1.0 INTRODUCTION

The food industry has come to occupy an important position in the food supply and national economy of many countries because of the increasing percentage of expenditure for processed foods and for eating out occasions. In most developing countries such as Malaysia, about 30 % of the disposal incomes are spent on food.

Food production today is one that response to high inputs, overcoming seasonality and one of higher value added. It draws on produce from around the world and by using a mixture of trading and preservation techniques, enable a wide range of foodstuffs to be available worldwide.

The modern food system resulted in diets that are very different from the earlier days with the increased in more consumption of processed foods. Growth rate of processed food has generally been significantly higher than that of primary products (Prema Athunakorala et al 1998)

There is also an increasing differentiation in the agricultural product processing between the primary and secondary processors. The latter essentially produce foodstuffs for the consumer from semi-finished products supplied by the primary processing industries.

Primary products are closely link to the agricultural and comparatively undifferentiated. Secondary processors produce branded products with increasing sophisticated and diversified presentation and packaging. The basic question for many second processors is how to turn a cheap commodity product like wheat, peanuts to one profitable item that people want to buy from them. Many firms see these " value added" as the key to profitability.

The secondary food processors will be the emphasis of this study

1.1 PURPOSE AND SIGNIFICANCE OF THIS STUDY

The Asian Market is one of the most vibrant food market in the world, its large populace coupled with increasing purchasing power and changing food preferences is resulting in rapidly growing market. The driving forces behind these opportunities lie with intensifying competition and increasingly demanding customers driving a rapidly rising level and pace of innovation. Changing lifestyles, new distribution channels and progress in science and technology are forcing industrial participants to consider and preempt the future and build their businesses strategies around them.

Increasingly local and multinational firms are strengthening their position in Asia. International companies no longer simply relying on exporting to this region. Many are setting up their regional headquarters, manufacturing facilities and the Research and Development center in this region. Singapore is known as the hub for regional research and development center for international food processors or ingredients suppliers for this region.

In many countries in Asia, the food industries are made up predominantly of local small and medium size food industries. In Malaysia itself, 80 percents of the food establishments have less than 30 workers. 38 per cent are small scale , 48 per cent medium scale and 14 per cent large scales establishments. (Sukomaran, 1996, FMM 1996).

The strong market presence of the multinationals throughout the Asian region has made these firms an insider to the local target markets and thus giving more intense competition to the local companies.

In the light of increase competition within the food industry, entrepreneurs will be required to make management more efficient and to develop and sell more imaginative and innovative merchandise, higher in value and better adapted to prevailing consumer preference.

This and the hectic rivalry of the retailing environment have been instrumental in increasing the pace of market development and associated technological change. This makes it difficult to predict the shape of the food industry over the 21st century but changes and trends witnessed over recent years give some ideas of its direction for the food companies in Malaysia.

Malaysia is a net food importer with the food import bill growing year after year. By the year 1999, the food import bill of Malaysia is at RM 11.1 billion inclusive of beverage and tobacco while the export was at RM 7.1 billion. (Economic Reports 1999/2000).

This naturally will be a concern for the country and the firms alike.

This study attempts to explore and preempt the potential market trends for food companies in Malaysia. It will evaluate the current food market situation in Malaysia by analysing its opportunities, threats, weaknesses and strengths.

Recommendations on various strategies will be propose for the identified opportunities.

1.2 LIMITATION OF THE STUDIES

Research data on the processed food trends and expenditure in Malaysia are limited and not updated. Most of the secondary datas are obtained from international journals or magazines. There are instances of differences in data quoted which contradict each. However, the trends indicated are usually similar. This may be due to different definition of the food categories by different group.

Other data are research findings by independent market researchers for the specific markets or for specific customers. The findings or conclusion by these researchers may be base on their interpretation and assumptions.