

HALAL FOOD: MARKET POTENTIAL AND CHALLENGES FACED BY MALAYSIA IN DEVELOPING THIS SECTOR

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Matriculation Number M60106090001

Masters in Business Administration (MPP799)

Research Supervisor

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ABSTRACT

The Halal Food market is robust and growing at an exponential rate. With 1.6 billion Muslims worldwide this sector cannot be ignored because of its increasing vibrance in recent years. Halal food sales alone have been valued at USD 580 billion annually.

While Halal food meets with the religious requirements of Muslims as stated in the Quran, there are compelling facts make it not just permissible but also attractive to non Muslim consumers, on the basis of scientific reason, hygiene, food safety and security. Greater marketing and communications efforts however, must be exerted by Halal food producers to drive home this message.

Malaysia's Halal Certification and Branding efforts have gained ground overseas and has adopted as a guiding standard by some countries like Pakistan and Bangladesh. But sadly, Malaysian companies have not leveraged on this to gain a share of this large Halal pie.

The Government and its agencies have scored some successes in this direction, while the private sector too has advanced in some measure. But, there is a lot more that can and should be done to elevate our standing and leverage off the good reputation that Malaysia already holds within the GCC and OIC member countries.

We are sandwiched between Singapore that's moving fast in securing its food sources and Thailand that's aiming to emerge among the top five global food producers soon. What is our vision, mission and game-plan in this arena?

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TABLE OF CONTENTS

1.0 INTRODUCTION	9
2.0 SHARI'AH PRINCIPLES & REQUIREMENT PERTAINING TO HALAL	12
2.1 Maqasid al-Shari'ah – The Objectives of Islamic Law	12
2.2 Postharvesting of meat	14
2.3 Principles of Halal	16
2.4 Classification of Halal & Haram food	18
2.5 Halal & GMP Commonality	20
3.0 MARKET FOR HALAL FOOD	23
3.1 Global & Muslim population	23
3.2 Projected Muslim population 2009 – 2015	26
3.3 Projected Global size for Halal food market	30
3.4 Halal food market by region	32
3.5 Perception of Malaysian products overseas	35
4.0 GOVERNMENT POLICIES TO PROMOTE HALAL INDUSTRY	40
4.1 Global Policies on Halal	40
4.2 World Halal Council	41
4.3 Malaysia early initiatives, policies, incentives & Halal Hubs	42
4.4 Various Government agencies and bodies	58

5.0 MARKET RESEARCH	72
5.1 Research methodology & question	72
5.2 Research outcomes from respondents	73
6.0 ISSUES AND ANALYSIS OF MARKET RESEARCH	93
7.0 CONCLUSION & RECOMMENDATION	105
REFERENCES	107

LIST OF TABLES

3.1	Global Population by Region	22
3.2	Muslim Population at a Glance	23
3.3	Distribution of Muslim Population by Regions	24
3.4	Breakdown of Muslim Population in Five Major Continents	26
3.5	Projected Distribution of Global Population by Regions	28
3.6	Regional Breakdown of the Global Halal Food Market Size	32
3.7	Population of GCC Countries	33
4.1	Halal certifications by Jakim	59
5.1	Halal certification by Jakim	86

LIST OF FIGURES

Fig 2.1	Pig and its derivatives	21
Fig 3.1	Breakdown of Muslim population in five major continents	25
Fig 3.2	World and Halal food market size; 2004 -2010	26
Fig 3.3	The global Halal food market size; 2004 – 2010	29
Fig 3.4	Perception from France	30
Fig 3.5	Perception from Indonesia	34
Fig 3.6	Perception from Saudi Arabia	35
Fig 3.7	Consumer survey in Saudi Arabia	36
Fig 3.8	Consumer survey in Indonesia	36
Fig 3.9	Consumer survey in France/ Holland	37
Fig 3.10	Perceptions of Halal certification in Malaysia	38
Fig 5.1	Halal certification by Industry Size	86
Fig 6.1	Total Quality Management	100

Chapter 1: INTRODUCTION

'...since the Muslims are the fastest growing consumer segment in the world, any company that is not considering how to serve them is missing a significant opportunity to affect both its top- and bottom line growth.'

A T Kearney *"Addressing The MuslimMarket - can you afford not to"*

Food demand globally has been on the rise with globalization and an increase in purchasing power, in addition to a growing awareness of safety, food sources and channels of contamination. The result has seen a growth in demand and hence, the emergence of a new and vibrant market for Halal Food, the sheer size of which is enticing producers to move towards compliance.

The Halal Food market is robust and growing at an exponential rate. With 1.6 billion Muslims worldwide the potential of this sector cannot be ignored. Halal food sales are now worth USD 580 billion annually. Until very recently, this industry was taken for granted. In recent years however, with increasing awareness and media attention, the giant has been awakened. We now need to address and fill the gaps based on need, potential and growing economies of scale.

While Halal food meets with the religious requirements of Muslims as stated in the Quran, there are compelling facts that make it not just permissible but also attractive to non Muslim consumers, on the basis of scientific reason, hygiene, food safety and security.

However, greater marketing and communications efforts must be exerted by Halal food producers to drive home this message and to remove the religious bias attached to Halal

products. Indeed the 'Halal' component of produce in general is now finding pathways into other sectors as well namely cosmetics, pharmaceuticals and tourism.

Demand is also increasing by virtue of the cross-over market as more people are aware of the benefits of Halal certified food products and services.

This research paper delves into the challenges and potential faced by Malaysia in elevating its competence with regards to halal food production and marketing Halal Food.

The Government has been championing the cause and need for Halal Food since early 2003 while Malaysian leaders have headed the Organization of Islamic Countries and Malaysia has developed a reputation as a good Muslim country, it is sad to see that food producers in with the exception of a few, have not managed to make a significant mark in the global market.

While Malaysia is well respected and perceived as a good and moderate Islamic country and our Halal certification is recognized overseas, SME's have still not leveraged on these positive credentials. The research attempts to understand the issues and challenges and make suitable recommendation within the scope and given limitations

While I have used secondary data that is available, the primary research data obtained by conducting interviews sheds light on the need for the harmonization of roles and responsibilities if this sector is to make any progress.

The questionnaire was directed at related government agencies promoting or in charge of the Halal sector, private organizations currently in Malaysia exporting Halal food and individual consultants who are familiar with the Halal Industry in Malaysia

Interviews with the respondents were conducted face to face and where not possible it was facilitated via phone interviews or email. The inputs, suggestions and criticisms from all the respondents were analyzed and found to be relevant and factual. Since the respondents were from government, private sector companies and individual consultants and subject matter experts, the feedback was well balanced and holistic.

While government agencies and the private sector are doing their best to promote and grow the Halal industry there exists a lot of gaps in the policies, implementation and project management in Malaysia.

Our producers are losing out to our competitors namely Indonesia, Singapore, Thailand, Australia, New Zealand and Brazil to name a few. The situation can be reversed if we place focused attention to realigning our policies and strategies as recommend in the research.

Chapter 2: SHARI'AH PRINCIPLES & REQUIREMENTS PERTAINING TO HALAL

2.1 Maqasid al-Shari'ah – The Objectives of Islamic Law

One significant thread that binds peoples of all races, religions and origin is the need for food. In Islam, the faith's tenets define specifically what can and cannot be consumed. If we take religion out of the definition and look at the governing principles in a broader perspective, the science in it is glaring, practical and makes a lot of sense.

Al-Imam al-Ghazzali's specific identification of five main objectives of the Islamic Shari'ah, namely life, intellect, faith, property and progeny is relevant today. Other thinkers have since added to that list justice, human dignity and even economic development.

The application of Syariah, in the terms of Halal and Haram has the following objectives, namely:

Protection of purity of religion.

Protection of mind (intellectual)

Protection of life.

Protection of property.

Protection of good health of future generations (lineage)

To maintain self-respect and integrity.

The consumption of Halal foods and drinks is meant to not just comply but also nourish these factors and the consumer. In the context of our daily food intake, any foodstuff that causes, or has the potential to cause, any negative effect to the mind, spirit, integrity and health, is Haram.

It is said that the habitual consumption of Haram foods may be manifested by the display of an impure spirit, unsound mind, a weak personal character, all of which result in an unhealthy body and being.

Islam has a defined concept of slaughter, which specifies that a naturally Halal animal would have to be slaughtered in a particular manner prior to consumption. The act of slaughtering is to ensure the quality of meat and to avoid any microbial contamination. For example, a dead but un-slaughtered animal is normally associated with disease.

Most disease originated from or is carried in the animal's blood. Therefore, it is imperative that the defined protocols are adhered to when slaughtering to ensure the complete drainage of blood from the animal's body, thus minimizing the chance of microbial infection. This is compatible with the overall concept of cleanliness that is emphasized in Islam.

Apart from ensuring the safety and hygiene of ingredients and foodstuff, Islam prohibits the use of any materials that are detrimental to the spiritual, physical or mental well-being of a person, such as alcoholic drinks, drugs, etc.

Since Islam has always encouraged its followers to choose wholesome, clean and halal foods, this awareness is always propagated within the Muslim society. This awareness is strengthened by the widespread knowledge, extolling the virtues of consuming clean and Halal food, and its relationship to our daily religious practices.

2.2 Post Harvesting of Meat (Kadim & Osman , 2007)

There exists a greater scientific and food safety reason behind Halal Food. Carrion and dead animals are unfit for human consumption because the decaying process leads to the formation of chemicals that are harmful to humans. Blood that is drained from an animal contains harmful bacteria, products of metabolism, and toxins.

The animal's body mass contains a large proportion of skeletal muscle, which is responsible for contraction. Meat is the edible flesh of an animal's skeletal muscles that is used as food and is an excellent source of many nutrients, especially protein, B vitamins, iron, and zinc. Skeletal muscle is made up of thousands of cylindrical muscle fibers that often run all the way from origin to insertion.

The fibers are bound together by connective tissue through which blood vessels and nerves run . The conventional instruction for understanding the postharvest of meat is to start with the structure and physiology of living muscle.

Muscle biology is complex due to the various biological functions of muscles, such as their role in movement, deposition of protein, and protection.

Muscle metabolism plays a role in the pathogenesis of metabolic disorders in humans and animals, and in the transformation of muscles to meat in animals. Muscle characteristics are of prime importance since quality has been recently recognized as one of the most important social and economic challenges for meat producers and retailers around the world.

Animal physiology also generally plays an important role in controlling the changes that occur in the postmortem conversion of muscle to meat, thereby affecting meat supply for the human population.

Regardless of the species, animal death is accompanied by an inability to supply oxygen to the body. When normal life processes stop, many of the biochemical reactions present in the living state retain some degree of activity in the non-living state. These reactions are responsible for profound quality changes during storage.

The rate and extent of muscle postmortem metabolism is dependent on availability of glycogen at slaughter, the temperature of the medium in which the reactions occur, and whether or not procedures intended to accelerate metabolic reactions have been applied. Initially, muscles become stiff and hard but gain some softness after hanging and conditioning (aging).

Providing consumers with adequate quantities of quality meat and meat products is the main objective of meat harvesting. Therefore, meat requires proper handling after slaughter. Enhanced

meat safety involves the application of measures to delay or prevent microbiological, chemical, and physical changes that make meat less healthy for human consumption.

The above scientific explanation about post harvesting meat has a direct correlation to insisting draining of blood after slaughter which in turn affects meat quality.

2.3 Principles of Halal

All things created by Allah S.W.T are halal, with a few exceptions.

The basic principle of halal is that all things created by Allah S.W.T. are halal (permitted), with a few exceptions that include pork, blood; meat of animals that have died of causes other than proper slaughtering; food that has been dedicated or immolated to someone other than Allah; alcohol, intoxicants, and inappropriately used drugs.

“Forbidden to you (as food) are: dead meat, blood, the flesh of swine, and that on which hath been invoked the name of other than God. That which hath been killed by strangling, or by a violent blow, or by headlong fall, or being gored to death; that which hath been (partly) eaten by a wild animal; unless ye are able to slaughter it (in due form); that which is sacrificed on stone (altars); (forbidden) also is the division (of meat) by raffling with arrows; that is impiety.”

(Qur'an, Surah 5:Verse 3)

يَا أَيُّهَا الَّذِينَ ءَامَنُوا لَا تَحْزَمُوا طَيِّبَاتِ مَا ءَحَلَّ اللَّهُ لَكُمْ
وَلَا تَعْتَدُوا إِنَّ اللَّهَ لَا يُحِبُّ الْمُعْتَدِينَ ﴿٨٧﴾
وَكُلُوا مِمَّا رَزَقَكُمْ اللَّهُ حَلَالًا طَيِّبًا وَاتَّقُوا اللَّهَ الَّذِي
أَنْتُمْ بِهِ مُؤْمِنُونَ ﴿٨٨﴾

"O ye who believe! Forbid not the good thing which Allah hath made 'lawful' for you, and transgress not. Lo Allah loveth not transgressors. Eat of that which Allah hath bestowed on you as food 'lawful' and good, and keep your duty to Allah in whom ye are believers."

(Al-Quran Surah Al Ma'idah: Verse 87-88) 1.2.3

From the above the Halal concept may appear to have a religious connotation, but the truth is it has a completely scientific and a holistic approach

Let's look at some definitions :

HALAL is an Arabic word which means "permitted" or "lawful". Things or actions permitted by Shariah law without punishment imposed on the doer

HARAM is an Arabic word which means "Prohibited" or "Unlawful". Haram activities are forbidden for every Muslim

SYUBHAH (Mashbooh) is an Arabic word which means “doubtful”. If one does not know the Halal or Haram status of a particular food or drink. Such a food or drink is Mashbooh and should be avoided.

HALAL – TOHYIYIBAN Halal always comes with the word Tohyyiban that makes it more holistic and we can view the concept in totality.

Halal - What is permissible based on Shariah perspectives

Tohyyiban – Good and Wholesome

Tohyyib = Good, high in quality, safety ensured (microbiologically safe, free from chemical and physical hazards), hygienic & clean, nutritious, authentic in its claims, organic (sync with its natural environment)

Thus we see that the manifestations of Halal Tohyyiban are from “farm to table”. Food is considered Halal based on how it is processed, handled and stored in accordance with Shariah or Halal Standards or Guidelines.

2.4 Classification of Halal & Haram Food

All land animals are Halal except:

- Animals not slaughtered according to Shariah
- Pigs (khinzir) and dogs

- Animals with long pointed teeth or tusks which are used to kill prey such as tigers, bears, elephants, cats and monkeys
- Birds with talons or predator birds
- Pests such as rats, centipedes, scorpions
- Animals that are forbidden to be killed in Islam like bees and woodpeckers
- Creatures that are repulsive like lice, flies etc

All aquatic animals are Halal except:

- Those that are poisonous, intoxicating or hazardous to health
- Animals that live both in water and land like crocodile, turtles and frogs

All kinds of water and drinks are Halal except:

- Those that are poisonous,, intoxicating or hazardous to health

All plants and plant derivatives and plant products are Halal except:

- Those that are poisonous, intoxicating and hazardous to health

All mushrooms and micro-organisms (bacteria, algae, fungi) and their by products or their derivatives is Halal except:

- Those that are poisonous, intoxicating and hazardous to health

All chemicals and minerals are Halal:

- Those that are poisonous, intoxicating and hazardous to health

Products from hazardous aquatic animals or plants are Halal when the toxin or poison has been eliminated during processing as permitted by Shariah

Food and drinks products and /or by –products of Genetically Modified Organisms(GMO) or ingredients made by use of genetic materials of animals that are non Halal by Shariah are not Halal

2.5 Common grounds of Halal & GMP

From the complete definition of Halal Toyyiban we see that Halal does not have a religious connotation alone, but it shares a lot in common with GMP (Good Manufacturing Practice) & HACCP (Hazard Analysis & Critical Control Point) and Food Safety, all of which are mandatory in all food related industries.

Key Similarities of Halal & HACCP

- Compliance through Systems Approach –
- Compliant through Systems Approach where GMP/GHP are integral
- Preventive in nature
- Based on holistic rather than a stand alone approach
- Contaminants – (microbial , physical and chemical)
- Controlled process
- Sanitized environment
- Clean equipment and consumables

- Trained Operators
- Good Health of Employees
- Strictly based on Food Safety
- Any non compliance throughout the process & supply chain is not acceptable.

In Summary:

Halal or Haram or Syubhah food is there, not just for religious or Shariah reasons as mandated by Islam

Halal Food encompasses a greater holistic (Toyyib), scientific, pure, organic, wholesome, food safety and biodiversity and traceability component which will benefit not just Muslims by people of all faiths and mankind as a whole.



Figure 2.1 Pig & Its Derivatives

Source: HDC

Chapter 3: Market for Halal Food

3.1 Global and Muslim Population, 2004 -2009

The size for the Halal food market can be estimated by examining the size of the global population and more specifically the Muslim population. Table 2.1 shows the global population as well as population of selected countries/regions in millions.

Table 3.1: Global Population by Region (Million)

	2004	2005	2006	2007	2008	2009
World Total	6364	6473	6551	6625	6708	6787
1. Africa	890	910	931	952	974	996
2. Asian Countries	3871	3917	3963	4006	4056	4102
3. Selected Asian Countries:						
- GCC Countries	36	37	38	39	40	41
- Indonesia	226	229	232	235	238	240
- China	1299	1306	1314	1322	1330	1339
- India	1075	1094	1112	1130	1148	1166
- Malaysia	24	24	24	25	25	26
4. European Countries	727	727	727	727	726	726
5. Selected European Countries						
- France	63	63	63	64	64	64
- United Kingdom	60	60	61	61	61	61
6. Australia/ Oceania	32	33	33	34	34	35
7. American Countries	875	886	896	907	917	928
8. North America						
- USA	293	296	298	301	304	307
- Canada	32	32	33	33	33	33

Source: World Bank & United Nations Population Database