



# 1<sup>st</sup> INTERNATIONAL HALAL CONFERENCE & EXHIBITION 2019

## Indonesia's Halal Commodity Supply for International Trade Market

<sup>1</sup>Dewi Mahrani Rangkuty

<sup>1</sup>Economics Department

<sup>1</sup>Universitas Pembangunan Panca Budi, Medan, Indonesia

Email - [dewimahrani@dosen.pancabudi.ac.id](mailto:dewimahrani@dosen.pancabudi.ac.id),

**ABSTRACT:** Indonesia as one of Moslem country in the world which had majority. Micro or middle industries in Indonesia produce halal products like food, beverage, fashion, tourism located until cosmetics as the complement. It means, the commodity had spread in domestic market where always there demand and supply market on the period. This activities could be contributing for regional income then for national because of price market condition. The price of every product determined by the domestic market because the products still as local. If the commodity has popular in domestic, next target as opportunities being the halal commodity can spread at international market. The basic purpose, kind of Indonesia's halal commodity supply had known by international community. It would be increasing the halal commodity supply for international market, and the prices changed. Indonesia has opportunities for export Indonesia's halal commodity at international market, at least for ASEAN community. This activities sure could be Indonesia popular in the world with the halal product because Indonesia's halal commodity still low contribute. The perfect supply of Indonesia's halal commodity could be as motivation for domestic government to increase the performance of export. Many kind of the Indonesia's export commodity as value added opportunities for domestic. Production increase then export for national income increased. For the end, these would be helping natural and human resources domestic for income per capita, the economic growth increase happen. The value for income per capita very important for government as domestic society welfare.

**KEYWORDS:** Halal, Commodity, Supply, International, Market

### INTRODUCTION

Halal products become a customer priority need, especially moslem customer. The issue of Certification and labeling of halal products had got attention in world wide trading system to provide protection for moslem customer as well as strategy to face the challenge of globalization. Indonesia has established many legal policies and rules long time ago to manage the distribution/circulation of halal products. Even these rules/regulation has been established before law Number 33 of 2014 on halal products guarantee (UUJPH). this article is written to review the regulation of halal needs before UUJPH and after UUJPH was made in it. This regulation is underlined the urgency of halal haram issues in production bussiness that bussinessman do until the customer consume it and it is one of the way that government protect the customer <sup>[1]</sup>.

The halal food products have become increasingly popular among non-moslems world wide, as the concept of halal is associated with what is good, healthy, safe and high quality assessment. As for that reason, Malaysia has expressed its aspiration to become a global hub for the production and distribution of halal goods and services years ago. Believing more business opportunities to be grasped, the government has recently announced the formation of the Halal Industry Development Corporation (HDC) and reaffirmed its determination to play a leading role in the halal industry. With a majority moslem population, Malaysia has a ready domestic market for halal food. Recognized as a modern moslem nation, Malaysia is well positioned to be an international halal food hub in the branding, processing and marketing of halal foods to moslem populations. Moreover, as early as 2004 Malaysia has worked out its own halal standard (MS 1500:2004), which meets both the requirements of the moslem community and international health and safety standards. Hence, Malaysia views its certification standard as strength over other competing countries and hopes it could be recognized as the benchmark for the global standard. To strengthen all the standards and procedures, the development of the halal industry has been written into the Ninth Malaysia Plan (2006-2010). One of the major objectives is to transform Malaysia into a production and distribution hub of halal products and to upgrade the necessary infrastructure to attract more traders and investors. Furthermore, with the growth of the moslem population worldwide which now stands at around 1.8 billion, the potential of halal food market is indeed immense. What's more, the concept of Halal is not just confined to food it self but also include cosmetics, pharmaceuticals, clothing, financial services and even tour packages <sup>[2]</sup>.

Consumer preferences of food can affect lifestyle and consumption patterns. Beliefs and attitudes of individuals and groups towards the environmental or ethical merits of production practices such as use of pesticides, generally modified foods, and child labor also have growing impact on consumption choices. Food in Islam is contained



# 1<sup>st</sup> INTERNATIONAL HALAL CONFERENCE & EXHIBITION 2019

with the concept of halal (permitted) and haram (prohibited). Halal criteria in the food production is exclude pork product, it must also exclude alcohol and its derivatives mixing in such as chemical additives and synthetics ingredients that are bad for human body. Beside that, the concept of halal food also applied in the source material, processing, packaging and shipping. In the other words, the qualification of halal food product starts from the source management to the consumer's dining table. The large numbers of moslems (1.57 billion) in the world creates a major opportunity in trading halal products in the global business market. Halal producers attempt to introduce their products as a symbol of quality and excellence. As a result, they can market their products not only to moslems, but also all over the world. Halal food is the most important section of halal products, not only because it is a part of Islamic law, but also because of its emphasis on cleanliness and health. The development of halal food processing technology makes food processing complex because producers must understand the religious and scientific basis of halal food requirement <sup>[3]</sup>.

LPPOM MUI had been established based on the mandate of the government/state that the Indonesian Council of Ulama (Majelis Ulama Indonesia, MUI) play an active role in relieving cases of lard 1988 in Indonesia. LPPOM MUI establish January 6<sup>th</sup>, 1989 by conducting a proper inspection/examination and halal certification<sup>[4]</sup>. To strengthen the position of LPPOM MUI in playing its function as halal certifier institution in Indonesia, then a Memorandum of Cooperation Agreement among Ministry of Religious Affairs, Ministry of Health and MUI had been signed in 1996. The Memorandum of agreement was followed, then, by issuing the Decree by the Minister of Religious Affairs (Keputusan Menteri Agama, KMA) 518 2001, and KMA 519 2001, which strengthened of the position of MUI as a Halal certification bodies to perform inspection/audit, determination of fatwa, and issuing halal certificates.

**Table 1. List of Halal Product by LPPOM MUI National**

Category		Category	
1.	Meat and Processed Meat Products	18.	Extract
2.	Fish and Processed Fish Products	19.	Spice, Seasoning and Condiments
3.	Milk and Processed Milk Products	20.	Flavour, Seasoning and Fragrance
4.	Egg and Processed Egg Products	21.	Sweetner
5.	Plants and Processed Plants Product	22.	Additional Materials
6.	Flour, Pati and Derived Products	23.	Protein and Amino Acids
7.	Bread and Cake	24.	Vitamins, Minerals and Other Nutritional Substances
8.	Rice and Side Dishes	25.	The Enzyme
9.	Noodles, Pasta and Its Processed Products	26.	Herbal Medicine
10.	Snacks	27.	Suplement and Substance of Suplement
11.	Bakery Ingredient	28.	Medicinal Drugs
12.	Chocolate, Sugar/Candied and Its Supporting Materials	29.	Cosmetics
13.	Ice, Ice Cream and Its Supporting Materials	30.	Slaughterhouse Animals
14.	Beverage and Substance of Beverage	31.	Others
15.	Jam and Jelly	32.	Restaurant
16.	Gel Forming	33.	Catering
17.	Oil, Fat and Its Processed Products	34.	Kitchen

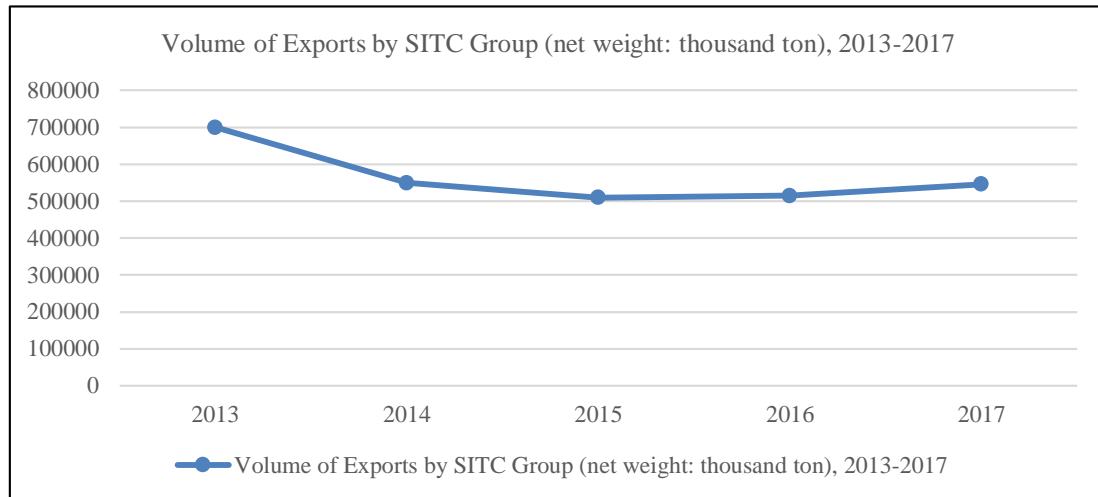
Source : LPPOM MUI Centre (Mar-Apr 2019)

Base on Table 1 above LPPOM MUI as independent organization has 34 categories for halal product standardization last update March until April 2019. Therefore, all product as domestic commodity must have halal certified update for increasing domestic supply. Halal certified was as trust for consume the product like food and beverage, medicinal drugs until cosmetics. That was could be superior product of Indonesia to supply domestic at international trade market. For halal certified every product, in Indonesia hope must discipline for halal certified update, every year or every two years. Because of halal certified, demand of product would be increasing. Halal product not only for moslem society.

Halal product certified can contribute for Indonesia's commodity supply at international trade market. LPPOM MUI as independent institution always supporting about halal certified update sustainability. MUI was very supporting for micro and or middle industry in domestic and also would be helping worldwide needs. It could be opportunity at international market for halal commodity for Indonesia export performance.

Indonesia as a country emerging market gave contribute 2.5% for world economy. Value of Indonesia's export has fluctuation on period but Indonesia always expanding at worldwide. Indonesia has halal commodity as

important component for save export performance. Halal commodity not only for moslem country consumption. Besides, Indonesia export performance could be increasing the supply of local halal product to Southeast Asia and Asia international market as the moslem majority countries, and also for non moslem country consumption. These activities gave contribute for national domestic so that existence improved for halal commodity.



Source : Statistic of Indonesia (2013-2017)

**Figure 1. Volume of Exports by SITC Group (net weight: thousand ton), 2013-2017**

Figure 1 above explain about Indonesia export performance start from 2013 until 2017 base on Standard International Trade Classification (SITC). Halal product and or commodity included on that volume of exports above. As we know, last update 5 years from 2013 until 2017 volume of exports Indonesia has positive trend but fluctuations. 700005 in 2013 then 549465.5 for 2014 then 509661.8 for 2015 then 514784.6 for 2016 and 545846.6 in 2017. Indonesia has potential of halal product besides main commodity all this time. Ministry of trade and industry as government organization, MUI and so LPPOM as non government organization always be support system for sustainability of aggregate supply at trade market by period.

For this article the author can details problem limit such as (1) standardization update Indonesia’s halal products and or commodity as details every year, (2) besides Non Governmental Organization (NGO), the Government still needed for monitoring the rules of law and or regulator for sustainability, (3) Indonesia’s halal commodity supply for international trade market.

## LITERATURE REVIEW

Majelis Ulama Indonesia also called MUI from 2015 until now Prof. Dr. KH. Ma’ruf Amin as leader. MUI is a independent organization and or Non Governmental Organization for handled Ulama, Zu’ama and Islam Scholars in Indonesia for about guide, nurture and trial of moslems around Indonesia. MUI established at 7 Rajab 1395 Hijriah and or 26 July 1975 in Jakarta, Indonesia.

Halal food means food permitted under the Islamic Law and should fulfil the following conditions. Does not consist of or contain anything which is considered to be unlawful according to Islamic Law. Has not been prepared, processed, transported or stored using any appliance or facility that was not free from anything unlawful according to Islamic Law and has not in the course of preparation, processing, transportation or storage been in direct contact with any food that fails to satisfy. Halal food can be prepared, processed or stored in different sections or lines within the same premises where non-halal foods are produced, provided that necessary measures are taken to prevent any contact between halal and non halal foods. Halal food can be prepared, processed, transported or stored using facilities which have been previously used for non halal foods provided that proper cleaning procedures, according to Islamic requirements, have been observed <sup>[5]</sup>.

Criteria for use of the term ‘Halal’ :

- 1) Lawful Food ; the term halal may be used for foods which are considered lawful. Under the Islamic Law, all sources of food are lawful except the following sources, including their products and derivatives which are considered unlawful : (a) Food of Animal Origin (Pigs and boars; dogs, snakes and monkeys; Carnivorous animals with claws and fangs such as lions, tigers, bears and other similar animals; Birds of prey with claws such as eagles, vultures and other similar birds; Pests such as rats, centipedes, scorpions and other similar animals; Animals forbidden to be killed in Islam i.e., ants, bees and woodpecker birds; Animals which are



# 1<sup>st</sup> INTERNATIONAL HALAL CONFERENCE & EXHIBITION 2019

considered repulsive generally like lice, flies, maggots and other similar animals; Animals that live both on land and in water such as frogs, crocodiles and other similar animals; Mules and domestic donkeys; All poisonous and hazardous aquatic animals; Any other animals not slaughtered according to Islamic Law: Blood) - (b) Food of Plant Origin (Intoxicating and hazardous plants except where the toxin or hazard can be eliminated during processing) - (c) Drink (Alcohol drinks; All forms of intoxicating and hazardous drinks) - (d) Food Additives (All food additives derived from items Food of Animal Origin, Food of Plant Origin and Drink).

- 2) Slaughtering ; all lawful land animals should be slaughtered in compliance with the rules laid down in the Codex Recommended Code of Hygienic Practice for Fresh Meat and the following requirements : the person should be a moslem who is mentally sound and knowledgeable of the Islamic slaughtering procedures, the animal to be slaughtered should be lawful according to Islamic law, the animal to be slaughtered should be alive or deemed to be alive at the time of slaughtering, the phrase 'Bismillah' (in the name of Allah) should be invoked immediately before the slaughter of each animal, the slaughtering device should be sharp and should not be lifted off the animal during the slaughter act, the slaughter act should sever the trachea, oesophagus and main arteries and veins of the neck region.
- 3) Preparation, processing, packaging, transportation and storage ; all food should be prepared, processed, packaged, transported and stored in such a manner that it complies with halal food and the Codex General Principles on Food Hygiene and other relevant Codex Standards.

Halal certificate is a document that guarantees that products and services aimed at the moslem population meet the requirements of Islamic law and therefore are suitable for consumption in both moslem majority countries and in Western countries where there are significant population group who practice Islam (France, Germany, United Kingdom, Spain). Halal certification is a process which ensures the features and quality of the products according to the rules established by the Islamic Council that allow the use of the mark Halal. It is mainly applied to meat products and other food products such as milk, canned food and additives. Specially, for meat products Halal certifies that the animals were slaughtered in a single cut, thoroughly bed, and their meat have not been in contact with animals slaughtered otherwise and especially, with pork. Products that are Halal certified are often marked with a Halal symbol, or simply the letter M (as the letter K is used to identify kosher products for Jewish population)<sup>[6]</sup>.

Advantages of halal certification:

- 1) Halal certificate can enhance the marketability of your products to over 50 million Halal consumers in Europe and over 1.6 billion worldwide.
- 2) If you are exporting or planning to export then our Halal Certificate will help you to meet the importing countries requirements.
- 3) If you products is used as an ingredient by your customer then it will help your customer obtain Halal certification and therefore maintain your customers and may also increase your sales.
- 4) Halal certified products can be advertised as Halal and can also display the registered trademark Halal logo on their packaging, hence making your products readily acceptable by Halal consumers.

Halal product is a local product with halal logo form Indonesia which certified. Certified processed by LPPOM and also MUI as role. This product as we know for Indonesia's halal commodity supply at market worldwide not only the country around Asia and or Southeast Asia. International trade market is a market for demand and supply activities in the world for increasing world economy with needs complete of halal commodity. Indonesia's export that focused on halal product be purpose this article. Because export tells about aggregate supply. Halal product be part of them, so selling for worldwide needs be important to export performance improvements. Then Indonesia be popular about the certain halal commodities.

## DISCUSSION

In the process and implementation of halal certification, LPPOM MUI cooperates with the National Agency of Drug and Food Control (Badan Pengawas Obat dan Makanan, Badan POM) Republic of Indonesia, Ministry of Religious Affairs, Ministry of Agriculture and Ministry of Cooperative and SMEs, Ministry of Commerce, Ministry of Industry, Ministry of Marine Affairs and Fishers, Ministry of Tourism and Creative Economy and a number of University/Colleges in Indonesia, among others, Bogor Agricultural University (IPB), University of Muhammadiyah Prof. Dr. Hamka, Djuanda University, the Islamic State University of Syarif Hidayatullah (UIN), Wahid Hasyim University Semarang, and Indonesian moslem University Makassar.

While a proper cooperation have also been established with the National Standardization Agency of Indonesia (Badan Standardisasi Nasional, BSN), Indonesian Chamber of Commerce Committee of the Middle East, GSI



Indonesia, and Research in Motion (Blackberry). Specially with Badan POM, halal certificate is a requirement in halal labeling on packaging for products circulating in Indonesia.

Now, in its 29 years age, LPPOM MUI become the First and Trusted Halal Certification Bodies in Indonesia and has been increasingly showing its existence as a credible halal certifier body, both national and international. In year 2017 and 2018 LPPOM MUI achieve SNI ISO/IEC 17025 : 2008 Certification for Halal Laboratory and SNI ISO/IEC 17065 : 2012, DPLS 21 Certification for Halal Certification Bodies from Indonesia National Accreditation Committee/Komite Akreditasi Nasional (KAN).

Halal certification system and halal assurance system designed and implemented by LPPOM MUI have also been recognized and even adopted by halal certifier bodies abroad, which are now have reached 45 institutions from 26 countries.

There are 1.8 billion moslems around the world, amounting to around 27 percent of the global population. moslems collectively support the halal product market, which is currently valued at more than US\$ 2.3 trillion according to the Emirates Authority for Standardization and Metrology (ESMA). Indonesia passed Law No. 33/2014 on halal product assurance in October 2014, which requires all products to be certified halal in 2019. This law also created the Halal Certification Agency (BPJPH) to oversee the process and provide ongoing certification for products. This means even non-halal products have to go through the exhaustive process. The law requires halal certificates and labels for three sectors-food and beverage, cosmetics and pharmaceuticals-and goes further than most in that it requires not just final products but also all equipment and raw materials used during the production process to be acceptable under sharia. Unfortunately, the halal law is considered burdensome for businesses because it is difficult to apply; the law may also potentially disrupt the investment climate in Indonesia, which would potentially work against the government's efforts of trying to achieve an investment-friendly environment at the global level.

For example, the obligation of halal certification on pharmaceutical products, under the law, means the BPJPH will have to supervise each stage of production of any product, distribution and how it served to consumers. The requirement for halal certification adds one more regulatory layer for pharmaceutical companies looking at the market. Products not only have to move through more traditional regulatory pathways, complete with various clinical trials, but also meet halal requirements that often ban the use of porcine products. Aside from rising high production costs, this will certainly make it difficult for the halal certificate institutions to verify. As a result, pharmaceutical industry would be vulnerable to sanctions and will affect the uncertainty of the pharmaceutical business that will ultimately disrupt the supply of drugs to the public. There is also ambiguity in articles 4 and 26 of the law. Article 4 can be interpreted that 'all products in Indonesia must be certified halal'. In the context of international trade law, 'must' means 'obligatory and necessary with the legal consequence'. This will result a restriction of non-halal products in Indonesia because importers who do not obtain halal certification cannot enter and trade in Indonesia. However, in Article 26, the law provides an opportunity for entry and distribution of non-halal products if they attach non-halal information on the products. This ambiguity will make importers confused and difficult to market their products in the territory of Indonesia and regarded as trade restriction.

The World Trade Organization (WTO) allows each country to apply halal standards to protect moslem consumers in accordance with GATT Article XX (general exception), that each WTO member country for the benefit of the consumer may apply its own technical regulation. However, the halal standard must be established and implemented in accordance with the Technical Barrier to Trade (TBT) Agreement, in order to gain international trade benefits. Hence, the writer believes that the Government should observe the provisions of the TBT Agreement in implementing halal standards in measuring the consistency of the Halal Act with WTO law. There are several measures need to be achieved.

*First*, the establishment of halal assurance standard should be efficient; the government should simplify the processes and procedures for obtaining halal certificates, whether those processes are related to additional tests or procedures in obtaining halal certificates. Simple processes and efficient procedures will cost the production much cheaper. Efficiency can also be a fairly short time limit in obtaining a halal certificate. One-stop shopping is required for the process and procedures for obtaining halal certification. *Second*, the BPJPH should be able to cooperate with halal certification bodies in some exporting countries in order to recognize halal certification of the countries concerned. This will reduce discriminatory treatment between imported products and domestic products that have halal certificate. *Third*, trade restriction should be eliminated; this can be done by providing additional rules or explanatory in the application of articles 4 and 26 of the law. The rules should also describe procedures relating to 'non-halal products', so it is interpreted vary and non-halal products can enter the territory of Indonesia. *Fourth*, Indonesia should uphold the International Standards; government should adhere to halal standards regulated in Codex Alimentarius as part of Indonesia's commitment to the TBT Committee in the WTO. This would also reduce trade restrictions for foreign importers who market their products in the territory of Indonesia.



# 1<sup>st</sup> INTERNATIONAL HALAL CONFERENCE & EXHIBITION 2019

In conclusion, logically, this halal law can support Indonesia in international trade since many countries have opened the opportunity for the entry of halal certified products. Take for instance Malaysia. According to the Deputy Prime Minister Datuk Seri Dr. Ahmad Zahid Hamid, the halal industry contributed approximately 7.5 percent to Malaysia's gross domestic product (GDP) and created a total of 28,000 jobs. The industry shared an annual export value of RM43 billion (\$11 billion) and attracted investments worth RM 13.3 billion in 2017. Thus, Indonesia shall facilitate the trade by consistent and conducive halal assurance. The regulations itself need to align with other collective standards from Organization of Islamic Countries (OIC) and moslem majority countries worldwide. It is possible that Indonesia can champion the global halal standard by leading the harmonization of the standard that would be applicable for business to navigate, and support simple, transparent and straightforward procedures. With this in mind, the domestic business and investment environment will be highly developed, and the nation to increase Indonesia's share to global trade and commitments to WTO would be tangible<sup>[7]</sup>.

What should Indonesia do about export performance improvements? The halal product as commodity need discipline (monitoring and evaluation) implementation by period for update halal and or logo certified. This could be help the consumer as trust and satisfied of our halal certain product. Like for many kind of food, beverage, other processed product, recipe, and so cosmetics. This step would be effective for increasing Indonesia's halal commodity existence in world trade market.

## CONCLUSION & SUGGESTION

Halal is an Arabic word meaning lawful or permitted. In reference to food, it is the dietary standard, as prescribed in the Qur'an (the Muslim scripture). The opposite of halal is haram, which means unlawful or prohibited. Halal and haram are universal terms that apply to all facets of life. These terms are commonly used in relation to food products, meat products, cosmetics, personal care products, pharmaceuticals, food ingredients, and food contact materials<sup>[8]</sup>.

Indonesia has potential to existence with the halal commodity for world needs cause Indonesia had been contributing for world economy. Now Indonesia still have to organization could be monitoring and evaluation as role for discipline halal certified update. This was about trust and satisfied for consumer when consume our halal product from supply domestic at trade market. Not only for moslem country but also for non moslem country as our consumer.

Indonesia's Government would be UU and or rules of law 33/2014 about Jaminan Produk Halal (JPH) as effective in 2019 because still have to socialization for about five years. We really need implementation of Halal Certified for whole specific commodity for demand of Moslem country worldwide. It could be increasing value of exports Indonesia from year on year for high economic growth percentage.

## REFERENCES

- [1] Charity, May Lim, (2017): Jaminan Produk Halal di Indonesia. *Jurnal Legislasi Indonesia*, 14(1), 99-107.
- [2] Abdullah, A., Zubairi, S.I. and Ghani, M.A. (2007), Halal Food: Scenario and Current Status in Malaysia, Proc. 10<sup>th</sup> ASEAN Food Conference, KLCC Malaysia, (1-12).
- [3] Aditami, Sofi, (2016): The Analysis of Halal Product Purchase Intention Using Theory of Planned Behavior (TPB): An Application on Bakery Product Consumption. *Management Double Degree Program Economics and Business Faculty*, (1-15).
- [4] [http://www.halalmui.org/mui14/index.php/main/go\\_to\\_section/130/1512/page/2](http://www.halalmui.org/mui14/index.php/main/go_to_section/130/1512/page/2)
- [5] <http://www.fao.org/3/Y2770E/y2770e08.htm>
- [6] <https://www.globalnegotiator.com/international-trade/dictionary/halal-certificate/>
- [7] <https://halalfocus.net/halal-industry-can-help-indonesia-in-international-trade/>
- [8] <https://www.szutest.com/halal-certification/>