- Achieve economies of scale to make organic food more affordable to the public. Organic will never be cheap, there is a premium tied to organic.
- Affordable price will encourage middle class to convert. Malaysia has big middle class population
- Trade with regional countries – to reduce Carbon Footprint
- Export “Made in Malaysia” Asian organic products targeting Asia and Middle East market.
 - * Will outsource manufacturing activities
- Contract packing for corporate customers



- Brand Building



Organic Oats



Organic Raw Cane Sugar



Organic Bihun



Organic Rice



Organic Soy Sauce



Natural Himalayan Rock Salt



Organic Raisin



Organic Infant Formula



Organic Virgin Coconut Oil



Organic Stick Noodles

And many more



WHAT I FORESEE IN THE NEAR TERM FOR ORGANIC IN MALAYSIA

Started 6 months ago, a well known Networking company in Malaysia is using organic as “carrot” to attract new recruits. Members get to enjoy attractive savings between 25% and 30%. This is the **WHOLESALE PRICE**

- Networking / Multi Level / Direct Selling companies will change the whole landscape of organic retailing in Malaysia
- Country Farms is the contract packer for this networking company
- This will affect supermarkets, “Mom and Pop” shops and Country Farms



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