

1.3 ORGANISATION OF THE STUDY

Chapter one of the studies comprises of the introduction to the research, its purpose and significance. Chapter two touches on the research methodology. Chapter Three studies the food market trends in European Union countries, USA and Japan.

Chapter Four touches on the Malaysia Food Market with a general overview of the environments and its players in the food system.

Chapter Five gives an evaluation of the food market in Malaysia by using a SWOT analysis. Recommendations on the strategies for a Small Medium Industries (SMI) are discussed in Chapter Six, while strategies of other opportunities identified are discussed in Chapter Seven.

Chapter Eight comprises of the conclusion and the recommendation for future research.

2.0 RESEARCH METHODOLOGY

The data used are predominantly secondary data from journals, magazine, newspapers, and market research findings. Unstructured interviews were conducted with some personnel in the industry to have a better insight of development of certain categories.

3.0 GLOBAL FOOD INDUSTRIES OVERVIEW

In 1992, the production of processed food and beverages amounts to some US\$1.5 trillion a year, making it one of the world largest industries. Production in the OECD region is about US\$800 billion. In Eastern Europe and the former Soviet Union at US\$200 billion while in the developing countries about US\$150 billion. Large multinational companies (MNC) play a major role. One

hundred largest OECD-based companies are estimated to account for 20 percent of the global production of processed food and drink (Tan Sri Zainal, 1994).

Until 1980s, the processors grew, diversified and became the biggest players in many countries in particular in Britain and the USA. By 1988, in Western Europe as a whole, the sales of just eight firms- Unilever, Nestle, BSN, Cadbury-Schweppes, ABC, United Biscuits, Hilldown and San W Berifort made up 70 percent of the US\$250 billion food and drink market. In 1996, the six largest firms was having turnover equivalent to 59% of UK retail food sales. (Nola Hewitt- Dundas et al 1999)

The concentration phenomena had not changed as it entered into the 21st century. It has in fact got stronger as the MNC tried to get bigger market shares and faster entry into lucrative market. The trend is observed in the recent spate of consolidations between the food companies with more looking for the right partners at the right price in the international scene. This is trigger off by the acquisition of Bestfoods in United States to Unilever an Anglo Dutch company for US\$ 23 billion. More consolidation followed such as sale of Nabisco to Phillip Morris, Pillsbury to General Mill and Quakers to PepsiCo.

The rapid expansion of processed food exports pointed to the growing importance of food manufacturing as a dynamic export line for many developed countries. (Prema-chandra Athukorala 1998) Their share in world non-manufacturing trade increased from 26% in 1970 to 37% in 1994. The sharp rise in the share of processed food in the non-manufacturing export is observed in both the case of developing and developed countries. The developing countries exports increased from 30% in 1970 to 41% in 1994 while the developed countries increased from 24% to 35% over the same period.

Nearer to home, Thailand's export of processed food was US\$5 .1 billion in 1994, an increased by 153% since 1988. (Asian Food Industry Business Report 1995).