

MAKING MALAYSIA A GLOBAL HALAL HUB

BY
PROFESSOR
DR. NORMA
MO SAAD



he halal industry is growing fast across the world as there is a huge shortage of halal products in the market.

With the steady increase in global Muslim population,

the demand for halal products continues to grow. It is estimated that 26.4 per cent of the global population is expected to be Muslims by 2030 as compared to 19.9 per cent in 1990. The growth rate is much faster compared to other religions.

The global halal products market can be segmented into six categories: primary meat, processed food and beverages, pharmaceuticals, cosmetics, personal care, and other halal products (tourism, Islamic finance, etc).

Halal products are also gaining worldwide recognition as a new benchmark for safety and quality assurance are attractive to both Muslims and non-Muslims consumers. In New Zealand, all 8,500 prisoners in the country's prison system eat halal-certified meat, though there are only 82 Muslim prisoners (www.halalrc.org).

In Malaysia and other countries, halal as-

urance is a major concern among the Muslim community as the production processes of most consumable products are not executed by Muslims or within the Muslim community.

The need for halal assurance is more relevant since the observation of halal is becoming more challenging and complicated in line with the advancement of food technology.

In addition to halal information provided by producers, consumers are seeking more reliable assurance usually enforced by government regulations or granted by third party. In Malaysia, government provides full support in promoting a comprehensive halal assurance system starting from certification process to the continuous monitoring and regulation.

The Malaysian government plays a major role in developing means to facilitate the development of halal assurance system and its diffusion among industry players.

Even though the adoption of halal assurance system among food producers is on a voluntary basis, it is highly supported by the government. The government offers attractive incentives for businesses, such as investment tax allowance, exemption of import duty on raw materials as well as equipments.

Strong regulatory framework and supportive public policy designated for halal

development exercised by Malaysia is expected to augment the halal practices among industry players which in turn, lead to increase in supply of products compliant to halal requirements.

HALAL INDUSTRY MASTER PLAN (2008 – 2020)

A comprehensive halal standard was initiated by the Malaysian government with the introduction of MS1500 in 2004 and its latest version in 2009. The standard provides practical guidelines for the food industry on the preparation and handling of halal food (including nutrient enhancers).

This standard sets the ground rules for food products and food businesses in Malaysia. It is used by the Department of Islamic Development (JAKIM), the only halal authority in Malaysia, as the basis for halal certification process.

Producers conforming to this standard will be awarded halal certification, which deems right for them to use the halal logo as a mean of communication between consumers to inform the halal status of a particular product.

Therefore, halal certification is the basic requirement to enter halal market. The halal certification is an authoritative, reliable, and independent testimony that a manufacturer's product meets the halal requirements.

Halal certification involves an intention of the company to go halal, inspection of the production facility, review of sanitation, review of ingredients and labels, and training the company personnel in understanding and meeting the halal requirements.

THE EVOLUTION OF THE HALAL INDUSTRY IN MALAYSIA

In 1974, the Research Centre for Islamic Affairs Division started to issue halal certificate.

Since 1994, a halal logo is included in the halal certificate.

Beginning 2000, comprehensive halal standards and a systematic halal assurance system were implemented.

In 2006, the Halal Industry Development Corporation was established and the Halal Industry Development Masterplan was formed.

In 2006, the Trade Description Act was amended to give JAKIM a stronger mandate to regulate the halal industry.

The Malaysian government has outlined comprehensive strategies to intensify the development of the halal industry towards achieving the vision of making Malaysia a global halal hub.

One of the crucial strategies is establishing the Halal Industry Development

Corporation (HDC). It was established on 18 September 2006 to coordinate the overall halal industry development in Malaysia.

HDC agency focuses on development of halal standards, audit and certification, plus capacity buildings for halal products and services. The corporation also promotes participation and facilitates growth of Malaysian companies in the global Halal market.

HALAL PARKS One of the infrastructures facilitating halal industry growth is “halal parks” – communities of halal-oriented businesses built on common property with infrastructure and service support.

HDC attracts foreign companies, particularly MNCs, to invest in the halal parks located across Malaysia. Companies which set up production in halal parks receive assistance from various relevant government agencies to get the following certifications:

1. Halal, JAKIM
2. *Makanan Selamat Tanggungjawab Industri* (MeSTI), Ministry of Health
3. Good Manufacturing Practice (GMP)
4. Hazard analysis and critical control points (HAACP)
5. ISO Certification (International Standards Organisation)

MALAYSIA'S HALAL ACHIEVEMENTS

As a result of the government's efforts to intensify the halal development, investment pouring into the industry had been more than doubled, from RM4.1 billion in 2012 to RM10.6 billion in 2015.

Halal certified companies increased from 2,336 in 2011 to 5,726 in 2015, and employment opportunities created increased

from 97,000 jobs to almost 250,000 jobs in the same period. Exports which include food and beverages, ingredients, palm oil derivatives improved tremendously, RM 39 billion in 2015 as compared to RM24 billion in 2011.

As for Islamic finance, Malaysia is the largest issuer of sukuk, making up 53 per cent of global sukuk issuance.

Malaysia is indeed in a very firm position to offer a credible, convenient and shariah compliant alternative to conventional financing needs. Islamic finance has been receiving strong backing from the government through Bank Negara, the country's central bank.

DEVELOPMENT IN OTHER COUNTRIES

In the ASEAN region, Malaysia, Indonesia, Thailand, Brunei, Singapore and the Philippines all began a variety of government-led initiatives for halal to drive economic growth.

Thailand is aiming to be the largest producer of halal processed food – envisioning to become the “Kitchen of the World”. Brunei envisions to become the Google for halal. Singapore has recently established a halal hub to help companies keen to scale up their halal exports.

Indonesia on the other hand is promoting five regions (Lombok, West Sumatra, Aceh, Jakarta and West Java) as halal tourism destinations to attract more Muslim travellers and is positioning itself as a premier halal tourism destination.

Australia and Brazil have built their entire food based industries by supplying halal food to the Middle Eastern markets. Brazil is the largest supplier of halal poultry whereas Australia is the largest supplier of halal beef.

In East Asia, Japan and China are

aggressively promoting the development of their halal products and services.

Japan has set a target of making the halal industry a key contributor to Japan's economy by 2020. The country is also developing its halal tourism through recent initiatives, including providing prayer space at airports and certifying halal restaurants. It's neighbour, China, has a domestic halal market which is growing fast, at 10 per cent annually.

Looking at the Middle East, Dubai of the United Arab Emirates (UAE) has set a clear measure of success, aspiring to be the capital for Islamic economy. Islamic Economy as a new area of excellence for future growth. OIC intra-trade especially in Halal related sector will be increased via Dubai competitiveness.

ABUNDANT OPPORTUNITIES IN HALAL INDUSTRY

With a global Muslim population of 1.8 billion, the current supply for halal food and non-food products is not enough to cater the demand. There is a need to develop a more robust and efficient global supply chain to benefit both the Muslim and non-Muslim world. Hence, the halal industry presents abundant opportunities.

In order to become a global halal hub, Malaysia must grab these opportunities by creating networking and collaborations with other countries – Muslim and non-Muslim. This will not only ensure the Muslim population in these countries get their supply of halal products, but there are economic benefits too, where SMEs can expand their business and generate revenues through trade.

**PROFESSOR DR. NORMA MD SAAD IS A RESEARCH FELLOW
AT THE CENTRE FOR ISLAMIC ECONOMICS, INTERNATIONAL
ISLAMIC UNIVERSITY OF MALAYSIA.**

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GROWING MUSLIM POPULATION DRIVING RECORD GLOBAL HALAL PRODUCTS DEMAND

The latest trends shaping the halal market as companies race to benefit from a pool of untapped consumers was unveiled at our recent “New Consumerism and the Global Halal Market” webinar.

Euromonitor International senior analyst Emil Fazira says, “Population changes, increasing disposable income and growing internet penetration are some of the key factors driving growth of halal products demands.

“Disposable income of countries with the top five biggest Muslim populations such as Indonesia, Pakistan, India, Nigeria, Iran, have grown by 257 per cent and internet penetration has risen by 31 per cent for these

same markets.”

The Muslim population grew by 18 per cent over the last 10 years compared to the global population growth of 11 per cent. This strengthened demand for halal food, drinks, beauty and fashion products.

“Young adults are the main users of social media and internet. They become more interested in the latest trends, global events, and use multiple social media platforms. This makes new food and service experiences, fashion and cosmetic products more accessible to them,” Fazira added.

Within Asia, non-Muslim majority countries like Singapore and Philippines are major markets for halal packaged food

and drinks, at US\$1.4 billion and US\$7.5 billion respectively. This is partly due to the integration and acceptance of halal products in the general community, as well as strengthening halal infrastructure.

Indonesia on the other hand, is expected to show the largest sales gains in US dollars over the next five years, due to its significant market size and positive forecast growth.

“When identifying markets and industries, studying the market's halal infrastructure to balance halal-certification with consumer values is crucial. Choosing the right audience and catering to them is another issue that companies must keep in mind,” concludes Euromonitor research analyst Joanna Chan. **SME**