

The Global Halal Food Market

Riding a wave of growth



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Among global food product categories, Halal food is one of the few that is in the fast-growth stage. The global Halal food market is currently worth nearly USD700 billion – with 65 per cent of the demand coming from Asia¹. Opportunities abound – but how can companies best address them?

Halal certification

The literal meaning of the Arabic word 'Halal' is permissible. It is used in reference to food and drinks that are permissible for Muslims under Islamic Law, as defined in the Koran. It lays down instructions specifying what food can be consumed as well as the method of preparation, addressing mostly meat items and animal tissue. For example, the Islamic form of slaughtering animals involves killing by a cut to the windpipe, carotid artery and jugular vein².

Muslim consumers now contribute to a growing demand for high quality and varied Halal food³. The Halal certification is a concern for the 1.6 billion global Muslim population⁴ because many Muslims live in non-Muslim majority countries where Halal-certified food is at times hard to find or where the authenticity of the certification might be questionable.

Growth potential

What is driving the rapid growth in the Halal food market?

Rise in Muslim population

According to research released in 2015, Muslims currently make up about a quarter (23.2 percent) of the global population. The study further states that the rise in the Muslim population is due to a younger demographic – many Muslims live in countries with low median ages like

¹ Asia Rising – Food processing, The Economist Intelligence Unit, 2014

² What is halal meat?, BBC News Services, Nick Eardley, 12 May 2014

³ Halal food: a market waiting to be tapped into?, Guardian News and Media Limited, Jon Henley, 25 September 2013

⁴ The Future of the Global Muslim Population, PewResearchCenter, January 2011

Indonesia, India and Pakistan - and on-going improvements in infant mortality rates⁵. With the rise of the Muslim consumer, food-service chains such as KFC and Nando's now have Halal outlets, while Pizza Express uses Halal chicken and supermarkets in Europe are stocking up on frozen Halal foods⁶.

Higher disposable income⁷

Increasing income levels among the Muslim population are fuelling demand for new and differentiated Halal food. A growing Muslim population as well as economic development in countries with large populations of Muslims makes this a lucrative segment to invest in. For example, the combined disposable income of an American Muslim in 2012 amounted to USD98 billion.

Growing awareness and demand

The awareness factor is at play for both the Muslim as well as non-Muslim population. The former is becoming increasingly aware of their religious obligations while some experts believe that the latter are expected to shift towards Halal food due to rising concerns about unhygienic and unhealthy food⁸. For instance, Halal meat accounts for about 15 per cent of total meat sales in the United Kingdom (2.6 billion British pounds), which is far higher than the proportion of Muslims in Britain (which is approximately five per cent)⁹.

Non-food Halal market opportunities

Halal products are not all relating to meat. The evolving lifestyle and increase in purchasing powers of Muslims mean that there is growing demand for products that conform to Islamic dietary laws. As the Halal industry continues

⁵ Mapped: What the world's religious landscape will look like in 2050, Telegraph Media Group Limited, Raziye Akkoc, 8 April 2015

⁶ Ethical, organic, safe: the other side of halal food, Guardian News and Media Limited, Carla Power, 18 May 2014

⁷ Opinion: The growing untapped market of Muslim consumers worldwide, World Halal Summit, 8 December 2014

⁸ Ibid

⁹ Ibid

to expand beyond the food sector there are many industries that stand to benefit which include:

Cosmetic and personal care

More consumers are aware that cosmetics might contain alcoholic substances or products derived from animals forbidden by Islam. According to 2013 data, the Halal cosmetics and personal care market is worth approximately USD13 billion with an annual growth rate of 12 percent¹⁰.

Pharmaceutical and healthcare

Halal pharma and healthcare products are in demand not just from Muslims but also from non-Muslims who value wellness products that do not harm the body in the long-term. That is why industry players are willing to change ingredients and manufacturing methods to cater to this demand. As at 2013, the Halal pharmaceutical market was estimated at USD34 billion – and growing¹¹.

Tourism

Recently gaining popularity, this kind of tourism refers to hospitality services and products in accordance with Islamic practices. Traditionally, Halal tourism has been commonly associated with umrah, hajj and pilgrimage. The changing preferences of Muslims for travel destinations, growing affluent middle-class consumers and rise in degree of interconnectivity make travel convenient¹². This puts the Halal tourism market at USD137 billion in 2014¹³.

¹⁰ Ibid

¹¹ Halal: accessing the untapped \$30bn pharma market, William Reed Business Media SAS, Fiony Barry, 13 October 2014

¹² Ibid

¹³ 'Halal tourism' a rising trend in Turkey, world, Today's Zaman, 24 August 2014

Apparel¹⁴

Fashion houses in Paris and Milan have noticed the commercial potential for Muslim women's clothing that respects religious sentiments yet incorporates elements of good taste and style. According to a report in 2012, the Muslim fashion industry would be equivalent to USD96 billion if half of the Muslims' across the globe (1.6 billion) spent USD120 on clothing annually.

Logistics

Halal logistics also has clear potential for growth. This involves paying close attention in the supply chain where the integrity of the product is maintained from the farm to the table of the consumer. An international Halal logistics standard is therefore crucial. According to 2014 data, this industry is projected to grow at a Compound Annual Growth Rate (CAGR) of 12.6 per cent to reach about USD539 million¹⁵.

Primary Halal markets¹⁶

As the Halal market emerges as a new growth sector, a growing consumer base and increased growth in different regions will give rise to more competition. The key regions where growth potential is evident include:

Asia

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¹⁴ Harrods sees profit from Islamic Fashion as Qatar takes control, Bloomberg L.P., Henry Meyer, 13 July 2010

¹⁵ The Global Halal Market – Stats & Trends, World Halal Summit, 16 January 2015

¹⁶ The Global Halal Industry: An overview, Global Islamic Finance Report, 2013

With nearly one billion Muslims or close to two thirds of the global Muslim population, Asia's Halal market has been mainly driven by India, Malaysia, Pakistan, Indonesia and China. This market is worth approximately USD420 billion (in 2013) and is expanding rapidly. Some of the key countries within the Asian region that have been setting the direction for the regional Halal market are:

 **Indonesia**

The country with the world's largest Muslim population is, unsurprisingly, a huge Halal product market, estimated at USD10 billion annually in 2013 and seeing annual growth of 7-10 per cent.

 **Malaysia**

Malaysia's Halal market was valued at USD1.9 billion in 2013. A crucial contributor to the country's economic growth, the Halal industry is projected to contribute up to 5.8 per cent of the nation's Gross Domestic Product (GDP) by 2020, up from 2 per cent in 2013.

 **Pakistan**

Pakistan's share of the global Halal food market in 2013 was a dismal 0.26% of the USD440 billion total. No doubt this is because Pakistan produces much of its food domestically, without a great deal of Halal food import and export. However, Pakistan has great potential to become a Halal food hub. This is due to its large Muslim population as well as its strategic geo-economic position, which gives it access to 40 million Muslim consumers across the Central Asian republics and Afghanistan.

 **Thailand**

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annually. The Thai government's continued efforts to strengthen the Halal industry resulted in the establishment of the Halal Standard Institute of Thailand in 2003 to ensure proper development and certification for national Halal food. These standards comply with Islamic law as well as international food quality standards.

Middle East

The Halal food industry in the Middle East was worth about USD20 billion in 2013. The Middle East imports 80 per cent of its food requirements, making it a major segment for global Halal food. Annual food imports are projected to double from USD25.8 billion in 2010 to reach USD53 billion in 2020 – with total Halal meat imports exceeding 1 million metric tons annually.

Europe ¹⁷

The burgeoning European Halal food market has made many Western countries take notice. Big grocery retailers in the United Kingdom like Sainsbury's, Morrisons and Tesco sell Halal food ranges at selected stores, spanning categories which range from baby food to Halal meat.

Challenges ahead

The global Halal food industry seems to present many business opportunities. What road blocks should investors keep in mind?

Global Halal standard¹⁸

The lack of a single unified global Halal standard is a dampener to industry growth. Each country has differing certification standards due to the presence of various Halal authorities. A global Halal standard and certification system would provide assurance to consumers, reduce the

¹⁷ The Western Halal Market, Global Islamic Finance Report, 2013

¹⁸ Ibid

need for multiple certifications, expedite product development and reduce the supply chain cycle time.

New Muslim consumers¹⁹

As at 2011, approximately 60 per cent of the global Muslim population was under 30 years of age. The median age in Muslim-majority countries is expected to reach 30 by 2030. This young generation will demand a diverse range of Halal consumer products and services to meet their lifestyle aspirations in accordance with their faith. The tastes of these customers can also be expected to evolve over time, pointing to the need for innovation.

Halal integrity from 'farm to table'²⁰

Maintaining integrity throughout the Halal supply chain has become a major concern for Muslim consumers, with fraudulent Halal certification and physical contamination of food products on the rise. Hence, supply chain integrity needs to be protected right from the point of animal slaughter and including the transportation, storage to the handling of Halal products.

Human capital²¹

There is a shortage of skilled workers in the Halal industry. Moreover, many industry players have considerable room to grow in respect of production efficiency as well as innovation.

What lies ahead?

As industry players race to grab a share of the USD700 billion global Halal food market, competition will rise. This will place a premium on efficiency,

¹⁹ The future of the Global Muslim Population, Pew Research Center, 27 January 2011

²⁰ Ibid

²¹ Ibid

quality and diversity in the years ahead. The Halal certification should be seen as just the beginning of the process of developing competitive advantage.

The Halal food market will also become more diverse, both geographically as well as in terms of purchasing power and hence consumer sophistication. For example, the sale of Halal food in the U.S. has been on the rise, seeing a 70 per cent increase since 1995. In Russia, 2011 saw the production of 65,000 tons of Halal meat. China is also emerging as a Halal market, with over 23 million Muslims living there.

Above all, the African continent is widely acknowledged to be the Halal product market of the future, due to a large and growing consumer base of African Muslims as well as brisk economic growth in the continent. For instance, Kenya has about 150 companies operating with Halal certification from the Kenya Bureau of Halal Certification²².

For Halal food exporters, there will continue to be more frontiers to explore.

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