

## **Supply-chain Management & Logistics Forum 4**

### **Halal Logistics: Opportunities and Challenges**

**Moderator: Alok Jain** - Managing Director, Trans-Consult Asia

#### **Panel Speakers**

**Y Bhg Dato' Seri Jamil Bin Bidin** - Chief Executive Officer, Halal Industry Development Corporation

**Dr Ch'ng Soo Ee** - Chief Executive Officer, Malaysia Innovation Hub

**Zulkifli Bin Ab Latif** - Halal Compliance Director, A-Transglobal Logistics Sdn Bhd

Around one-third of the world's population, 1.8 billion people, are Muslim. There are 55 Islamic countries which consume only halal-certified goods. In the fourth Supply Chain Management and Logistics Forum at the Asian Logistics and Maritime Conference, the panel sought to explain the nature, challenges and opportunities of halal logistics.

Dato'Seri Jamil, CEO of Malaysia's Halal Industry Development Corporation, explained "To a Muslim, halal is an obligation. It is not an option. The Muslim must use halal food. The Muslim must use halal products." Jamil explained that halal applies not only to food, but to cosmetics, medical products and other items.

The word 'halal' simply means 'permissible'. "Halal products must not contain pork, alcohol, dangerous chemicals — things that are not good for human consumption. That means halal is across the board... Halal is good for everybody," said Jamil.

But halal is also a commercial opportunity and according to Jamil, the global supply of halal products only amounts to 20 per cent of demand.

One reason for this shortfall may be the difficulty – whether perceived or real – of ensuring halal products remain halal from farm to fork. According to Ch'ng Soo Ee, Chief Executive Officer, Malaysia Innovation Hub, halal logistics in the Malaysian context are "the process of planning, implementing and managing the flow and storage of products from raw materials to finished goods and from origin to final consumption, ensuring compliance with Sharia law".

Chang said that the key supply chain issues are maintaining appropriate sourcing, managing procurement, managing the suppliers, managing customer relationships, and being able to identify and rectify quickly any problems that arise in order to manage the risk of, for example, cross-contamination. "All efforts must be made to maintain integrity and to ensure that halalness is not going to be jeopardized throughout the whole supply chain," she said. She added that halal can be considered good agricultural practice and good manufacturing practice.

One requirement for applying for a Malaysian halal certificate is to have constituted a halal committee with at least four members knowledgeable in halal standards and requirements. Committee members must undergo training and assessment.

According to Zulkifli Bin Ab Latif, Halal Compliance Director, A-Transglobal Logistics Sdn Bhd, halal logistics are “all about managing the risk of contamination”. He cited one case in Malaysia where a product on the retail shelf was found to contain porcine DNA. Samples taken from the manufacturing plant contained no such DNA, suggesting that contamination occurred during handling. Nonetheless, the incident caused some loss of public trust both in the product and in the authorities in charge of food safety and compliance.

Clearly, once confidence in halal is lost, it can be difficult to recover. The panel discussed a historical incident in which doubts were expressed as to whether McDonald’s was using halal meat, and a similar incident affecting Cadbury. Merely the expression of doubt caused sales to drop overnight. Both companies took time to recover and suffered financial losses.

Opening the floor to questions, the panel was asked why, when there are 55 strictly halal Islamic countries in the world, all three members were from Malaysia. They agreed that it was probably because Malaysia established national halal certification relatively early, in the 1970s. It now has 13 halal standards covering cosmetics, logistics, pharmaceuticals and other areas in addition to food production and transportation.

Zulkifli Bin Ab Latif addressed the question of what is happening outside Malaysia, reporting that discussions are underway in the Middle East on halal matters and that the Organization of Islamic Countries may be about to make recommendations relating to a system that will trace whether and where the halal has been compromised.

Jamil said that in fact much of halal logistics relate to trackability and traceability, which coincides with the trend in the wider global logistics industry, “If you buy a vegetable today you want to know where it was grown, where it has come from and how it has been handled... And once you develop that you reach a parity between the movement of halal goods and services and any other goods and services.”

Attention then turned to China and the opportunities and challenges it presents in terms of the halal supply chain. Jamil pointed out that Muslim countries along China’s One Belt One Road Initiative make the supply of halal goods a key factor in the success of the project.

Of immediate interest to exporters is the question of how to access the market inside China. According to Jamil, many exporters find it difficult to get into China, because they don’t understand the procedures, especially upon arrival at port. “We have examples of Malaysian goods getting stuck at the ports because of customs clearance or similar reasons. They may not understand how to fill in the forms and comply with all the regulations.” Jamil expressed the need for logistics service providers who can help exporters to manage this problem “so they can have confidence that once goods leave their country, they will reach their customers in China. This is something that is lacking at the moment”.