Halal Logistics, Supply Chain and Quality Control – Malaysia’s Experience

SEA and Halal: Twin Opportunities
Memorial 1815 in Waterloo
Brussels, Belgium
24 March 2017
Presentation Outline

Understanding the concept of Halal logistics and supply chain

Halal and Quality

Halal Market Scenario

Halal Logistics and Supply Chain

Malaysia’s Experience in Halal Development

Brief Profile and Prospects of Halal Industry in Belgium
Objectives of the Workshop

To provide basic understanding on the concept of Halal logistics, supply chain and quality control

To share Malaysia’s experience on the development of Halal standards and Halal industry

To impart the potential of Halal market and its implementation benefits
Understanding the concept of Halal logistics and supply chain
Understanding Halal

What is Halal?

- **Halal** is an Arabic word which means: **lawful or permissible.**
- It covers actions, things and animals

What is Haram?

- **Haram** is an Arabic word which carries the meaning:
  - The **unlawful and prohibited**, the commission of which is a sin and shall be punishable by Allah; and the omission of which is praiseworthy and shall be rewarded by Allah.
- It covers actions, things and animals.

What is Syubhah?

- **Syubhah** is an Arabic word which means the doubtful. It is the grey areas between Halal and Haram. Muslims should avoid them.
What is Halalan Toyyiban?

...means any consumption of products, which are not harmful and are safe to be consumed as underlined in the Syariah law, and thus is allowable and permissible.

Halal
Arabic phrase means allowed/permitted in accordance to Islamic law.

Toyyib
Comprehensiveness (comprise safety, quality & cleanliness of food and logistics process).

wholesome
authentic
Safe for consumption
Clean & hygienic
nutritious
quality

Safe for consumption
Clean & hygienic

authentic

nutritious

quality
Eating Halal Food: What’s the big deal?

Food and drinks are an essential needs in human’s life. Muslims are required to only consume *halalan toyyiban* foods and drinks.

It is an order from Allah swt that is repeatedly emphasized in the Quran. *Food consumed and supplications (du’a)* are closely related, which finally may build Islamic faith.

Halal food is guaranteed for its (1) safe for consumption (2) clean and hygienic (3) nutritious (4) of quality and (5) reliable.

Whatever we eat will *become our flesh and blood*. *We are* what we eat.

...eating *halal* food ensures better healthy life and the good food that they eat would be able to portray good attitudes and behaviors.
Halal and Quality
Halal and Quality

Major food safety crises and incidents

Consumers concerned about food safety, quality, origin and authenticity

Demand for more transparency in the food chain and reassurance about the wholesomeness of food through information of quality

Studies (Spain, Greece, UK, Belgium) shown that Muslim consumers buying meat primarily at the Islamic butchers in their neighbourhood of residence. Reason: low trust in supermarkets

Halal meat label is the outcome of a quality assurance scheme because it serves as a reassurance tool for Muslim meat consumers.
Halal and Quality (cont.)

Halal

Socially culturally constructed quality criterion – incorporates (1) the physical properties of the product (2) the conditions on how it is produced, distributed and retailed.

Halal quality is informed by dietary laws, values or religious prescriptions in addition to legislative requirements, which act as a means of definition for the desired quality.

This quality is laid down in a set of principles, standards, and rules to be applied and monitored throughout the production process and the supply chain using HACCP as an assurance system for halal quality.
5 Essentials of ‘Darruriyyat’

<table>
<thead>
<tr>
<th>FAITH</th>
<th>LIFE</th>
<th>INTELLECT</th>
<th>LINEAGE</th>
<th>PROPERTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khamr is prohibited as it would cause the consumer not able to recognise his Creator</td>
<td>Poisonous and hazardous food are prohibited as it would harm human life</td>
<td>Khamr and misuse of drugs are prohibited as it affects human mind and intellect</td>
<td>Eating Halalan Toyyiban food would produce healthy family</td>
<td>Stealing others’ food is prohibited as it transgress one’s right over his property</td>
</tr>
</tbody>
</table>

**What is ‘Darruriyyat’?**

Essential or elements on those which the lives of human being depend, and without which the existence of an individual or society becomes impossible.
The Concept of Halal Supply Chain

**DEFINITION:**
The application of syariah principles along the supply chain activities.
Integrity in Halal Supply Chain

Halal Supply Chain
Application of syariah principles to the entire supply chain from sourcing, manufacturing, transportation, warehousing, ports, freight handling right up to consumer consumption.

Halal Integrity
Involves religious belief that cannot be compromise at any stage and consumers are highly demanding in terms of quality and assurance when it comes to halal products.
Definition of Halal Food & Drinks (MS 1500:2009)

Food and drinks and/or their ingredients permitted under the Shariah Law and fulfill the following conditions:

1. Does not contain any parts or products of animals that are non-halal by Shariah law or any parts or products of animals which are not slaughtered according to Shariah law.

2. Does not contain any najs according to Shariah law.

3. Safe for consumption, non-poisonous, non-intoxicating non-hazardous to health.

4. Not prepared, processes or manufactured using equipment contaminated with najs according to Shariah law.

5. Does not contain any human parts nor its derivatives that are not permitted by Shariah law, and,

6. During its preparation, processing, handling packaging, storage or distribution, the food is physically separated from any other food that does not meet the requirements stated in items a), b), d), or e) or any other things that have been decreed as najs by Shariah law.
MS2400 Family – Components of Halalan Toyyiban Assurance Pipeline

- Products, goods and/or cargo categories
- Shariah elements
- Halalan-Toyyiban Assurance Pipeline
  * Transportation
  * Warehousing
  * Retailing
- Organisation
- Management standard MS 1900

Product standard MS 1500
- Halalan-Toyyiban Assurance Pipeline
  * Guarantee halal supply chain ‘farm to fork’
  * Contamination avoidance
  * 3rd party halalan-toyyiban process verification

Value standard MS 2300

Organisation standard
MS 1900

MS 1900: Organisation Management standard
MS 1500: Product standard
MS 2300: Value standard

Halalan-Toyyiban Assurance Pipeline

Guarantee halal supply chain ‘farm to fork’
Contamination avoidance
3rd party halalan-toyyiban process verification
MS2400 Family – Application of Standards

Management standard: MS 1900

Value standard: MS 2300

Producer

Warehousing

Retailing

Transportation

Product standard: MS 1500

Halalan-Toyyiban Assurance Pipeline standards
How to Ensure Halal?

To avoid cross contamination:

- From haram substances
- From hazardous substances
Risks of Potential Contamination

- Vehicles
- Equipment and tools
- Same location utilised for Halal/non-Halal/hazardous/non-hazardous
- Same personnel
Types of Contamination

**Biological**
- Bacteria
- Mold
- Fungus
- Parasites
- Viruses & Other toxins

**Chemical**
- Accidental contamination with chemicals throughout the product chain

**Physical**
- Accidental contamination with objects due to employee carelessness
Halal Market Scenario
The diversity of Halal

- Food & beverage (F&B)
- Cosmetics
- Pharmaceutical and healthcare
- Hospitality and tourism
- Logistics and supply chain
- Banking & finance
- Lifestyle
Factors Influencing Demand for Halal Products and Services

- Educated customers
- Rising population
- Higher incomes

Create worldwide demand

Provide opportunities for halal business
Key Drivers of Halal

DEMAND

USD680 billion
Value of Halal food

SUPPLY

<table>
<thead>
<tr>
<th>Main producer</th>
<th>Product</th>
</tr>
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<tbody>
<tr>
<td>Australia</td>
<td>Beef</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Lamb</td>
</tr>
<tr>
<td>Brazil</td>
<td>Poultry</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Processed food, raw materials, non-food</td>
</tr>
<tr>
<td>Thailand</td>
<td>Processed food</td>
</tr>
</tbody>
</table>
Source: Fleishman-Hillard Majlis, ‘The next billion: The market opportunity of the Muslim world’ (July 2012)
Halal logistics and supply chain
New emergence – Halal logistics and supply chain

Newer phenomenon – application of Shariah to logistics discipline

Integral management of physical flow of goods and information in compliance to the Shariah law

A supply chain approach that ensures integrity from farm (upstream) to fork (downstream)
Key areas of Halal Logistics

- **Halal Logistics Hub**: Dedicated storage / warehouse in assisting distribution from manufacturer to global customer.

- **Halal Logistics Transport**: Dedicated liner / transport for halal products to avoid cross contamination during transportation.

- **Halal Logistics Route**: Dedicated route in linking supplier to the customer for faster turnaround.

- **Halal Logistics Management**: Supervise all aspects of halal supply chain of manufacturer or distributor and act as solution & information service provider.

Contamination
Smell
Taste
Colour
Halal supply chain process

- Source/Origin
- Permitted
- Slaughter

- Processing
- Ingredients

- Finished products

- Packaging
- Storage (RDC)

- Transport
- Storage

- Distribution

- Customer

Halal logistics
### Samak/Sertu Process

<table>
<thead>
<tr>
<th>WHAT</th>
<th>• Cleaning which conforms to the standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHO</td>
<td>• All Muslims and non-Muslims</td>
</tr>
<tr>
<td>WHY</td>
<td>• Ritual cleansing performed on anything that come into contact with major najs i.e. Mughallazah</td>
</tr>
<tr>
<td>HOW</td>
<td>• Using of clay miff/clean soil</td>
</tr>
<tr>
<td>WHERE</td>
<td>• Facilities, equipment, properties</td>
</tr>
<tr>
<td>WHEN</td>
<td>• Preventive and damage control according to the standards</td>
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**WHAT**
- Cleaning which conforms to the standards

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**HOW**
- Using of clay miff/clean soil

**WHERE**
- Facilities, equipment, properties

**WHEN**
- Preventive and damage control according to the standards
Halal as a Brand

Halal is environmentally friendly
Halal is clean
Halal is humane
Halal is fair trade
Halal is healthy
Halal is natural
Spin-off Benefits from Halal ‘Brand’

- **Brand recognition**
  - Immediate recognition
  - Niche attributes
  - Social responsibility

- **Higher integrity**
  - Food safety
  - Clear origin – sourcing, production & logistics

- **Natural**
  - Organic
  - Reduced chemical inputs
  - Nutritional related
Branding vs Certification

Branding
‘A name, term, design, symbol or any other feature that identifies one seller’s good or service as distinct from the other sellers’

Certification
‘To confirm formally as true, accurate or genuine.’
‘To guarantee the products/services is meeting a specific standards.’

Halal, Nutritious, Safe
Increasing Trends in Halal Certification

Growing household income

Increase food safety concern

Increase awareness on products/services status
Limitation and Challenges

- No single standards recognised worldwide
- Numerous certification bodies
- Lack of proper products/services classification
- Halal certification is voluntary
- Lack of traceability along the supply chain
- No proper segregation
Malaysia’s Experience in Halal Development
Malaysia Halal Certification

Halal certification confirms that the ingredients used in a product are Halal certified and the premise is free from Haram or non-Halal products. It prevents consumer fraud in the preparation, distribution and sale of Halal products and services.

Category of users for the Halal certification
- Manufacturer/producer;
- Distributor/trader;
- Sub-contract manufacturer;
- Repacking;
- Food premise;
- Abattoir/slaughter house
Halal Stakeholders in Malaysia

Islamic Financing and Banking
Halal logistics
Livestock and agricultural produce
Halal Parks
Halal Entrepreneur
SME Development
Export Promotion

AGENCIES INVOLVED

• BNM
• MOF
• MOT
• JAKIM
• MOA
• DVS
• DOC
• JAKIM
• MECD
• EPU
• UPEN
• SEDC
• MITI
• PNS
• MARA
• PUNB
• MITI
• SME Corp
• MIDA
• MITI
• SME Corp
• MATRADE
Halal Parks in Malaysia

Source: HDC, 2016
Malaysia Halal Standards and Guidelines

<table>
<thead>
<tr>
<th>Halal Certification Manual</th>
<th>General guidelines by JAKIM on all Halal related certification requirements</th>
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</thead>
<tbody>
<tr>
<td>MS1500:2009</td>
<td>Halal Food – Production, Preparation, Handling and Storage (General Guidelines)</td>
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<tr>
<td>MS1900:2005</td>
<td>Quality Management Systems – Requirements from Islamic Perspectives</td>
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<td>MS2200</td>
<td>Islamic Consumer Goods – Part 1: Cosmetics and Personal Care, General Guidelines</td>
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<td>MS2424</td>
<td>Halal Pharmaceuticals – General Guidelines</td>
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<td>MS2400: 2010 (Part 1)</td>
<td>Halalan-Toyyiban Assurance Pipeline – Part 1: Management System Requirements for Transportation of Goods and/or Cargo Chain Services</td>
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<td>MS2400: 2010 (Part 2)</td>
<td>Halalan-Toyyiban Assurance Pipeline – Part 2: Management System Requirements for Warehousing and Related Activities</td>
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<tr>
<td>MS2400: 2010 (Part 3)</td>
<td>Halalan-Toyyiban Assurance Pipeline – Part 3: Management System Requirements for Retailing</td>
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Halalan Toyyiban Assurance Pipeline MS2400
Foreign Certification Bodies Recognised by JAKIM

<table>
<thead>
<tr>
<th>Total no. of states</th>
<th>40</th>
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<tbody>
<tr>
<td>Total no. of CBs</td>
<td>67</td>
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Source: JAKIM (Updated as at 6 February 2017)
Brief Profile and Prospects of Belgium’s Halal Industry
### Logistics Performance Index (LPI)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>LPI Rank</th>
<th>LPI Score</th>
<th>Customs</th>
<th>Infrastructure</th>
<th>International Shipments</th>
<th>Logistics Competence</th>
<th>Tracking &amp; Tracing</th>
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Logistics Profile

- Between Northern and Mediterranean Europe
- Highly developed transportation network
- 2nd largest European port and 4th largest in the world
- Development of logistics park at Liege Airport
Development and Growth Opportunities in Belgium Halal Industry

- >700,000 Muslim population (6.25% of total Belgian population)
- The Halal market generates USD1.9bil annually (Flemish Dept. of Agriculture and Fishing)
- Robust ecosystem to support Halal industry growth – Halal Food Council of Europe (HFCE)
- Rising interest for quality Halal and green Halal

Halal in Belgium

Establishment of Halal Club in 2011 with 75 current members
BELVAS – Halal chocolate from Belgium
PROGENUS – PCR test kit for pig DNA
Halal Ingredients and Technologies Project

Thank you

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