



Malaysia: A Leading Global Halal Food Hub

World Demand for *Halal* Food

The Arabic word *halal* refers to anything that is lawful and permitted under the terms of *Sharia* (Islamic) law, any item/service that is to be consumed by Muslims has to comply with its precepts. At present, it is estimated that the global Muslim population is about two billion, representing around 25% of the global population. In line with this, the international *halal* market is estimated to be worth more than US\$2.3 trillion. Within this market, the food sector is widely seen as having the greatest potential for growth.

According to the *State of the Global Islamic Economy Report (DinarStandard 2016/17)*, a total of US\$1.2 trillion was spent on food and beverages by the global Muslim population in 2015, representing 17% of the total expenditure in that sector. Factoring in accelerating population growth and rising incomes, the world's Muslim population will be spending US\$1.9 trillion on food and beverages by 2021. Based on an expected average annual growth rate of 9%, this will account for 18.3% of the total global expenditure in this sector.

In light of this growing demand for *halal* food, the Malaysian government is keen to establish the country as an international *halal* food hub. While the growth of the *halal* food market will primarily be driven by the increasing demand from Muslim, there is also a rising demand from non-Muslim consumers. This is particularly the case in China, where food safety issues remain a major concern. Given Hong Kong's status as an international food trading hub, companies based there will be ideally placed to capitalise on the niche business opportunities accorded by the *halal* food industry.

What is *Halal* Food?

The key principle for Muslim diet is the food[1] has to be *halal* and *toyyiban*[2]. Meat products (except pork which is not permissible for Muslim) have to be sourced from healthy animals that were slaughtered with a single cut. In general, all fruit and vegetable products are considered *halal*, as long as they have not been contaminated through contact with forbidden items, notably pork and alcohol. During the processing and transportation of food, the cross-mixing of *halal* foods and non-permitted products is strictly forbidden. In addition, clear sanitary regulations specific to *halal* food must be observed all the way from the abattoir to the point-of-sale. While *halal* and non-*halal* food products can be displayed side-by-side, *halal* food cannot be displayed with proscribed foods in supermarkets. As a consequence, many Malaysian supermarkets have a 'non-*halal*' food section, a designated area where non-permitted products (such as pork, wine and cigarettes) can be displayed. Customers are also obliged to pay for these proscribed products at a separate checkout counter.



Halal chicken and non-halal chicken on display side-by-side in a Malaysian supermarket.



Pork and other proscribed products displayed in the 'non-halal' food section of a Malaysian supermarket.

Establishing Global *Halal* Standards

Many Islamic countries have their own standards and regulations when it comes to *halal* certification. The Malaysian government, however, has endeavoured to establish a global *halal* standard. Back in 1974, Malaysia introduced a national *halal* certification, a move implemented by the *Research Centre for the Islamic Affairs Division* under the auspices of the *Prime Minister's Office*. In 2005, the *Department of Islamic Development Malaysia* ([JAKIM](#)) became responsible for implementing the *halal* certification system, as well as monitoring and enforcing *halal* compliance within Malaysia. Being a member of the *Organisation of Islamic Conference (OIC)*, the Malaysian *halal* certificate is the only one which is supported by its government as an internationally standardised logo and certification system approved for use by all Muslim nations. In the case of other countries, their *halal* certification bodies have either been developed by individual provinces or states or have been backed by non-governmental organisations (NGOs).

In order to further strengthen Malaysia's position as the leading global *halal* hub, the *Halal Industry Development Corporation (HDC)* was established in 2006. It was created with a remit to improve *halal* standards and to enhance commercial and industry development and branding. The Malaysian government has also implemented *Halal Industry Master Plan (2008-2020)*, a blueprint for establishing the country as the global leader in innovation, production and trade within several *halal*-related sectors, including speciality processed foods, cosmetics and personal care, pharmaceutical ingredients, livestock and the services sector (particularly logistics, tourism and healthcare).



The JAKIM Halal logo.

Both local and foreign companies can apply for *JAKIM's halal* certification, with fees payable to cover document handling and site inspection. In the case of food and



beverages companies utilising processing factories located outside Malaysia, all applicants are also obliged to cover the auditors' expenses, including any required air tickets, accommodation and travel visas.

As well as its own *halal* certification, JAKIM also recognises 56 foreign *halal* certification bodies and authorities across 33 countries. This includes four bodies on the Chinese mainland (Beijing, Henan, Shandong and Ningxia) and one in Taiwan. [The Recognised List of Foreign Halal Certification Bodies](#) is revised by JAKIM on an annual basis.

The Malaysian *Halal* Park: An Agglomeration of *Halal*-oriented Businesses

The introduction of designated *Halal* Parks has boosted the growth of Malaysia's *halal* industry. Industrial zones reserved for *halal*-oriented industries, these Parks allow their business tenants to share common facilities (such as storage facilities, cold chain warehousing and service supports). It also facilitates the growth of a supply chain within the park, creating a synergy between the resident businesses.

At present, there are 25 *Halal* Parks in Malaysia (see Appendix 1 for a list of *Halal* Parks), while some are already in full operation, others remain at the development stage. Certain *Halal* Parks have been designed to service specific *halal* industries. The *Techpark@Enstek*, for instance, has been established specifically as a *halal* pharmaceutical manufacturing and R&D Centre, while the *Tanjung Manis Halal Hub* is reserved for aquaculture and related *halal* food processing activities. For those in the *halal* processed food sector, the *Prima Halal Food Park* caters to their particular needs.

Creating Business Synergy: The *Prima Halal Food Park*

Endorsed by Malaysia's Ministry of Agriculture, the *Prima Halal Food Park* is located within the *Gambang Industrial Area*, some 30 kilometres from the Kuantan Port. It is operated by *Prima Agri-Products Sdn. Bhd. (PRIMA)*, a Malaysian-owned company that has been active in the delicatessen food sector since 1987. *PRIMA* produces a proprietary range of *halal* food brands for the retail sector, while also supplying a number of other businesses, including airlines, hotels and restaurants. In order to meet the increasing local and international demand for *halal* food products, *PRIMA* established the *Prima Halal Food Park* as a fully integrated operation back in 2008.

As the park's operator, *PRIMA* provides central services and common facilities to all of the manufacturers located within the park. These include central services, such as water treatment plants and transportation and common facilities, such as storage for packaging materials, as well as cold rooms for food ingredients and finished food products.

The *Prima Halal Food Park* is now home to more than 70 small and medium industries (SMIs) from the *halal* food manufacturing sector. All of these SMIs have the option of joining the *Prima Vendor Program*, entitling them to produce *halal* food under the *PRIMA* brand name. *PRIMA* then distributes the products via its dedicated sales network. Alternatively, independent food and beverage manufacturers can produce *halal* food products under their own brand names. In this case, they need to develop their own distribution network, while also contributing towards the costs of the park's central services and shared facilities.

Malaysia: A *Halal* Food Production Base



As well as local food processing companies, a number of multi-national companies (MNCs) have now set up their own food processing facilities in Malaysia, with the intention of distributing their *halal* products within the local and [ASEAN](#) markets. A case in point is *Nestlé*, a Swiss company which is one of the world's largest food and beverages manufacturers.

Nestlé Malaysia has complied with *halal* best practise since it was first established during the early 1970s, with all of its *halal* products currently certified by *JAKIM*. At present, *Nestlé Malaysia* has eight *halal* food factories and produces several proprietary brands, including *Maggi*, *Nescafe* and *Milo*. *Nestlé Malaysia* is now exports to more than 50 countries, servicing several markets in the Middle East and Oceania. At present, all products manufactured, imported or distributed by *Nestlé Malaysia* are certified as *halal*.



Made-in-Malaysia: Ice-cream with the JAKIM halal logo.

As Malaysia's *halal* certification system is well recognised by Muslims across the world, a number of MNCs have seen a clear advantage in having their products certified by *JAKIM*. Following *Nestlé's* lead, several other MNCs have established food processing factories in Malaysia and secured *JAKIM's* *halal* logo. To date, these MNCs include Singapore's *Yeo Hiap Seng (Yeo's)*, Netherland-based *Dutch Lady*, Japan's *Kewpie* and US-headquartered *Coca-Cola*. With such heavyweights adopting its certification protocols, Malaysia has become a significant *halal* food manufacturing base for many overseas companies.

Rising *Halal* Food Exports

Many of the local and foreign food manufacturing companies operating in Malaysia produce *halal* products for both the domestic and overseas markets. According to *JAKIM*, among all the major *halal* certified products in 2015, 77% were food products and 23% were non-food products.

In 2015, the value of Malaysia's *halal* exports was MYR39.4 billion, with food and beverages accounting for almost half of that total. Among the other significant *halal* exports were palm oil derivatives, *halal* ingredients, cosmetics and personal care items, industrial chemicals and pharmaceuticals. Overall, the level of Malaysia's *halal* exports grew at an average rate of 14% between 2011 and 2015, with China being the number one destination for such products.

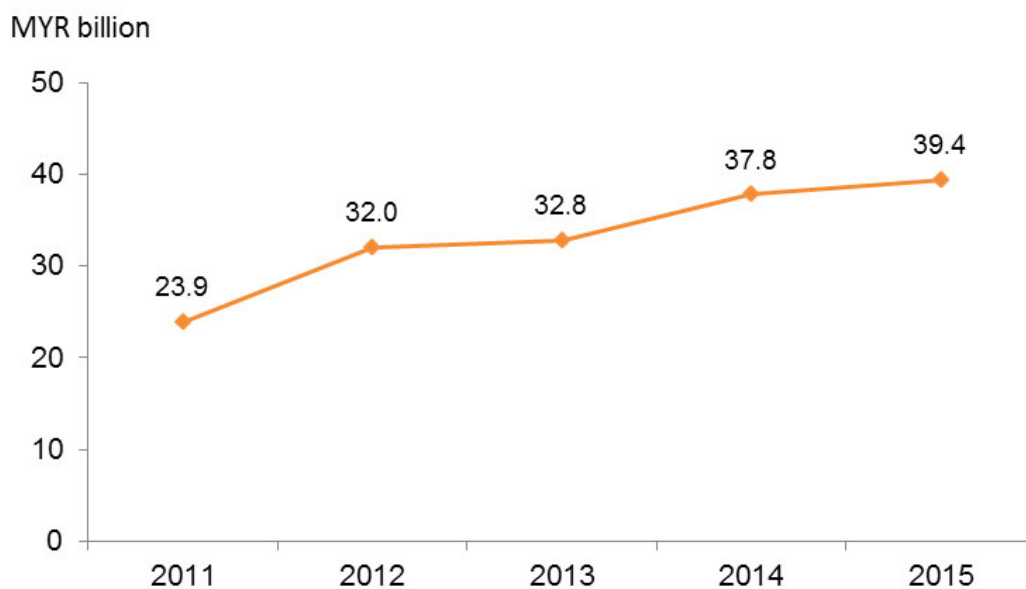
Leading Destinations of Malaysian *Halal* Exports



Rank	2012	2013	2014	2015
1	China	China	China	China
2	Singapore	Singapore	Singapore	Singapore
3	United States	United States	United States	United States
4	Indonesia	Indonesia	Indonesia	Indonesia
5	Netherlands	Japan	Japan	Japan
6	Thailand	Thailand	Netherlands	Thailand
7	Japan	Netherlands	Thailand	Australia
8	India	India	India	Philippines
9	South Korea	South Korea	South Korea	Netherlands
10	Philippines	Australia	Australia	India

Source: Halal Industry Development Corporation

Malaysia's Halal Export Value 2011-2015



Source: Halal Industry Development Corporation



Hong Kong: A Potential *Halal* Food Trading and Marketing Platform

According to current estimates, there are around two billion Muslims in the world with 62% of them living in the Asia Pacific region. Some 30 million Muslims live in China, primarily in Xingjian, Ningxia, Gansu, Qinghai, Shaanxi, Yunnan, Shandong and Shanxi. Within China, as well as the demand for from Muslim consumers, there is a growing appetite for *halal* food among many non-Muslims. Spurred by the continuing food safety issues in China, a number of mainland consumers are switching to *halal* food, largely on account of their guaranteed quality and their compliance with strict food hygiene protocols. As a consequence, the non-Muslim *halal* food market is now being seen as a lucrative, untapped market by many *halal* food manufacturers.

As an international food trading hub, Hong Kong is well positioned to establish itself as a *halal* food trading platform. Utilising Malaysia's extensive *halal* food production resources, companies in Hong Kong could source *halal* food products for a number of other markets, with the Chinese mainland being one obvious option. With Hong Kong companies having many years' experience of sourcing the kind of food products likely to appeal to mainland consumers, they are well equipped for success in this sector, especially as many of them already have extensive mainland food distribution networks in place.

Hong Kong could also introduce *halal* food products from other countries to the Malaysian market, as well as to other Asian nations with a sizable Muslim population. [South African](#) *halal* food producers, for instance, are interested in raising their export levels within Asia, with many believing that Hong Kong could play a key role in facilitating this. In light of this, several South African businesses are looking to form partnerships with Hong Kong companies, with a view to servicing the *halal* food markets of many of the countries associated with the [Belt and Road Initiative](#) (BRI).

In addition to functioning as a *halal* food trading hub, Hong Kong is also well positioned to become a major *halal* food marketing platform. With this in mind, HKTDC introduced a dedicated *Halal Food Zone* in the *Food Expo* since 2015. This initiative was designed to highlight the niche business opportunity that now exists for players in the food and beverage industry.

At present, there are more than 60 food outlets and restaurants serving certified *halal* food in Hong Kong. In order to service the growing *halal* market, trading companies are advised to work in partnership with such outlets, helping to distribute and market their certified food products. Food trading companies and restaurants could, for instance, jointly organise *halal* food tasting events or cookery classes. This, in turn, could lead to the development of other service sectors, including a dedicated *halal* logistics chain.

In conclusion, given the Malaysian *halal* food standard is internationally recognised, Hong Kong food and beverage companies could use their extensive export experience and existing distribution networks to promote *halal*-certified food products to both Muslim and non-Muslim countries along the BRI, as well as to consumers on the Chinese mainland. Also, the on-going concerns over food standards and hygiene, non-Muslim mainland consumers are very receptive to the *halal* certification's guarantee of food safety. With this in mind, the mainland could well prove a huge growth market for the *halal* food industry.



Appendix 1

Halal Parks in Malaysia

No	Halal Park	Operator	Size (Acres)
1	Selangor Halal Hub	Central Spectrum (M) Sdn Bhd	1,000
2	PKFZ National Halal Park	PKFZ(M) Sdn Bhd	100
3	Melaka Halal Park	Melaka Halal Hub Sdn Bhd	164
4	Techpark@enstek	TH Properties Sdn Bhd	480
5	POIC Lahad Datu	POIC Sabah Sdn Bhd	272
6	Tanjung Manis Halal Food Park	Tg Manis Halal Hub Sdn Bhd	192,500
7	Penang International Halal Park	PIHH Sdn Bhd	100
8	ECER Pasir Mas Halal Park	ECERD/PKINK	108
9	ECER Gambang Halal Park	ECERD/PKINK	200
10	Pedas Halal Park	MIDF Property Berhad	100
11	POIC Tanjung Langsat	TPM Technopark Sdn Bhd	280
12	PERDA Halal Park	PERDA	100
13	Sedenak Industrial Park	TPM Technopark Sdn Bhd	700
14	Kota Kinabalu Industrial Par	K.K.I.P Sdn Bhd	8,320
15	Kedah Halal Park, Sg Petani	Perbadanan Kemajuan Negeri Kedah	35
16	Perlis Halal Park, Padang Besar	Perbadanan Kemajuan Negeri Perlis	50
17	Terengganu Halal Park	Perbadanan Memajukan Iktisad Negeri Terengganu	2
18	Pengkalan Chepa Halal Park	Perbadanan Memajukan Iktisad Negeri Kelantan	2
19	MARA Halal Park Kuala Perlis	Perbadanan Memajukan Negeri Perlis	—
20	MARA Halal Park Tamnun	MARA	—
21	MARA Halal Park Kuching	MARA	—



22	Labuan Halal Distributive Hub	Labuan Halal Hub	100
23	Sabah Halal Park, Sepanggar	—	—
24	Perak Halal Park, Simpang Pulai	Perbadanan Kemajuan Negeri Perak	—
25	Prima Agri Halal Park	Prima Agri	100

Source: *Halal Industry Development Corporation*

[1] This includes seasoning ingredients and food additives, etc.

[2] *Toyyiban* means food that is wholesome, healthy, safe, and nutritious.

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