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## THE WEEKLY LINK

### Halal logistics a fast-growing market

CHRIS CATTO-SMITH

Benefiting from a ready-made global customer group of nearly two billion Muslims, the international Halal food industry was valued at US\$570 billion in 2005. And with the total spent on logistics accounting for around 5-10% of total revenue, it is not surprising that logistics companies are keen to grab a piece of this growing market.

**Halal market:** The Thai Halal market is expanding rapidly in both production and retail. To support this, international Halal gateways are being developed in countries like Malaysia and the Netherlands to better facilitate cross border flows of Halal products. However, Thailand - one of the largest Halal food producers in the region, has yet to develop segregated or dedicated export handling facilities.

What is Halal logistics? To most non-Muslims, Halal just means "no pork". For Muslims, Halal means "permissible" and is a way of life. Appreciating the religious requirements and accommodating them within a supply chain is becoming very profitable. Certain Muslim markets require different taste, packaging and certification. These elements have a major impact on the Halal logistics control and the activities to be undertaken in the supply chain. As the integrity of Halal products become more important, logistics control plays a key role in facilitating the manufacturing, logistics and trade of Halal products throughout the world.

**Different supply chain needs:** According to Marco Tieman (a Malaysia-based Halal logistics expert): "When addressing the logistics and supply chain of Halal products, the effective control of the Halal supply chains is more complex than traditional logistics operations."

The starting point of any supply chain is to understand the product characteristics, the customer requirements and the markets. A supply chain for meat is very different from a supply chain of vitamin tablets. The product characteristics also determine if the logistics focus is on reducing handling costs, transport and storage costs, reducing inventory. Excellence in the Halal Logistics processes mean that consumers are confident the products they purchase are Halal.

**Tailoring meat supply chains:** Meat & Livestock Australia (MLA), for example, has launched a Halal brand for Australian meat in the Middle East and Asia, in recognition of the increased sophistication of meat retailing throughout the Muslim world. This response has already brought impressive dividends. In 2006, Australia exported 43,071 tonnes of mutton, 17,685 tonnes of lamb and 3,312 tonnes of beef to the Middle East, valued at US\$242 million.

**Government endorsement:** With such a stringent process supported by government regulation and supervised by independent Islamic organisations, all Australian Halal meat products are identified with government secured stamps and all exports must be sourced from approved abattoirs operating under the Australian Government Muslim Slaughter (AGMS) programme.

**Airlines and freight forwarders:** According to Pardorn Soundee of Trans Air Cargo, a leading Thai freight forwarder

specialising in Halal export handling, several Middle East Airlines and local freight forwarders are considering introducing specific Halal export logistics services with segregated handling and storage facilities. Special lightweight, re-usable, food-grade, insulated air-cargo containers are being developed to ensure that temperature sensitive and perishable Halal products arrive fresh and in good condition at the appointed destinations.

Developing Thai Halal logistics: A new approach to developing capabilities in the field of Halal products and services for export is the Business Incubation for Halal Products (Bihap) programme led by Kosol Surinandha (head of Halal Logistics and Tourism at Chulaongkorn University). The programme includes research and development into new manufacturing techniques and logistics procedures to meet Halal export requirements. Kosol says that companies wishing to capitalise on Halal logistics opportunities often only need to make small adjustments to comply with Halal requirements, such as cleaning and correct segregation of products in storage. The introduction of the HAL-Q and BIHAB quality assurance programmes are some initiatives.

Halal science centre: Dr Winai Dahlan, director of the Thai Halal Science Centre, is another leading Halal advocate is now driving change across overall Thai industry and increasing the reputation of Thai Halal products internationally.

According to Dr Winnai, The Muslim market in Thailand is growing every year, at a rate of 12.5% from 2000-06, generating revenue of 11.05 billion baht yearly. Thailand ranks 12th in world food exports. Thailand's share in the Halal products market in 2006 was US\$330 million or 0.057%, suggesting an immense potential for food export, particularly to Muslim countries. The consumption of Halal foods is not just limited to the Muslim world but has become widespread in non-Muslim countries with the major markets for Halal foods being the EU and the US.

Summary: The logistics world is waking up to the enormous potential of the Halal industry. However, it is fast discovering that the complexities of the Halal supply chain extend further than usual concerns about unbroken cool chains and the efficient delivery of fresh food produce. The Halal logistics sector would be one of the fastest-changing areas to watch out for in the region.

With increasing awareness and demand among its customer base, it seems Halal food producers will have to work harder to ensure that their respective supply chains meet Halal requirements.(Note to readers: For those interested in an excellent Supply Chain Executive Development Programme SCM Asia is running a residential education programme from Oct 24-26. See <http://www.supplychainasia.com>)

Weekly Link is co-ordinated by Barry Elliott and Chris Catto-Smith of the Institute of Management Consultants Thailand, as an interactive forum for industry professionals. Comments and feedback are welcome at: BElliott@OliverWight-AP.com, christopher@cmcthailand.org