

From niche to mainstream
Halal Goes Global



International
Trade
Centre

TRADE IMPACT FOR GOOD

© International Trade Centre 2015

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.

Street address: ITC
54-56, rue de Montbrillant
1202 Geneva, Switzerland

Postal address: ITC
Palais des Nations
1211 Geneva 10, Switzerland

Telephone: +41-22 730 0111

Fax: +41-22 733 4439

E-mail: itcreg@intracen.org

Internet: <http://www.intracen.org>

FROM NICHE TO MAINSTREAM HALAL GOES GLOBAL

ABSTRACT FOR TRADE INFORMATION SERVICES

ID= 43160

2015

SITC-0 FRO

International Trade Centre (ITC)
From niche to mainstream – Halal Goes Global
Geneva: ITC, 2015. XIV, 58 pages.

This publication provides a detailed overview of the global halal food and beverage market, including up-to-date trade data on the key sub-sectors of the halal marketplace. It assesses the trade potential in the halal food market by giving insights into its size, dynamics and drivers, its regional variations, the complex nature of its integrated value chain and the evolving regulatory frameworks; discusses the role of trade and investment promotion institutions to develop a national halal industry; highlights ITC's role in assisting TISIs to build the necessary expertise in halal sectors, and collaboration between ITC and Islamic Development Bank (IDB) to enhance people's livelihoods and reduce poverty through development and support of small-scale food-based industries and trading ventures enabling them to connect to global supply chains.

Descriptors: **Food Products, Beverages, Meat Products, Processed Food, Oils and Fats, Market Access, Market Research, Technical Cooperation.**

English

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.

ITC, Palais des Nations, 1211 Geneva 10, Switzerland (www.intracen.org)

The designations employed do not imply the expression of any opinion on the part of the International Trade Centre concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Digital image(s) on the cover: © Shutterstock

© International Trade Centre 2015

All data in tables and figures are by ITC.

ITC encourages the reprinting and translation of its publications to achieve wider dissemination. Short extracts may be freely reproduced, with due acknowledgement of the source. Permission should be requested for more extensive reproduction or translation.

Doc. No. P259.E/DCP/OAS/15-X

ISBN: 978-92-9137-429-8
United Nations Sales No. E.15.III.T.4

FOREWORD BY ITC

As the global landscape of trade continues to evolve, we are seeing not just new patterns of production and trade, but, as is the case with the global halal market, the appearance of what is effectively a new commercial paradigm.

A global market based on the needs and preferences of the estimated 1.6 billion Muslims worldwide has emerged as a powerful commercial arena. This creates opportunities for enterprises, especially in developing markets to take advantage of this estimated US\$ 1 trillion market of the halal food sector. This sector is increasingly attracting the attention of policymakers and the private sector as a sector with increasing growth potential.



For the International Trade Centre (ITC), the halal food sector offers a new horizon of opportunity to build the capacity of small and medium-sized enterprises (SMEs) to diversify and gain a competitive edge in this area. Helping them to recognise, enter and move up the halal sector value chain and strengthen their trade and investment support institutions (TISIs) to be multipliers on the ground in providing trade and market intelligence, are all areas that ITC can and will be working toward. In particular, for SMEs in the less developed rural economies, the halal food market offers a great opportunity. With its emphasis on farm-to-fork compliance, there are many possibilities to link SMEs to the international and regional supply chains existing in the halal sector.

SMEs play a critical role in all economies by fuelling growth, increasing the demand for labour and generally raising living standards. Supporting women-owned SMEs in particular can be a powerful tool to promote women's economic empowerment. It is estimated that 500 million new jobs will be needed by 2030, and a significant proportion of these will be in countries belonging to the Organisation of Islamic Cooperation (OIC), where 60% of the population are under the age of 30. Supporting SMEs to be vectors of growth will also be a clear response to the recently adopted United Nations Global Goals for Sustainable Development.

ITC's role as a provider of trade and market intelligence, with online tools that enable even the smallest business enterprise to have access to global trade data, can assist SMEs to link to supply chains and enhance their commercial presence in the halal food sector. While many market sectors are increasingly saturated and highly competitive, the evolving halal market offers a new range of opportunities with a different set of ground rules, giving agile and enterprising SMEs the chance to connect with this new marketplace. ITC aims to help SMEs be first movers in this area.

The halal sector has its own set of challenges. Varying interpretations of religious rulings, different standards and constantly evolving regulatory frameworks can easily become obstacles for newcomers to this market. ITC's contribution to shedding light over some of these issues, including by capturing halal standards in the ITC Standards Map and providing support to many TISIs to enter the halal market, will help to bring solutions to some of these challenges.

This new publication is a welcome addition to ITC's portfolio of interventions. It provides an excellent introduction to those who are encountering the halal market for the first time by giving trade data on the key sub-sectors of the halal marketplace. At the same time, it aims to increase the understanding of many of the complex issues that are particular to the sector, and in doing so, allows SMEs, policymakers and TISIs to have a comprehensive view of the market landscape.

ITC's commitment to working with stakeholders in the halal market is a natural extension of our existing goals and values, and our strong belief that trade can be an engine for sustainable growth and an incubator to create new jobs and better lives.

Arancha González
ITC Executive Director

FOREWORD BY IDB

In the name of God, the Most Merciful, the Most Compassionate

At the outset, I would like to congratulate the International Trade Centre (ITC) for its continued commitment to the goal of promoting 'trade impact for good', and especially for its focus on South-South trade, enhancing the competitiveness of SMEs by connecting to global supply chains, and its focus on helping women and youth to become successful entrepreneurs. These goals are fully in line with the vision and mission of the Islamic Development Bank (IDB).



Some important priorities of the recently adopted United Nations Global Goals for Sustainable Development include: 1) No poverty, 2) Zero Hunger, and 3) Good Health and Well-Being. We all know that these will require partnerships, innovation and of course significant additional resources.

Better synergy and strategic alliances at national, regional and international levels are key to coordinate resources needed, and to make a significant difference. It is now an accepted reality that Islamic finance will play a key role in achieving the UN Global Goals.

By focusing on the development of sustainable agriculture, small and medium food production enterprises, and connectivity to global supply chains, IDB is already making positive contributions towards the UN Global Goals.

The development and expansion of the halal food markets around the world offer a clear opportunity, especially within the countries belonging to the Organisation of Islamic Cooperation (OIC). The halal food industry is currently valued at over US\$ 1 trillion annually.

Enhancing intra-OIC trade has always been a priority for IDB. The food sector opens up a new horizon of possibilities for increasing trade volume within OIC. Some OIC member countries, including GCC member states, are major food importers. On the other hand, other OIC member countries are significant food producers. Within OIC there are, on the one hand major food importing countries, especially within the GCC region. While OIC membership includes some of the wealthiest countries in the world, many members are impoverished facing long-term crises stemming from unemployment and poverty including malnutrition.

The growing halal market offers a genuine opportunity for these two 'hands' to work together for sustainable mutual benefit by addressing food security issues for some, and poverty and malnutrition issues for others.

Furthermore, within OIC and beyond, this represents a unique opportunity for Islamic financial solutions to be utilized for the common good, and to further strengthening the halal food sectors by the application of Sharia-compliant methods of finance and investment.

To this end, IDB will continue to collaborate with ITC to move closer to achieving our shared goals. IDB has made a decision to double our development assistance activities from US\$ 80 billion to US\$ 150 billion over the next 15 years to support programmes and projects that further the UN Global Goals in our member countries.

We look forward to a long and results-based collaboration with ITC.

Dr. Ahmad Mohamed Ali Al Madani
President of the Islamic Development Bank Group

ACKNOWLEDGEMENTS

This report has been written by Abdalhamid Evans and Sadiq Syed.

Abdalhamid Evans is an independent consultant who specializes in the halal market. His research is based on more than a decade of active engagement with a broad spectrum of halal industry stakeholders in governments, multinational corporations, SMEs, academia and event organizers, as well as print, TV and online media. He co-authored the Halal Market chapter of Malaysia's Third Industrial Master Plan and was a co-founder of the World Halal Forum in 2006. In addition to Malaysia, he has worked on halal sector projects in Brunei Darussalam, the United Arab Emirates, the United States of America, the United Kingdom of Great Britain and Northern Ireland, and Europe.

Sadiq Syed is a trade promotion adviser at ITC. He manages trade development programmes in the Middle East and North Africa region and is the focal point for the halal market at ITC. Among other sectors, he is actively working on developing marketing aspects of processed food products. He has extensively worked with SMEs, halal certification bodies and TISIs to build a conducive environment for the development of the sector. He also leads the work of ITC's Market Analysis and Research team to customize ITC tools such as the Standards Map for the halal sector.

ITC is grateful to the many people who have, directly and indirectly, contributed to this publication by sharing their knowledge, expertise and experience at the cutting edge of the constantly evolving halal marketplace. In particular, ITC would like to acknowledge the following organizations for their contributions to the halal sector and this report: Australian Meat Industry Council; Department of Islamic Development Malaysia; Dubai Islamic Economy Development Centre; Emirates Standards and Metrology Authority; Gulf Standards Organization; Halal Industry Development Corporation; Islamic Development Bank; Malaysia External Trade Development Corporation; Malaysian International Halal Showcase; Standards and Metrology Institute for Islamic Countries; and Turkish Accreditation Agency.

In particular, ITC would like to acknowledge the following individuals whose personal collaborations and conversations with the authors, over many years, have informed the writing of this report: Adnan Durrani, Ahmad Adam, Ahmed Elhattab, Arancha González, Ashish Shah, Asma Khan, Caroline Allex, Dorothy Tembo, Hakimah Binti Mohd Yusoff, Hanisofian Alias, Helen Lassen, Joe Wozniak, John Hayes, Joochi Tahir, Jumaatun Azmi, Kamarul Aznam, Kerfalla Conte, Lilia Naas, Mahanoor Ahmed, Meyriam Bendjeloul, Muhammad Shukri Abdullah, Dr. Muhammad Munir Chaudry, Natalie Domeisen, Naved Syed, Rafiuddin Shikoh, Rizvan Khalid, Rushdi Siddiqui, Salama Evans, Sandra Cabrera, Tahzeeb Nisar, Torek Farhadi, and Valerie Badertscher.

Production management was conducted by Natalie Domeisen and Evelyn Seltier; editing by Jennifer Freedman and Natalie Domeisen; design by Kristina Golubic; and printing by Serge Adeagbo and Franco Iacovino.

CONTENTS

FOREWORD BY ITC	iii
FOREWORD BY IDB	iv
ACKNOWLEDGEMENTS	v
ABBREVIATIONS	ix
ABOUT THIS REPORT	x
EXECUTIVE SUMMARY	xi
<hr/>	
CHAPTER 1: WHAT IS HALAL?	1
<hr/>	
HALAL – A NEW HORIZON OF OPPORTUNITY	2
<hr/>	
CHAPTER 2: THE HALAL SECTOR	5
<hr/>	
HOW LARGE IS THE HALAL MARKET?	6
WHAT ARE THE KEY REGIONS?	6
KEY COUNTRIES	7
MEAT AND LIVE ANIMALS	7
UNPROCESSED MEAT AND POULTRY PRODUCTS	7
POULTRY	7
PROCESSED FOODS (MEAT, POULTRY, SEAFOOD)	8
NATURALLY HALAL PRODUCTS	9
<hr/>	
CHAPTER 3: DRIVERS OF HALAL FOOD AND BEVERAGE MARKETS	15
<hr/>	
CONSUMER AWARENESS	16
ECONOMICS	16
TECHNOLOGY	17
SOCIETAL	18
SUPPLY-CHAIN INTEGRITY	18
ECO-ETHICAL	18
FOOD SECURITY	19
POLITICAL	19
LEGAL	19
<hr/>	
CHAPTER 4: MARKET ACCESS AND REGULATORY FRAMEWORKS	23
<hr/>	
DEFINITIONS, GUIDELINES AND STANDARDS	24
ISSUES FOR MANUFACTURERS AND EXPORTERS	29
ISSUES FOR CONSUMERS	30
ACCREDITATION	30
SANITARY AND PHYTOSANITARY MEASURES	31

CHAPTER 5: THE HALAL FOOD VALUE CHAIN – THE FARM-TO-FORK CHALLENGE	35
FARM AND LIVESTOCK REARING	36
STANDARDS AND CERTIFICATION	37
SLAUGHTER.....	37
PROCESSING AND MANUFACTURING	37
LABELLING.....	37
MARKETING AND BRANDING	39
LOGISTICS.....	39
INGREDIENTS AND ADDITIVES.....	39
WHOLESALE AND RETAIL	40
CUSTOMER RELATIONS	40
CHAPTER 6: TRADE AND INVESTMENT SUPPORT INSTITUTIONS	43
TRADE PROMOTION	44
INTEGRATED POLICYMAKING	46
TRAINING AND HUMAN RESOURCE DEVELOPMENT.....	46
NATIONAL BRANDING	46
INVESTMENT OPPORTUNITIES.....	48
CREATING CLUSTERS AND HUBS.....	48
CHAPTER 7: ITC AND THE HALAL SECTOR	51
LINKING SMES TO GLOBAL SUPPLY CHAINS	52
STRENGTHENING TRADE AND INVESTMENT SUPPORT INSTITUTIONS	52
SUPPORTING REGIONAL ECONOMIC INTEGRATION	52
TRADE AND MARKET INTELLIGENCE	53
HALAL MARKET OPPORTUNITIES	53
HARMONIZING STANDARDS	54
DEVELOPING INDUSTRY	54
ENDNOTES.....	55
ANNEX.....	56

FIGURES

Figure 1: Evolution of halal as a defining market parameter	3
Figure 2: Major OIC food markets.....	7
Figure 3: OIC leading importing markets of unprocessed meat and poultry products (US\$ billion, 2014)	8
Figure 4: OIC leading importing markets of processed food products (US\$ billion, 2014)	9
Figure 5: SWOT analysis	12
Figure 6: Key drivers of halal market growth.....	17
Figure 7: PESTEL analysis	20
Figure 8: Mainstream food sector regulatory framework	24
Figure 9: Regional variations in the halal market	25
Figure 10: Australian halal sector regulatory framework	27
Figure 11: Halal food value chain.....	36

BOXES

Box 1: Halal certification helps quadruple exports	11
Box 2: The evolution of halal regulations.....	32
Box 3: Halal baby food – Morocco as pioneer.....	38
Box 4: An ongoing halal success story in Malaysia.....	45
Box 5: Lulu Hypermarkets – setting new benchmarks for the industry	47
Box 6: ITC and the Islamic Development Bank	53

ABBREVIATIONS

AIO	Approved Islamic Organizations
AMIC	Australian Meat Industry Council
ANSI	American National Standards Institute
AQIS	Australian Quarantine Inspection Service
ASEAN	Association of Southeast Asian Nations
CEN	European Committee for Standardization (Comité Européen de Normalisation)
DAC	Dubai Accreditation Centre
DIEDC	Dubai Islamic Economy Development Centre
ESMA	Emirates Standards and Metrology Authority
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
F&B	Food and beverage
GAC	GCC Accreditation Centre
GCC	Gulf Cooperation Council
GHP	Good hygienic practices
GMP	Good manufacturing practices
GSO	Gulf Standards Organization
HACCP	Hazard and critical control points
HCB	Halal Certification Body
HDC	Halal Industry Development Corporation
IAF	International Accreditation Forum
IDB	Islamic Development Bank
IBM	Incoming Buying Mission
ISO	International Organization for Standardization
ITC	International Trade Centre
JAKIM	Department of Islamic Development Malaysia (Jabatan Kemajuan Islam Malaysia)
JAFZA	Jebel Ali Free Zone
LDC	Lesser developed country
MATRADE	Malaysia External Trade Development Corporation
MENA	Middle East and North Africa
MIHAS	Malaysian International Halal Showcase
MLA	Meat and Livestock Australia
MUI	Indonesian Ulema Council (Majelis Ulama Indonesia)
MUIS	Islamic Religious Council of Singapore (Majlis Ugama Islam Singapura)
OIC	Organisation of Islamic Cooperation
RFID	Radio frequency identification
SGD	Sustainable Development Goals
SMEs	Small and medium-sized enterprises
SMIIC	Standards and Metrology Institute for Islamic Countries
SPS	Sanitary and phytosanitary measures
TBT	Technical barriers to trade
TISI	Trade and investment support institutions
TURKAC	Turkish Accreditation Agency
UKAS	United Kingdom Accreditation Service
Halal	Lawful, permissible under the Islamic Shariah
Haram	Unlawful, prohibited under the Islamic Shariah
Tayyib	Good, wholesome, pure
Ulema	Religious scholar

ABOUT THIS REPORT

This report aims to provide a detailed overview of the global halal food and beverage market, including up-to-date trade figures and an informed perspective of the overall market landscape and its dynamics.

It is not intended to be a definitive description of halal from a religious perspective; it is intended to enable the reader to make informed decisions with regard to this evolving market paradigm, whether from the perspective of government policymaking or for commercial strategy. For many readers, it may raise as many questions as it answers, but it is our hope that the questions it raises will be informed ones.

Estimating the size of the halal food and beverage (F&B) sector presents its own particular complexities. No system is in place to track the trade in halal-certified products. Moreover, it must be stressed that certification in itself is not the defining parameter; rather it is a confirmation of compliance. A product can be halal without any third-party certification, and indeed many natural products, such as grains, fruits and vegetables, are halal by their very nature. Certification becomes an issue with meat and poultry and their derivative products, by-products and associated ingredients used in related product recipes, and the dynamics of the international marketplace have made certification an increasingly important and challenging aspect, as this report illustrates.

Unless otherwise stated, the export and import data contained in this report has been derived from the Trade Map section of the International Trade Centre website <http://www.intracen.org/itc/market-info-tools/trade-statistics/>. Data collected during the month of July 2015. The reliability of statistics used in this report is dependent on the source of data, which is usually the customs authority in the exporting country or the importing country (mirror statistics). This report uses more mirror data than direct statistics by virtue of the fact that many OIC member states do not have consistent and reliable data available on the ITC Trade Map. Therefore, trade information between non-reporting countries may not be accurately reflected in this analysis.

The authors have used the appropriate HS codes for the various food and beverage categories. As there are no specific codes for halal products, we have used the generic HS codes and subtracted out figures for porcine-related products, as well as alcohol and tobacco.

Consequently, certain assumptions have been made in order to derive trade figures and flows for halal products. For example, it is assumed that all products that are imported into or exported from OIC member countries will be halal, and this has been used as the basis for estimating trade data in the halal product categories.

Defining, monitoring and tracking the trade in halal products is itself a work in progress. This report sets out to present a snapshot of this evolving process, and to provide readers with some useful background information to facilitate their further engagement in this exciting and rapidly developing market.

EXECUTIVE SUMMARY

For anyone with an interest in the phenomenon known as the global halal market, this publication is essential reading. Interested parties might include policymakers within national governments and international organizations; senior executives in national trade and investment support institutions; corporate decision-makers in related industries whether they be in large multinationals or SMEs; entrepreneurs, incubators and innovators, researchers, academics and investment analysts.

Indeed, anyone concerned with international trade, emerging markets, changing spending habits, consumer preferences, or any aspect of the Islamic economy will find that the development of this new market paradigm holds something of interest.

This is not intended to be a definitive description of what is or is not halal, or permissible; there are other publications that perform that function. It is an assessment of the trade potential in the halal food market that provides insights into its size, its dynamics and drivers, its regional variations, the complex nature of its integrated value chain and the evolving regulatory frameworks that are being developed to structure and regulate this market.

Halal is an Arabic term meaning permissible or lawful. Its opposite is haram, prohibited or unlawful. For the purposes of this report, halal refers to food and beverages that are permissible for use and consumption by Muslims. Broadly speaking, all foods are generally permissible except for those derived from prohibited animals such as pigs, dogs, predators or carrion, as well as food and beverages containing alcohol and other harmful or poisonous ingredients.

HALAL – FROM NICHE TO A GLOBAL MARKET

Over the past two decades, halal food has been transformed from an exclusive niche market for Muslim consumers into a dynamic global market phenomenon that shows every indication of playing a significant role in global trade in the coming years.

Traditionally, halal was seen to refer only to meat and poultry, specifically with reference to the method of slaughter. More recently, this has grown to include non-meat foods such as dairy, baked goods, snacks, confectionery, ready-made meals and other processed food and beverage products. And as halal is a 'farm-to-fork' process with halal compliance needed all the way through the supply chain, aspects such as warehousing, transportation and logistics all play a role in maintaining and demonstrating halal integrity.

In terms of market research, trade data and analysis, and the preferences and spending habits of 1.6 billion consumers, the halal market has for years been uncharted territory. In this respect, the halal marketplace is still a very young and continually evolving commercial arena; it is, in effect, a new market paradigm that crosses geographic, cultural and even religious boundaries.

The halal market is a complex and fragmented jigsaw puzzle whose defining parameters are still fluid and expanding. Variables based on cultural assumptions, habits and preferences, different interpretations of the law and the global nature of food product supply chains add to this complexity. To understand the growth and evolution of the halal market, it is useful to focus on factors and forces that are evidently driving this market forward. From consumer awareness to technological innovations, the halal market is continuously being influenced and driven to new levels of evolution.

REGULATORY FRAMEWORKS CAN BENEFIT FROM COOPERATION

The regulatory frameworks in the halal sector are somewhat complex, as they vary from one region to another and from one country to another. Muslim-majority countries take a different approach from Muslim-minority countries, and regional frameworks, such as for the Association of Southeast Asian Nations (ASEAN) or the GCC, are also in the process of development. Standards and frameworks for the 57 member states of the OIC are also being developed.

The entire landscape of regulation of the halal market globally is in a state of flux and evolution. A major challenge in developing a regulatory framework for the halal market is to bring the halal F&B sectors up to the same levels of regulatory compliance as exist for safety and quality in the mainstream food sectors.

Generally, a regulatory framework comprises the following elements:

- Definitions, guidelines and standards
- Auditing and certification
- Accreditation

A more coordinated approach led by international bodies such as the Standards and Metrology Institute for Islamic Countries (SMIIC) will benefit the sector by increasing transparency and cooperation among different national bodies. Another challenge is the proliferation of private halal labels including those that are self-declared. These private labels do not necessarily undergo proper checks and, in certain cases, contain false claims. This issue needs to be addressed by establishing strong institutions at the national level that provide full guidelines with clear audit and certification procedures. Increasing transparency and clarity in the regulatory framework is a key to gaining the confidence of all stakeholders and to give a boost to the growth of the halal sector.

SMEs IN GLOBAL HALAL VALUE CHAINS – THE FARM-TO-FORK CHALLENGE

It is only in the past decade that the notion of the halal value chain has really been widely considered. The realization that the application of halal values and compliance criteria applied to all of the elements in a complex value chain has led to an increasingly sophisticated approach to halal in general.

In contrast to the traditional view that halal was primarily related to slaughter methods, it is now widely accepted that halal integrity must be maintained throughout the entire supply chain. With the emergence of global trade, complex supply chains are now the norm rather than the exception. As a result, the issues of end-to-end halal integrity have become markedly important.

Marketing, messaging and branding in the mainstream food sector in general have also become very sophisticated, adding to the challenges faced by stakeholders in the halal F&B sectors. The halal value chain is emerging as a challenging proposition, particularly for processed food items, and manufacturers and brand owners must consider every aspect of the product, from the farm to the table. Manufacturers who can demonstrate this level of commitment are seeing more success than those who simply consider halal as an afterthought or add-on to an existing product.

This perspective of the halal market and the importance of maintaining the integrity of the entire value chain creates enormous opportunities for SMEs to be part of the sector. Be it in the areas of farming, processing and manufacturing or in providing support services, new areas of activity are opening fresh prospects. With some adaptation to existing processes and technology, SMEs are capable of addressing quality requirements and finding their place in the growing supply chains of these new markets.

STRONG SUPPORT SYSTEMS – THE ROLE OF INSTITUTIONS

Given the continued expansion of the halal market, both in size and complexity, and with the crossover potential into the mainstream and other eco-ethical markets, there is a significant window of opportunity. TISIs can make a valuable contribution to the growth of their national economies by developing expertise within the halal market and using this to nurture SMEs and entrepreneurial startups, and even assisting major corporations looking for a pivot into the halal sector.

Trade promotion organizations can play a significant role in building appropriate institutional capacity to develop a national halal industry. To truly succeed, TISIs must think and act outside their normal patterns of activity and take a more proactive approach to understand and engage with the halal marketplace. There are now enough examples in the wider marketplace to provide insights and fresh ideas for TISIs to apply to their own situations.

International institutions have the potential to play an increasingly substantial role in the halal market. Naturally enough, much of the current impetus across all sub-sectors, including regulatory-framework development, is being driven by stakeholders with corporate, national or regional priorities. Consequently, there is space for an international body that can play a fully impartial and broad-based role with an inclusive approach for the benefit of all, especially the lesser developed economies.

HALAL MARKET – A FORCE FOR GOOD

The halal sector brings a deeply ethical and spiritual element back into our relationships with food and trade. As a defining market parameter, halal continues to evolve. As it starts to approach its full potential, it will become a sign of quality and safety for products, and a beneficial force in global trade. For products and services to be truly halal, they must be based on business and social relationships that are non-exploitative and environmentally sustainable, as well as being equitable and beneficial for both buyer and seller.

In this respect, the growth of the halal market is itself a force for good. Its development, if pursued with intelligence and purity of intention, can be an active force in the alleviation of poverty. Growth of the halal sector has the potential to bring jobs, social harmony and an improved lifestyle to many people around the world.



CHAPTER 1

WHAT IS HALAL?

HALAL – A NEW HORIZON OF OPPORTUNITY2

WHAT IS HALAL?

Halal food has been around for more than 1,400 years, but only in recent decades have halal products gained global prominence. The global Muslim population exceeds 1.6 billion, is growing at twice the rate of the non-Muslim world and is expected to reach 2.2 billion by 2030¹. It is therefore not surprising that the market for halal products and services is attracting more attention.

Halal is an Arabic term meaning permissible or lawful. Its opposite is haram, prohibited or unlawful. For the purposes of this report, halal refers to food and beverages that are permissible for use and consumption by Muslims.

Broadly speaking, all foods are generally permissible except for those derived from prohibited animals such as pigs, dogs, predators or carrion, as well as food and beverages containing alcohol and other harmful or poisonous ingredients. Slaughter must be carried out in a humane and Shariah-compliant manner, with the intention that it is performed in the name of God.

From a business perspective, the halal market undoubtedly offers a range of compelling opportunities. As many traditional markets reach saturation, the emergence of a new market, based on halal values and principles, is in effect creating a new commercial paradigm. This is strongly led by the food and beverage sector, and has more recently expanded into the pharmaceutical, cosmetic and personal-care sectors, driven by increasing consumer awareness and an entrepreneurial eye for new market opportunities.

HALAL – A NEW HORIZON OF OPPORTUNITY

As a defining market parameter, halal is evolving and expanding. Traditionally, halal was seen to refer only to meat and poultry, specifically with reference to the method of slaughter. More recently, this has grown to include non-meat foods such as dairy, baked goods, snacks, confectionery, ready-made meals and other processed food and beverage products. And as halal is a 'farm-to-fork' process with halal compliance needed all the way through the supply chain, aspects such as warehousing, transportation and logistics all play a role in maintaining and demonstrating halal integrity.

Interestingly, in recent decades, this evolution has been driven not by mainstream Muslim-majority countries, but by the multicultural populations of Southeast Asia and the Muslim diasporas of Europe and North America.

Halal certification for food products started to appear in the 1970s and 1980s. In Malaysia, where the non-Muslim Chinese business community produces much of the food, the need for halal verification was strongly promoted by the government and readily adopted by the manufacturers, retailers and food outlets in order to guarantee the custom of the Muslim Malays. The development of halal standards and a government-run certification body (the Department of Islamic Development Malaysia, or JAKIM) created a regulatory framework that has become recognized worldwide.

Singapore, Indonesia, Thailand and Brunei all developed similar systems. This has created a regional market environment where it is now common to see official halal logos on a full spectrum of food products including baked goods, dairy products, soft drinks, bottled water and tea bags, as well as cosmetics and personal-care products.

Halal certification has also developed as a significant force in the Muslim-minority countries, where halal food has become a defining element of Muslim identity.

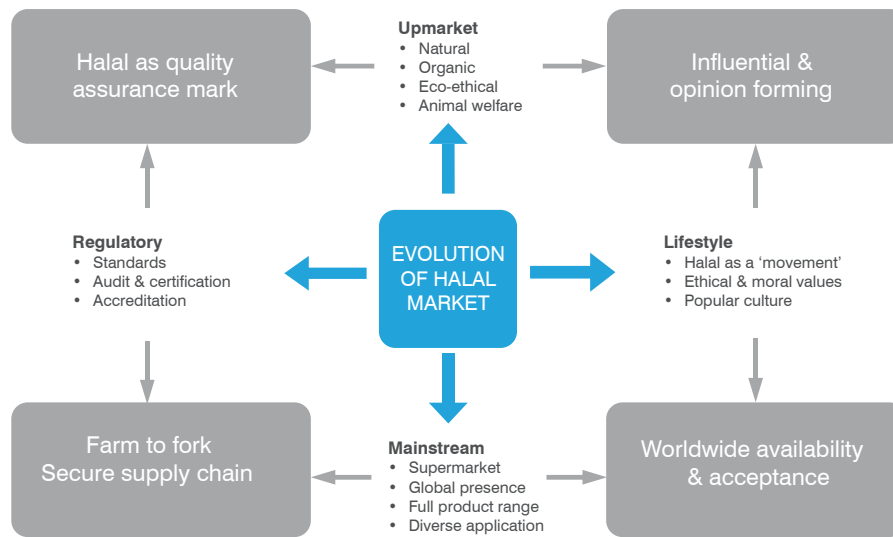
In countries that export food products to the Muslim world, such as Australia, New Zealand, Brazil, the United States and European nations, halal certification has become a necessary, and indeed lucrative, component of international trade.

In 2004, Department of Standards Malaysia published its official Halal standard MS1500:2004. This coincided with a government policy to develop Malaysia as a global halal hub and the first halal-only international trade expo, MIHAS. The Third Industrial Master Plan in 2006 included a chapter on the halal sector and, following the formation of the government-owned halal Industry Development Corporation in 2006, a full halal master plan was drawn up.

This represented the first time that halal was really regarded from a policymaking perspective, exploring how halal could serve as an engine of growth for the national economy through inward investment, export promotion, small and medium-sized enterprises (SMEs) and human-resource development.

These developments helped to put the halal market on the international map and drew attention to the enormous market potential of the halal sectors. Halal conferences and trade shows began to appear around the world, and both startups and mainstream brands in manufacturing, retail and restaurant chains brought new offerings to market.

Figure 1: Evolution of halal as a defining market parameter



The potential for this new market sector was highlighted in AT Kearney's 2008 report 'Addressing the Muslim market – can you afford not to?', which pointed out that '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.'

In recent years, halal has become a powerful market parameter that continues to evolve across different subsectors of the food supply chain and has affected related industries including cosmetics and personal care, pharmaceuticals, travel and hospitality, and lifestyle markets such as fashion and media.

'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.'

The increasing need for new market opportunities at both national and corporate level, coupled with growing consumer awareness, has pushed halal into the public awareness. Today, halal food outlets and offerings can be found all over the world. Furthermore, a convergence of values with the natural-food movement and other eco-ethical initiatives has created a growing crossover opportunity for halal offerings to appeal to other niches within mainstream markets.



CHAPTER 2

THE HALAL SECTOR

- HOW LARGE IS THE HALAL MARKET? 6
- WHAT ARE THE KEY REGIONS? 7
- KEY COUNTRIES 7
- MEAT AND LIVE ANIMALS 8
- UNPROCESSED MEAT AND POULTRY PRODUCTS 9
- POULTRY 9
- PROCESSED FOODS (MEAT, POULTRY, SEAFOOD) 9
- NATURALLY HALAL PRODUCTS 9

THE HALAL SECTOR

The halal market has for many years been uncharted territory. In terms of market research, trade data and analysis, and the preferences and spending habits of 1.6 billion consumers, the halal marketplace is still a very young, continually evolving commercial arena. It is, in effect, a new market paradigm that crosses geographic, cultural and even religious boundaries.

Halal food has been traded and consumed for more than 1,400 years. However, the first general use of the term 'global halal market' can be traced back to 2004, when Malaysia published its first official Halal standard MS1500:2004, which was launched by Prime Minister Tun Abdullah Badawi at MIHAS. This event brought together, for the first time, buyers and sellers of halal-certified products from around the world and demonstrated the reality of a global halal market.

In 2006, the inaugural World Halal Forum in Kuala Lumpur gathered industry leaders, including senior representatives from the world's largest food companies such as Nestlé, McDonald's and Tesco. Major international news media organizations covered this event, which gave rise to the term 'halal industry'. The reality of the potential of halal as a defining parameter for 25% of the global population started to become evident.

HOW LARGE IS THE HALAL MARKET?

Before attempting to assess the size and the future potential of the halal market, it must first be acknowledged that there are no specific mechanisms to track the trade or consumption of halal products as such. It must also be borne in mind that many halal products – such as fruit and vegetables, grains, nuts, oils and pulses – are not certified halal, as there is no need or demand for this.

There is no specific system to capture trade of halal products, such as HS codes, though certain countries have their own methods of capturing this data. In Malaysia, this is done through collaboration among various authorities such as customs, JAKIM and Standards Malaysia. However, these figures do not refer exclusively to halal-certified products and will include other general food products as well as commodities such as palm oil.

Halal certification becomes an important issue with meat and poultry products and other manufactured goods across all F&B sectors, and to a lesser extent with cosmetics and pharmaceuticals. The range of products that are being certified is also expanding, in line with increased consumer

awareness and growing recognition that halal certification of existing products can open up new markets.

Trade figures for food and beverages, excluding pork, alcohol and tobacco-related products, have been used for the purposes of this report. Similarly, production in Muslim-majority countries, as well as their imports and exports, can generally be assumed to be halal. On this basis, some relatively accurate, and certainly indicative, assessments of the size and future potential of the halal market can be derived. In the context of the rest of this report, these can provide some useful guidance for anyone already involved in, or considering entering, this fast-growing marketplace.

A report commissioned by the Dubai government, and researched and written by Thompson Reuters and DinarStandard², valued the halal food and beverage market at US\$ 1.37 trillion in 2014. That represented 18.2% of the total global F&B market and was a 6.2% increase over 2013 figures.

While the halal market is spread across various countries and cultures, if it is viewed as a single collective market of US\$ 1.37 trillion, Muslim F&B consumption is greater than that of China (US\$ 857 billion), the United States (US\$ 768 billion), Japan (US\$ 445 billion) and India (US\$ 434 billion)³. Accordingly, despite its geographic fragmentation and inconsistent regulations, halal represents a very significant market that cannot be ignored.

In addition, the youthful population of the Muslim world – with 60% under age 30 – indicates that demand for halal products and services is likely to continue its upward growth curve and become an increasingly influential market over the next decade.

WHAT ARE THE KEY REGIONS?

In terms of assessing the overall potential size of the Muslim consumer market, the Middle East and North Africa (MENA) region spends the most on food and beverages: US\$ 441 billion. The region is followed by South Asia (US\$ 238 billion), East Asia (US\$ 230 billion), Central Asia (US\$ 218 billion) and sub-Saharan Africa (US\$ 127 billion)⁴.

Significantly, the Gulf Cooperation Council (GCC), with an F&B expenditure of US\$ 93 billion, represents 21% of the MENA total and is generally viewed as the key market in the region. Given that the GCC, both as a collective and among individual members, is actively pursuing a more prominent role in the halal ecosystem, we can expect to see the GCC becoming more influential in the halal market in the coming years.

KEY COUNTRIES

The 10 biggest food markets in the OIC countries, based on 2013 figures⁵, are outlined in Figure 3. However, many of these countries are also food producers with an active domestic market, and are not necessarily automatic target markets for international trade and exports.

It is useful to divide the market into some key sub-sectors, such as meat and poultry, live animals, non-meat foods and processed foods, to see where there is significant trade potential.

MEAT AND LIVE ANIMALS

Assuming that all meat and live animals exported to OIC countries are halal, we can determine the major halal exporters in this sector.

The top 10 countries exporting meat and live cattle, sheep and goats to the OIC are: Brazil (US\$ 4.7 billion); India (US\$ 2.1 billion); Australia (US\$ 1.6 billion); United States (US\$ 1.2 billion); France (US\$ 800 million); Turkey (US\$500million);NewZealand(US\$500million);Netherlands (US\$ 200 million); Pakistan (US\$ 200 million); Germany (US\$ 200 million).

It is worth noting that these figures cover a wide variation in quality. For example, India's halal meat exports are primarily buffalo meat, whereas Australia's exports are from high-grade premium cattle serving the top end of the market. Live animal exports have come under considerable pressure from animal welfare groups that are concerned about the stress inflicted on animals during long sea voyages, as well as how they are treated on arrival. Animal-handling practices in importing countries often fall short of the expected standards in producing nations such as Australia, an issue that has caused friction between exporters and importers in some instances.

UNPROCESSED MEAT AND POULTRY PRODUCTS

OIC imports of halal meat and poultry products reached US\$ 15.3 billion in 2014, with Saudi Arabia accounting for US\$ 2.5 billion, followed by Egypt (US\$ 1.7 billion), the United Arab Emirates (US\$ 1.4 billion), Indonesia (US\$ 1.2 billion), Malaysia (US\$ 950 million), Iraq (US\$ 790 million), Kuwait (US\$ 680 million), Jordan (US\$ 610 million), Lebanon (US\$ 540 million), and Oman (US\$ 510 million)⁶.

Major growth in all 10 importing countries was consistent over a 10-year period, ranging from 103% growth in Kuwait to 495% growth in Indonesia. OIC imports for this product group grew 227% in the past decade.

Figure 2: Major OIC food markets

Country	Size (US\$ billion)
Indonesia	190
Turkey	168
Pakistan	108
Iran	97
Egypt	95
Bangladesh	60
Saudi Arabia	53
Nigeria	38
Iraq	35
Algeria	35

Within the OIC, the GCC continues to be a significant meat and poultry importing region with US\$ 6 billion of imports in 2014. Saudi Arabia (US\$ 2.5 billion) and the United Arab Emirates (US\$ 1.4 billion) accounted for 66% of this total. The GCC region showed a 150% increase in these imports over the past decade, and continues to be an attractive market for exporters. All of these importing countries showed consistent growth in the last decade for unprocessed meat and poultry products.

POULTRY

The market for poultry and processed poultry products is a significant one in the halal sector, due to its reach, popularity and relatively cheap price. It is also a sector with evolving parameters as issues of feed, handling, stunning and slaughter methods vary widely, and are also the subject of discussion and controversy (such as mechanical versus hand slaughter methods).

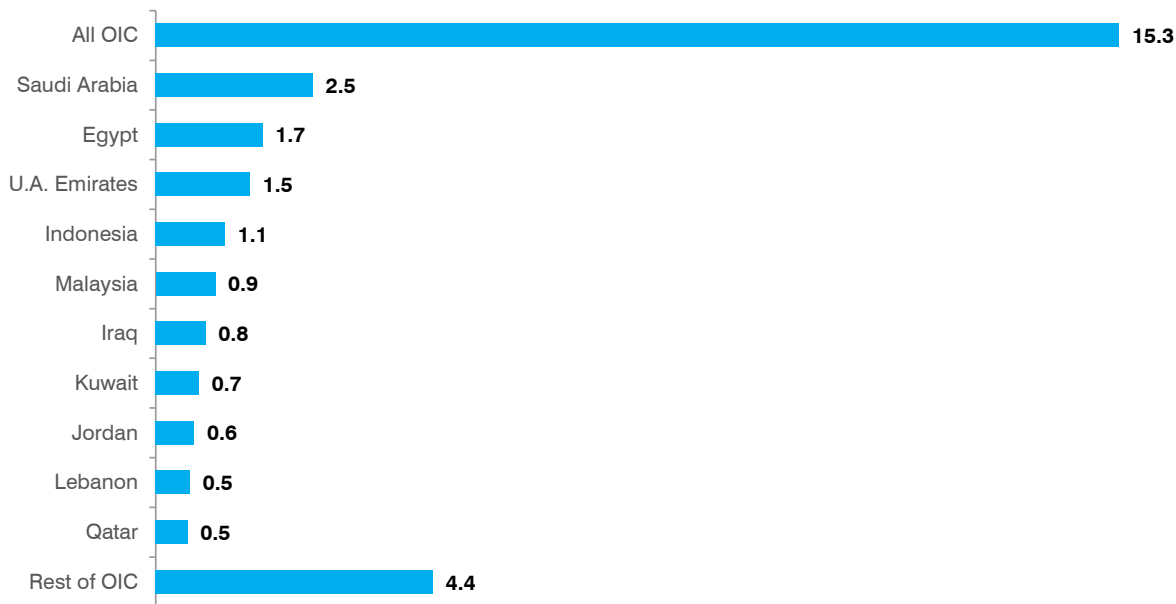
While poultry exports to OIC member countries is a measure of halal trade, an unmeasured, yet significant, volume of halal chicken goes into the mainstream markets without any halal labelling.

Global market

The global market for poultry, both halal and mainstream produce (including live, chilled, frozen as well as processed products) amounted to US\$ 31.1 billion in 2014, with a 10-year growth rate of 115%. This comprises US\$ 28.1 billion for processed products and an additional US\$ 3 billion in live, chilled and frozen birds.

Leading global exporters of processed poultry products are Brazil (US\$ 7 billion), the United States (US\$ 4.9 billion), the Netherlands (US\$ 2.5 billion), Poland (US\$ 1.7 billion), France (US\$ 1.3 billion), Germany (US\$ 1.3 billion), Belgium (US\$ 1 billion), Hong Kong SAR (US\$ 804 million), Hungary (US\$ 652 million) and Turkey (US\$ 651 million).

Figure 3: OIC leading importing markets of unprocessed meat and poultry products (US\$ billion, 2014)



Organisation of Islamic Cooperation

The OIC market is a useful means of assessing the size of the Halal market for poultry. Processed poultry exports to the OIC countries totalled US\$ 5.5 billion in 2014, led by Brazil (US\$ 2.9 billion), the United States (US\$ 610 million), Turkey (US\$ 512 million), France (US\$ 400 million) and China (US\$ 149 million).

Leading OIC importing countries are Saudi Arabia (US\$ 1.48 billion), Iraq (US\$ 688 million), the United Arab Emirates (US\$ 674 million), Kuwait (US\$ 286 million) and Benin (US\$ 244 million).

GCC imports for this category amounted to US\$ 2.9 billion in 2014 with a 125% increase over 10 years, and made up over 50% of the total OIC imports. Saudi Arabia accounted for 50% of the GCC import total. Approximately, 10% of all exported processed poultry products in 2014 went to the GCC countries, a significant figure given their relatively small population, and no doubt boosted to some extent by the annual Hajj (pilgrimage) and Umrah visitors.

PROCESSED FOODS (MEAT, POULTRY, SEAFOOD)

OIC imports for this category show a stronger 10-year growth rate of 305%, from US\$ 540 million in 2005 to US\$ 2.19 billion in 2014. This probably reflects the impact of increased purchasing power and changing dietary habits of a younger generation that is more likely to purchase processed or pre-cooked food

products and other convenience foods, and is more likely to be influenced by international trends and advertising.

Saudi Arabia continues to head the list of importers at US\$ 269 million in 2014, followed by the United Arab Emirates (US\$ 202 million), Egypt (US\$ 193 million), Libya (US\$ 163 million), Malaysia (US\$ 133 million), Kazakhstan (US\$ 122 million), Lebanon (US\$ 105 million) and Jordan (US\$ 87 million).

Thailand heads the list of processed-food exporters to the OIC, with exports valued at US\$ 791 million in 2014, followed by China (US\$ 341 million), Morocco (US\$ 208 million), Brazil (US\$ 134 million) and Indonesia and the Russian Federation (both US\$ 114 million). Malaysia, Jordan, France, Singapore and the United Arab Emirates round out the top 11, with exports ranging from US\$ 72 million to US\$ 51 million.

Thailand's strength in this category is due to a specific policy over the past decade to increase processed-food exports to halal markets. Efforts to gear up the export capabilities of Thai SMEs have certainly borne fruit. The past decade shows a 230% increase in Thailand's exports of processed foods to the OIC.

Thailand also heads countries exporting processed foods in this category to the GCC region, with a 10-year growth rate of 280% to US\$ 213 million in exports in 2014, far ahead of Brazil (US\$ 64 million), Indonesia (US\$ 59 million) and Malaysia (US\$ 47 million).

NATURALLY HALAL PRODUCTS

Many natural products, such as fruit and vegetables, grains, nuts and pulses, are clearly halal. Traditionally, these foods and their derivatives have simply been considered halal, and in the past there have been no issues involving certification or other proof of their halal integrity. In the past decade, however, the expansion and diversification of the halal industries, the complexities of product supply chains and the global nature of trade have led to increased scrutiny of all manufactured and processed foods, and particularly micro-ingredients and additives. Consequently, there are now many non-meat food manufacturers that see halal certification, even for naturally halal products, as a means of opening new markets.

For the purposes of this report, these items are considered an integral part of the global halal market and its future potential growth.

FRUIT, VEGETABLES AND NUTS

Global trade

World trade in fruit, vegetables and nuts, (covering all fresh, frozen and prepared or processed products) was valued at US\$ 227 billion in 2014, doubling over the previous decade. Fruits, vegetables and nuts are all halal by nature, and are in principle part of the global trade of halal food and beverages.

Leading global exporters are the United States (US\$ 24.5 billion), China (US\$ 20.1 billion), Spain (US\$ 19 billion), the Netherlands (US\$ 16.6 billion), Mexico (US\$10.7billion), Italy(US\$9.6billion), Belgium(US\$9.6billion), Turkey (US\$ 7.5 billion), France (US\$ 6.6 billion) and Chile (US\$ 6.6 billion).

Leading global importers are the United States (US\$ 30.3 billion), Germany (US\$ 21.1 billion), United Kingdom (US\$ 14.3 billion), France (US\$ 12.9 billion), the Netherlands (US\$ 11.6 billion), Russian Federation (US\$ 9.9 billion), Canada (US\$ 9.8 billion), Japan (US\$ 8.9 billion), China (US\$ 8.4 billion) and Belgium (US\$ 8.3 billion).

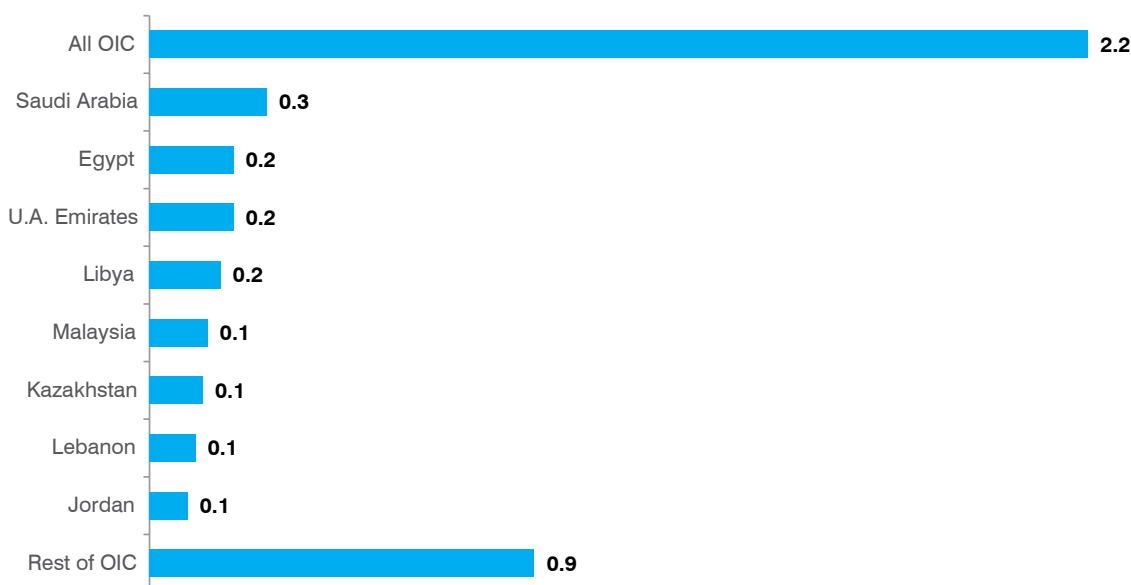
Organisation of Islamic Cooperation trade

In terms of the Muslim-majority markets, OIC member nations imported fruit, vegetable and nut products valued at US\$ 22.4 billion in 2014, showing a 244% increase over the previous decade. Major importers are the United Arab Emirates (US\$ 2.9 billion), Saudi Arabia (US\$ 2.1 billion), followed by Malaysia (US\$ 1.6 billion), Indonesia (US\$1.5billion), Egypt(US\$1.2billion),Kazakhstan (US\$ 1.1 billion), Algeria (US\$ 1.05 billion), Iraq (US\$ 1.05 billion), Kuwait (US\$ 1.03 billion) and Turkey (US\$ 980 million).

Major exporting countries to the OIC for fruit, vegetables and nuts are China (US\$ 3.5 billion), the United States (US\$ 1.8 billion), India (US\$ 1.4 billion), Egypt (US\$ 1.4 billion), Turkey (US\$ 1.1 billion), Canada (US\$ 890 million), the Netherlands (US\$ 870 million), Jordan (US\$ 760 million), Australia (US\$ 720 million) and South Africa (US\$ 700 million).

OIC exports in this category to global markets in 2014 totalled US\$ 21 billion, more than doubling over the past decade. These exports were led by Turkey (US\$ 7.5 billion), Egypt (US\$ 2.6 billion), Morocco (US\$ 1.6 billion), Islamic Republic of Iran (US\$ 1.5 billion), Indonesia (US\$ 1 billion), Côte d'Ivoire (US\$ 823 million), Jordan (US\$ 810 million), Pakistan (US\$ 653 million), United Arab Emirates (US\$ 563 million) and Uzbekistan (US\$ 531 million).

Figure 4: OIC leading importing markets of processed food products (US\$ billion, 2014)



CEREALS AND GRAINS

Global

All cereals and their derivative products (with the exception of alcoholic beverages) can be considered as halal, and part of the global halal trade market. Global trade in this category was valued at US\$ 135 billion in 2014, an increase of 165% over the past 10 years. Major exporters include the United States (US\$ 23.8 billion), India (US\$ 10.3 billion), France (US\$ 10.2 billion), Canada (US\$ 9.6 billion), Australia (US\$ 8.1 billion), Thailand (US\$ 7.1 billion), Russian Federation (US\$ 7.1 billion), Ukraine (US\$ 6.6 billion) and Argentina (US\$ 5.7 billion).

The top importing countries in this category are Japan (US\$ 7.4 billion), China (US\$ 7.1 billion), the United States (US\$ 5.1 billion), Egypt (US\$ 5.1 billion), Islamic Republic of Iran (US\$ 4.6 billion), Saudi Arabia (US\$ 4.7 billion), Mexico (US\$ 4.7 billion), Republic of Korea (US\$ 4.5 billion), Italy (US\$ 4.2 billion) and Indonesia (US\$ 3.9 billion).

Organisation of Islamic Cooperation

In the Muslim-majority markets of the OIC, total imports for this category were valued at US\$ 50.8 billion in 2014, representing 144% growth over the previous decade. OIC imports are led by Egypt (US\$ 5.1 billion), Islamic Republic of Iran (US\$ 4.9 billion), Saudi Arabia (US\$ 4.7 billion), Indonesia (US\$ 3.9 billion), Algeria (US\$ 3.6 billion), Turkey (US\$ 2.4 billion), Malaysia (US\$ 2.2 billion), Nigeria (US\$ 2.1 billion), Morocco (US\$ 2.1 billion) and Iraq (US\$ 1.7 billion).

Four OIC countries are among the global top 10 importers, and the OIC countries collectively import 35.6% of the world's grain and cereal exports.

In terms of exports, the OIC collectively exports US\$ 6.7 billion of grain and cereal products, comprising 4.4% of the total export market. Leading exporters include Pakistan (US\$ 2.4 billion), Kazakhstan (US\$ 1.7 billion), Turkey (US\$ 1.2 billion), Guyana (US\$ 240 million), United Arab Emirates (US\$ 177 million), Uganda (US\$ 148 million), Malaysia (US\$ 109 million), Egypt, (US\$ 108 million), Indonesia (US\$ 86 million) and Oman (US\$ 82 million).

DAIRY, EGGS AND HONEY

This is another category of naturally halal produce. This category would not have been halal certified in the past, but increased demand for dairy produce in many OIC countries has resulted in more halal certificates for these products. The use of gelatine in many dairy products, for example, has led to increased scrutiny, and proof of halal compliance can prove a distinct advantage in some markets (Box 1).

In an overall global market of US\$ 96 billion for this category, the OIC member countries imported US\$ 16.7 billion in 2014, an increase of 191% over the past decade. The list is headed by Algeria (US\$ 2.04 billion), Saudi Arabia (US\$ 1.82 billion), United Arab Emirates (US\$ 1.39 billion), Indonesia (US\$ 1.37 billion), Malaysia (US\$ 1.16 billion), Iraq (US\$ 911 million), Egypt (US\$ 880 million), Oman (US\$ 675 million), Nigeria (US\$ 661 million) and Kuwait (US\$ 621 million).

The value of total GCC imports for this category in 2014 was US\$ 5.17 billion.

New Zealand heads the list of major exporters to the OIC, with US\$ 3.86 billion in exports. That is almost triple the amount of the Netherlands with US\$ 1.38 billion, followed by France (\$1.08 billion), the United States (US\$ 1.03 billion), Germany (US\$ 766 million), Australia (US\$ 693 million), Saudi Arabia (US\$ 654 million), Belgium (US\$ 637 million), Turkey (US\$ 622 million) and Poland (US\$ 457 million).

OILS, FATS AND WAXES (EXCLUDING PORCINE PRODUCTS)

Global

Global trade in this category was valued at US\$ 94.1 billion in 2014, a 154% increase over the previous decade. Leading exporters include Indonesia (US\$ 21 billion), Malaysia (US\$ 15.8 billion), Spain (\$4.8 billion), Netherlands (US\$ 4.4 billion), Argentina (US\$ 4.3 billion), Ukraine (US\$ 3.8 billion), United States, (US\$ 3.2 billion), Germany (US\$ 3 billion), Canada (US\$ 2.7 billion) and Italy (US\$ 2.4 billion).

Leading importers are India (US\$ 10.6 billion), China (US\$ 9.1 billion), United States (US\$ 6.1 billion), Netherlands (US\$ 5.1 billion), Italy (US\$ 4.7 billion), Germany (US\$ 4.4 billion), France (US\$ 2.3 billion), Spain (US\$ 2.2 billion), Belgium (US\$ 2.1 billion) and Pakistan (US\$ 2.1 billion).

Organisation of Islamic Cooperation

As can be seen from the global figures, Indonesia and Malaysia are global leaders in exports of this category by a considerable margin, led by their palm oil production. Other Muslim-majority exporting countries include Turkey (US\$ 1.1 billion), United Arab Emirates (US\$ 580 million), Tunisia (US\$ 266 million), Oman (US\$ 210 million), Azerbaijan (US\$ 190 million), Egypt (US\$ 188 million), Morocco (US\$ 179 million) and Saudi Arabia (US\$ 167 million).

Leading importers are Pakistan (US\$ 2.1 billion), Turkey (US\$ 2.1 billion), Bangladesh (US\$ 1.4 billion), Malaysia (US\$ 1.4 billion), Islamic Republic of Iran (US\$ 1.1 billion), Egypt (US\$ 1.1 billion), Saudi Arabia (US\$ 840 million), Algeria (US\$ 810 million), United Arab Emirates (US\$ 684 million) and Iraq (US\$ 665 million).

Box 1: Halal certification helps quadruple exports



Mohamed Abd El-Wahab had never given a passing thought to halal certification. 'I have worked in the food industry all my life. In Egypt nobody is interested in halal certificates,' said Abd El-Wahab, Export Manager of the Greenland Group for Food Industries. 'Egyptian food is by definition halal.'

That was two years ago. Since Abd El-Wahab's participation in ITC's Enhancing Arab Capacity for Trade (EnACT) programme, Greenland has quadrupled its sales to Malaysia, a country that operates one of the strictest halal labelling schemes in the world. The programme has also opened up several new markets, including Azerbaijan, Indonesia and Singapore. Sales of halal-labelled products now make up a quarter of the exports of Greenland, Egypt's largest dairy company. 'This growth is all thanks to certification,' Abd El-Wahab said.

Egypt had traditionally exported halal products to North American and European markets. These markets are growing, but are much smaller than markets in South Asia, Southeast Asia and the Middle East. It is estimated that there are over 1.7 billion customers for halal products worldwide, an increasing number of them middle class with growing purchasing power.

Yet, Egyptian exporters have secured only a small share of the Asian halal market so far, due in part to a lack of halal certification, branding and packaging. The Egyptian food processing sector strengthened its presence in the Malaysian market following the ITC project, increasing exports by 30% since 2011, according to figures from the country's Food Export Council.

'This is just the start,' said Manal Karim, the Food Export Council's Executive Director. 'We expect that an increasing number of food processors will succeed in the market in Malaysia and the wider region following halal certification.'

Source: ITC (2015). Connecting Markets, Improving Lives. Geneva, ITC. Available from [http://www.intracen.org/uploadedFiles/intracen.org/Content/About_ITC/Corporate_Documents/Impact-Stories-web\(1\).pdf](http://www.intracen.org/uploadedFiles/intracen.org/Content/About_ITC/Corporate_Documents/Impact-Stories-web(1).pdf)

SUGAR, CONFECTIONERY AND COCOA

Global trade in these halal products reached US\$ 93 billion in 2014, an increase of 111% over the decade. Leading exporters include Brazil (US\$ 9.9 billion), Germany (US\$ 8.1 billion), Netherlands (US\$ 6.5 billion), Côte d'Ivoire (US\$ 5.3 billion), Belgium (US\$ 4.8 billion), United States (US\$ 4.3 billion), France (US\$ 4.1 billion), Ghana (US\$ 3 billion), Thailand (US\$ 3 billion) and Mexico (US\$ 2.3 billion).

Both Ghana and Thailand showed above-average growth rates over the decade with increases of 245% and 236%, respectively.

Major importing countries for these products in 2014 were the United States (US\$ 9 billion), Germany (US\$ 6.7 billion), Netherlands (US\$ 4.9 billion), United Kingdom (US\$ 4.7 billion), France (US\$ 4.6 billion), Belgium (US\$ 3.6 billion), Italy (US\$ 2.6 billion), China (US\$ 2.6 billion), Canada (US\$ 2.6 billion) and Malaysia (US\$ 2.4 billion).

Countries with above-average growth rates for these imports over the past decade are China at 323% and Malaysia at 215%.

Figure 6: SWOT analysis

<h3>Strengths</h3> <ul style="list-style-type: none"> Increasing global awareness of potential of the halal market by governments, corporations and financial institutions Recognition of halal as genuine engine of economic growth Continued strong growth across all halal market sectors Halal industry initiatives across MENA region strengthen the market Appearance of reliable trade and research data Synergy between various sub-sectors, e.g. food, travel, digital Young entrepreneurs and start-ups entering halal sectors More countries developing national halal campaigns Halal foods playing a more prominent role in global sporting events, e.g. the Olympics 	<h3>Weaknesses</h3> <ul style="list-style-type: none"> Lack of clear leadership to coordinate regional initiatives Confusion over differences in standards No viable accreditation scheme to regulate halal certification bodies (HCBs) Conflicts of interest among HCBs Evident fraud and rumours undermine market integrity Lack of funding for start-ups and SMEs Insufficient awareness among financial institutions Regional competition hinders mutual recognition initiatives Negative reports of animal welfare issues Insufficient training and human resource development programmes Halal as non-tariff barrier hinders trade Weakness among many Organisation of Islamic Cooperation member states Unclear or opaque labelling issues
<h3>Opportunities</h3> <ul style="list-style-type: none"> Creation of a viable global regulatory framework Investment opportunities in niche food and personal care markets Global promotional campaign to increase halal awareness Marketing based on 'tayyib' and eco-ethical values Increase use of effective social media campaigns Acquisitions to gain market share or create global halal brand Vertical integration to ensure halal compliant supply chain More focused scientific research on the benefits of halal foods Accessing global markets via online platforms Providing accurate and well-researched market data Incubation of SMEs and start-ups Crowdfunding and other alternative investment platforms 	<h3>Threats</h3> <ul style="list-style-type: none"> War, violence and social upheaval in the Middle East Acts of terrorism fuel Islamophobia in the West Opposition from vocal animal welfare groups, especially against live animal exports and unstunned slaughter Non-Muslim consumer opposition to unlabelled halal food Banning unstunned slaughter, e.g. in Denmark Scandals caused by poor management and operational methods Fake halal logos on non-halal products Proliferation of online videos highlighting bad practices



CHAPTER 3

DRIVERS OF HALAL FOOD AND BEVERAGE MARKETS

- CONSUMER AWARENESS..... 16
- ECONOMICS..... 16
- TECHNOLOGY..... 17
- SOCIETAL..... 18
- SUPPLY-CHAIN INTEGRITY..... 18
- ECO-ETHICAL..... 18
- FOOD SECURITY..... 19
- POLITICAL..... 19
- LEGAL..... 19

DRIVERS OF HALAL FOOD AND BEVERAGE MARKETS

The halal market is a complex and fragmented jigsaw puzzle, still fluid and expanding. Variables based on cultural assumptions, habits and preferences, different interpretations of Shariah law and the global nature of food-product supply chains add to this complexity. To understand the growth and evolution of the halal market, it is useful to focus on forces that are driving this market forward.

CONSUMER AWARENESS

Consumer awareness in the halal food sector has already had a significant impact on the development of the market over the past decade. Lifestyle changes across generations, all over the world, have been reflected in changes in shopping, cooking and dietary habits. Awareness of the relationship between diet and health, on the one hand, and the need for processed convenience foods, on the other, have given rise to new subsectors of the food market that have their counterparts in the halal market.

Online connectivity via social media and access to corporate websites have narrowed the gap between the manufacturer's practices and the customer's preferences. This trend will inevitably continue as the use of social media expands. Major brands recognize the importance of Muslim consumers and their preferences, and are now seeing familiar patterns of niche markets becoming an expanding subset of the mainstream markets, especially as populations become more culturally diverse.

A survey of the US Muslim consumer market found that a vast majority of respondents (85%) felt ignored by the major brands and wanted to see more products, and even marketing campaigns, directed towards them. At the same time, major US corporations such as Walmart and Costco have said they see the rise of the Muslim market following the same growth patterns as the Afro-American or Hispanic markets in the United States, i.e. moving from small niche to significant slice of the mainstream⁷.

There is a trend towards 'majority minority' markets – that is, most of a market is made up of minorities with

their own specific preferences. As food retailers and others face narrowing profit margins, manufacturers and marketers are driven to look for viable niches with good growth potential – criteria that closely match the halal market profiles.

'There is a trend towards 'majority minority' markets – that is, most of a market is made up of minorities with their own specific preferences.'

ECONOMICS

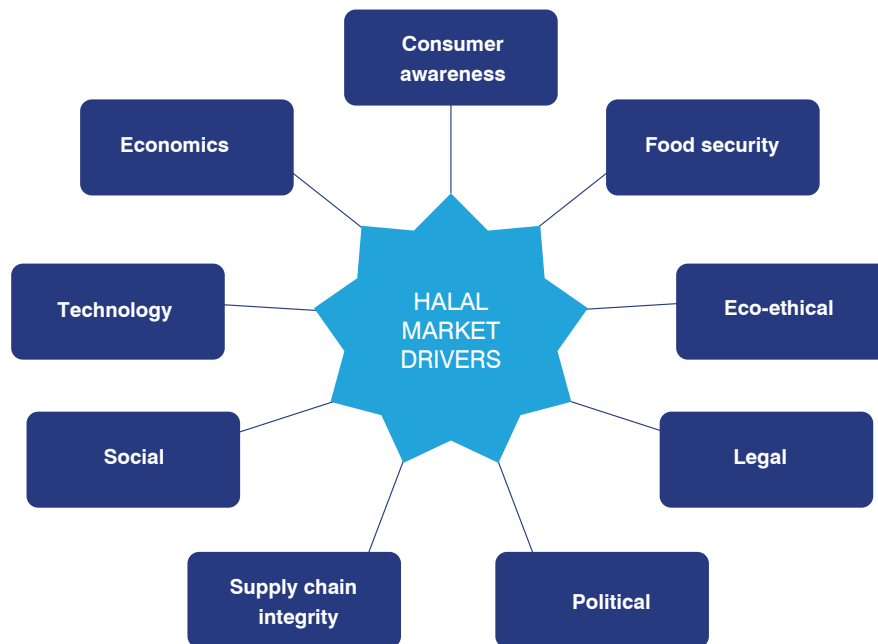
Halal industries and the general halal market have become established elements in the economic landscape over the past decade. Various projects, from government development programmes to corporate initiatives, have raised the economic profile of halal products. With many sectors reaching saturation, the emergence of the halal industries has coincided with the widespread quest for new growth markets.

The growth of Islamic finance has also paved the way for halal to be more readily appreciated. The concept of an Islamic economy, or a halal ecosystem, is being used with increasing regularity. Recognition that the halal food market does not exist in isolation, but forms part of a new economic and commercial paradigm that incorporates other sectors, adds to its appeal. Convergence between sectors – such as food and travel, for example – coupled with more detailed and reliable data, all strengthen the growth of this market.

These developments generate economic activity, creating new jobs and opportunities for entrepreneurs and driving export growth. They also create opportunities for research, training, conferences and trade expos.

Public-private initiatives on halal, such as those in Malaysia and Thailand, have had a significant economic impact – even in their early stages – by promoting the growth of SMEs and boosting exports. Dubai's project to become the Capital of the Islamic Economy has triggered a range of halal

Figure 6: Key drivers of halal market growth



sector specific export measures, including development of industrial parks and standards development for various halal products and services.

TECHNOLOGY

Technology has played a fundamental role in advancing agriculture and the food industry, and has given rise to the new sciences of biotechnology and food technology. Several issues have had a specific impact on the halal food sector:

- Technological advances in food production have led to a huge increase in processed foods. In the halal sector, this has created the need for standards and certification to expand beyond the slaughter process and into the realm of food processing, micro ingredients and additives. This has created a need for more highly qualified auditors, and many halal certification bodies (HCBs) now need to employ food science and quality-control professionals to keep pace with the technological advances in food production.
- The use of mechanical slaughter – itself a technological process – in halal abattoirs is controversial, yet widespread, especially in some of the Muslim-minority food-exporting countries.
- Stunning is another technological advancement that is widely used in the meat industry. It is an ongoing source of controversy and differing opinions throughout the Muslim world, with strong objections to non-stunned slaughter in some parts of the western world.

- With the continued use of shared production lines, testing for haram ingredients, such as porcine DNA, in food products has become more widespread. Test kits are available for use by both manufacturers and consumers.
- Track-and-trace technology, such as radio frequency identification, is widely used by logistics service providers. Although its use in the halal sector is not yet clear, the trend for maintaining and demonstrating halal integrity throughout the supply chain will only be possible through the use of such technologies.

The growth of the halal market has coincided with the rise of the digital economy, and the social networking and connectivity that has resulted. While this has not had a far reaching effect on the halal sector in the past decade, it will very likely have a significant effect in the coming years.

Digital technology has produced online platforms that give access to global audiences, and has been a factor in the growth of SMEs entering the halal marketplace across a range of sectors.

Online halal marketplaces, such as daganghalal.com and zilzar.com, offer small producers, manufacturers and traders the opportunity to access global markets. CrescentRating, HalalBooking and others offer Muslim/family friendly travel services. Alchemiya is an online subscription channel streaming content on global Muslim culture, and a variety of sites offer Islamic and other modest clothing fashions. These initiatives are only possible in the digital economy, and all connect to the opportunity presented by the young urban population that is already highly networked and connected via the Internet and social media.

Peer-to-peer lending, crowd funding and incubation projects are also making an appearance in the halal sectors, with initiatives such as Shekra, LaunchGood and Affinis Labs, and are creating fertile ground for new entrepreneurs to enter these sectors.

Given the young demographic of the Muslim world, and the dire need for job creation and stable economic growth, the opportunities offered within the digital economy are likely to be of paramount importance over the coming decade. And while the dollar value of the digital realm of the halal sectors is still small, the next decade will probably see a profound shift towards the digital economy, and its spinoffs, in ways that are likely to be significant, but difficult to predict, given the fast-moving pace of innovation in the digital world.

The impact of social media and online networking among halal market customers should not be overlooked or underestimated. Consumer preference can have a powerful influence on any market. As halal touches the lives of most of the Muslim world, the build-up of consumer awareness and the ability of manufacturers to have direct contact with their customers – and vice versa – are likely to play an increasingly important role over the next phase of market growth.

SOCIETAL

There has been a noticeable shift of perception in and around the halal market over the past decade. A range of factors – such as national halal initiatives, conferences, expos, online networking and media, as well as values – have combined to bring halal into the spotlight. This shared awareness has contributed to the inherent strength of the halal sectors.

Amid the debates on immigration, integration and political instability, there has been a gradual shift in public awareness and acceptance of values that are inherently in harmony with Islam and Muslims. The halal market lies in this arena of shared values of good food, cleanliness, health, appropriate concern for animals and the environment. This is a growth market niche where the twin currents of the halal and mainstream markets converge around this notion of bringing purity, ethics and even a sense of the spiritual, back into matters of diet and lifestyle.

As the perceived parameters of the halal market expand to include travel, personal care, cosmetics and pharmaceuticals, through to more fluid sectors such as media, art and the digital economy, the convergence of shared values will be an important catalyst for the continued growth and spread of this ethical market niche that is already a global phenomenon.

SUPPLY-CHAIN INTEGRITY

Logistics as the key to end-to-end integrity in the supply chain is a potentially significant driver in the halal market, although it has yet to gain significant traction as a widespread practice. The high cost of investments in track-and-trace technology and the absence of clear standards and guidelines have hindered the growth of halal logistics, but these factors are likely to be overcome in the coming decade.

Halal in terms of logistics means that Halal products have dedicated storage, handling and transportation facilities and are segregated from non-Halal products. This is in principle to avoid direct contact with non-halal products, addressing the risk of contamination.

Halal logistics standards have been developed by Standards Malaysia (MS2400:2010), and the Emirates Standards and Metrology Authority (ESMA) is developing a new standard that will be used by companies in the planned halal industrial parks in the Jebel Ali Freezone, JAFZA. Given Dubai's strength in both trade and logistics, this standard may well become more widely used.

Certainly, there is a growing need for manufacturers to ensure, and even demonstrate, halal integrity throughout the supply chain. Once its cost-effectiveness can be demonstrated, it is likely to become a driver over the next phase of market growth.

ECO-ETHICAL

The eco-ethical aspects of the halal market are less immediately apparent, and are more applicable to the inclusive Qur'anic phrase 'halal and tayyib'. Tayyib means wholesome, pure, healthy and safe.

These are all qualities and values that are generally recognized as being an inherent part of halal market values, but are currently given less attention than the halal,

'Tayyib means wholesome, pure, healthy and safe.'

or legal aspects. These values are being considered and integrated into the halal system, as competition grows to provide better products to ethically aware consumers.

The eco-ethical values contained in the terms 'halal and tayyib' are likely to play an increasingly relevant role as the halal sectors develop, and to become clear value-added components for manufacturers and marketers in the near future.

Similarly, sustainability is inherently part of the 'halal and tayyib' concept, and the growing attention to sustainability

is having an effect on agriculture, food production and even consumers' eating habits. This trend is a factor in the convergence of halal with the mainstream, and will probably be an identifiable element in the halal sector as the industry matures.

Pioneering companies such as Saffron Road and Crescent Foods in the United States have incorporated their green credentials into the design of their products, packaging and marketing campaigns. This is likely to become a common trend, especially in the minority markets. As these are global trends, we can expect to see the eco-ethical aspects of the halal market being brought more into the foreground in the future.

FOOD SECURITY

Food security has become an issue of global concern over the past decade, and its impact can also be felt in the halal food sector. This is particularly true in countries in the MENA region, and the GCC in particular, as up to 90% of their food is imported, exposing them to food-security risks.

This has led to a two-pronged approach:

- Using technology to transform arid environments into viable agricultural land through the use of hydroponics, large-scale irrigation and air-conditioned livestock farms for poultry and dairy produce.
- Overseas investments in agricultural land and in food production and manufacturing companies.

These are all long-term projects to address food security, and it is perhaps too early to determine the overall successes. But it is clear that these trends are on the increase and will probably be significant large-scale drivers in the halal sector over the coming decade.

A good example is Hassad Foods, a wholly owned subsidiary of Qatar Investment Authority that focuses on the production of animal proteins, grains, rice and sugar. In addition to developing hydroponics technologies to support local agriculture, Hassad has made significant investments in Pakistan (rice), Oman (poultry) and Australia (grain and livestock).

POLITICAL

There have been significant changes in how the halal market is perceived in political circles, albeit with wide-ranging differences depending on geography and culture. The past decade has seen a marked increase in appreciation of the potential of the halal market, and a recognition that halal can play an active role in economic development of the related sectors.

One of the major changes has been the recognition among Muslim-majority countries that developing halal standards, products and services and looking for ways to grow a vibrant

halal sector can be engines of growth for their national economies. In particular, countries looking to expand their food export markets recognize that halal certification and labelling can open new market opportunities.

Past assumptions that allowed halal to be taken for granted have been replaced, in most cases, with fresh appreciation of the opportunities on offer. This has given rise to innovative approaches and initiatives to open up this new market arena that is, at the same time, an integral part of national and cultural identities.

Similarly, the recent development of a European standard on halal is also a clear sign that policymakers now appreciate the size and relevance of the European halal market, as well as the export opportunities.

The development of legal frameworks that encompass the halal economy are a particularly important development in both Muslim minority and majority countries. They represent not just a shift of perception, but a clear recognition that this emerging marketplace is not to be ignored, and indeed needs to be stabilized and standardized. The development of standards, audit and certification procedures, accreditation, export promotions and other related initiatives are all important indications that the halal market is in a process of maturation and growth that will lead to its manifesting as a recognizable element of global commerce.

LEGAL

Halal has made its way into the legislative framework of many countries over the past decade. In many countries, it is an offence to label a product halal if it is not. Halal is being included in legislation in many countries, for various reasons.

In many South-East Asian countries, halal has specific legal status. In Malaysia, for example, the Trades Description Act was amended in 2011 to state that only the official Malaysia Halal logo was permitted for domestic products, and all imported halal products can only carry a logo from a JAKIM approved certifier.

Indonesia, with the world's largest Muslim population, has recently passed a Halal Product Assurance Law that will effectively make halal certification mandatory for domestic producers and manufacturers. Certification will be carried out by the newly created Halal Product Certification Agency, ending decades of control by the Indonesian Ulema Council. This new law calls for the certification of food, beverages, drugs, cosmetics, chemical products, biological products, genetically modified products and consumer goods that are worn or used by the public. It remains to be seen how effective this legislation will be, but it certainly indicates Indonesia's commitment to develop its halal sector.

Figure 7: PESTEL analysis

<p>Political</p> <ul style="list-style-type: none"> • Growing awareness of halal as economic driver • Political sensitivities of various kinds • Recognition of importance of clear regulations • Food security & sovereignty issues • Growing involvement of Muslim majority countries 	<p>Economic</p> <ul style="list-style-type: none"> • Emerging as new economic paradigm • Above average growth • Crosses political, cultural and ethnic boundaries • More sectors coming into halal ecosystem • Convergence with Islamic finance • New investment platforms, e.g. crowdfunding
<p>Social</p> <ul style="list-style-type: none"> • Youthful demographic • Expanding middle class • Disposable income • Halal as identity issue • Changing consumer habits • Online connectivity • Growing consumer power • Job creation • Entrepreneurial opportunities • New educational field 	<p>Technological</p> <ul style="list-style-type: none"> • Data mining driving market confidence • Online trading opportunities • More sophisticated testing methods • Increased market connectivity • Growing consumer awareness and power • Creating entrepreneurial opportunities
<p>Environmental</p> <ul style="list-style-type: none"> • Undeveloped agricultural opportunities • Parallels with eco-ethical movements • Opportunity to bring Islamic values to environmental causes 	<p>Legal</p> <ul style="list-style-type: none"> • Regulatory frameworks in development • Increasing halal-related legislation • Proliferation of standards development • Accreditation bodies appearing • Regional mutual recognition

Many Muslim-majority countries are working on legal frameworks that will define halal and its application in the market. Many of these are likely to be more comprehensive frameworks that are geared as much towards controlling the halal integrity of imported products as demonstrating that halal certification can play a role in opening new export markets. These new regulations are ushering in a new chapter in halal market development, and will be instrumental in promoting greater general awareness of halal, as well as strengthening the regulations for trade.

The new halal standard being developed by the European Committee for Standardization (CEN) also puts halal into the legal framework of the European Union and means it is less likely that individual member states will create their own national halal standards; they will simply use the European standard.

However, there is also a noticeable move within Europe against unstunned slaughter. Denmark recently passed legislation to ban slaughter without stunning, affecting both kosher and halal meat production. From a legal perspective, stunning continues to be a gray area in both secular and Shariah Law, and its use is still hotly debated from both sides of the argument.



CHAPTER 4

MARKET ACCESS AND REGULATORY FRAMEWORKS

DEFINITIONS, GUIDELINES AND STANDARDS 24

ISSUES FOR MANUFACTURERS AND EXPORTERS 30

ISSUES FOR CONSUMERS 30

ACCREDITATION 30

SANITARY AND PHYTOSANITARY MEASURES 31

MARKET ACCESS AND REGULATORY FRAMEWORKS

The regulatory frameworks in the halal sector are complex, as they vary between regions and countries. Muslim-majority countries take a different approach from Muslim-minority countries, and regional frameworks, such as for ASEAN or the GCC, are also being developed, as are standards and frameworks for the 57 member states of OIC.

The entire landscape of regulation of the halal market globally is constantly evolving. A major challenge in developing a regulatory framework for the halal market is to bring the halal F&B sectors up to the same levels of regulatory compliance as those pertaining to safety and quality in the mainstream food sectors.

Generally, regulatory frameworks comprise the following elements:

- Definitions, guidelines and standards
- Auditing and certification
- Accreditation

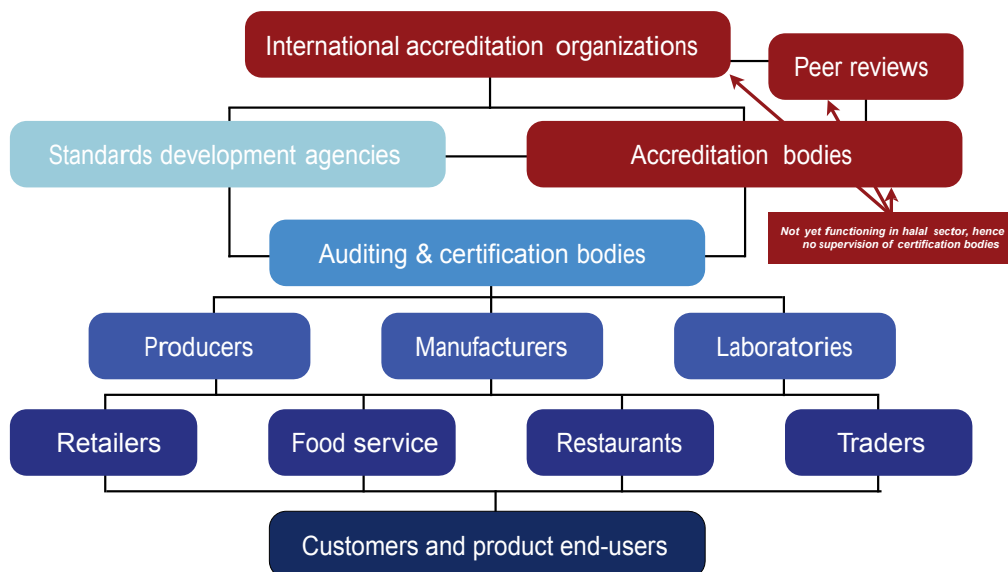
DEFINITIONS, GUIDELINES AND STANDARDS

The first internationally recognized definition of halal, from a market perspective, was prepared in 1997 by the Codex Alimentarius Commission, a body established by the Food and Agriculture Organization of the United Nations (FAO). This serves as a practical entry-level definition for general understanding, and is included in Appendix of this report. However, a deeper and more complex approach is required for market access.

Some halal guidelines are applied, on a voluntarily basis, for domestic use in a given country for products that are not for export. These play a role when we come to consider the domestic halal markets of the Muslim diaspora, but are not the primary focus of this report.

Halal food is a subset of the global food market. In general, the mainstream food sectors are very tightly regulated, with sophisticated and highly evolved systems for safety and quality created by developed nations. By comparison, the

Figure 8: Mainstream food sector regulatory framework



regulations for the halal industries are considerably less developed, and bringing the regulatory frameworks for the halal sector into line with mainstream food industries has been a slow process. Most halal food is exported from Muslim-minority countries, and the general modus operandi has been to do the minimum that will enable the product to get to market.

The need for more sophisticated regulatory frameworks has become apparent as the markets for halal products and services have matured. The various initiatives for halal standards development and certification plans have not been coordinated by any central governing body. This has resulted in a rather complex process of evolution with projects being developed at every level, from domestic Islamic organizations to national standards bodies, regional accreditation bodies and now global bodies. There are no clear hierarchies and no agreed methodology to guide this process. The gap between the levels of competence required, for example, by many ISO standards and the realities of regulating the halal food and beverage industries is often wide. The means of closing this gap today is a series of independent initiatives, rather than a coordinated collective effort.

To simplify this diverse regulatory ecosystem, this report will approach the various regulatory frameworks using the following categorisation, and in each case using examples for clarification:

- Multicultural country, government controlled (e.g. Malaysia)
- Muslim-majority country, government controlled (e.g. United Arab Emirates)

- Muslim-minority country, government controlled (e.g. Australia, New Zealand)
- Muslim-minority country, non-government controlled (e.g. United States, United Kingdom)
- Regional (e.g. European Committee for Standardization – CEN)
- Global (e.g. Organisation of Islamic Cooperation – OIC)

MULTICULTURAL

As previously mentioned, halal standards and certification procedures were developed in Malaysia and other South-East Asian countries to ensure that the Muslim consumers would trust and accept food manufactured by non-Muslim producers. These standards, and the regulatory frameworks that accompany them, have for many years served as a benchmark for others.

Malaysia, in particular, has developed a halal regulatory framework that covers domestic use, imports and exports. It is controlled and managed by the Malaysian government. Halal standards for food production, pharmaceuticals, cosmetics and logistics have been developed by the Department of Standards Malaysia. In the absence of a globally accepted standard, Malaysia’s standard for food, MS1500:2009, is regarded by many as a global benchmark, and forms the basis of many other standards. All audits and certificate issuance is carried out by the government’s religious department, widely known as JAKIM, which is the sole body responsible for regulating the country’s halal industry. It is also the body, in conjunction with the Department of Veterinary Services that determines which overseas HCBs are recognized by JAKIM and, by extension, which certificates are acceptable for products being imported into Malaysia.

Figure 9: Regional variations in the halal market

Regional variations in global halal market		
Multicultural (e.g. Malaysia, Singapore)	Muslim majority (e.g. GCC countries)	Muslim minority (e.g. United Kingdom, United States, France)
<ul style="list-style-type: none"> • Mixed religion & culture • Well-established Muslim presence • Pioneered standards & certification • Consume & produce • Multinational presence • Local SMEs & microenterprises • Halal as economic driver • Halal as political platform 	<ul style="list-style-type: none"> • Traditional Muslim majority population • Halal low priority - assumed to be halal • Primarily consumers • Exporters target market • Slow to develop standards • Political support starting • Multinational presence • Developing local industry 	<ul style="list-style-type: none"> • Immigrant Muslim minorities • Political sensitivity • Halal as identity • Disposable income • High industry interest • Multinational headquarters • Consumer awareness • Marketing expertise • Innovation & creativity • Global influence

In this respect, JAKIM has for many years functioned as both a certification body and an accreditation body. This is one of the reasons the MS1500 standard has become so widely known and used. Recognition by JAKIM (and to a lesser extent by the halal authorities of Indonesia, Singapore and Thailand) has been a way for independent HCBs in other countries to demonstrate their status as internationally recognized bodies. While this may change in the future with the introduction of accreditation programmes for HCBs, it has become a de facto feature of the global halal market.

As with any market innovator and leader, however, JAKIM's achievements are also an invitation for others to build on and improve, and this is what has happened. Other countries and organizations have studied the South-East Asian regulatory activities and industry development initiatives, and have sought to improve on them.

This is precisely the scenario that has unfolded among various Muslim-majority nations and, in particular, among Arab nations.

MUSLIM MAJORITY

One of the striking features of the halal market in recent decades has been the general lack of interest from the Muslim-majority countries, which have traditionally held the view that as they are all Muslim; all their food is naturally halal. While this may have been true in the more distant past, given the high percentage of food imports, especially among the GCC nations, there was no effective means of verifying if all of their food was indeed halal.

With the general trend for oil-rich nations to diversify their economies, and to find ways to develop their own food production for both domestic and export markets, various initiatives have sprung up in many Muslim-majority countries

'Malaysia's standard for food, MS1500:2009, is regarded by many as a global benchmark, and forms the basis of many other standards.'

to create halal standards and certification projects. Indeed, many Muslim-majority non-oil economies have also recognized that the halal market offers a new horizon of opportunity and that, to access it, they needed to create a regulatory framework for halal. It is one thing for a product to be halal, but it is another for it to be officially recognized as halal within the marketplace.

While there are ongoing initiatives in many countries such as Pakistan, Egypt, Morocco and Saudi Arabia, the most ambitious projects for halal sector development are occurring in the GCC region. Dubai in the United Arab Emirates is a case in point, and it illustrates various dynamics within the wider halal market.

As previously mentioned, the Arab states have been much slower to appreciate the developments in the halal sector over the past two decades. However, recent initiatives are certainly changing this, and indeed may shift the centre of gravity in the halal market from South-East Asia towards the Middle East.

ESMA, which has developed new halal standards for the United Arab Emirates, has published standards for food production⁸ and cosmetics⁹. Significantly, it has also published a standard for halal certification bodies¹⁰ and another for the accreditation bodies that regulate the approved certifiers¹¹. These two latter standards are likely to have the broadest market impact, as they are effectively the missing pieces of the regulatory framework, when halal is compared with the mainstream food sector.

However, these standards appear, for the most part, to have been based on the equivalent ISO standards for certification and accreditation bodies. When applied to the halal food sector, there appears to be significant gaps between the terms of the standard and the realities of the halal food industry, in particular with reference to the independent HCBs operating in the major food-exporting nations.

Dubai's role in the halal sector has also changed in the past two years, based on the initiative by the ruler, Shaykh Mohamed Bin Rashid Al Maktoum, to position the city as the Capital of the Islamic Economy. The formation of the Dubai Islamic Economy Development Centre (DIEDC) in late 2013 has provided a focal point for all Islamic economy projects ranging from Islamic finance and halal products to family-friendly tourism, digital economy, Islamic design, knowledge and information, and standards and certification.

Dubai has the advantage of reviewing the progress made by others and developing a bespoke system from the ground up that will meet their needs in this rapidly expanding halal marketplace.

In addition to the standards-development initiatives by ESMA, the role of the Dubai Accreditation Centre is potentially significant. The independent HCBs of the Muslim-minority food-producing countries have, until recently, operated with a minimal amount of oversight. Once they have been recognized by an importing country, they are free to operate as auditors and certificate issuers, thereby providing market access for producers and manufacturers. While they have become, in many ways, the arbiters of what may or not be sold into the halal markets, the HCBs themselves have not been required to adhere to any particular standards of best practice.

The appearance of accreditation bodies in the major food importing GCC region, such as the Dubai Accreditation Centre, is likely to mean a change in the way the independent HCBs operate. If successful, this will eliminate any rogue certifiers and set new standards of competence for halal certification that are aligned with the existing health, safety

and quality-assurance projects in place in the mainstream food and beverage industry.

It will also create certain obstacles for the smaller independent HCBs to comply with some of the more stringent ISO-derived requirements. Given the amount of international trade that is enabled by independent HCBs, particularly facilitating halal food exports to the Muslim world, the proposed accreditation projects must be carefully crafted. If the standards are too difficult for the independents, it may simply open the door for multinationals such as Intertek and SGS to dominate the arena of halal compliance, and push the smaller HCBs to the sidelines.

MUSLIM MINORITY – GOVERNMENT CONTROLLED

Of the major food-exporting countries involved in the halal market, the best examples are Australia and New Zealand, whose governments have recognized the importance of the halal export market for their local economies. Both have similar systems, but as the Australian system is more complex, it will be used as an example of how a non-Muslim government has understood the opportunity and the necessary requirements to build a robust regulatory framework for halal.

Australia has a long involvement in the halal sector, and has been supplying halal red meat to Muslim markets for decades. With meat exports to OIC countries exceeding US\$1.5 billion in 2014, the importance of a regulatory framework that ensures halal integrity is a key component of Australia's national economy.

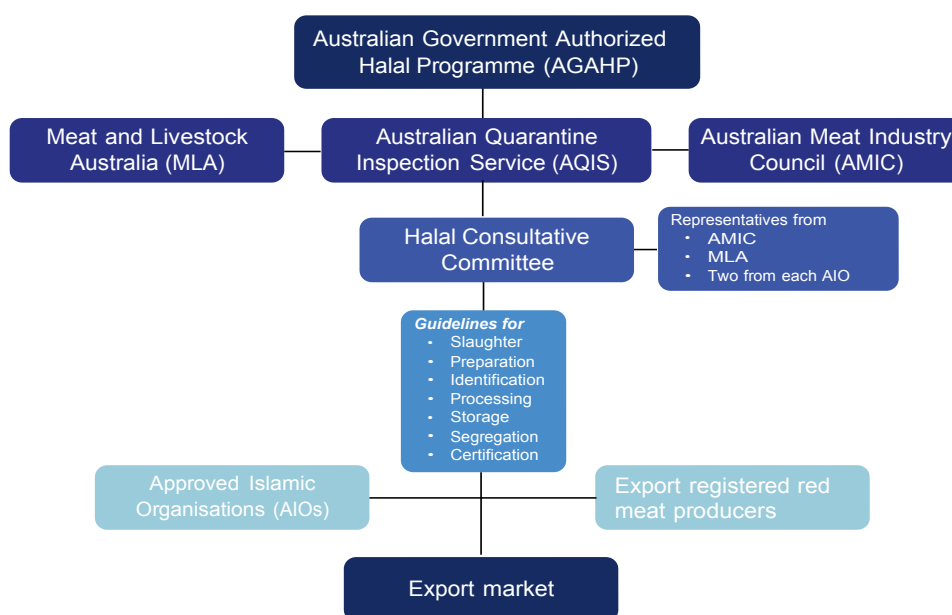
The Australian Government Authorised Halal Programme was established in 2005 and brings together three government bodies (Meat and Livestock Australia, or MLA, the Australian Meat Industry Council, or AMIC, and the Australian Quarantine Inspection Service, or AQIS) to form the Halal Consultative Committee (HCC) under the Ministry of Finance. The HCC also includes all exporting halal meat processors and two representatives from each of the 15 Approved Islamic Organizations (AIOs). Only these officially participating AIOs are permitted to operate within this programme, and they carry out all aspects of halal compliance. Non-approved Islamic organizations may not offer halal certification services.

In collaboration with the AIOs, the government has issued guidelines covering all aspects of slaughter, preparation, identification, processing, storage, segregation and certification. The resulting stamp of halal compliance is effectively issued by the Australian government.

This system gives a high degree of confidence to all halal meat importers and, coupled with a high-quality product, has been a key to Australia's dominant position in the halal red meat market.

Indeed, any non-Muslim country seeking to establish a share of the halal market would be well advised to study what Australia has done. By regarding halal as a business opportunity, rather than a socio-political issue, Australia has been able to ensure that the necessary steps have been taken to create a robust regulatory framework that makes its halal industry more effective than many other major exporters.

Figure 10: Australian halal sector regulatory framework



REGIONAL

As the halal market has expanded in both its reach and complexity, various regional organizations have started to draw up halal standards that are intended for regional compliance.

ASEAN

ASEAN members developed halal guidelines and a logo in 1998, but they do not appear to have had any actual market application. Malaysia, Singapore, Indonesia, Brunei and Thailand have long had their own halal standards and regulatory schemes, and allowing them to be superseded by a common ASEAN framework does not seem imminent. Mutual-recognition talks are ongoing, and a unified ASEAN halal standard is under discussion, but individual national standards and regulatory frameworks remain in place today.

Gulf Cooperation Council

In contrast, the Gulf Standards Organization (GSO) is implementing halal standards and accreditation projects that are more likely to gain traction in the market. Products can circulate with relative ease between the GCC member states, so a common set of halal standards for the region would appear to be easier to introduce.

While the current GCC halal standard, GSO 1931:2008, is arguably a bit outdated for today's complex international markets and the nuances of differing applications of the Shariah, the more recent accreditation standards being introduced into the market are likely to have an impact.

Given the value of the food, beverage, pharmaceutical and cosmetics products imported into the GCC every year, any set of standards for those goods and services, including the certification and accreditation bodies involved in that export market, will probably gain significant market traction.

Perhaps the greatest significance of the GCC initiatives is that, unlike those of their South-East Asian counterparts, they recognize and conform to the normative hierarchies that exist in regulatory frameworks used in mainstream markets. That is to say, products and processes are subject to an audit against a recognized standard, performed by a competent conformity-assessment body. These bodies must themselves be accredited by a recognized accreditation body that is subject to peer reviews under international bodies such as the International Accreditation Forum (IAF). This is a globally recognized framework, and bringing the halal sector into this regulatory framework is a work in progress that has a great many moving parts.

The key factor of the GCC-based initiatives by ESMA, GSO, DAC, GAC and others is that they have recognized the need to bring the halal sector in line with the norms of the mainstream market, and appear to be working with that goal in mind. Given the importance of the GCC region as a major

food importer, this move, perhaps more than any other, will help to trigger the next phase of market evolution for the halal sectors.

Europe

The European Union is also starting to recognize the importance of the halal market. With a young, fast-growing Muslim population of approximately 50 million¹², the domestic European halal markets are already worthy of attention, as is the export potential.

CEN is in the process of developing an EU halal standard. This process is nearing completion, and how it affects the European halal markets remains to be seen. There are no official halal standards in any European nations, though there are various unofficial guidelines used by the independent HCBs, including some with strong positions regarding the use of pre-slaughter stunning. These guidelines are used to certify halal products for domestic use. Products moving from one European country to another often require verification from a local HCB from the importing country. In some cases, multiple certificates are required, making the manufacturing process overly complicated and costly.

The halal food sector's overarching trend of above-average growth in a maturing market environment means the regulatory frameworks will inevitably strive to keep pace with market growth. For this reason, the EU halal standard may well be timely, and its existence as an official European standard will in all likelihood avoid a proliferation of national halal standards being developed by individual member nations.

GLOBAL

The OIC is the only global body working on a unified regulatory framework for the halal market. The designated body under the OIC is SMIIC, which currently has a membership of 31 countries.

Various standards and metrology bodies in the Islamic world are actively collaborating with SMIIC, such as ESMA and the Turkish Accreditation Agency, and several standards have been developed and published. These include standards for food production, certification bodies and accreditation bodies, (OIC/SMIIC 1:2011, OIC/SMIIC 2:2011 and OIC/SMIIC 3:2011 respectively).

The aim is to provide a unified framework in which the 57 OIC member states all use the same standards and methodologies for certification, accreditation and laboratory services. The framework follows the normative mainstream structure and may culminate in the formation of an International Halal Accreditation Forum as the overarching authority.

Perhaps the key to success for SMIIC and the OIC will be to persuade the developers of standard and accreditation

projects in other member countries to go beyond their national frameworks and adopt this OIC framework. The accreditation projects being developed, for example, by the United Arab Emirates (under ESMA) and the GCC (under the GSO/GAC) are very similar to the OIC scheme, and it remains to be seen whether genuine collaboration can result in a viable regulatory framework, with unified standards and procedures.

In addition, the South-East Asian countries with well-established standards and certification schemes have not fully embraced the concept of accreditation of HCBs. Bodies such as JAKIM, the Indonesian Ulema Council (MUI) and the Islamic Religious Council of Singapore (MUIS) effectively operate as unofficial accreditation bodies via their recognition of foreign HCBs. The SMII/OIC model would require these South-east Asian bodies themselves to be accredited, following the SMII/OIC standards for approving HCBs. In the long term, a body cannot act as both certifier and accreditation agency; it needs to be one or the other to avoid conflicts of interest.

This shift, if and when it happens, would have significant repercussions throughout the world's halal industries. These developments are all works in progress, and progress is likely to be measured in years rather than months. It would benefit all interested parties to pay close attention to the development of these regulatory frameworks as they unfold.

MUSLIM MINORITY, NON-GOVERNMENT CONTROLLED

In most Muslim-minority countries, the halal sector is not controlled by the government. Rather, standards and certification are in the hands of Islamic organizations, mosques and independent HCBs. As a food industry sub-sector, halal is still subject to the health and safety regulations of the country, but governments generally do not handle any specific halal-related issues.

Furthermore, there is no specific oversight or accreditation for HCBs, so independent bodies and organizations effectively control the entire process of defining, auditing and certifying domestic and export products. In past decades, when the halal market was less developed and attracted less attention, the lack of a regulatory framework was less of an issue. But the current interest in the halal market is naturally exposing the gaps in the regulatory system, and these issues are likely to be addressed in the coming years.

In the United States, the United Kingdom and some European countries with significant Muslim populations, all matters relating to Islam have some inevitable social and political overtones that make it more difficult to view the halal market simply as a business opportunity; it naturally touches on issues relating to immigration, social integration and animal welfare. This is compounded by differences among the local Muslim populations on issues such as stunning and mechanical slaughter, and local HCBs often

represent a particular ideological position on these matters. Consequently, a halal logo from one certifier may not be accepted by some sections of the local community.

This can complicate things for manufacturers seeking to access the domestic halal market, in addition to the issues already mentioned regarding exports. Given the growing Muslim populations of these countries, the youthful demographic and rising disposable incomes, emerging halal markets in the non-Muslim world represent important opportunities and challenges, and it is unlikely that the status quo will continue indefinitely.

Many of these Muslim-minority countries are major food exporters to the OIC. All of the meat and poultry produced is expected to be halal, but given the systems in many of these countries, there is no definitive way of knowing whether this is actually the case. The introduction of accreditation systems in the halal importing countries will begin a process of change, and the resulting system will probably be much more robust, driven by the requirements of these countries.

ISSUES FOR MANUFACTURERS AND EXPORTERS

The lack of an international framework to assure halal integrity clearly complicates life for manufacturers, whether they want to access export markets or serve the local Muslim community. Among the halal market stakeholders, many of whom meet regularly at conferences and trade shows, discussions on incidents and problems caused by changing definitions, varying interpretations, multiple audits and certificates, conflicts of interest and corruption are commonplace. There is mounting pressure for a regulatory framework that can bring the halal market to line with the normative procedures of the mainstream food industry.

The difficulty is partly due to the lack of clarity about to whom industry players must appeal. As there is no central authority for halal, manufacturers have to deal with a complex series of unilateral discussions with different authorities – some official, some not – to try and work out the best approach. Complex supply chains make this a difficult process, and if socio-political issues are taken into consideration, many major corporations tend to tread cautiously as they engage in the halal market.

The industry is in a state of evolution. The halal market is clearly an exciting opportunity, and with many traditional mainstream markets reaching saturation, gaining access to a new customer base of the 1.6 billion Muslim consumers is an attractive proposition. Major corporations have not yet joined the debate on regulations to any significant degree. But when one considers the impact that the major manufacturers, restaurant and supermarket chains have on the global food market, their buy-in to any proposed scheme is going to be essential for the success of that scheme.

ISSUES FOR CONSUMERS

Muslim consumer power is just starting to be a recognizable market force – consumers are, after all, the key component in the value chain. There is a growing awareness among halal customers that they represent a powerful market that crosses geographical, racial and cultural boundaries. Internet connectivity plays, and will continue to play, an increasingly influential role in generating and spreading consumer awareness.

The lack of clear and transparent regulatory frameworks, and differences of opinion and interpretation, mean it is not always clear what a halal logo – or lack of it – actually represents. On the one hand, lamb exported from a Muslim minority country is reputedly 95% certain to be halal, even though it may not have any halal logo on the packaging. On the other, pork products with halal logos, or pork meat that has been coloured to look like beef, have been found on several occasions coming from another Muslim minority country.

These issues strengthen the argument that an international framework to regulate the halal market is now overdue. There have been encouraging signs over the past few decades that steps are being taken to make this happen. It is a complex process that will take time, especially in light of the absence of clear leadership. But progress is being made, and awareness is growing of the potential opportunities for success once a workable framework is implemented.

ACCREDITATION

To fully appreciate the role that accreditation can play in the halal sector, we must first understand its role in other mainstream industry sectors. In the food sector, a manufacturing company will have its products or processes audited against a specific standard, such as HACCP, GMP or GHP, or any number of industry standards, such as Yum!, that regulate products for the Pizza Hut, Taco Bell and KFC brands.

The conformity-assessment bodies that conduct these audits are themselves subject to an accreditation process to ensure they adhere to the specific scheme that is built into the regulatory framework for a given standard. Accreditation is generally done at a national level, such as UKAS in the United Kingdom or ANSI in the United States. An accredited conformity-assessment body will generally display the logo of its accreditation along with its own logo, thereby confirming the levels of compliance of both manufacturer and auditor.

Accreditation is the independent evaluation of a conformity-assessment body against a range of recognized standards to ensure its impartiality and competence. Accreditation bodies are established in many countries with the primary

purpose of ensuring that conformity-assessment bodies are subject to oversight by an authoritative body.

Accreditation bodies engage in a peer-to-peer review system under the umbrella of the IAF with more than 60 member countries and regional bodies. The system of peer-to-peer reviewing among the accreditation bodies, and the network of accredited certification bodies, allows for mutual recognition and enhances trade flow. This creates a framework to support international trade through the removal of technical barriers.

This layer of compliance within the regulatory framework does not exist within the halal-related industries. Halal compliance has so far operated as a standalone add-on within the food, pharmaceutical and cosmetics industries.

National certification bodies operating in the halal sector in South-East Asia, such as JAKIM or MUIS, have to date not felt any need to be accredited by their national accreditation bodies. With the exception of Australia and New Zealand, the halal-sector certifying bodies in the non-Muslim world are not subject to any accreditation other than a general recognition by the importing country, allowing them to operate with minimal supervision or accountability.

Halal-sector accreditation bodies and projects have only started to appear in the past two to three years, and this is in itself a clear indication that the halal market is maturing. The creation of accreditation bodies, standards and schemes by various countries and regional bodies, if successfully implemented, will establish that missing layer of regulatory compliance that will bring the halal sectors in line with the operating norms of the mainstream markets to which they belong.

National initiatives by the United Arab Emirates and Turkey, regional initiatives by the GCC, and international initiatives by SMIC under the OIC to create accreditation frameworks are arguably the most influential changes in the halal sector in recent years. The absence of any clear hierarchy means there is still a leadership vacuum. Consequently, the boundaries between collaboration and competition are not clear, and the process may prove to be lengthy and complex.

However, these initiatives are a strong positive sign of the ongoing evolution of the halal market. Over the next phase of growth and consolidation, they have the potential to ensure that the halal sector is rid of the uncertainty, rumour and conflicts of interest that are now part of the landscape.

Cooperation with IAF (and the International Laboratory Accreditation & Certification), or the formation of a parallel halal-sector equivalent built along similar lines, would enable a set of globally recognized regulatory frameworks to be used for all sectors of the halal market that require clear and transparent compliance. The resulting confidence would

be felt across the board, from consumers to investors, and could be the final piece of the halal market jigsaw that will ensure strong growth in the coming decades.

SANITARY AND PHYTOSANITARY MEASURES

SPS covers all measures that have been designed to protect:

- Human or animal health from food-borne risks
- Human health from animal- or plant-borne diseases
- Animals and plants from pests or diseases

There is a natural overlap between halal and SPS measures, but these are more likely to be considered in depth once the halal regulatory framework has matured. In terms of the halal sector, the SPS measures refer to the *tayyib* aspect of food and other products. In the Qur'an, the terms *halal* and *tayyib* are consistently paired, indicating that they are not to be separated and that they belong together; i.e. food should not just be permissible, it should also be wholesome and safe.

This aspect of the halal landscape has been somewhat overlooked in the past. The previously narrow focus on slaughter methods and standards development has overshadowed the need to pay attention to, and indeed reap the many benefits from, the *tayyib* or wholesome aspects of food production and marketing.

'Protection of life and the environment are basic elements of Islam that are rarely discussed explicitly, especially in the commercial arena.'

SPS measures provide an excellent framework to consider as the halal market matures. Guidelines for mutual recognition, transparency, national vs. international and finding the balance between SPS and technical barriers to trade issues are all relevant to the halal market, so policymakers and regulatory framework developers would be well advised to explore the applicability of these measures.

In most respects, the existing SPS aims and intentions would be consistent with those of the halal market. Protection of life and the environment are basic elements of Islam that rarely discussed explicitly, especially in the commercial arena. The market-friendliness of many eco-ethical movements demonstrates the ways in which the *tayyib* aspect of the halal market can be used for commercial success. Indeed, the natural overlap is effectively a doorway between halal and the mainstream, and it will probably become a popular direction for new entrepreneurs in the future.

Box 2: The evolution of halal regulations

- 1945** The Muslim Judicial Council Halal Trust was formed in Cape Town, to ensure that Islamic dietary laws are adhered to for the Muslims in South Africa.
- 1969** In Thailand, the office of the Sheikhu'l Islam issued a halal certificate to a company exporting poultry products to Kuwait.
- 1974** The Department of Islamic Development Malaysia (JAKIM), under the prime Minister's Office, started issuing halal certification letters for products that met JAKIM's criteria.
- 1974** A delegation from Saudi Arabia recommended that the Australian Federation of Islamic Councils (AFIC) should become the sole authority in the country to certify meat that had been killed in accordance with Islamic rites.
- 1975** Islamic Services of America began halal verification and certification in the state of Iowa.
- 1978** The Islamic Religious Council of Singapore formally became the sole custodian of halal certification in Singapore.
- 1979** The Central Islamic Brazilian Halal Food Center was formed as the operational arm of the Federation of Muslim Associations of Brazil to develop and implementation of the halal concept in Brazil.
- 1982** The Islamic Food and Nutrition Council of America was formed by Muslim scientists and scholars in Bedford, Illinois. They wrote a textbook in 1984, *Islamic Dietary Laws and Practices*. They conducted seminars and workshops with the US Dept of Agriculture and some Christian and Jewish groups to increase the awareness of the need for more halal food resources in America.
- 1983** The Australian Quarantine Inspection Service introduced the Australian Government Muslim Slaughter programme to control the production of halal meat products for export.
- 1984** The Federation of Islamic Associations of New Zealand signed the first annual contract with the New Zealand Meat Producers Board (later the Meat Industry Association) to provide halal certification services in exchange for remuneration.
- 1989** The Assessment Institute for Foods, Drugs and Cosmetics, the Indonesian Council of Ulama (AIDC ICU/LP POM MUI) was established by MUI to look into halal regulations.
- 1994** In Malaysia, confirmation of halal compliance was given in the form of a certificate with a halal logo.
- 1994** The Halal Science Centre was established in Chulalongkorn University in Thailand.
- 1994** The Halal Food Authority was launched in 1994 as an independent organization to monitor and authenticate the halal meat and poultry trade in the United Kingdom.
- 1996** In South Africa, SANHA was launched to develop and implement effective control and monitoring systems to ensure that products labelled as halal are truly halal compliant.
- 1997** The first internationally recognized definition of halal, from a market perspective, was prepared by the Codex Alimentarius Commission, a body established by the Food and Agriculture Organization of the United Nations.
- 1999** The World Halal Food Council/World Halal Council was established in Jakarta as an umbrella body for independent halal certification bodies around the world.
- 2001** The Central Islamic Committee of Thailand set up regulations for halal certification as a common standard for the whole country.
- 2002** The Malaysian government decided that all halal certification activities will be conducted by the Department of Islamic Development Malaysia's Food and Islamic Consumer Products Division.

- 2004** Malaysia's first official halal standard was published as MS1500:2004 – Halal Food – Production, Preparation, Handling and Storage – General Guidelines. A second revision was published in 2009 as MS150:2009.
- 2004** MIHAS was founded by Shapers Malaysia and in 2008, ownership of this Halal trade expo was transferred to the Malaysian government under the auspices of the Malaysia External Trade and Development Corporation (MATRADE). The Incoming Buying Mission programme was first introduced during The Malaysian International Halal Showcase (MIHAS) 2005 by Matrade.
- 2005** Australian Government Authorised Halal Program (AGAHP) came into effect requiring establishments to have documented procedures for the preparation, slaughter, identification, processing, segregation and certification of halal meat, as well as registration for approved Islamic organizations, slaughtermen and inspectors.
- 2005** World Halal Council completed their first halal standard to present to the OIC for authorization.
- 2006** The first World Halal Forum was held in Kuala Lumpur to gather major industry stakeholders to discuss issues in the halal marketplace.
- 2006** The Halal Industry Development Corporation was established to coordinate the overall development of the halal industry in Malaysia.
- 2007** Brunei Darussalam launched a Standard for Halal Food (PBD24:2007) and the Brunei Darussalam Certification Guideline for Halal Certificate and Halal Label – Guideline for Halal Certification (BCG Halal 1 – First Edition 2007)
- 2008** Gulf Cooperation Council Standardization Organization (GSO) launched its draft halal standard GSO 1931 Halal Food Part 1: General Requirements.
- 2010** SMIIC, an affiliate body of the Organisation of Islamic Cooperation (OIC) was established with the main objectives to prepare OIC/SMIIC halal standards to achieve uniformity in metrology, laboratory, testing and standardization. A total of 31 member states out of the 56 OIC Islamic states are currently members.
- 2010** The European Committee for Standardization (CEN) set up a Working Group to analyse the feasibility of a European standard on halal food. At the time of this report the CEN standard for halal food is still a work in progress involving a larger working group.
- 2012** ITC initiates projects to support institutional capacity building in halal standards and enhance SME competitiveness by connecting them with new halal markets.
- 2012** The Emirates Standards and Metrology Authority (ESMA) finalized a halal standard for cosmetics and perfumes as part of SMIIC halal standards, becoming the technical regulatory authority for OIC for perfumes and cosmetics including personal care items like toothpaste, skin care products etc.
- 2013** Dubai held the first Global Islamic Economy Summit (GIES). As part of the Dubai: Capital of Islamic Economy initiative, GIES 2013 defined six pillars within the Islamic economy as finance, food, travel, fashion, media and recreation, pharmaceutical and cosmetics.
- 2013** Dubai Islamic Economy Development Centre (DIEDC) was formed as the focal point of the Dubai: Capital of Islamic Economy initiative.
- 2013** The first State of the Global Islamic Economy Report was published by DIEDC, in collaboration with Thompson Reuters and DinarStandard
- 2015** The National Halal Mark for Halal certification, developed by the Emirates Authority for Standardization and Metrology, was used to certify two companies after the logo was officially released at the Gulfood Exhibition 2015 in Dubai.
- 2015** Pakistan Halal Authority was launched as the first governmental legal body at a national level for the halal sector to develop the long-term strategies and plans for the development of halal production and commerce. It was also tasked with developing halal standards and procedures for the national standards body.
- 2015** Dubai launches the first Islamic Economy Portal. The portal is being designed to serve as a global reference for the burgeoning Shariah-compliant economic sector.



CHAPTER 5

THE HALAL FOOD VALUE CHAIN – THE FARM-TO-FORK CHALLENGE

FARM AND LIVESTOCK REARING..... 36

STANDARDS AND CERTIFICATION..... 37

SLAUGHTER 37

PROCESSING AND MANUFACTURING 37

LABELLING 38

MARKETING AND BRANDING..... 39

LOGISTICS 39

INGREDIENTS AND ADDITIVES 39

WHOLESALE AND RETAIL..... 40

CUSTOMER RELATIONS 40

THE HALAL FOOD VALUE CHAIN – THE FARM-TO-FORK CHALLENGE

The realization that the application of halal values and compliance criteria applied to all of the elements in a complex value chain has led to an increasingly sophisticated approach to halal in general.

In contrast to the traditional view that halal was primarily related to slaughter methods, it is now widely accepted that halal integrity must be maintained throughout the entire supply chain. With the emergence of global trade, complex supply chains are now the norm rather than the exception. As a result, the issues of end-to-end halal integrity have become increasingly important.

In addition, marketing, messaging and branding in the mainstream food sector in general has become very sophisticated, adding to the challenges faced by stakeholders in the halal F&B sectors. The halal value chain is emerging as a challenging proposition, particularly for processed foods products, and manufacturers and brand owners must consider every aspect of the product, from the farm to the table. Increasingly, manufacturers that can demonstrate this level of commitment are seeing more success than those

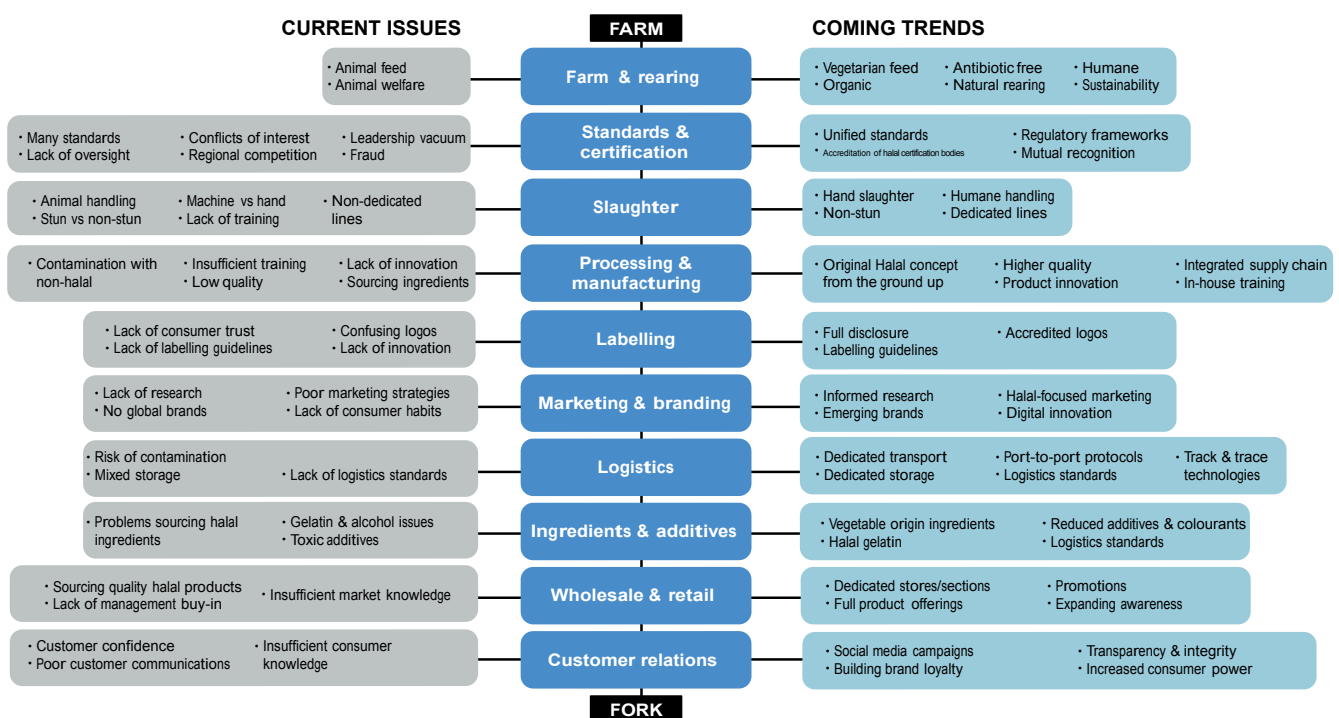
that simply consider halal as an afterthought or add-on to an existing product.

FARM AND LIVESTOCK REARING

The way animals are raised, handled and fed is increasingly important for the halal sector. For poultry in particular, reports of the inhumane conditions in which most commodity chickens are raised have been brought to consumers' attention over the past decades. Allowing animals to have access to outdoor spaces, to forage and engage in as natural a life as possible have all become issues to consider.

Consumers have also become sensitive to how an animal was fed prior to slaughter; more and more chicken products ensure that vegetarian feed was used, rather than blood or animal by-products. Similarly, the use of hormones and antibiotics is meeting consumer resistance in many markets, demonstrating a convergence of values with the natural-foods movement.

Figure 11: Halal food value chain



This trend is likely to continue over the next phase of market growth.

STANDARDS AND CERTIFICATION

The choice of standards that a manufacturer chooses to follow, and the certification body that will issue the certificate of compliance, must be very carefully considered, especially for export products. There is a wide choice of standards, and the importing country will have specific conditions on the standards to be followed, as well as which HCBs it considers to be competent and trustworthy. This topic is addressed in the previous chapter of this report, but it must be emphasized that this issue is in a process of change and evolution, and attention must be paid to ensuring that the right choices are made.

Manufacturers that are serious about succeeding in the halal sector must monitor the progress of the discussions and decisions about halal compliance that are being made at national, regional and international levels to ensure that they stay ahead of changes. Exporters do not want to find themselves, as has happened, with full containers ready to ship, only to discover that the contents are no longer considered halal by the importing authority.

SLAUGHTER

As has been noted, there is a great deal of debate, discussion and disagreement about acceptable methods of slaughter. Most halal slaughter lines in Muslim-minority countries are simply shared with, or adapted from, mainstream use, and the process is often viewed in terms of doing the minimum to gain access to the market. Non-dedicated lines are more prone to some form of contamination, such as pork DNA resulting from an insufficient wash-down.

Dedicated processing plants, such as in Australia and New Zealand, clearly stand out as a good benchmark. There are also indications, such as in the Malaysian standards, that dedicated lines will be necessary for compliance in the future.

Hand slaughter, stunning and the use of mechanical blades are hotly debated among industry professionals, certifiers and the general public. Markets vary regarding their requirements, from the compliance perspective as well as consumer demand, and these are matters that a manufacturer must understand and factor into the production process.

Certifiers can always be found for almost any method, but global trends are moving away from mechanical slaughter, which is increasingly considered unacceptable for halal

compliance. Consumers, when asked, tend to favour unstunned hand slaughter, but this is not always feasible for a variety of reasons, especially for poultry.

This is another issue to which manufacturers must pay close attention, to ensure they make choices that are both cost-effective and being acceptable to the target markets.

PROCESSING AND MANUFACTURING

The success of dedicated halal manufacturers, such as the multinational Nestlé Malaysia, or independents like Crescent Foods in the United States, underscores the advantages of a dedicated halal facility.

Close attention to details such as the integrity of all ingredients (including flavouring, colouring and additives, and even the glue used in packaging) gives manufacturers a competitive edge.

In-house training to develop expertise and understanding of the complexities inherent in the halal market are similarly important elements for success. With the growing complexity of supply chains, ensuring end-to-end halal integrity is not simple. These matters are best addressed from the ground up, not just handled in retrospect. Like safety measures, halal is the responsibility of the manufacturer, and should be built in, not added on.

'Close attention to details such as the integrity of all ingredients (including flavouring, colouring and additives, and even the glue used in packaging) gives manufacturers a competitive edge.'

For a multinational, this may involve training suppliers to ensure they maintain the same levels of halal integrity that the brand owner expects to deliver to the end user.

While product quality naturally varies according to price and market positioning, the levels of halal integrity expected by the market are increasing across the board – for the high-end as well as the discount product.

LABELLING

Policymakers around the world are discussing labelling, and there is a full spectrum of opinion. There are calls in Europe for labels to disclose the slaughter method, including whether stunning was used, either pre- or post-cut. Both the Jewish and the Muslim communities have objected to this on the grounds of religious discrimination. Non-Muslim consumer groups say they want to avoid religious slaughter on animal

Box 3: Halal baby food – Morocco as pioneer



'When we moved from France to Morocco in 2004, our objective was to create a range of baby products that was halal,' said Philippe Karim Charot and Bruno Montier, the founders of Agro-Food Industrie in Marrakesh.

They took this step after being told by Muslim friends in France about the difficulties they faced in feeding their children by respecting their faith, they said: 'At that time, there were no halal products available, especially in the baby-food section, in the supermarkets, hence, the decision for us to get into the halal baby-food sector was evident. We started production in our first factory in 2006. We had a range of small baby pots with meat, fish, fruits and vegetable-based foods.'

Charot and Montier said they invested in the latest technology and now adhere to strict national and global standards. VitaMeal Baby products strictly follow all European norms for baby food and international standards, such as ISO 22000, International Food Standard (IFS) version 6 and recognized halal certifications, they said. Their company was the first to receive the official Moroccan certification by IMANOR (Institut Marocain de Normalisation), they said.

Charot recalled his first meeting with one of the hypermarkets in Morocco: 'The purchasing manager was very appreciative of us investing into this sector in Morocco, but she did not understand the concept of halal in baby food,' he said. 'According to her, all products in her store were obviously halal. Then, I explained to her about the preservatives used in the majority of processed foods that principally come from pork gelatine. Once convinced, she immediately gave us space on their store shelves.'

Agro-Food Industrie has come a long way since.

'We are pleased to see so many babies fed with our food in Morocco,' Charot and Montier said. 'This venture has also expanded our exports to 25 countries, in Europe, Africa, Asia and the Middle East. To meet this demand, we opened a second factory in 2013 where we produce cereals and milk powder for babies. We aim to increase our exports and reach at least all the 57 OIC countries.'

welfare or secular grounds. Some Muslims groups want to know whether stunning or mechanical slaughter was used.

Policymakers seem uncertain how to respond. However, this is another issue that manufacturers must address, so they are not wrong-footed if legislation is passed in a target market.

From another perspective, labelling and packaging are important marketing issues. While halal foods may share values with the eco-ethical food movements, there is a wide gap between the way the products are labelled and presented. It is important for manufacturers to consider their halal product labels carefully, as opposed to just putting the word 'halal' in Arabic, or the logo of the HCB on the product label.

MARKETING AND BRANDING

The label is an integral element of product branding, and the entire product package is an essential component of the halal food product. It is, in effect, what the first-time customer actually buys, rather than the contents. The natural foods market can provide some excellent lessons on branding and messaging. In comparison, the halal food sector is a long way behind that level of sophistication.

Understanding the needs and preferences of the consumer, and indeed understanding the difference between these two, is essential. While consumer research on halal markets has been scarce in the past, it is now becoming possible to understand and cater to the halal consumer in ways that were not available before.

Real-time information on consumer behaviour, and engaging customers in a real conversation, is possible today in ways that could only have been imagined in the past. Dedicated research, for example through specialist agencies, such as London-based EthnicFocus, or DinarStandard in the United States, offers the possibility for a deeper dive into the minds of the target market's customers, and to position a product offering accordingly.

More immediate options are possible through the strategic and well-considered campaigns on social media platforms. Saffron Road in the United States has said that its entire marketing campaign was carried out through what it refers to as 'guerrilla marketing', through social media interaction with existing and potential customers.

The youthful demographics of both the Muslim world and the diaspora communities indicate that social media is an increasingly influential and effective method for gathering real-time market information that is highly advantageous for successful marketing. This is likely to increase, and be a real factor over the next phase of market growth, and it involves much more than a simple website and Facebook page.

A strong social media presence also makes a powerful statement about the manufacturer, as well as the product, and can indicate an understanding of and alignment with the lives of the company's customers.

LOGISTICS

As halal is increasingly viewed as an integrated farm-to-fork process, compliance in all aspects of logistics is emerging as an important element of the halal value chain. Ensuring that the halal integrity of a product is maintained throughout its journey from manufacturer to customer is increasingly expected, and indeed assumed, by the end user. Logistics are generally estimated to account for 15% of a given market sector's overall value. This would make halal logistics potentially worth more than US\$ 150 billion annually, and therefore well worth developing further.

The economics and availability of halal logistics is still somewhat in its infancy, and many manufacturers do not yet consider it a necessity. There are now several standards on halal logistics, most notably by Standards Malaysia and by ESMA in Dubai.

Attempts to establish port-to-port protocols for halal logistics remain at the discussion stage. Logistics by its very nature requires collaboration between a number of different links in the supply chain, and to date this has not proved easy to establish. Much of what is written on halal logistics is still at the academic stage.

However, forward-looking manufacturers and exporters should pay close attention to the emergence of the halal logistics sector. Initiatives such as Dubai's halal industrial parks in the Jebel Ali Free Zone and the new TechnoPark may well put halal logistics more firmly on the map. Dubai's expertise as a trans-shipment hub, coupled with ESMA's standard, may well see port-to-port protocols established in the next phase of market development.

Dedicated logistics, if economically viable, offer a new level of convenience for the manufacturer, as well as confidence for the customer. This is likely to be a requirement in the future rather than an option.

INGREDIENTS AND ADDITIVES

As product recipes and their supply chains have become more complicated, along with the popularity of convenience food and ready-made meals, the importance of micro-ingredients has risen correspondingly. While different markets have different laws on what must be listed on labels, customers worldwide are generally becoming more vigilant about food additives and flavourings.

This has led to a new level of scrutiny regarding the ingredients used by halal manufacturers. In some cases, they have changed recipes to use a vegetable-based or synthetic ingredients rather than those from an animal source. South-East Asian palm oil producers have benefitted from this trend because their products can mimic the characteristics of animal fats in a recipe.

Some 3,000 food additives are used in the food-manufacturing process globally. Navigating through this maze can be challenging for halal manufacturers. A competent HCB with food-technology expertise can provide valuable assistance to a manufacturer on additives. Certainly, with the increasingly technological approach to food manufacturing, the importance of food science in the manufacturing process has become evident, and is a trend that HCBs will also be following.

'Some 3,000 food additives are used in the food-manufacturing process globally. Navigating through this maze can be challenging for halal manufacturers.'

High-profile ingredients such as alcohol and gelatine require close attention, as do the possibility of ingredients that may be permitted in some countries and prohibited in others. In line with the trend towards more natural foods, halal product manufacturers may find that 'less is more' when it comes to micro ingredients and food additives.

WHOLESALE AND RETAIL

Establishing wholesale and retail partners that are 'halal friendly' is an important step for manufacturers. Retailers that are amenable to in-store promotions and additional signage can make all the difference between success and failure at the retail stage.

Retailers worldwide are now very aware that a large numbers of Muslim consumers frequent their stores on a regular basis to do their weekly shopping. If halal products are not available in the mainstream supermarkets, customers will shop elsewhere; this has prompted many of the retail giants to stock halal products.

Local neighbourhood stores are also working hard to attract these customers, and the battle for what has been called the 'green' dollar or pound is now a reality at retail level. Whether at the high end of the market or as part of the mainstream, producers can now find retailers who

understand the importance of the halal product customer and who are amenable to helping the manufacturer position its product favourably.

The availability of real-time product monitoring means it is easier today for retailers to understand the needs of their Muslim customers. A strong relationship between manufacturers is an essential element for effective market penetration.

CUSTOMER RELATIONS

Recognizing and harnessing consumer power is a key element for success, and it is now an essential part of the successful manufacturer's skills. The halal sector is still lagging behind the mainstream in this respect, but there are clear signs that building customer relations in the sector can be even more powerful than it is in the mainstream markets, given the importance of halal to the consumers.

The ability to develop strong customer relations has never been easier. That said, there has probably never been such fierce competition at retail level, with retailers' profit margins being continually shaved to a minimum. The halal sector has in the past been characterized by indifference in Muslim-majority markets, and lack of confidence in minority markets, with little or no real understanding of customers' real preferences or needs.

Social media and the digital economy are rapidly changing this landscape, and the gap between the manufacturer or retailer and the customer has never been smaller. Brand loyalty depends on clear messaging and authentic concern for the importance of halal for the customer. Halal is non-negotiable for most Muslim consumers; and in a marketplace where lack of clarity has been the norm for so long, manufacturers who can establish genuine trust in their brand have a clear competitive advantage.

In summary, the 'farm to fork' nature of the halal value chain is now a widely recognized reality. While not all components of the value chain carry the same weight at all times and for all markets, it is an essential part of the mind-set for companies operating in any part of the value chain.

As the halal food market continues to grow and mature, the integrated and inter-dependent nature of all the links in the value chain will increase in significance. The stakeholders that have the best understanding of this new reality are likely to be the ones who succeed in this new emerging-market paradigm.



CHAPTER 6

TRADE AND INVESTMENT SUPPORT INSTITUTIONS

TRADE PROMOTION	44
TRAINING AND HUMAN RESOURCE DEVELOPMENT	46
NATIONAL BRANDING	46
INVESTMENT OPPORTUNITIES	48
CREATING CLUSTERS AND HUBS	48

TRADE AND INVESTMENT SUPPORT INSTITUTIONS

Building institutional capacity for a national halal industry is key to success. Trade and investment support institutions (TISIs) need to think and act outside their normal patterns of activity, and be more proactive in understanding and engaging with the halal marketplace. There are now enough examples to provide insights and fresh ideas for TISIs to apply to their own situations.

Given the continued expansion of the halal market, both in size and complexity, and with the crossover potential into the mainstream as well as into other eco-ethical markets, there is a significant window of opportunity. TISIs can make a valuable contribution to the growth of their national economies by developing expertise within the halal market, and using this to nurture SMEs, entrepreneurial startups and even assist major corporations looking for a pivot into the halal sector.

In general, trade and investment support institutions play a critical role in garnering political support, facilitating exports and supporting SMEs and startups, as well as providing market intelligence and training. The well-known 2006 study by the World Bank concluded that every dollar spent on export promotion led, on average, to a US\$ 40 increase in exports.

With regard to the emerging halal sectors, TISIs have a more sharply defined role, one that requires a high degree of insight into the dynamics of the halal marketplace, as well as recognizing their own countries' strengths and weaknesses in order to provide practical and result-oriented assistance to the private sector.

The level of government buy-in and understanding of the halal sector is critical. A TISI is unlikely to have success in promoting halal trade if the government does not see it as a viable market. While the track record over the past decade has gone a long way to demonstrate the potential of the halal sectors to make a significant contribution to the national economy, policymakers must still have some vision to recognize the potential power of the halal ecosystem.

It is important to have employees who are not just well-trained in the halal sector, but who also understand the practical realities of commerce. Public sector jobs tend to attract people who have opted not to go into

business themselves, and who consequently lack a practical understanding of running a business and have even less understanding of the halal sector. A well-trained team with a good grasp of the commercial realities of the halal ecosystem, its challenges and opportunities, is critical for a successful TISI, and will enable them to provide a real competitive edge for companies in the halal F&B sector.

TRADE PROMOTION

The primary role of a TISI is to promote and facilitate trade, and to find effective ways to expose companies to potential buyers. Trade shows are a well-established and proven arena for this, and halal food and beverage trade shows have gained a recognized foothold in the emerging halal marketplace over the past decade. While initiatives such as providing support for companies to exhibit together in a national pavilion are useful, much more can be done to take advantage of the gathering of buyers and sellers.

For example, the Malaysia External Trade Development Corporation, (MATRADE) is a good example of a pro-active TISI engaged in the halal sector. Over a 10-year period, MATRADE has collaborated, and more recently taken ownership, of the Malaysian International Halal Showcase, (MIHAS), one of the most influential halal-only trade shows. Part of the success of MIHAS is due to MATRADE's policy of flying in buyers to attend the expo under incoming buying missions (IBMs).

The MIHAS 2014 IBM programme attracted 370 foreign companies with 532 representatives from 41 countries. Over a two-day period, a total of 2,942 business meetings were conducted with the participation of 471 Malaysian companies, which generated total sales of RM 477.2 million. Major products sourced by importers during these business meetings were prepared food products, beverages, palm oil products, agricultural produce, pharmaceuticals, toiletries and cosmetics. Added to the general sales generated by the expo of RM 655.8 million, the overall total for MIHAS 2015 was RM1.1 billion (US\$ 289 million), an impressive figure for a halal trade event. About 43% of the total sales were derived from MATRADE's IBM programme.

Box 4: An ongoing halal success story in Malaysia



© www.worldhalalsummit.com

Matrade, Malaysia's national trade promotion agency, has a well-recognized track record as a proactive trade support institution and has been instrumental in positioning the country as a trading nation.

In 2004, former Prime Minister Tun Abdullah Badawi announced his aim to make Malaysia an international halal hub. Matrade took up the challenge and now has now over a decade of experience promoting and nurturing Malaysia's halal sector.

The Malaysian International Halal Showcase (MIHAS), the world's first halal-only trade event, was started as a private sector initiative by Muhammad Shukri Abdullah in 2004. MIHAS has been a sell-out event with over 500 exhibitors in its inaugural year and every year since. Matrade actively

supported, and later took ownership of MIHAS. Matrade's initiation of the Incoming Buying Missions programme has been a key component of MIHAS' continuing success.

The 12th annual event held in spring 2015 was attended by 528 exhibitors from 21 countries, and attracted 23,107 trade visitors from the halal sectors of 67 countries. Matrade hosted 500 trade buyers and arranged business-matching sessions with exhibitors, which resulted in immediate and negotiated sales of US\$ 260 million. Over the past decade or so, MIHAS has generated an estimated US\$ 2.1 billion in sales. MIHAS has triggered similar expos all over the world, and remains a fixed date in the calendars of many halal market stakeholders.

INTEGRATED POLICYMAKING

Another factor determining the success of a TISI is its ability to coordinate and collaborate with other industry and government stakeholders to create a productive environment to improve the halal sector. Export promotion requires committed engagement from various agencies, and a coordinated forward-looking campaign will produce far greater results than isolated activity from the TISI alone.

TISIs in Australia and New Zealand have managed to engage other key stakeholders, such as the relevant industry association, the veterinary body and the Islamic bodies that handle halal-compliance issues, to create an integrated export promotion platform. The results speak for themselves, both in terms of market reach and reputation for quality and safety.

A key factor in their success is the level of understanding and buy-in from senior policymakers. Recognizing the opportunities that the halal markets have to offer is an essential prerequisite for success in this field; obstacles will never be overcome unless there is an understanding of the potential success that lies on the other side.

Malaysia took an unprecedented step in 2006 by creating the Halal Industry Development Corporation (HDC) to lead and coordinate the various activities of Malaysia's halal industries. This was the first such initiative specifically focusing on the halal industries, and has been a contributing factor in Malaysia's continuing leadership role in the halal market.

Dubai followed suit in 2013 by establishing the DIEDC, and broadened the scope beyond the food and beverage, cosmetics and pharmaceutical sectors to include art and culture, modest fashion, the digital economy and family-friendly travel. This also demonstrates the opportunities to engage in the halal-related markets without being a primarily food-producing nation.

There is little doubt that an agency that is specifically dedicated to the needs of an emerging halal sector can provide a valuable focus and a strong competitive edge for both public and private sector stakeholders.

TRAINING AND HUMAN RESOURCE DEVELOPMENT

The growth of the halal sectors over the past decade has created opportunities for TISIs from developing countries, or those just entering the halal markets, to learn from the experience of others. There are now clear examples of useful strategies to develop halal as an export-revenue generator.

Developing training sessions for halal sector stakeholders is critical for success. As the halal sector is still relatively

young as a market parameter, and at times confusing, TISIs must be able to guide companies towards their target markets with the right products and services. Some in-house expertise and market intelligence, even at beginner or intermediate levels, can be an important catalyst for future success. TISIs can gear this to the sectors in their own country that show the most promising potential to succeed in the halal markets.

Malaysia's HDC, in conjunction with JAKIM and other relevant agencies, has designed and conducted programmes for SMEs in the halal sector, with roadshows that travel around the country offering training and raising awareness of the opportunities halal has to offer. HDC has also developed an online knowledge base providing useful information that similarly contributes to the creation of a well-informed halal sector.

Some major corporations, such as Nestlé Malaysia, have participated in these training programmes, in part as a corporate social-responsibility initiative, but also as a way to train suppliers for the ingredients and raw materials required for their own halal manufacturing processes. A knowledgeable and well-trained supply chain is a distinct advantage for a large manufacturer, especially in a market sector that still has many unknowns and variables to contend with.

NATIONAL BRANDING

Creating a national food 'brand' can also be an effective tool for developing the halal food industry and building a receptive market for national produce and flavours. For example, Malaysia has established a solid reputation for halal-standards development and certification. This has been more instrumental in giving the country a leadership role in the halal sector than its food production.

By giving priority to their export products to Muslim-majority markets, Australia and New Zealand have both developed national brands based on the quality of their red meat exports. The Australian halal symbol that is stamped on all halal exports is owned by the government, and is not simply the logo of an HCB, as is the case in most other countries. This gives added authority to its halal compliance, and builds the reputation of the national brand.

As part of efforts to diversify its economy, Brunei Darussalam has developed a range of products that are packaged under its own 'Brunei Halal' brand, building on its reputation for stringent application of Halal standards. These products are now appearing on UK supermarket shelves.

Thailand has taken a slightly different approach that has certainly reaped rewards. By promoting its national cuisine overseas through the 'Kitchen of the World' programme, Thailand has built a market for its food and the ingredients used to prepare it. Thai food can be found all over the world, and its distinctive taste has grown steadily in popularity.

Box 5: Lulu Hypermarkets – setting new benchmarks for the industry



LuLu Group International opened its first Lulu Hypermarket in Dubai in 2000 with the vision of becoming a global retail brand and a preferred employer to their multi-ethnic employees. Currently, as the biggest retail chain in the Middle East and one of the largest in Asia, it operates 117 stores employing more than 30,000 people across the Gulf Cooperation Region, Yemen, Egypt and India. It is regarded as a retail pioneer constantly setting new benchmarks for the industry.

LuLu Group's latest plans include beginning operations in both Malaysia and Indonesia. Through large initial investments in both countries, LuLu Group plans to introduce its unique concept of halal-only hypermarkets, which will start opening in 2016.

'With a population of over 29 million, Malaysia needs quality halal-only hypermarkets. We will be the first to operate 100% halal hypermarkets there,' said Yusuff Ali M.A., LuLu Group's Managing Director.

With initial investments to reach US\$ 200 million for the first five Malaysian hypermarkets, LuLu Group has the support

of the government-run federal land development authority (Felda), which will help build the new outlets. LuLu will in turn market local 'Felda Best' products and other halal products in these new stores and others in the Middle East, which is expected to give a boost to the halal SME industry in Malaysia.

The next step will be to introduce its halal food concept to Indonesia. With an initial investment of US\$ 300 million for the first phase, LuLu plans to open 15 hypermarkets by the end of 2017. In addition to the capital city of Jakarta, Lulu intends to open hypermarkets in Bandung, Solo, Semarang, Surabaya and Yogyakarta.

'We also plan to set up contract farming to ensure a continuous supply of high-quality farm produce and to support the Indonesian agriculture sector,' Yusuff Ali M.A. announced. He made the announcement to Indonesian President Joko Widodo during his visit to a LuLu hypermarket in Abu Dhabi that was holding an exhibition of Indonesian food exports.

This has enabled Thailand to build global demand for its national cuisine. At the same time, the country's ongoing programme of SME development to build export-ready food companies has proved to be an effective strategy. Thailand now heads the list of processed-food exporters to the OIC, with US\$ 791 million in exports in 2014 and US\$ 213 million of exports to the GCC region alone, with 10-year growth rates of well over 200%.

INVESTMENT OPPORTUNITIES

Identifying potential investment opportunities is another role that an active TISI should be playing, and this requires an element of market intelligence. Investment in the halal F&B sectors has grown in recent years, with several notable developments:

- South America's largest food company, BRF, owner of the Sadia poultry brand, has opened its first processing plant in Abu Dhabi.
- Saudi food group Almunajem has taken a 25% stake in French poultry producer Group Doux.
- LuLu Group International, with 110 outlets across the GCC region, has announced plans to open 10 new halal-only hypermarkets in Malaysia and another 15 in Indonesia (Box 5).
- Kellogg is building a US\$ 100 million manufacturing facility in Malaysia.

As the halal sector matures, investors are looking for more investment opportunities, especially as other markets reach saturation.

Islamic finance and other Shariah-compliant investment platforms, such as peer-to-peer lending, microfinance and crowd funding are all examples of non-traditional avenues for investment funding that are also beginning to link up with the halal sector. These should be explored, especially in developing economies.

CREATING CLUSTERS AND HUBS

The nature of the halal industry lends itself to the concept of forming clusters for production, downstream value adding, logistics and other shared services, and to create a 'halal only' zone that is dedicated to the halal industry and its requirements. Creating a 'one-stop shop' that covers the full value chain from R&D, sourcing, production, logistics, sales and marketing is clearly an attractive idea that would give a real advantage to the companies located within the cluster.

This has been attempted in Malaysia, and around 20 halal park projects have been registered under HDC's halal park programme. Many of these projects so far appear to have been more real-estate investments than full halal cluster

developments, and a real working halal park has yet to emerge.

Nonetheless, the concept is clearly appealing, and Dubai is working along similar lines. Dubai's Economic Zones World is developing two state-of-the-art halal zones, one in the Jebel Ali Free Zone and another at the new TechnoPark. These developments underpin Dubai's aim to become a market leader in the Islamic economy, and to position Dubai as a production and trading hub for halal products. Given Dubai's geographic location at the centre of a vast halal consumer market, its existing logistical strengths and ability to deliver on ambitious projects, these developments warrant further attention.

Proposals for halal hubs have been presented in many countries, from the Philippines and southern Thailand to the United Kingdom. Future hubs will probably develop as the halal market matures. Recent activity, for example in Morocco and Pakistan, may well indicate the emergence of new hubs from areas that have not been major players in the halal market.



CHAPTER 7

ITC AND THE HALAL SECTOR

- LINKING SMEs TO GLOBAL SUPPLY CHAINS 52
- STRENGTHENING TRADE AND INVESTMENT SUPPORT INSTITUTIONS..... 52
- SUPPORTING REGIONAL ECONOMIC INTEGRATION 52
- TRADE AND MARKET INTELLIGENCE 53
- HALAL MARKET OPPORTUNITIES..... 53
- HARMONIZING STANDARDS..... 54
- DEVELOPING INDUSTRY 54

ITC AND THE HALAL SECTOR

The International Trade Centre's mission of 'trade impact for good' has a natural resonance with the halal market. When looking at the contours of the global market, there are clear opportunities for developing economies to find a strategic role to play and, in doing so, benefit their communities and economy.

The halal market, in essence, represents a new commercial paradigm that is based on a set of religious and spiritual obligations. At the same time, it has many crossover points and shared values with other recognized emerging-market trends that promote ethical and moral values in the marketplace.

In addition, ITC's focus on enabling South-South trade, integrating more women into the commercial arena and providing opportunities for a young generation to develop entrepreneurial expertise and business opportunities are all consistent with the overall growth patterns of the halal market.

While a large corporation can often easily make a successful pivot into the halal market, it is more difficult for a small enterprise to get access to the knowledge, skills, funding and market access that will bring commercial success. Yet the success of these smaller enterprises can be significant in transforming society in a developing or poorer rural economy. Although the food industry is dominated by powerful multinationals, it is largely made up of small, medium-sized and even micro-business enterprises that form the warp and weft of a country's social fabric.

The main focus areas of ITC's activity can be expanded to include some of the specific needs of the halal market, and can play a central role in providing services and support to halal sector stakeholders, particularly SMEs in developing economies.

LINKING SMEs TO GLOBAL SUPPLY CHAINS

About 80% of global trade takes place within value chains and roughly 60% involves intermediate goods. This makes integration into existing value chains a very important means of access into global trade, especially for SMEs and even micro-enterprises in rural economies. If they can have access to the gaps and opportunities in these value chains, they can look for ways to position themselves as integral components of these markets.

For many SMEs, making the transition to becoming an integral part of a global value chain requires additional skills,

and the ability to be agile and resourceful. ITC, by providing valuable market information and strengthening the capacity of TISIs, can play a valuable role in helping SMEs find the appropriate gaps in the halal value chains, and to position themselves accordingly.

With its integrated modular approach, ITC's SME competitiveness development programmes are readily adaptable for the halal market and can provide help in many of the areas where these enterprises need assistance. These include:

- Logistics and supply chain
- Export marketing
- Meeting technical and quality requirements
- Creating market linkage

STRENGTHENING TRADE AND INVESTMENT SUPPORT INSTITUTIONS

ITC works closely with a network of trade promotion organizations, chambers of commerce, trade associations, enterprise development agencies and others. This network is a critically important part of ITC's work, and it has great significance for the halal sector.

The more these support institutions develop understanding, skills and trade intelligence, the more they will be able to see the opportunities in the halal marketplace and help their SMEs take advantage of the opportunities that the expanding halal market has to offer.

ITC is stepping up its efforts to help TISIs build the necessary expertise that is specific to the halal sectors, and to develop regional and international networks and other collaborative schemes that can make them more effective.

SUPPORTING REGIONAL ECONOMIC INTEGRATION

Emerging markets continue to play an important role in global economic growth, and many of them – such as India, Brazil, Turkey and China – are strategically significant within the halal market for a number of cultural or commercial reasons. Despite the dominance of certain major food-exporting countries, there are significant opportunities to help producers and traders from least developed countries

integrate into these halal value chains because the halal market is still a relatively young emerging market.

ITC is helping to identify the sectors that have good potential for regional trade, analyse the gaps in the value chains and strengthen the corresponding support services. Regional business associations can also play an important role in the halal market by building up their own expertise and participating in the development of trade-related policies and halal-sector regulations and standards.

TRADE AND MARKET INTELLIGENCE

Accurate trade information and market intelligence is generally the exclusive domain of the powerful, adding to the disadvantages experienced by the majority of SMEs.

ITC's web-based tools can play an important role in the halal marketplace by providing up-to-date, reliable and accessible information. Accurate data on the halal market sectors have been very difficult to obtain for years, as many halal products are not certified. Many of these goods are simply 'halal by nature' and therefore less obviously an integral part of the halal space.

ITC's web-based Standards Map has started to include halal-based standards, so they can be compared and contrasted. This alone will be of immense benefit to manufacturers and traders. The arena of halal standards today is characterized by confusion and overlap that sometimes impedes or even

prevents exports. Current initiatives by the OIC and others aim to harmonize, if not unify, halal standards, especially for the F&B sector.

By incorporating different halal standards into the Standards Map, ITC will start to bring some long-awaited clarity and transparency to this issue.

ITC's online Trade Map service is similarly an important and powerful tool for the halal sector as, with practice, it enables users to track and understand the flow of halal goods around the world. This is a valuable service, not just for manufacturers and traders, but also for TISIs that are looking for ways to enhance their national competitiveness and find suitable niches in the market for their local SMEs.

This data can form the basis for developing specific intelligence products that can translate information into successful business models and practices.

HALAL MARKET OPPORTUNITIES

The surge in interest in the halal food market over the past decade has opened a new window of opportunity. Food is a powerful force – it forms the basis of life for all people, and at the same time it is a global market trading in trillions of dollars annually. The halal food market, when viewed as a collective entity, is valued at US\$ 1.29 trillion, greater than the markets of China, the United States, Japan and India.

Box 6: ITC and the Islamic Development Bank

There is a natural convergence of both interests and values between ITC and the Islamic Development Bank (IDB). Both share the belief that trade can be a positive force for good that can enhance people's livelihoods, reduce poverty and enable lower-income countries, especially those with rural economies, to recover a real sense of social stability and wellbeing.

Many cultures have a traditional saying along the lines that rather than give a poor man a fish to eat, it is better to give him a fishing rod and teach him how to fish, for then he can feed himself and his family forever.

This summarizes ITC's and IDB's shared approach to trade and development. A more open trade and clear trade rules will be important to generate opportunities leading to growth. This will need to be coupled with 'Aid for Trade' and with private sector investment to translate the opportunities into reality.

Studies conducted in the MENA region have shown that for every 1% rise in real gross domestic product, the number of poor people declines by 4%–5%.

IDB has always had a strong commitment to infrastructure projects among member countries, and there is a clear opportunity to develop a powerful synergy by linking this development to agricultural projects that are connected to the halal food markets.

ITC, with its targeted services for the business community in developing countries, including those outlined in this chapter related to the halal industry, has a natural synergy with IDB. As the halal market evolves, so do their collaborative interventions.

For many poor countries, developing the SME sector, particularly in the food and other agro-based industries, is a key to tackle poverty reduction. Investment in small and medium-scale industries in the food sector serves many purposes:

- **Sustainable food supply.** Most importantly, agricultural development provides people with a local and sustainable source of food that can have an immediate impact on malnutrition and the associated health problems that inevitably accompany it.
- **Improved health.** Access to good food will not only reduce illness; by raising the general level of health through proper nutrition, communities can function better in every way, and take a proactive interest in their own development and social welfare.
- **Education.** Including agricultural studies in rural communities can generate real involvement in the younger generation. Agricultural studies lead to related subjects such as health, nutrition, science, engineering, rural development and, of course, trade.
- **Infrastructure.** Agricultural development is naturally linked with general infrastructure development. Improved infrastructure provides water supplies that benefit humans, livestock and plants; better roads and storage facilities enhance trading opportunities to generate income and jobs; and electricity enables agri-processing industries to develop high value-adding businesses to be developed by the local communities.
- **Trade.** If a community can develop sustainable agriculture, its members can also become traders in food products. If they are assisted in training and human resource development, their efforts can be coordinated and further developed to link them to global supply chains.

In particular, there is an opportunity for another kind of collaboration between OIC members. The wealthier OIC member countries import the vast majority of their food. There is an opportunity to address their food-security concerns and, at the same time, to relieve the endemic poverty issues in the poorer member countries and in the poorer rural regions. With more developed agriculture, the poorer countries can export food products to their wealthier neighbours, bringing benefit to all.

HARMONIZING STANDARDS

IDB is strongly supportive of the Organisation of Islamic Cooperation, and their related projects. Initiatives by SMIIC to develop halal standards that can be acceptable to all OIC members offers a genuine window of opportunity to harmonize halal food standards globally.

Unified halal standards for food production can create a strong foundation for this important new market and can benefit people all over the world. The halal food market is already an important meeting point for people of all cultures and beliefs, and as it develops, there is a genuine opportunity to bring enormous benefit enabling many less-developed countries to become useful members of this emerging global trading community.

DEVELOPING INDUSTRY

The development and support of small-scale food-based industries and trading ventures can go hand-in-hand with the provision of online tools and training, enabling SMEs and even micro-business ventures to connect to global supply chains.

The development of the agricultural sector, and the range of industries that are connected to it, is an obvious target for poverty reduction. Sub-sectors of the food industry with potentially high value addition, such as further processing, trading, storage and marketing are all areas that can have a high impact on improving the living conditions of some of the most vulnerable groups in society.

ENDNOTES

- 1 Figures from the Pew Research Centre - www.pewforum.org/2011/01/27/the-future-of-the-global-muslim-population/
- 2 State of the Global Islamic Economy 2014-2015 Report
- 3 *Ibid.*
- 4 *Ibid.*
- 5 *Ibid.*
- 6 All remaining figures in this report are derived from ITC's data at www.trademap.org
- 7 From presentations made at the American Muslim Consumer Conference 2012, New Jersey
- 8 UAE.S 2055-1:2015 - Halal products - Part one: General Requirements for Halal Food
- 9 UAE.S 2055-4:2014 - Halal products- Part four: Requirements for Cosmetics and Personal care
- 10 UAE.S 2055-2:2014 - Halal products - Part two: General Requirements for Halal Certification Bodies
- 11 UAE.S 2055-3:2014 - Halal products - Part three: General Requirements for halal accreditation bodies accrediting halal certification bodies
- 12 Pew-Templeton Global Religious Futures Project at www.globalreligiousfutures.org/

ANNEX

GENERAL GUIDELINES FOR USE OF THE TERM 'HALAL'

1 CAC/GL 24-1997

The Codex Alimentarius Commission accepts that there may be minor differences in opinion in the interpretation of lawful and unlawful animals and in the slaughter act, according to the different Islamic Schools of Thought. As such, these general guidelines are subjected to the interpretation of the appropriate authorities of the importing countries. However, the certificates granted by the religious authorities of the exporting country should be accepted in principle by the importing country, except when the latter provides justification for other specific requirements.

1 SCOPE

- 1.1 These guidelines recommend measures to be taken on the use of halal claims in food labelling.
- 1.2 These guidelines apply to the use of the term halal and equivalent terms in claims as defined in the *General Standard for the Labelling of Prepackaged Foods* and include its use in trade marks, brand names and business names.
- 1.3 These guidelines are intended to supplement the *Codex General Guidelines on Claims* and do not supersede any prohibition contained therein.

2 DEFINITION

- 2.1 Halal food means food permitted under Islamic Law and should fulfil the following conditions:
 - 2.1.1 does not consist of or contain anything which is considered to be unlawful according to Islamic Law;
 - 2.1.2 has not been prepared, processed, transported or stored using any appliance or facility that was not free from anything unlawful according to Islamic Law; and
 - 2.1.3 has not in the course of preparation, processing, transportation or storage been in direct contact with any food that fails to satisfy 2.1.1 and 2.1.2 above.
- 2.2 Notwithstanding Section 2.1 above:
 - 2.2.1 *halal* food can be prepared, processed or stored in different sections or lines within the same premises where non-halal foods are produced, provided that necessary measures are taken to prevent any contact between halal and non-halal foods;
 - 2.2.2 *halal* food can be prepared, processed, transported or stored using facilities which have been previously used for non-halal foods provided that proper cleaning procedures, according to Islamic requirements, have been observed.

3 CRITERIA FOR USE OF THE TERM 'HALAL'

3.1 Lawful food

The term halal may be used for foods which are considered lawful. Under Islamic Law, all sources of food are lawful except the following sources, including their products and derivatives which are considered unlawful:

3.1.1 Food of animal origin

- (a) Pigs and boars.
- (b) Dogs, snakes and monkeys.

- (c) Carnivorous animals with claws and fangs such as lions, tigers, bears and other similar animals. (d) Birds of prey with claws such as eagles, vultures, and other similar birds.
- (e) Pests such as rats, centipedes, scorpions and other similar animals.
- (f) Animals forbidden to be killed in Islam i.e., ants, bees and woodpecker birds.
- (g) Animals which are considered repulsive generally like lice, flies, maggots and other similar animals. (h) Animals that live both on land and in water such as frogs, crocodiles and other similar animals.
- (i) Mules and domestic donkeys.
- (j) All poisonous and hazardous aquatic animals.
- (k) Any other animals not slaughtered according to Islamic Law.
- (l) Blood.

3.1.2 Food of plant origin

Intoxicating and hazardous plants except where the toxin or hazard can be eliminated during processing.

3.1.3 Drink

- (a) Alcoholic drinks.
- (b) All forms of intoxicating and hazardous drinks.

3.1.4 Food additives

All food additives derived from Items 3.1.1, 3.1.2 and 3.1.3.

3.2 Slaughtering

All lawful land animals should be slaughtered in compliance with the rules laid down in the Codex

*Recommended Code of Hygienic Practice for Fresh Meat*² and the following requirements:

- 3.2.1 The person should be a Muslim who is mentally sound and knowledgeable of the Islamic slaughtering procedures.
- 3.2.2 The animal to be slaughtered should be lawful according to Islamic Law.
- 3.2.3 The animal to be slaughtered should be alive or deemed to be alive at the time of slaughtering.
- 3.2.4 The phrase "Bismillah" (In the Name of Allah) should be invoked immediately before the slaughter of each animal.
- 3.2.5 The slaughtering device should be sharp and should not be lifted off the animal during the slaughter act.
- 3.2.6 The slaughter act should sever the trachea, oesophagus and main arteries and veins of the neck region.
- 3.3 Preparation, processing, packaging, transportation and storage

All food should be prepared, processed, packaged, transported and stored in such a manner that it complies with Section 2.1 and 2.2 above and the *Codex General Principles on Food Hygiene* and other relevant Codex Standards.

4 ADDITIONAL LABELLING REQUIREMENTS

- 4.1 When a claim is made that a food is halal, the word halal or equivalent terms should appear on the label.
- 4.2 In accordance with the *Codex General Guidelines on Claims*, claims on halal should not be used in ways which could give rise to doubt about the safety of similar food or claims that halal foods are nutritionally superior to, or healthier than, other foods.

Source: <http://www.codexalimentarius.org/standards/list-of-standards/>

A free PDF of this publication is available on ITC's website at:
www.intracen.org/publications

Printed copies of ITC publications can be purchased from ITC's website:
www.intracen.org/eshop

ITC publications can also be ordered through the UN Sales and Marketing Section



USD 35
ISBN 978-92-9137-429-8



United Nations Sales No. **E.15.III.T.4**