Business Opportunities in Halal Industry

10.05.12
1. Why Halal Industry?

2. Food Security Issues as a Driver of the Global Halal Market

3. Why OIC?

4. Halal Industry in Malaysia

5. Business Opportunities in Halal Industry
USD 2 trillion

1. Sizeable and growing Muslim population

2. Growing economic development in Muslim countries

3. Emergence of potential Halal markets (China & India)
Sizeable and Growing Muslim Population

Muslim population worldwide (2010)
1.8 billion
Forecasted to grow at twice the rate by 2030 representing
27% of global population

Source: Pew Research Center’s Forum on Religion & Public Life • Mapping the Global Muslim Population, October 2009
Many ASEAN countries still have relatively low per capita *trade-able* food consumption. *Indicating:* that future demand potential is strong.

At present, per-capita *chicken meat* consumption in Indonesia is about 4 kg/year. With a projected increase of per-capita consumption to 8 kg/year in the next 7 to 8 years, implying an *additional chicken meat demand* of 1.3 million MT.

With a growing economy, rising disposable income as well as increase in Halal awareness; *Traded* Halal products, especially meat and food products will also increase exponentially
The six (6) members of GCC are the most important countries in the Middle-East

Competitive markets: There are “NO ENTRY BARRIERS & EXIT BARRIERS”

Total population is only about 40 million in 2011 and projected to rise 40% by 2030;

Although small in population; total imports of Halal meat into GCC countries (chicken and beef) exceeds 1 million MT annually;

Influential in issues related to Halal trade
Market Potential of Halal Food in the EU

- Major retailers in EU such as Carrefour and TESCO are now starting to include Halal meat in their product’s assortments;

- Non-Muslim Dutch consumers have shown interest in Halal food where the total demand is estimated to reach about US$ 3 billion annually;

- Port of Rotterdam has a Halal dedicated storage facility

- French Muslims spend about 30%-35% of their income on food products. Quantity of meat consumed by Muslims in France amounts to an average of 400,000 MT annually.

- The average income of a Muslim in France is about Euro 1,220/ month. This is lower than the country’s average at between Euro 1,550 and 1,850/ month.
Food Security Issues as a **Driver** of the Global Halal Market
"Undernourishment in Sub-Saharan Africa has increased by 11.8% - highest prevalence of hunger (32%)"

"Asia and Asia Pacific has the highest number of undernourished people in the world"

(Source: FAO)

Global Hunger Index in IDB Member Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>1990 (with data from 1988-92)</th>
<th>2009 (with data from 2002-07)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sierra Leone</td>
<td>33.1</td>
<td>33.8</td>
<td><em>Extremely Alarming</em></td>
</tr>
<tr>
<td>Chad</td>
<td>37.7</td>
<td>31.3</td>
<td>&quot;Alarming&quot;</td>
</tr>
<tr>
<td>Niger</td>
<td>36.5</td>
<td>28.8</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Yemen</td>
<td>30.7</td>
<td>27</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Comoros</td>
<td>22.7</td>
<td>26.9</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Mozambique</td>
<td>35.9</td>
<td>25.3</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>35.9</td>
<td>24.7</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>21.6</td>
<td>23.1</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Togo</td>
<td>27.8</td>
<td>23.1</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Djibouti</td>
<td>32.6</td>
<td>22.9</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Pakistan</td>
<td>24.7</td>
<td>21</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>21.8</td>
<td>20.4</td>
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</tr>
<tr>
<td>Sudan*</td>
<td>26.3</td>
<td>19.6</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Mali</td>
<td>24.2</td>
<td>19.5</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Gambia</td>
<td>18.3</td>
<td>18.9</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>-</td>
<td>18.5</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Nigeria</td>
<td>24.4</td>
<td>18.4</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Guinea</td>
<td>22.6</td>
<td>18.2</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Cameroon</td>
<td>22</td>
<td>17.9</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Senegal</td>
<td>20.8</td>
<td>17.3</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Benin</td>
<td>23.9</td>
<td>17.2</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Mauritania</td>
<td>22.1</td>
<td>15</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Indonesia</td>
<td>19.7</td>
<td>14.8</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Uganda</td>
<td>18.7</td>
<td>14.8</td>
<td>&quot;Serious&quot;</td>
</tr>
<tr>
<td>Côte d'Ivoire</td>
<td>16</td>
<td>14.5</td>
<td>&quot;Serious&quot;</td>
</tr>
</tbody>
</table>

(Source: Global Hunger Index 2009)
“International food prices increased steeply from mid 2010 to 2011, raising alarm bells across the developing world about a repetition of food price crisis of 2007-2008.”

“Showing an opposite trend, food stocks has reduced and the stock-utilisation ratio has increased”

(Source: Economic and Social for Commission for Asia and the Pacific)
<table>
<thead>
<tr>
<th>Food Commodity</th>
<th>Producers</th>
<th>Exporters</th>
<th>Importers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rice</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>China (29.2%)</td>
<td>Thailand (30.8%)</td>
<td>Philippines (6.6%)</td>
</tr>
<tr>
<td></td>
<td>India (21.0%)</td>
<td>Vietnam (16.7%)</td>
<td>Nigeria (6.2%)</td>
</tr>
<tr>
<td></td>
<td><strong>Indonesia (8.5%)</strong></td>
<td>India (13.1%)</td>
<td>EU (3.9%)</td>
</tr>
<tr>
<td></td>
<td><strong>Bangladesh (6.8%)</strong></td>
<td>USA (10.2%)</td>
<td><strong>Bangladesh (3.6%)</strong></td>
</tr>
<tr>
<td></td>
<td>Vietnam (5.6%)</td>
<td><strong>Pakistan (9.2%)</strong></td>
<td>Iran (3.6%)</td>
</tr>
<tr>
<td></td>
<td>OIC:World = 19.1%</td>
<td>OIC:World = 11.8%</td>
<td>OIC:World = 31.1%</td>
</tr>
<tr>
<td><strong>Sugar</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brazil (23.7%)</td>
<td>Brazil (47.4%)</td>
<td>India (11.3%)</td>
</tr>
<tr>
<td></td>
<td>India (11.2%)</td>
<td>India (11.2%)</td>
<td>EU (6.7%)</td>
</tr>
<tr>
<td></td>
<td>EU (11.0%)</td>
<td>EU (9.6%)</td>
<td>USA (4.5%)</td>
</tr>
<tr>
<td></td>
<td>China (8.2%)</td>
<td>China (8.2%)</td>
<td>Russia (4.3%)</td>
</tr>
<tr>
<td></td>
<td>Thailand (4.7%)</td>
<td>Thailand (4.7%)</td>
<td><strong>Indonesia (4.1%)</strong></td>
</tr>
<tr>
<td></td>
<td>OIC:World = 7.7%</td>
<td>OIC:World = 1.7%</td>
<td>OIC:World = 12.2%</td>
</tr>
<tr>
<td><strong>Poultry</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>USA (20.0%)</td>
<td>Brazil (33.7%)</td>
<td>China (16.4%)</td>
</tr>
<tr>
<td></td>
<td>China (18%)</td>
<td>USA (33.4%)</td>
<td>Hong Kong (9.4%)</td>
</tr>
<tr>
<td></td>
<td>EU (12.5%)</td>
<td>China (9.2%)</td>
<td>Japan (8.8%)</td>
</tr>
<tr>
<td></td>
<td>Brazil (12.0%)</td>
<td>EU (8.8%)</td>
<td>EU (7.3%)</td>
</tr>
<tr>
<td></td>
<td>India (2.7%)</td>
<td>Thailand (5.7%)</td>
<td>Mexico (6.3%)</td>
</tr>
<tr>
<td></td>
<td>OIC:World = 6.5%</td>
<td>OIC:World = 1.5%</td>
<td>OIC:World = 11.5%</td>
</tr>
</tbody>
</table>

Market share data is provided in brackets. Countries in red indicated OIC countries.

Source: FAO
Investment drivers in agri-business and supply-side disruptions drive agricultural investment needs.

Demand for food by 2050: 70%-100%

Global food price continue to rise

Extreme poverty of 44 million in low and middle-income countries

Over 60% of the world’s undernourished people live in Asia, mostly Muslim-majority countries

Source: FAO
Why OIC?
Steadily Growing Trend in Intra-OIC Trade

Growth in Intra-OIC Trade (at current USD)

<table>
<thead>
<tr>
<th>Period</th>
<th>OIC Total</th>
<th>Intra-OIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-93</td>
<td>8.8</td>
<td>5.8</td>
</tr>
<tr>
<td>1994-98</td>
<td>4.2</td>
<td>4</td>
</tr>
<tr>
<td>1999-03</td>
<td>10.2</td>
<td>13.3</td>
</tr>
<tr>
<td>2004-08</td>
<td>23</td>
<td>25.5</td>
</tr>
</tbody>
</table>

Source: Direction of Trade Statistics, IMF (2010)
Intra-OIC Trade for Food & Ingredient is Less Than 15%

Structure of the Trade among OIC Countries (SITC Rev.3), 2008*

- Manufactured goods classified chiefly by material, 21.3%
- Machinery and transport equipment, 13.8%
- Food & live animals, 9.8%
- Chemicals and related products, n.e.s., 9.7%
- Miscellaneous manufactured articles, 5.7%
- Commodity n.e.s., 3.6%
- Crude materials, inedible, except fuels, 3.4%
- Beverages & Tobacco, 0.8%
- Mineral fuels, lubricants and related materials, 27.8%
- Animal and vegetable oils, fats and waxes, 4.1%

Source: Estimates from the COMTRADE database of the United Nations.
* Since not all countries have yet reported their trade statistics, mirror statistics were used to the extent possible to obtain more accurate results.
Halal Industry in Malaysia
Growing Trend of Malaysia’s Export in Halal Products

Malaysia's trade with OIC

- **2009**: USD20bil
- **2010**: USD22bil
- **2011**: USD25bil

**Exports**

- 6% of Malaysia’s exports to OIC ~ USD1.3billion are Halal products in 2010

**Imports**

- 9% of Malaysia’s exports to OIC ~ USD7.3 billion are Halal products in 2011
Over 70% of Malaysian exports F&B and ingredients

Products and export destinations:

- Ingredient: USD 3.85 bil
- Food & Beverage: USD 3.73 bil
- Palm Oil Derivatives: USD 2.19 bil
- Industrial Chemical: USD 0.64 bil
- Cosmetic & P.Care: USD 0.57 bil
- Pharmaceutical: USD 0.09 bil

Source: HDC, Department of Statistic, JAKIM, Custom Department & MATRADE (Halal Product Statistic Coordination Committee)
Business Opportunities

- Halal Parks and Superhighways
- Halal Palm Based Ingredients
- Stella Chicken
- Stevia
- Bio-fertilisers
- Malaysia as a Fund Management Hub
**Investment in Halal Parks**

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.

**USD2 billion Investment**

**Halal Parks Concept**
Investment in Halal Parks

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

Major Investors

- Coca-Cola
- F&N
- PureCircle
- Cargill
- kewpie
Halal Superhighway Link with the Global Supply Chain

- **Dubai, UAE**
- **PKFZ, Malaysia**
- **Sabah, Malaysia**
- **Qingdao, China**
- **Xingjian, China**

**China:**
- 1.3 billion population
- 3% Muslim

**Indonesia:**
- 220 million population
- 85% Muslim

**Middle East:**
- 350 million population
- 91% Muslim

**Central Asia:**
- 65 million population
- 85% Muslim

- **Ningxia, China**
  - Livestock
  - Wheat
  - Corn

- **Cambodia**
  - Corn
  - Sugar
  - Soybean

- **Qingdao, China**
  - Processed food
  - Livestock
  - Rice
  - Corn

- **Sabah, Malaysia**
  - Ingredients
  - Livestock
  - Seafood
  - Animal feed
  - Fertilizers

- **PKFZ, Malaysia**
  - Ingredients
  - Livestock
  - Seafood
  - Animal feed
  - Fertilizers
## Innovation in Halal Ingredients

**Palm oil as substitute for animal based ingredients for food and non-food products.**

<table>
<thead>
<tr>
<th>The Innovations</th>
<th>Status</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Halal shortenings for bakery products</td>
<td>Technology transferred to a producer in Yemen</td>
<td>Lack of capital to expand</td>
</tr>
<tr>
<td>• Halal animal fat replacer for meat products</td>
<td>Technology ready for commercialization</td>
<td>Cost of technology</td>
</tr>
<tr>
<td>• Halal fillings for confectionaries</td>
<td>Technology ready for commercialization</td>
<td>Domination by the MNCs</td>
</tr>
<tr>
<td>• Skin products – high vitamin E</td>
<td>Technology ready for commercialization</td>
<td>Wrong perception by consumers on palm oil</td>
</tr>
<tr>
<td>• DHSA for cosmetic products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Surfactant for detergents</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**The Malaysian Palm Oil Board**

A dedicated institution focused in palm oil research, development and commercialization.
Stella Chicken: Integrated Poultry Farm & Processor

Stella Chicken
- Probiotic-fed poultry
- Premium chicken product
- Already in Malaysian market: 4 months

Promoter:
Stella Gen Sdn Bhd
Experience:
- Goldform Corporation Sdn Bhd
- 8 year track record
- Produces 1.5 mil chickens per month
- 12 own farms, 25 contract farms
Stella Chicken: Investment Proposition

Investment for a more integrated farms and processing facilities to address the issue of:
1. Chickens are easily exposed to the “Newcastle Disease”
2. EU banned the usage of antibiotics in animal production. Other nations may follow suit

- USD 30 million of investment in Export Ready Farms and World Class Halal Processing Slaughter Facility
- Central location with easy access to supplies and market on 150-200 acres of land in Lanchang – Reduced logistics costs
- Farm production of 750,000 chicken/month and 1.2 million chicken/month processing capacity
- Targeted export market: Singapore, Indonesia, and Middle East
Stevia
• Part of the sunflower family
• Originally America – Today, all over the world, incl. China
• Used to produce sweetener / sugar substitute
• Healthier alternative

Promoter is a USD 400 mil LSX-listed company with 2011 sales of USD 97 mil

• Stevia sweeteners already on the market
• Manufactured by major F&B companies

PureCircle: Investment in Stevia farm & facility

Stevia solutions
Explore our latest breakthrough ingredient, PureCircle Alpha, perfect for deeper calorie reduction.
Stevia sweetener is more competitive than traditional sweeteners

- 200x sweeter: 1kg of Stevia sweetener = 200kg of traditional sweetener
- Cost of traditional sweetener: USD200 (@USD 1 per kg)
- Cost of Stevia sweetener: USD60
- Cost advantage per kg: USD140

- The market that is targeted is the USD50 bil global sweetener market, of which Stevia is 7% (USD3.5 bil)
Inno-Works: Investment in Bio-Fertilizer Producer

Inno Integrasi Sdn Bhd - IPR owner of the Inno-Works™ system: deployment of Integrated waste treatments plants for organic wastes from palm oil mills to produce bio-organic fertilizers

Wings Strategic Management (Hong Kong) 60%

Climate Change Capital Carbon Fund II (London) 40%

Inno Integrasi

** From existing Plantations in Sabah ~ 46,000Ha that have implemented Inno-Works® Program

Benefits:
1. Towards Sustainable Palm Oil Productions
   • Improve environmental benefits – 100% treatment of wastes streams
2. Towards higher Oil Extraction Rate per Ha, and increase profit contributions
   • Reduced fertilisation cost
   • Improve soil conditions and productive life span of crops
Bio-fertilisers are a sustainable solution that is cost-effective and increases agricultural yields

Bio-fertilisers are more cost-competitive than traditional fertilisers

- The use of bio-fertilisers and purely chemical will result in lower fertilisation costs
- The cost savings would be approximately USD130/ha/year
- This cost advantage may expand further as the cost of chemical fertilisers has risen by 80% in the last 2 years

- 30% increase in agricultural yields
An Asian-based Agribusiness Fund

Addressing agribusiness investment opportunities in the Asian region with Malaysia as the hub
Institutional Investors Can Participate in the Fund

- Tax incentives available

**Step 1:** Equity

- **Step 2:** Equity; or Sukuk

- Tax incentives available

- **Step 3:** Dividend; or periodic payments and capital gains

- Tax incentives available

- **Step 4:** Dividend/distribution; or Capital gains

**Fund management company**

**Sharia-compliant Investment Vehicle**

**Company**

- a. Company; or
- b. Unit trust fund
Malaysia as A Fund Management Hub

- PE fund market in Malaysia is worth **USD 2 billion**
- Leading Islamic financial centre in the world = >**64%** of the global sukuk market in 2010
- Share of Islamic finance in total domestic financing in Malaysia is expected to grow from 29% in 2010 to **40% in 2020**
- 9 out of 16 foreign fund management companies here are Islamic FMCs
- 89% of securities on Bursa Malaysia are Sharia-compliant

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Islamic-based FMC</td>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td>No. Islamic based funds</td>
<td>71</td>
<td>167</td>
</tr>
<tr>
<td>% NAV of Islamic-based funds/ total market capitalisation (Bursa Malaysia)</td>
<td>12.1%</td>
<td>19.85%</td>
</tr>
</tbody>
</table>
Sharia-Compliant Investment Fund

Some considerations in structuring a fund

- Greenfield or brownfield investments?
- Direct, or fund of funds?
- Sectoral/Geographical allocation?
- Lifespan/tenure?
- Open-ended or closed-ended?
- Financial assistance vs guarantee provision?
- Domicile of fund?
- Minimum contribution by investors?
- Target investment size / “sweet-spot”?
- Non-financial investment criteria? E.g. job creation
The fund can focus on “underfunded” investment opportunities – those neither small nor big enough.
The final structure of the fund can vary depending on the stakeholders involved and financing facilities provided.

Figure 14. Organizational chart of the Georgia Regional Development Fund
Over USD 500 million of Halal investment opportunities in Malaysia

Agri-business is a lucrative industry in times of growing demand and production slowdown

Strong competitive advantage in terms of project location and potential markets that give lucrative returns

We welcome conversation with you during this conference.
Thank you

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