

**LOGISTICS AND TRANSPORTATION CONFERENCE ORGANIZED
BY SOCIETY OF LOGISTICIANS MALAYSIA (LogM)**

**TITLE: THE SUN RISES ON A NEW ERA IN MALAYSIA:
COMMITMENT AND COMPLIANCE OF HALAL LOGISTICS**

By

Dr Adam Mohd Saifudin (DBA, MBA, BSc, CMILT, MLogM)
Senior Lecturer
Universiti Utara Malaysia (UUM)

Date:
30 October 2014

Venue:
Prince of Wales International School,
Balik Pulau, Penang

**Part 1:
Commitment of Halal
Principles and
Government Policy on
Halal Logistics**

2:168

يَأْتِيهَا النَّاسُ كُلُّوْا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا وَلَا تَتَّبِعُوا خُطُوَاتِ
الشَّيْطَانِ إِنَّهُ لَكُمْ عَدُوٌّ مُّبِينٌ ﴿١٦٨﴾

O mankind, eat from whatever is on earth [that is] lawful and good and do not follow the footsteps of Satan. Indeed, he is to you a clear enemy.

The verse above clarify that Allah commands Muslim to find provisions which are halal and toyyiban. While halal means lawful, toyyiban means good or wholesome, which indicate quality, cleanliness and safety of food consumption.

Therefore, Muslims are required to eat halal food and avoid eating any food that is prohibited in Islam as eating halal food ensures better healthy life and the good food that they eat would be able to portray good attitudes and behaviors (Yousef, 2010).

The opposite of halal is haram, which means forbidden and prohibited. The specific motives of haram in Islam are to preserve the purity of the religion, safeguard the Islamic mentality, preserve life, safeguard property, safeguard future generations, maintain self -respect and integrity (Ahmad, 2008).

Halal

Halal is used to describe anything permissible under Islamic law, in contrast to haram, that which is forbidden.

This covers aspects such as behavior, speech, dress, conduct, manner, and dietary laws.

This dichotomy of usage is similar to the Hebrew term "kosher".

*Ir. Marco Tieman, ASEAN Logistics Network Symposium 2010
Bangkok, 8-9 October 2010*

Halal Products

- ❑ The production & consumption of Halal food has been traditionally the main focus of the Halal industry.
- ❑ However, the concept of Halal is not confined to food itself. Halal products and services also include cosmetics, pharmaceuticals, clothing, financial services, and logistics.
- ❑ Halal is extending both upstream (like animal feed) and downstream (like food services) the value chain and *includes* logistics!



**Ir. Marco Tieman, ASEAN Logistics Network Symposium 2010
Bangkok, 8-9 October 2010**

THE PRINCIPLES

Halal products are segregated from non-Halal products to:

1. avoid (cross) contamination
2. avoid making mistakes
3. ensure consistency with Shariah and the expectations of the Muslim Consumer

***Halal Logistics Conference 2012
28 June 2012, Traders Hotel, Penang***



Malaysia Institute of Transport

DEFINITION

- 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.

*Halal Logistics Conference 2012
28 June 2012, Traders Hotel, Penang*

GBI 795 – UiTM Shah Alam



Halal Industry
Development Corporation

- **Government Policy**

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.

• Government Policy



Incentive for Halal Parks Operator

- 100% tax exemption for 10 years
- Exemption on import duty for cold room equipment



Incentive for Halal companies operating within Halal Parks

- 100% tax exemption on export revenue for 5 years
- Double deduction on expenses incurred in obtaining international certification



Incentive for Halal Logistic Operators

- 100% tax exemption for 5 years
- Exemption on import duty for cold room equipment

Part 2: Halal Logistics Compliance



Department of Islamic Development Malaysia



STANDARDS



**MALAYSIAN
STANDARD**



MALAYSIA HALAL LOGISTICS STANDARDS



**MALAYSIAN
STANDARD**

MS 2400-1:2010

**Launch by Prime Minister of Malaysia during MIHAS
2010 : Halal Logistic and Cosmetic Standards,
Department of Standards Malaysia**

□ **MS 2400-1:2010 (P)** Halalan-Toyyiban Assurance Pipeline – Part 1: Management System Requirements for Transportation of Goods and/or Cargo Chain Services

□ **MS 2400-2:2010 (P)** Halalan-Toyyiban Assurance Pipeline – Part 2: Management System Requirements for Warehousing and Related Activities

□ **MS 2400-3:2010(P)** Halalan-Toyyiban Assurance Pipeline – Part 3: Management System Requirements for Retailing

Halal Warehouse



- The organisation shall ensure that there is a physical segregation of Halal cargo from non-Halal cargo throughout the warehouse processes
- The Halal products have a dedicated storage zone (floor storage) or racks, which are clearly separated by colour and/or marking
- A dedicated cold room is available, or segregation from non-Halal through physical barrier or container (insulated box) is required for the storage of Halal products in case of refrigerated storage.

Halal Transportation



- The transport is cleaned before use according to existing hygiene standard and according to ritual cleansing in case of an earlier non-Halal or unknown shipment (history of one shipment before this only),
- No mixing of Halal goods with non-Halal goods in case of bulk shipments and medium & severe najas in one container or transportation vehicle.
- There is no mixing of Halal goods with non-Halal goods in one pallet and/or load carrier.
- Halal shipments are provided with a tertiary packaging in case of mixing of Halal and non-Halal cargo in one container or transportation vehicle.

Halal Compliant Terminal



- The organisation shall ensure that there is a physical segregation of Halal cargo from non Halal cargo throughout the Terminal processes.





MALAYSIAN STANDARD

MS 1500:2004

HALAL FOOD –
PRODUCTION, PREPARATION, HANDLING
AND STORAGE –
GENERAL GUIDELINES
(FIRST REVISION)

ICS: 67.020

Food products, food ingredients, packaging, labeling, quality control, certification, standards, testing, etc.

© Copyright 2004

DEPARTMENT OF STANDARDS MALAYSIA

STORAGE

- Non halal product / raw material should not be in the storage area
- The surrounding of storage must be clean and free from any contamination
- Storage for wet and dry raw ingredients should be separated, well arranged and systematic

DISTRIBUTION & LOGISTICS

- Transportation and warehouse are assigned for halal products only
- Suitable temperature based on the product characteristics

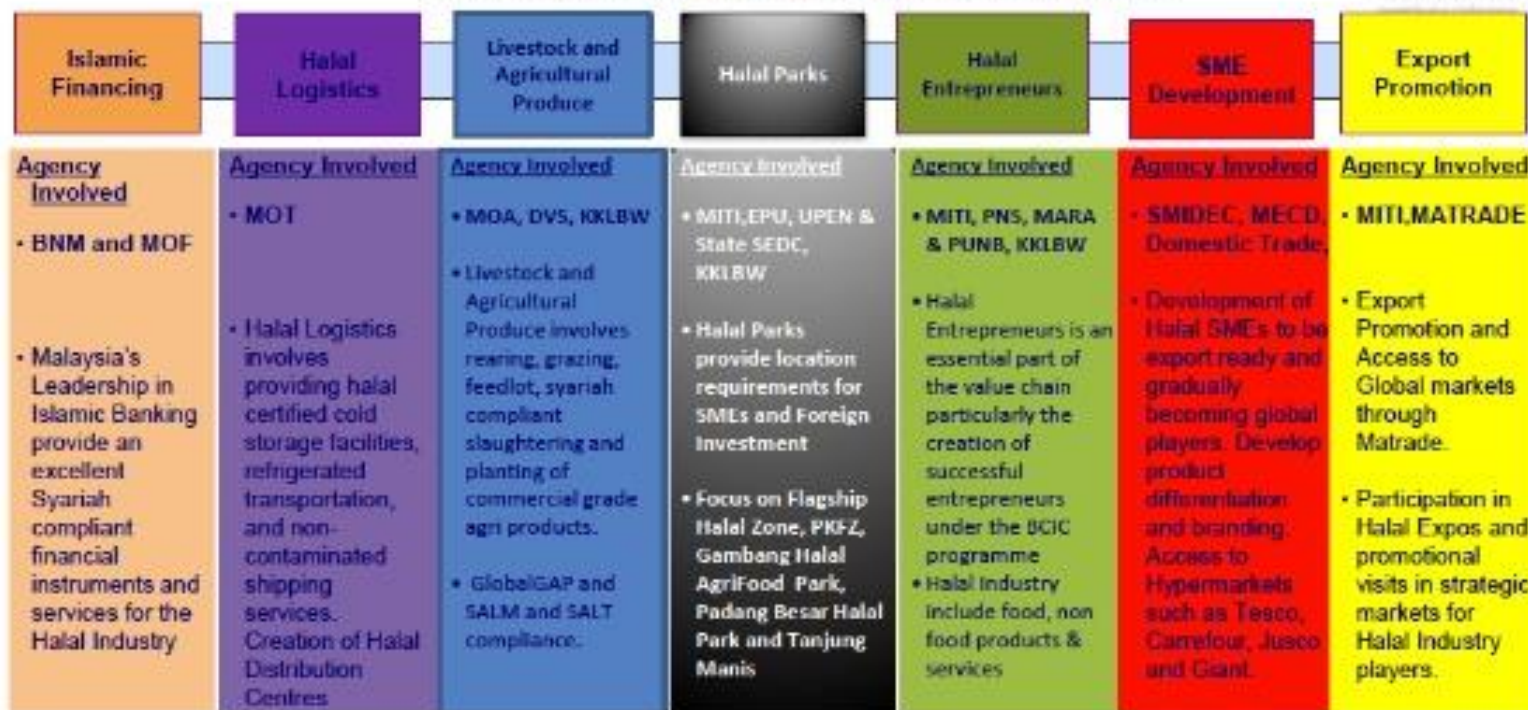
Part 3: Halal Supply Chain Commitment

HALAL SUPPLY CHAIN

HDC

Extremely diverse, cuts across multiples sectors

Halal Industry
Development Corporation



HDC'S Role is to ensure an integrated and comprehensive development of the National Halal Industry throughout the entire Halal Value Chain

The Halal Value Chain



CONSUMER 9

Halal Logistics Conference 2012
28 June 2012, Traders Hotel, Penang

Halal control activities and assurance activities in the Halal Supply Chain

- Warehouse
- Transport
- Terminal

*Marco Tieman, Jack G.A.J. van der Vorst, Maznah Che Ghazali,
(2012), "Principles in halal supply chain management", Journal of
Islamic Marketing, Vol. 3 Iss: 3 pp. 217 - 243*

• Journal

1. Halal control activities and assurance activities in the warehouse

Halal control activity	Minimum (non-Muslim country)	Preferred (Muslim country)
1. Receiving of halal goods	Verification of halal status through freight documents, labels and marks present on freight, and physical inspection of freight and packaging; labelling of halal goods as "HALAL SUPPLY CHAIN" if not already present	Verification of halal status through freight documents, labels and marks present on freight, and physical inspection of freight and packaging; labelling of halal goods as "HALAL SUPPLY CHAIN" if not already present; non-halal goods are not accepted to enter the warehouse facility
2. Putaway of halal goods	Labelling of rejected halal goods (based on possible damages, spoilage, breakage, contamination, theft, tempering, etc.) as "REJECTED"; move rejected halal goods to quarantine area for further inspection; no mixing of halal and non-halal products on one pallet/load carrier	Labelling of rejected halal goods (based on possible damages, spoilage, breakage, contamination, theft, tempering, etc.) as "REJECTED"; move rejected halal goods to quarantine area for further inspection
3. Storage of halal goods	Halal products have a dedicated storage zone or racks (no mixing of halal and non-halal vertically); no mixing of halal and <i>haram</i> products in the same cold room	Not applicable
4. Cross-docking of halal goods	Halal products have a dedicated intermediate buffer area (if present); no mixing of halal and non-halal products on one pallet/load carrier	Not applicable
5. VAL of halal goods	Halal products have a dedicated VAL area; no mixing of halal and non-halal stock keeping units (SKUs) into a new SKU; no mixing of halal and non-halal products on one pallet/load carrier	Not applicable
6. Order picking of halal goods	No mixing of halal and non-halal products on one pallet/load carrier	Not applicable
7. Shipping of halal goods	Labelling of halal goods as "HALAL SUPPLY CHAIN" if not already present; ensure "HALAL SUPPLY CHAIN" is marked/coded on freight documents	Labelling of halal goods as "HALAL SUPPLY CHAIN" if not already present; ensure "HALAL SUPPLY CHAIN" is marked/coded on freight documents

- Journal

2. Halal control activities and assurance activities in transport

Halal control activity	Minimum (non-Muslim country)	Preferred (Muslim country)
1. Cleaning of bulk tanker/ container/transport vehicle before use	Cleaning according to prevailing hygiene standards in case of an earlier non-halal or unknown previous shipment	Ritual cleansing (if applicable to the Islamic school of thought, otherwise cleaning conform existing standards) in case of an earlier non-halal or unknown previous shipment
2. Cleaning of refrigerated container/transport vehicle before use	Cleaning according to prevailing hygiene standards in case of an earlier non-halal or unknown previous shipment	Ritual cleansing (if applicable to the Islamic school of thought, otherwise cleaning conform existing standards) in case of an earlier non-halal or unknown previous shipment
3. Loading/stuffing of tanker/container/ transport vehicle	No mixing of halal and non-halal bulk products; no mixing of halal and non-halal products on one pallet/load carrier; no mixing of halal and haram products in a refrigerated container/transport	No mixing of halal and non-halal bulk products; no mixing of halal and non-halal products in a container/transport
4. Transport of halal livestock	No mixing of halal and non-halal livestock	No mixing of halal and non-halal livestock
5. Documentation	"HALAL SUPPLY CHAIN" label on pallet/load carrier; ensure "HALAL SUPPLY CHAIN" is marked/coded on freight documents; "REJECTED" label on pallet/load carrier in case of damage, contamination, spoilage, leakage, theft or tempering	"HALAL SUPPLY CHAIN" label on pallet/load carrier; ensure "HALAL SUPPLY CHAIN" is marked/coded on freight documents; "REJECTED" label on pallet/load carrier in case of damage, contamination, spoilage, leakage, theft or tempering

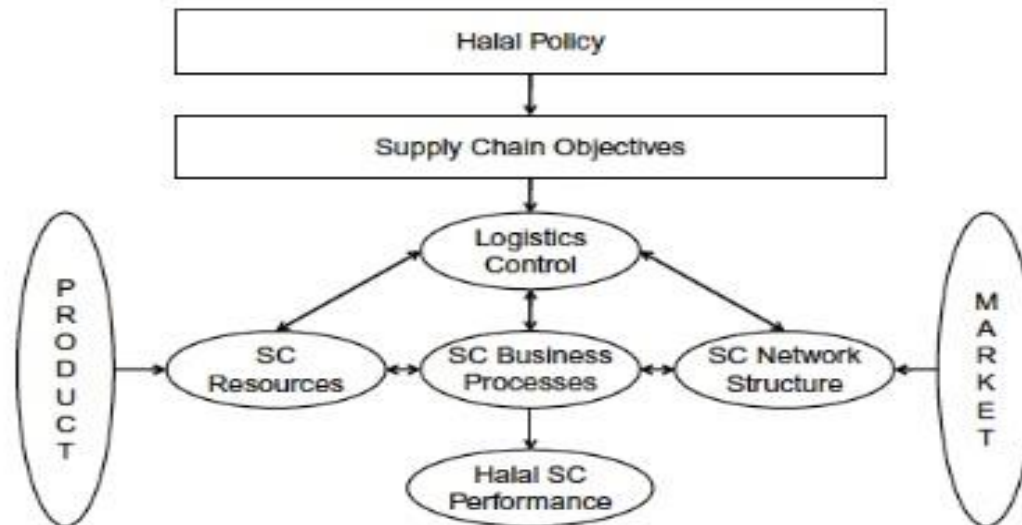
- Journal

3. Halal control activities and assurance activities in terminals

Halal control activity	Minimum (non-Muslim country)	Preferred (Muslim country)
1. Inspection of halal goods	Verification of halal status through freight documents, labels and marks present on freight, and physical inspection of freight and packaging; move halal goods to a designated inspection area for inspection	Verification of halal status through freight documents, labels and marks present on freight, and physical inspection of freight and packaging; move halal goods to a designated inspection area for inspection
2. Temporary storage of halal goods in cold room	Halal products have a designated (floor) storage zone or racks (no mixing of halal and non-halal vertically); no mixing of halal and <i>haram</i> products in the same cold room	No mixing of halal and non-halal products in the same cold room
3. Consolidation of goods	No mixing of halal and non-halal products on one pallet/load carrier; no mixing of halal and <i>haram</i> products in a refrigerated container/transport	No mixing of halal and non-halal products in a container/transport
4. Halal livestock holding	No mixing of halal and non-halal livestock in holding yards	No mixing of halal and non-halal livestock in holding yards
5. Documentation	"HALAL SUPPLY CHAIN" label on pallet/load carrier is a code for halal certified products; ensure "HALAL SUPPLY CHAIN" is marked/coded on freight documents; "REJECTED" label on pallet/load carrier in case of damage, contamination, spoilage, leakage, theft or tempering	"HALAL SUPPLY CHAIN" label on pallet/load carrier is a code for halal certified products; ensure "HALAL SUPPLY CHAIN" is marked/coded on freight documents; "REJECTED" label on pallet/load carrier in case of damage, contamination, spoilage, leakage, theft or tempering

- Journal

EMERALD JOURNAL : Marco Tieman, Jack G.A.J. van der Vorst, Maznah Che Ghazali, (2012), "Principles in halal supply chain management", Journal of Islamic Marketing

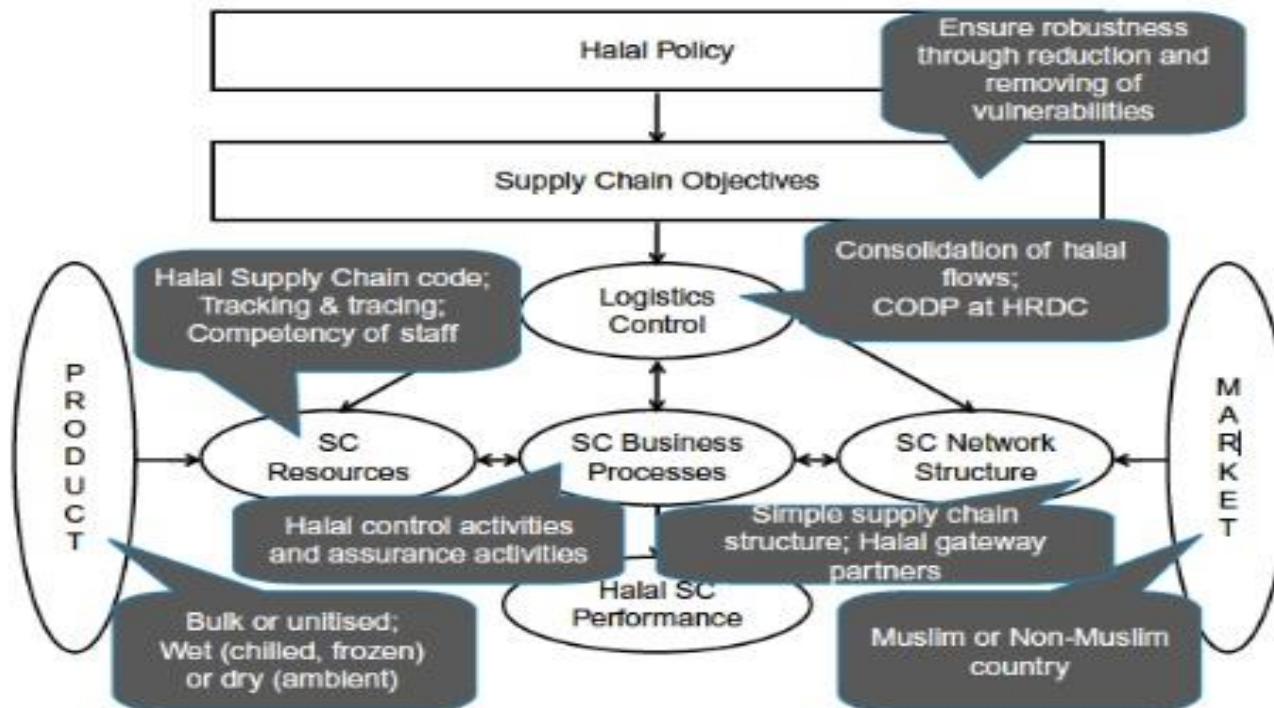


HALAL SUPPLY CHAIN MODEL

(Developed based on SC model by van der Vorst and Beulens (2002), based on Cooper's SCM framework (Cooper et al., 1997)

- Journal

EMERALD JOURNAL : Marco Tieman, Jack G.A.J. van der Vorst, Maznah Che Ghazali, (2012), "Principles in halal supply chain management", Journal of Islamic Marketing



Part 4:
Global Halal Logistics
Implementation

Assoc. Prof. Hajjah Mariam Abdul Latif (UMS)

Opportunities on Halal Logistics and ASEAN FTAs, HDC and MITRANS, June 2012






LOGISTICS

- ▶ **Penang Port Accredited as Halal Port**
- ▶ *Halal Penang envisages the Penang Port to be the 2nd best Halal port in the world, just after Rotterdam.*
- ▶ *The port was awarded the MS1900 in May 2009. This accreditation from SIRIM certifies that the port's operations comply with the Shariah law for Halal. With that, we are able to brand Penang Port as a Halal port.*
- ▶ *Penang Port is the first port in Malaysia to achieve the **MS1900:2005 "Quality Management Systems - Requirements from Islamic Perspectives"** for the provision of container handling services and dedicated warehouse services within Penang Port.*
- ▶ **Linkages with Rotterdam Port and other ports**
- ▶ *Penang Port is now having direct discussions with the Rotterdam Port in Holland to collaborate on the development of Halal ports and linking the ports together. Port of Rotterdam International has begun the discussions with other ports in the world ; (Port of Sohar,(Oman) Port of Suape (Brazil) and Port of Positra (India).*

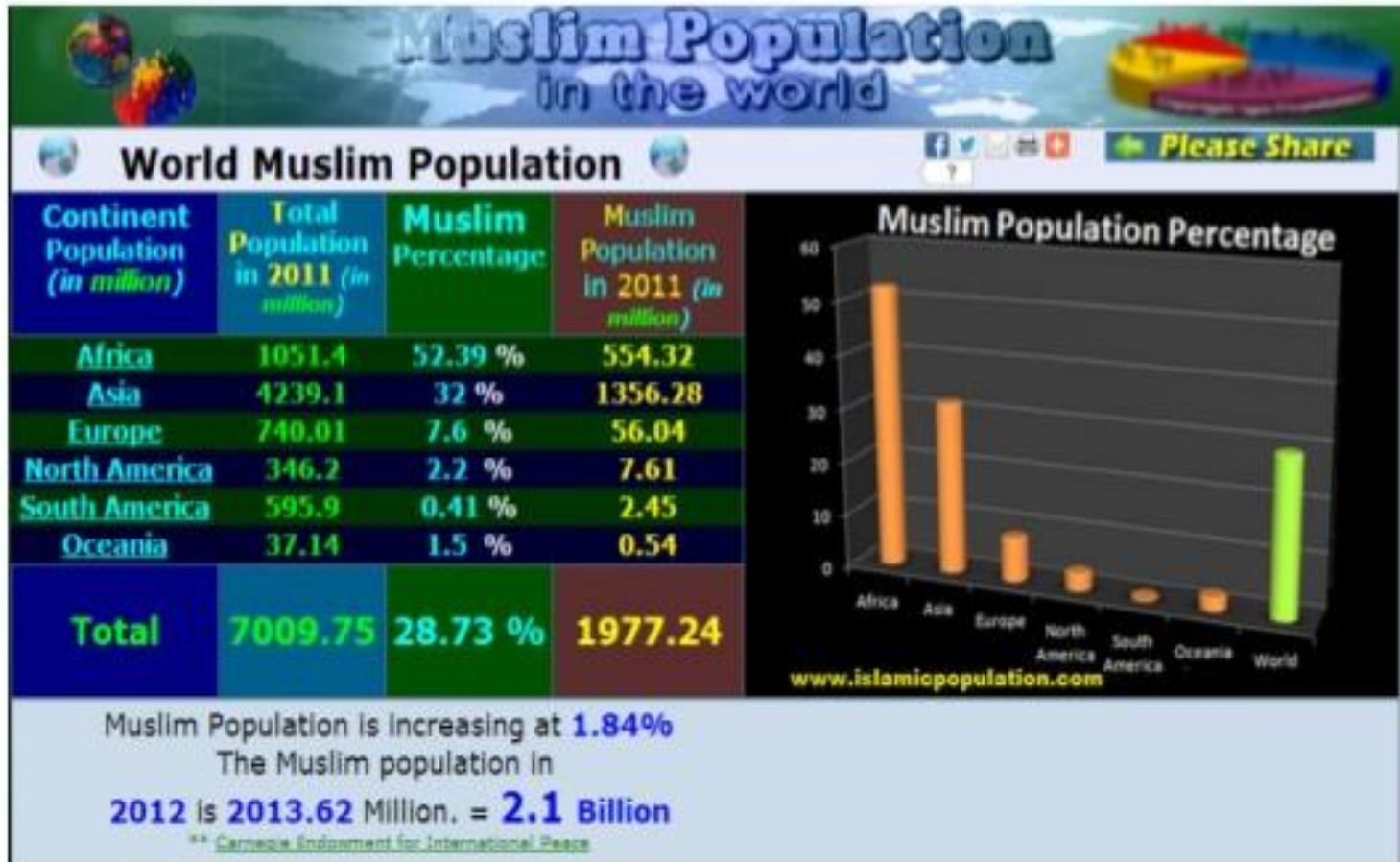
Regional Halal Market Value

▶ Asia

Malaysia

- Country with a majority Muslim population (60.4% Muslim of a total population of 27 million) (Source: Department of Statistics 2008)
 - Becoming an international halal hub
 - Malaysia is well-positioned in being the leader in developing the Halal industry.
 - In the midst of helping out to set global standards for Halal certifications.
 - Best example in the world in terms of rationalization for the labeling of Halal food (source: UN)
- 

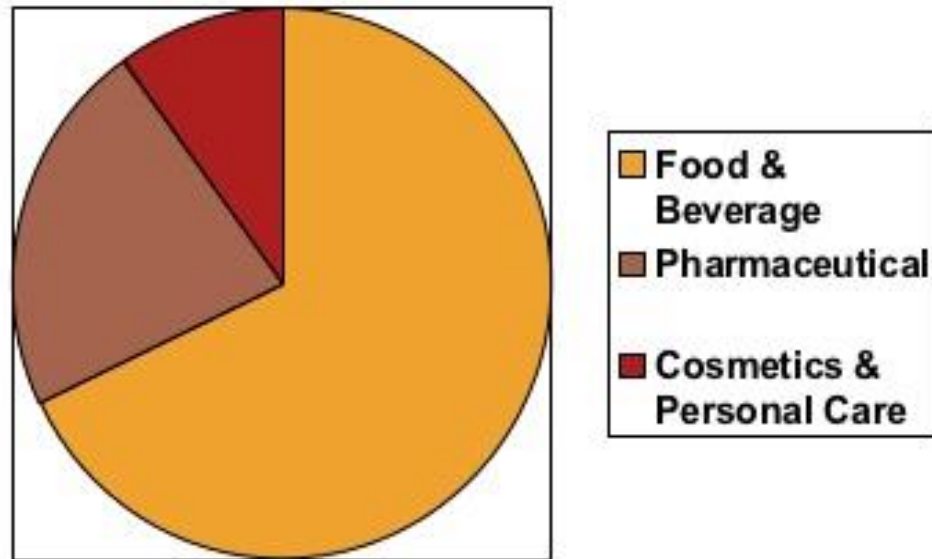
GLOBAL MARKET: POTENTIAL





- World Muslim population of 1.98 billion in 2011 out of 7.0 billion World population.
- With average annual growth rate of about 1.84% per annum.
- Approximately 117,000,000 per yr. increase which does not include conversion which on the rise currently.

HALAL MARKET



Global Halal products market is estimated at US\$2.3 trillion excluding Islamic banking.

CONCLUSION

- The awareness still low
- Room for improvement
- Need a “Halal logistics @ Halal Supply Chain” logo?
- Less required in Muslim country
- Issue in Muslim's minority country
- Too focus on Halal of products and services
- Increase cost of doing business