

The Competitiveness of Food Processing Industry in Malaysia



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The competitiveness of manufacturing industry has become an extremely important topic in Malaysia. It is particularly important for food processing industry because the scheduled liberalization of trade preferences under the World Trade Organisation and Asean Free Trade Area would bring about greater challenges to Malaysian food producers. Before penetrating a wider range of markets, Malaysian food processors have yet to identify competitive food sub-sectors. This study attempts to evaluate the competitiveness of selected food products using two indicators, that is, rate of productivity growth and market share. Productivity growth for selected food sub-sectors is assessed using the Non-Parametric Malmquist Index Approach of Total Factor Productivity growth. Selected food products that sustain a high level of productivity growth may be considered viable to compete with foreign products in the domestic and/or overseas market. The purpose of this study is to analyse the sources of productivity growth in the food processing industry over the period, 1973 to 1995.

The results indicate that most of the Malaysian food sub-sectors experienced low productivity growth except for Meat, Palm oil, Palm kernel oil, Ice cream, Milk and Fish sub-sectors. The market share for selected food sub-sectors is assessed using Revealed Comparative Advantage (RCA). Results of the study indicate that major exports from Malaysia show declining competitive advantage even though they are competitive at the sectoral level. It can be deduced that Malaysia has competitive advantage in the traditional export category (cocoa, palm oil, pepper, pineapple and coconut) but competitive disadvantage in the import substitute and the emerging export categories (beef, rice, wheat and milk).

Reader Enquiry

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