Halal Parks and Halal Incentives In Malaysia

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- GLOBAL HALAL MARKET

MALAYSIA AS CENTRE OF HALAL TRADE & PRODUCTIONS

HALAL PARKS & HALAL INCENTIVES
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HOW CAN WE FACILITATE?
- HDC : OUR ROLE
Halal and Thoyyib – The underlying principle for a Muslim diet

Products have to be:

**Halal**
Permissible according to the Syariah (Islamic Law)

**Thoyyib**
Good to consume / apply

- Healthy
- Nutritious
- Clean & Safe
- Quality

Halal is a lifestyle Value Proposition
HARAM or Non-HALAL Products are:

- Beverages containing alcohol and alcohol derived from manufacturing of alcoholic beverages
- Pigs and Dogs and its derivatives
- Carrion
- Blood derivatives
- Animals that are not slaughtered according to Syariah Law
GLOBAL MARKET FOR POTENTIAL HALAL PRODUCTS

USD 2.3 trillion

- Approximately 67% of potentially Halal products are categorized as fast moving consumer goods (FMCG)

- Food FMCG and primary meat together account for 62% of the market.

Does not include Islamic Financial Services. Services involved in final product e.g. certification, logistics, R&D are included in sectoral values

** Based on sales revenue

*** Halal processed food is taken as 66% of the total based on world halal meat consumption

**** Only non-alcoholic beverages

Source: Euromonitor reports; FAOSTAT

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Sizeable and growing Muslim population worldwide – the size of the global Muslim population as at 2010 is 1.6 billion and it is forecasted to grow twice as fast as the non-Muslim population.

Economic development in Muslim countries results in a faster growing gross domestic product (GDP) per Muslim capita than its global counterparts. Malaysia’s Muslims rank 4th in terms of purchasing power amongst the global Muslim population.
Malaysia is strategically positioned in the centre of the Global Halal Trade Market

**Europe**
USD 67.0 billion
58.9 Million

**Asia**
USD 416.1 billion
1,295.6 Million

**America**
USD 16.2 billion
10.9 Million

**Africa**
USD 153.4 billion
385.9 Million

**South East Asia**
250 million

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**Legend**
- Halal food market size in 2010
- Estimated muslim population in 2030

**Why Malaysia?**
- **Significant Brand Positioning** – Reference and benchmark
- **Strong Institutional Support** – HDC, JAKIM, DSM, Bank Negara
- **Readily Available Support Ecosystem** – GHSC, HPRI
- **Established Policy & Procedures** – Tax incentives, Framework
- **Capacity and Capability Development** – structured development programmes

Source: Market Indicator Report Apr 2011 & HDC Analysis
Government Support

- Halal Food & Beverages
- Halal Pharmaceuticals
- Halal Cosmetics & Personal Care
- Halal Ingredients

Human Capital

- Halal Knowledge Workers
- Halal Executives & Auditors
- Syllabus in Universities & Colleges

"Halal as the new source of economic growth"

A Statement by the Economic Planning Unit, Prime Minister’s Department
Available Standards related to ‘Halal’ has increased over the years, shaping the nation’s Halal landscape

<table>
<thead>
<tr>
<th>Malaysian Standard</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS 1480: 2007</td>
<td>Food Safety According to Hazard Analaysis Critical Control Point (HACCP)</td>
</tr>
<tr>
<td>MS 1514:2009</td>
<td>Good Manufacturing Practices (GMP) for Food</td>
</tr>
<tr>
<td>MS 1500:2009</td>
<td>Halal Food – Production, Preparation, Handling and Storage</td>
</tr>
<tr>
<td>MS 2200:PART 1:2008</td>
<td>Islamic Consumer Goods – Part 1: Cosmetics and Personal Care</td>
</tr>
<tr>
<td>MS 1900:2005</td>
<td>Quality Management Systems – Requirements from Islamic Perspective</td>
</tr>
<tr>
<td>MS 2300:2009</td>
<td>Value-based Management System – Requirements from Islamic Perspective</td>
</tr>
<tr>
<td>MS 2400-1:2010 (P)</td>
<td>Halalan-Toyyiban Assurance Pipeline – Part 1 : Management System Requirements for Transportation of Good and/or Cargo Chain Services</td>
</tr>
<tr>
<td>MS 2400-2:2010 (P)</td>
<td>Halalan Toyyiban Assurance Pipeline – Part 2 : Management System Requirements for Warehousing &amp; Related Activities</td>
</tr>
<tr>
<td>MS 2400-3:2010 (P)</td>
<td>Halalan-Toyyiban Assurance Pipeline- part 3 : Management System Requirements for Retailing</td>
</tr>
<tr>
<td>MS 2424:2010(P)</td>
<td>Halal Pharmaceutical</td>
</tr>
<tr>
<td>MS 2393 : 2010 (P)</td>
<td>Principles of Islam and Halal – Clarification and definition</td>
</tr>
<tr>
<td>MS220-2 : 2012</td>
<td>General Guidelines for the use of Bones, Animal Skin and Fur</td>
</tr>
</tbody>
</table>

Standards ranked by rate of usage:

1. MS1500
2. MS1900
3. MS2200
HALMAS HALAL PARKS
<table>
<thead>
<tr>
<th>No</th>
<th>Halal Park</th>
<th>Operator / Management</th>
<th>Size (Acres)</th>
<th>Date Established</th>
<th>Investment (RM million)</th>
<th>Land Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>techpark@enstek</td>
<td>TH Properties Sdn Bhd</td>
<td>480</td>
<td>2005</td>
<td>2,413.16</td>
<td>TH Properties Sdn Bhd</td>
</tr>
<tr>
<td>2.</td>
<td>Tanjung Manis Halal Food Park</td>
<td>Tg Manis Halal Hub Sdn Bhd</td>
<td>77,000 hectares</td>
<td>2008</td>
<td>1,802.50</td>
<td>STIDC (Sarawak Timber Industry Development Corp.)</td>
</tr>
<tr>
<td>3</td>
<td>Selangor Halal Hub</td>
<td>Central Spectrum (M) Sdn Bhd</td>
<td>1000</td>
<td>2003</td>
<td>1,805.85</td>
<td>Central Spectrum (M) Sdn Bhd</td>
</tr>
<tr>
<td>4</td>
<td>POIC Tanjung Langsat</td>
<td>TPM Technopark Sdn Bhd</td>
<td>280</td>
<td>2010</td>
<td>974.00</td>
<td>State of Johor Darul Takzim</td>
</tr>
<tr>
<td>5</td>
<td>Penang International Halal Park</td>
<td>PIHH Sdn Bhd</td>
<td>100</td>
<td>2009</td>
<td>484.20</td>
<td>PDC (Penang Development Corporation)</td>
</tr>
<tr>
<td>6</td>
<td>PKFZ Halal Flagship Zone</td>
<td>PKFZ (M) Sdn Bhd</td>
<td>100</td>
<td>2007</td>
<td>561.77</td>
<td>PKA (Port Klang Authority)</td>
</tr>
<tr>
<td>7</td>
<td>Melaka Halal Park</td>
<td>Melaka Halal Hub Sdn Bhd</td>
<td>164</td>
<td>2008</td>
<td>114.40</td>
<td>PKNM (Perbadanan Kemajuan Negeri Melaka)</td>
</tr>
<tr>
<td>8</td>
<td>Pedas Halal Park</td>
<td>MIDF Property Berhad</td>
<td>100</td>
<td>2003</td>
<td>20.00</td>
<td>MIDF Property Bhd</td>
</tr>
<tr>
<td>9</td>
<td>PERDA Halal Park</td>
<td>PERDA</td>
<td>100</td>
<td>2003</td>
<td>20.00</td>
<td>SMEs State of Penang</td>
</tr>
</tbody>
</table>
Halal Incentives
HALMAS INCENTIVES
## WHAT IS HALMAS INCENTIVE

- HALMAS status is an accreditation given to the Halal Park Operators who have complied with the requirements under the HDC Designated Halal Park Development Guidelines.
- With the HALMAS status, the Operators, Industry Players and Logistics Operators can enjoy incentives provided by HDC in Halal Industry.
HALMAS INCENTIVES FOR INDUSTRY PLAYERS
### HALMAS QUALIFYING CRITERIA FOR INDUSTRY PLAYERS

1. Halal Industry Player must be involved in the following four (4) industry sectors only:
   - Specialty Processed Food
   - Cosmetics / Healthcare / Personal Care Products & Pharmaceutical
   - Halal Ingredients
   - Livestock and Meat Products

2. Employment of high value knowledge workers with a minimum of 15% of the total workforce including at least two (2) Halal Compliance Officers

3. Located in HDC Designated Halal Parks and Logistics Cold Hubs approved by HDC
<table>
<thead>
<tr>
<th><strong>HALAL INDUSTRY PLAYERS QUALIFYING CRITERIA</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Must not be involved in trading and consultancy activities</td>
</tr>
<tr>
<td>5. Must always comply with prescribed quality, hygiene and environmental guidelines</td>
</tr>
<tr>
<td>6. Must always comply with all laws, regulations and licensing requirements where applicable</td>
</tr>
<tr>
<td>7. Must comply with HDC’s Halal Integrity criteria with tests from accredited laboratories in determining the credibility of the promoted halal products; and</td>
</tr>
<tr>
<td>8. Must be involved in new business activities related to Halal and must incorporate a new legal entity in Malaysia</td>
</tr>
</tbody>
</table>
HALMAS INCENTIVES – Industry Players

**HALAL INDUSTRY PLAYERS HALMAS INCENTIVE**

- 100% income tax exemption on capital expenditure for a period of 10 years or income tax exemption on export sales for a period of 5 years

- Exemption on import duty and sales tax on raw materials used for the development and production of halal promoted products.

- Double deduction on expenses incurred in obtaining international quality standards such as HACCP, GMP, Codex Alimentarius (food standard guidelines of FAO and WHO), Sanitation Standard Operating Procedures and regulations on compliance on export markets such as Food and Traceability from farm to fork.
HALMAS INCENTIVES FOR HALAL PARK OPERATORS
### HALAL PARK OPERATOR QUALIFYING CRITERIA

- Having met the eligibility criteria, all application must comply with HDC standards and guidelines for Halal Parks. Any new Halal Parks proposed by the State Government will have to seek the consent on HDC in compliance to a set of checklist on requirement of infrastructure, standards and guidelines.

### HALMAS INCENTIVE FOR HALAL PARK OPERATORS

- Full income tax exemption for a period of 10 years or 100% income tax exemption on capital expenditure for a period of 5 years.

- Exemption from import duty and sales tax on equipment, components & machinery used directly in the Cold Room Operations in accordance to prevailing policies.
HALMAS INCENTIVES FOR HALAL LOGISTICS OPERATORS
HALAL LOGISTICS OPERATORS QUALIFYING CRITERIA

1. The Halal logistics operator must provide integrated services comprising the following principal activities:
   - Forwarding
   - Transportation
   - Warehousing

2. And at least one of the following activities:
   - Distribution
   - Other related and value-added services/activities (e.g. palletising, product assembly / installation, bulk breaking, consolidation, packaging / re-packaging, procurement, quality control,labelling / re-labeling, testing, etc.)
   - Supply chain management

3. The halal logistics operator must own the minimum following infrastructure:
   - Commercial vehicles – 20 units
   - Warehousing facilities – 5,000 square metres
### HALMAS INCENTIVE - HALAL LOGISTICS OPERATORS

- Full income tax exemption for a period of five (5) years or 100% income tax exemption on capital expenditure for a period of five (5) years

- Exemption on import duty and sales tax on equipment, components and machinery used directly in Cold Room Operations in accordance to prevailing policies.
HOW CAN WE FACILITATE?
OUR REPORTING LINE

Government of Malaysia

Ministry of Finance (MOF)

Ministry of International Trade and Industry (MITI)

Wholly Owned by Minister of Finance Incorporated

Reporting Line

Halal Industry Development Corporation

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• Develop proper regulatory body to monitor, develop & coordinate the industry

New source of export led growth and increased national self-sufficiency in food

Global Reference Centre for Halal Integrity (Standards, Certification, Training)

- Specialty Processed Food
- Cosmetics And Personal Care
- Pharmaceutical
- Halal Ingredients
- Livestock

Legislation and regulatory framework
Human capital
Physical infrastructure and connectivity
Funding and incentives
Industry standards and certification
Public sector delivery system

Area in which Malaysia will be a Global Halal Hub

Industries that Malaysia needs to grow in order to create economic impact

Key enablers to be strengthened

Source: ** Ethos analysis (2008) Livestock is included to address consumer well-being issues, not as an export oriented growth industry
As a dedicated Agency entrusted to spearhead the development of Halal in Malaysia, HDC is guided by the following 3 Strategic Thrusts:

- **Facilitating the creation of Halal cluster development**
- **Enhancing the domestic Halal production**
- **Facilitating Halal related investment**;
- **Promoting Industry Linkages** and **"Protecting the eco-system"**
  - Developing modules;
  - Enhancing Supply Chain integrity;
  - Promoting a World Class Global Halal Support System
- **Promoting Halal value proposition to industry**;
- **Promoting Halal Malaysia concept and HDC’s brand**; and
- **Strengthening marketing, communication and outreach**

- **"Creating the Demand"**
  - Promoting Halal value proposition to industry;
  - Promoting Halal Malaysia concept and HDC’s brand; and
  - Strengthening marketing, communication and outreach

- **"Ensuring the Supply"**
  - Facilitating the creation of Halal cluster development
  - Enhancing the domestic Halal production
  - Facilitating Halal related investment;
  - Promoting Industry Linkages and
Industry Development

Accelerate the growth of Halal Industry

Enterprise competitiveness and Sector-focus

1. Funding
2. Capacity Building
3. Knowledge & Market Information
4. Market Access – Local and Domestic

Addressing gaps in the value chain

HBT – nurturing and enhancing enterprise competitiveness
ReDiLINK – market access
COPS, TIPS – Dedicated program with specific foreign parties to promote trade and investment

Non-exhaustive

Financial Institutions
CIMB ISLAMIC
SME Bank
Maybank
Bank Pembangunan

Entrepreneur Development Organization

Research Institutions
University of Nottingham
SME Corp Malaysia

Government
TERAJU
STANDARDS MALAYSIA
PENAMAL
PIHH

Collaborators
Aeon Big
AEON
MYDIN
Harrods
HDC Flagship Program
HBT – Nurturing and enhancing enterprise competitiveness to become player in Halal supply chain

**Capacity Building**
Equipping the workforce with the right knowledge, skills & tools

**Market Access**
Creating demand, connecting opportunities and facilitating trade

**Access to Financing**
Providing advisory and facilitating financing application

**Branding & Promotion**
Increasing consumers’ confidence and strengthening halal value proposition

**270 Halal companies**
Became Halal supplier for hypermarkets and large retailers

909 Halal companies
Facilitated
(2011 – 2013)
objective: To position Malaysia as a world leader and global reference centre in halal knowledge and halal-related services, for both investors and consumers.
Halal Integrity – Human Capital

Objective: Development of talent to meet the requirements of the industry and ensuring the knowledge is applied throughout the supply chain

HDC Flagship Program

Halal Talent Development Program

TARGET GROUP
- IPTA/IPTS Students
- Working adults

ACCREDITATION/RECOGNITION
- Domestic
- Global

MODULE & DELIVERY
Strengthening of module
E-Learning content
Collaboration – industry, academia and consumer

FRANCHISING
Train the trainer
Halal Parks as dedicated areas for the production of Halal products

<table>
<thead>
<tr>
<th>Main Halal Parks in Malaysia</th>
<th>Incentives</th>
<th>Main Players</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biotech focused</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture focused</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial products focused</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME focused</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Incentives**

An accreditation given to the Halal Park Operators who complied with the requirements under the HDC Designated Halal Park Development Guidelines

**Special incentives for operators and players:**

- 100% tax exemption for 10 years or capital expenditure for 5 years
- Exemption on import duty on cold room equipment
- Double deduction for obtaining international certification

**Achievements**

<table>
<thead>
<tr>
<th>Total Investment</th>
<th>RM8.5 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employment</td>
<td>5,000 people</td>
</tr>
<tr>
<td>Total MNCs</td>
<td>20 companies</td>
</tr>
<tr>
<td>Total SMEs</td>
<td>110 companies</td>
</tr>
</tbody>
</table>
**Investment - Malaysia** is a home for various international brand that adopting Halal standard to penetrate Halal market

1. **Halal Food and Beverages**
   - Make Malaysia as Halal Centre of Excellence for Nestle world wide.
   - Biggest Halal Producer in the world

2. **Halal Ingredients**
   - Taking full advantage of abundant halal raw materials (palm oil based) in Malaysia – serve 70 countries

3. **Halal Cosmetics, Personal Care & Pharmaceuticals**
   - Regards Malaysia an important Hub for Halal distribution to South East Asian market

4. **Halal Industrial Chemicals / Materials**
   - Regards Malaysia an important Hub for Halal distribution to South East Asian market
“Best-in-Class” Companies: Nestle

“Nestle, for example, has devoted 75 of its 482 global processing plants to halal products. Nestle’s halal sales are estimated to be in excess of USD$3 billion annually.”

Marketing to Muslims: the growing importance of halal products; Case study Journal of the International Academy for Case Studies January 1, 2012
CONCLUSION

• 1.8 billion Muslim population. Supply is not enough to cater the demands.

• Concerns about food security but halal food insecurity is already happening.

• Challenges are to develop a more robust and efficient global supply chain.

• Hence, opportunities are enormous.
Q&A

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Thank you

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