The Value and Advantage of Halal Logistics

Halal Logistics Conference 2012
28 June 2012
Traders Hotel, Penang
1. About MITRANS
2. Introduction & Definition of Halal Logistics
3. Understanding the Concept of Halal Logistics Throughout the Supply Chain Process
4. The Importance of Halal Logistics
5. Road to Halal Logistics: The Way Forward
History of MITRANS

1982 – Pusat Pengajian Pengangkutan Malaysia (PPPM) was established.

1996 – MacTRANS placed directly under ITM’s Director’s Office.

2003 – Upgraded to a full institute named MITRANS.

2005 – Internationalization - MITRANS EU Asia Link Project TRANSLINK.

2009 – MOHE MLC Research grant through MOHE - RM5 m plus annual grant of RM 1 m until 2015.

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September 2011 – Halal Training Programme for KLAS Kargo formulated and audited by MOHE.

July 2011 M.Sc and Ph.D programmes code (LT) approved.

May 2011 – Halal Logistics training programme for JAKIM auditors.

2006 – Current.
VISION

To become a leading institute in transportation and logistics knowledge.

MISSION

To serve as a professional centre of excellence in strategic transportation and logistics planning and development.
**MITRANS Objective**

The Malaysia Institute of Transport (MITRANS) at Universiti Teknologi MARA (UiTM) is the nation’s centre for transportation research, logistics planning, consultancy and training. MITRANS has a strong history of research excellence in the fields of transport and logistics and supply chain, maritime, urban and rural transportation, intelligent transport systems, highway and traffic engineering. Building on UiTM’s breadth of scholarship and entrepreneurial heritage, we are engaged in multidisciplinary research, consultancy and training that addresses real world challenges in the transportation industry today.
The Principles of Halalan Toyyiban

- To uphold the Halal integrity of goods across the supply chain from farm to fork
- To avoid cross contamination between goods handle
- To ensure products are safe for consumption
**Halal Logistics**

Halal logistics is the process of managing the procurement, movement, storage and handling of materials, parts livestock and (semi) finished inventory both food and non-food (and related information & documentation flows) through the organization and the supply chain in compliance with the general principles of Shariah Law.

The main objective of Halal Logistics is to ensure the Halal Integrity of Halal products for the end-consumer. Halal Logistics can be defined as: "The Command & Control of goods flows in a value system in such as way that the Halal integrity is secured throughout the supply chain."

Knowledge on Halal Logistics is important in establishing a Halal compliant supply chain by design.
Areas of Halal Logistics

- **Halal Logistics Hub**: Dedicated storage / warehouse in assisting distribution from manufacturer to global customer
- **Halal Logistics Transport**: Dedicated liner / transport for halal products to avoid cross contamination during transportation
- **Halal Logistics Route**: Dedicated route in linking supplier to the customer for faster turnaround
- **Halal Logistics Management**: Supervise all aspects of halal supply chain of manufacturer or distributor and act as solution & information service provider
The Halal Value Chain

Production → Processing & Packaging → Storage → Retail

Halal Logistics Management

CONSUMER
1. Receive customer’s instruction/order
2. Arrange transportation unit according to customer’s request
3. Transportation unit leaves depot to designated location
4. Arrival at location commence to loading/unloading of customer’s goods
5. Arrival at location where customer’s goods to be delivered. Loading/unloading customer’s goods
6. Additional pickup and drop-off points
7. Transport unit return to depot

Halal Transportation Process
Halal Warehousing Process

1. Receiving/unloading
   - Unload from supplier’s vehicle
   - Shift materials to inspection area.

2. Inspection
   - Ensure compliance with specifications based on purchase orders.
   - Count material and check against shipping invoice. Report on status of count to inventory control. Note any discrepancies.

3. Storage
   - Move incoming supplies to special picking location and/or storage location.

4. Replenishment
   - Move supplies from storage location to special picking location.

5. Order picking
   - Select items from special picking location or storage based on the pick list.

6. Checking
   - Check picked orders for accuracy of item, quantity, and condition; compare quantity, quality, labeling, and address with customer’s order to ensure compliance.

7. Packing
   - Package orders for customers; mark or label containers that hold customer orders.

8. Staging
   - Arrange orders according to customer and/or carrier that will transport products.

9. Shipping/loading
   - Load outbound carrier and report to inventory control.
1. **Products and/or goods received from distribution centre and storage products and/or goods.**

2. **Products and/or goods processing:**
   - Identification, segregation, handling and labelling
   - Unloading to storage location
   - Break-bulking, sorting and repacking
   - Storage for frozen and chilled products
   - Storage at general cargo (for ambient products)

3. **Shelf display/ Storage**
   - Identification, segregation, handling and labelling to prevent cross contamination

4. **Check out**
   - Identification, segregation, handling and labelling to prevent contamination

5. **End user/Consumer**

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**Halal Retailing Process**

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Malaysia Institute of Transport
Halal Services

Besides merchandise, Halal services are also an important component of the Halal market:-

- Islamic Banking
- Securities & Bonds
- Travel & Tourism
- **Supply Chain & Logistics**
- Education & Training
- Food Services
- Entertainment
- Information Technology

Halal logistics is significant to ensure that Halal products remain as HALAL throughout the supply chain – ‘From farm to fork’.
Overview of the Halal Industry

- The world Halal food industry estimated to increase to USD670 billion in 2012 from USD635 billion in 2009 (Source: WHF)

- With the growth of global economy and increase in consumer buying powers and awareness, the demand for Halal products will also grow.

- Halal industry has become the main alternative not only for Muslim but also for non-Muslim consumers.
Halal Initiatives in Malaysia

Through one of the Government’s plan for the development of the industry in IMP3, the objective has incurred Malaysia as the global Halal hub for production and trade merchandize and Halal services such as logistics.

Halal industry basically do not only focus to halal food product only like those understood previously; it include services sector such as logistics, packaging, branding, and market. It also include pharmaceutical products, self adornment and cosmetic, finance, entertainment, investment, tourism, etc.
Current Scenario of Halal Products Supply Chain

- Raw materials for Halal products are sourced globally with lack of traceability.

- Legal status and protection of Halal often missing.

- Expected Halal standards and procedures are not applied throughout the supply chain.

- Inaccurate Labelling

- Multiple and various certification bodies

- No proper segregation of products within the supply chain.
Potential World Halal Market

USD580 billion – Annual global market value for Halal food trade
USD2.1 trillion – Annual global market value for entire Halal trade
USD900 million – Annual retail sales of Halal meat in the United Kingdom
1.6 billion – Present global Muslim population (20% of total world population of 8.2 billion)
1 billion – Muslim population in Asia
3 billion – Estimated global Muslim population in 2010

Source: 3rd Industrial Master Plan (IMP3 2006 – 2020)
**Market Overview**

- From a market perspective, the traditional major target markets remain in Asia and the Middle East countries. However, there are influential developing Halal markets in the UK, Europe and the USA with significant market size.

- The developing Halal markets of Europe and the US play an interesting role, because they are markets that also play defining roles in other markets around the world.

- As the dynamics within the Muslim world change, and globalization trends continue to shape people’s tastes, habit and spending patterns across the world, we are likely to see moves in the developing Halal markets having increasingly influential roles in the established markets of the Middle East and Asia.
Market Review – Northern Africa

Northern African countries accounted more than 90% Muslims and ready market for Halal products.

Need to create more awareness on Halal standards and certifications. Currently there are no specific Halal standards or certification in these countries.
Market Review – Other Parts of Africa

- Although South Africa is a small market but is an important market for Halal products. It has four Halal Certification bodies with various standards.

- Muslims population in South Africa are very particular on Halalness of every products and thus there is a ready market for Halal products.

- Although there is a huge Muslim population in Western and Eastern Africa, the Halal market is still not developed.

- Halal standards and Certification are not available in this part of the world
Market Review – West Asia (Turkey, Saudi Arabia, Iraq, Syria, Yemen, UAE)

- West Asia is a ready market for Halal products and services.

- Although there are no specific Halal standards in these countries, all products imported or manufactured locally must be Halal (whether certified or not).

- Most of the countries are open for imported products and as such there is intense competition.

- In the case of Turkey, it is already promoting itself as the Halal gateway to Europe and are coming with its own standards and certification.
**Market Review – South Central Asia (India, Bangladesh, Pakistan, Turkmenistan, Kyrgyzstan)**

- South Central Asia is a massive untapped market.
- Most are Muslim countries but without any Halal standards or certification.
Market Review – ASEAN

- ASEAN countries are one of the world’s leading suppliers and also importers of Halal certified products in the world. Although these countries compete in the international front, there has been substantial trading in Halal products among them. For example, Indonesia is the biggest buyer of Malaysian Halal food and Thailand is the largest Halal certified products manufacturers in the region.

- China is a huge and untapped market for Halal products and services.
Market Review – North American

A market of 7.0 million Muslims who are looking for Halal products. However, Halal products are not readily available in this market.
Market Review – European

- A relatively small market but a serious market with high purchasing power
- Russia and other markets – need to create awareness
**Advantage of Halal Value Chain**

- Pure hygiene and sanitation procedures for manufacturers and service providers.
- Provides traceability of products through close monitoring and control
- Consistent with GMP and HACCP which ensure products are safe and ‘Toyyib’
- Worldwide acceptance of Halal lifestyle – personal hygiene and health standards
- Assures safer and higher quality products through various controls and procedures
Justification for Halal Products and Services

Halal is more and more a complete range of product offering in supermarkets chains worldwide, as well as in 5-star hotels and restaurants and fast food chains, airline meals, school dinners, military and even prison rations.

We see this phenomena applying not only on food items. Personal hygiene and healthcare products, toiletries and cosmetics are all appearing as Halal options. Once Halal is understood as a lifestyle choice, the range of option increases exponentially.

Because with the movement of Halal products around the world, the increase in awareness of Halal in general, and in turn added value surrounding Halal, and of the holistic and interdependence of the entire Halal value chain, we are seeing entirely new sectors emerging, relating to Halal logistics, security, auditing and industrial development.
Justification for Halal Products and Services – cont’d

With major investment in Halal production and manufacture at one end of the chain, and major investment in the retail sector at the other end, maintaining the integrity of the Halal chain at all points in between is becoming increasingly important.

The Halal integrity in the handling, storage, warehousing, and transportation by road, sea and air of Halal certified products, and also dedicated Halal-certified zones are fast becoming a reality.

The creation of controlled Halal – only industrial food parks, free zones, DistriParks will be part of the future of this Halal industry. As the market demand continues to increase, more links in the supply chain will be created.
Preserving Halal Integrity in Supply Chain

- Halal supply chain problems are not only limited to the western and non-Muslim countries. It affects all countries and is a global issues.

- Halal is a major industry and producers as well as service providers must take control of the Halal Supply Chain.

- It is not sufficient and acceptable to label products ‘Halal’. Strict control and audit procedures must be in place to ensure Halal Integrity.

- Full supervision of trained Halal auditors in production facilities is vital for Halal Integrity.
Opportunities

- There are almost 3 billion Muslim consumers of Halal products in the world. The number is increasing rapidly. With increasing awareness, more and more countries are requesting for Halal certified products. The demand from non-Muslims are also increasing.

- More and more Supermarkets and Hypermarkets are adding Halal Shelves to attract ethnic Muslim population in non-Muslim countries. For example TESCO in UK and CARREFOUR in France.

- Around 80% of the Halal food industry is in the hands of non-Muslims. The Brazilians have been big halal producers for decades. Three-quarters of chickens exported by France are halal.
**Conclusion**

- Halal is on the move.
- It is being reborn into the age of globalization, and indeed, globalization suits the nature and quality of Halal.
- Halal is made to be global.
- Halal is for everyone.
Thank you for your kind attention
Q&A Session