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

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Prince of Wales International School,
Balik Pulau, Penang
Part 1: Commitment of Halal Principles and Government Policy on Halal Logistics
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

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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

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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
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Halal Industry Development Corporation
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
Department of Islamic Development Malaysia
STANDARDS

MALAYSIAN STANDARD

International Halal Integrity Alliance

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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

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- **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 najs 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.

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Halal Compliant Terminal

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

Extremely diverse, cuts across multiples sectors

Islamic Financing | Halal Logistics | Livestock and Agricultural Produce | Halal Parks | Halal Entrepreneurs | SME Development | Export Promotion

Agency Involved
- BNM and MOF
- Malaysia’s Leadership in Islamic Banking provide an excellent Syariah compliant financial instruments and services for the Halal Industry

Agency Involved
- MOT
- Halal Logistics involves providing halal certified cold storage facilities, refrigerated transportation, and non-contaminated shipping services. Creation of Halal Distribution Centres

Agency Involved
- MOA, DVS, KKLBW
- Livestock and Agricultural Produce involves rearing, grazing, feedlot, syariah compliant slaughtering and planting of commercial grade agri products.
- GlobalGAP and SLM and SALT compliance

Agency Involved
- MITI, EPU, UPEN & State SEDEC, KKLBW
- Halal Parks provide location requirements for SMEs and Foreign Investment
- Focus on Flagship Halal Zone, PKFZ, Gambang Halal Agrifood Park, Padang Besar Halal Park and Tanjung Manis

Agency Involved
- MITI, PNS, MARA & PUNB, KKLBW
- Halal Entrepreneurs is an essential part of the value chain particularly the creation of successful entrepreneurs under the BICIC programme
- Halal industry include food, non food products & services

Agency Involved
- SMIDEC, MECD, Domestic Trade,
- Development of Halal SME’s to be export ready and gradually becoming global players. Develop product differentiation and branding. Access to Hypermarkets such as Tesco, Carrefour, Jusco and Giant.

Agency Involved
- MITI, MATRADE
- Export Promotion and Access to Global markets through Matrade.
- Participation in Halal Expos and promotional visits in strategic markets for Halal Industry players.

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

Production → Processing & Packaging → Storage → Retail

Halal Logistics Management

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Halal control activities and assurance activities in the Halal Supply Chain

- Warehouse
- Transport
- Terminal


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### 1. Halal control activities and assurance activities in the warehouse

<table>
<thead>
<tr>
<th>Halal control activity</th>
<th>Minimum (non-Muslim country)</th>
<th>Preferred (Muslim country)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Receiving of halal goods</td>
<td>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 &quot;HALAL SUPPLY CHAIN&quot; if not already present.</td>
<td>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 &quot;HALAL SUPPLY CHAIN&quot; if not already present; non-halal goods are not accepted to enter the warehouse facility.</td>
</tr>
<tr>
<td>2. Putaway of halal goods</td>
<td>Labelling of rejected halal goods (based on possible damages, spoilage, breakage, contamination, theft, tempering, etc.) as &quot;REJECTED&quot;; move rejected halal goods to quarantine area for further inspection; no mixing of halal and non-halal products on one pallet/load carrier.</td>
<td>Labelling of rejected halal goods (based on possible damages, spoilage, breakage, contamination, theft, tempering, etc.) as &quot;REJECTED&quot;; move rejected halal goods to quarantine area for further inspection.</td>
</tr>
<tr>
<td>3. Storage of halal goods</td>
<td>Halal products have a dedicated storage zone or racks (no mixing of halal and non-halal vertically); no mixing of halal and haram products in the same cold room.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>4. Cross-docking of halal goods</td>
<td>Halal products have a dedicated intermediate buffer area (if present); no mixing of halal and non-halal products on one pallet/load carrier.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>5. VAL of halal goods</td>
<td>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.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>6. Order picking of halal goods</td>
<td>No mixing of halal and non-halal products on one pallet/load carrier.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>7. Shipping of halal goods</td>
<td>Labelling of halal goods as &quot;HALAL SUPPLY CHAIN&quot; if not already present; ensure &quot;HALAL SUPPLY CHAIN&quot; is marked/coded on freight documents.</td>
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### 2. Halal control activities and assurance activities in transport

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<th>Minimum (non-Muslim country)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Cleaning of bulk tanker/container/transport vehicle before use</td>
<td>Cleaning according to prevailing hygiene standards in case of an earlier non-halal or unknown previous shipment</td>
<td>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</td>
</tr>
<tr>
<td>2. Cleaning of refrigerated container/transport vehicle before use</td>
<td>Cleaning according to prevailing hygiene standards in case of an earlier non-halal or unknown previous shipment</td>
<td>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</td>
</tr>
<tr>
<td>3. Loading/stuffing of tanker/container/transport vehicle</td>
<td>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</td>
<td>No mixing of halal and non-halal bulk products; no mixing of halal and non-halal products in a container/transport</td>
</tr>
<tr>
<td>4. Transport of halal livestock</td>
<td>No mixing of halal and non-halal livestock</td>
<td>No mixing of halal and non-halal livestock</td>
</tr>
<tr>
<td>5. Documentation</td>
<td>“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</td>
<td>“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</td>
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### 3. Halal control activities and assurance activities in terminals

<table>
<thead>
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<th>Halal control activity</th>
<th>Minimum (non-Muslim country)</th>
<th>Preferred (Muslim country)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Inspection of halal goods</td>
<td>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</td>
<td>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</td>
</tr>
<tr>
<td>2. Temporary storage of halal goods in cold room</td>
<td>Halal products have a designated (floor) storage zone or racks (no mixing of halal and non-halal vertically); no mixing of halal and haram products in the same cold room</td>
<td>No mixing of halal and non-halal products in the same cold room</td>
</tr>
<tr>
<td>3. Consolidation of goods</td>
<td>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</td>
<td>No mixing of halal and non-halal products in a container/transport</td>
</tr>
<tr>
<td>4. Halal livestock holding</td>
<td>No mixing of halal and non-halal livestock in holding yards</td>
<td>No mixing of halal and non-halal livestock in holding yards</td>
</tr>
<tr>
<td>5. Documentation</td>
<td>“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</td>
<td>“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</td>
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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)

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- Halal Policy
- Ensure robustness through reduction and removing of vulnerabilities

Supply Chain Objectives

- Halal Supply Chain code; Tracking & tracing; Competency of staff
- Logistics Control
- Consolidation of halal flows; CODP at HRDC

SC Resources
- Halal control activities and assurance activities
- SC Business Processes
- SC Network Structure
- Simple supply chain structure; Halal gateway partners
- Halal SC Performance
- Muslim or Non-Muslim country

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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

SEA & AIR FREIGHT
- HALAL consignment from country of origin
- HALAL inbound documentation
- HALAL local authority approval
- HALAL order processing & management
- HALAL multimodal transport operator

CUSTOMS BROKERAGE
- At all domestic seaports, airports, land entrance and exit points

CONTAINER HAULAGE
- Fleet management according to HALAL logistics processes
- Road & Rail distribution
- Hazardous goods haulage
- Heavy lifts handling & transportation
- Cross-border
- Open yard storage
- Container storage

WAREHOUSE MANAGEMENT
- HALAL warehouse management
- Operational processes & procedures
- Bonded facilities
- Capacity, load & route planning
- Cross-docking
- Cargo consolidation
- RF capabilities

SEA & AIR FREIGHT
- HALAL consignment to country of destination
- HALAL outbound documentation
- HALAL local authority approval
- HALAL order processing & management
- HALAL multimodal transport operator
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 begin the discussions with other ports in the world; (Port of Sohar, Oman) Port of Suape (Brazil) and Port of Posittra (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

<table>
<thead>
<tr>
<th>Continent</th>
<th>Total Population in 2011 (in million)</th>
<th>Muslim Percentage</th>
<th>Muslim Population in 2011 (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>1051.4</td>
<td>52.39 %</td>
<td>554.32</td>
</tr>
<tr>
<td>Asia</td>
<td>4239.1</td>
<td>32 %</td>
<td>1356.28</td>
</tr>
<tr>
<td>Europe</td>
<td>740.01</td>
<td>7.6 %</td>
<td>56.04</td>
</tr>
<tr>
<td>North America</td>
<td>346.2</td>
<td>2.2 %</td>
<td>7.61</td>
</tr>
<tr>
<td>South America</td>
<td>595.9</td>
<td>0.41 %</td>
<td>2.45</td>
</tr>
<tr>
<td>Oceania</td>
<td>37.14</td>
<td>1.5 %</td>
<td>0.54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7009.75</strong></td>
<td><strong>28.73 %</strong></td>
<td><strong>1977.24</strong></td>
</tr>
</tbody>
</table>

Muslim Population is Increasing at **1.84%**

The Muslim population in 2012 is 2013.62 Million. = **2.1 Billion**

**Carnegie Endowment for International Peace**
• 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.
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