Standards in the halal foods industry

WHERE DO STANDARDISATION EFFORTS STAND TODAY?

While there is much debate within Islamic finance over whether more standards are needed and to what extent, there is widespread agreement that the halal foods industry needs much clearer and stronger standards. If developed through a global consultative process, clear standards – backed by a strong system of accreditation and certification bodies – would help the halal foods industry in several ways, without sacrificing much in the way of innovation:

– **Reduce confusion and the cost and time required for new companies to enter the halal foods market:** Currently, in many countries, determining which certification body to go to and which ones are credible can be confusing. Additionally, the costs of acquiring certification (and ongoing auditing) and the time required to do so can deter entrepreneurs.

– **Reduce costs to suppliers selling to multiple countries:** Suppliers, such as multinational corporations like Nestle, spend time and money ensuring that their products meet a range of national halal requirements. A global standard would enhance significantly efficiencies in selling to a range of markets.

– **Enhance consumer confidence:** Currently, consumers – especially outside of Muslim-majority countries – are easily confused over whether foods are truly halal and find it difficult to know who to trust. This is especially true when buying halal products online. Providing a higher level of confidence for Muslim and non-Muslim consumers interested in halal products is essential to the industry's future growth.

– **Ensure supply chain integrity:** Previous cases in which there were failures in supply chain integrity – such as allowing pork DNA into halal products – damage the industry's credibility. Better standards and auditing processes would help to improve this critical area of the industry.

CASE STUDY

Cadbury controversy

In 2014, initial reports from Malaysia's Ministry of Health that pig DNA was found in Cadbury chocolates sparked a multinational uproar that was damaging to Cadbury and the global halal industry. In the end, Malaysia's halal authority – the Department of Islamic Development Malaysia (JAKIM) – concluded that, after conducting its own testing, Cadbury chocolates were in fact halal. The incident demonstrated the critical importance of ensuring supply chain integrity, the potential problems caused when different authorities are competing or fail to communicate, and the role that respected halal foods authorities can play in preventing and responding to concerns.

HOW HAVE COUNTRIES ESTABLISHED CERTIFICATION BODIES?

In most cases, halal foods are regulated and certified by country-specific or local bodies. Nearly every country with a Muslim population – including those with minority Muslim populations – has at least one certification body, and often there are several (Australia, for example, has gone from 11 to more than 20, according to varied reports). Estimates of the number of certification bodies around the world range from 75 to 300.

In some countries, such as Malaysia and the UAE, governments play a strong role in establishing and supporting bodies to create and enforce standards. In other places, religious institutions play a major role, such as the Grand Mosque of Paris, which works with Carrefour.

In other countries, the private sector itself has set up a range of certification boards and relevant organisations; for example, in the United States, the non-profit Islamic Food and Nutrition Council of America (IFANCA) is the country's most important organisation for certifying halal products, though it is not the only certification body in the country. Nestle – a major and early leader in halal foods products – created its own internal standards and auditing processes, as well as working with regional bodies. Australia, which is a major exporter of meat products to Muslim countries, requires that certification boards are approved by the government.

There are some benefits to multiple certification boards in a single country: the competition might help keep fees lower and certification faster in ways that help meet private sector needs. However, multiple boards also create confusion, and as some tend to be lower quality than others, the situation undermines confidence in halal certification.

In some cases, since they compete with each other, different certification boards openly criticise others, which creates confusion for consumers and for businesses seeking certification. Centralised, government-funded certification councils such as the Indonesian Ulema Council (MUI) and JAKIM in Malaysia are probably the most robust in terms of enforceability and scope.

For countries with multiple certification boards, developing a respected body responsible for accrediting the certification bodies would help to build confidence.

CASE STUDY

Japan seeks to attract Muslim tourists

The government of Japan and several local authorities have actively developed halal food lines in an effort to attract Muslim tourists. The Osaka Chamber of Commerce distributed 5,000 leaflets to raise awareness of foods that can and cannot be consumed according to halal principles, while various private companies, such as All Nippon Airways, have started offering Sharia-compliant options.

However, standards and regulations for halal certification remain nascent. The Japan Halal Association, established in 2010, is an associate member of the World Halal Council and is one of only two recognised certification bodies in the country. Despite its very recent entry on the halal foods scene, providing halal foods remains crucial to Japan's tourism strategy, which aims to attract 20 million foreign visitors before hosting the Olympic Games in 2020. Central to this goal is the effort to boost tourism from Muslim-majority countries in the region.

Country-specific or local halal foods standards may provide comfort to local populations and facilitate business within the country, but they create major challenges for cross-border trade, which is where the majority of halal foods growth potential lies. Furthermore, many halal food products are supplied and produced outside of Muslim-majority countries; future global standards would need to consider the impact on producers in non-Muslim-majority countries such as the United States, Brazil, European countries and Australia.

Global authorities

On the global level, there is no single, accepted body that issues standards or accreditation to certification bodies in the halal food industry. This leaves the halal industry with a wide range of certification boards but without clear authorities to provide accreditation to them.

The situation also creates conflicts of interest, as certification boards are often left to regulate themselves, and there is much room for such boards to essentially 'sell' certification for a price as a business rather than playing a more objective role in certifying and auditing halal processes.

However, there are important institutions leading debate and research in this area, as well as working to establish global standards and to create a global accreditation structure. The International Halal Integrity Alliance (established in 2007) and the annual World Halal Forum (which began annual meetings in 2006) collectively provide the most developed international standardisation effort. Another key global organisation is the Standards and Metrology Institute for Islamic Countries (SMIIC), which is based in Turkey and plays a key role in leading OIC efforts to develop standards for halal food products.

There are also several bodies that started as specific to a particular country that could play a global role. The Emirates Authority for Standardisation and Metrology (ESMA), which was established in 2001 to develop and ensure quality of halal products and ascertain whether a product ought to be certified as halal – whether produced locally or imported – is now playing a leading role in OIC efforts to develop OIC-wide standards for halal cosmetics and foods. Given Dubai's focus on becoming a major centre for the Islamic economy, ESMA could play a growing global role in halal standardisation. Malaysia has also long been a leader in halal standards domestically, and given its weight within the global Islamic economy, it will also be important to a successful establishment of global standards and bodies.

Moving forward, many in the halal foods industry want to develop globally accepted standards and to develop a global body and related regional bodies responsible for providing accreditation to certification boards. Enforceability of standards is also a key issue for practitioners and scholars working in the halal foods industry – and is of greater importance than for most Islamic finance practitioners.

HOW TO DEVELOP STANDARDS AND AUTHORITIES IN THE HALAL FOODS INDUSTRY?

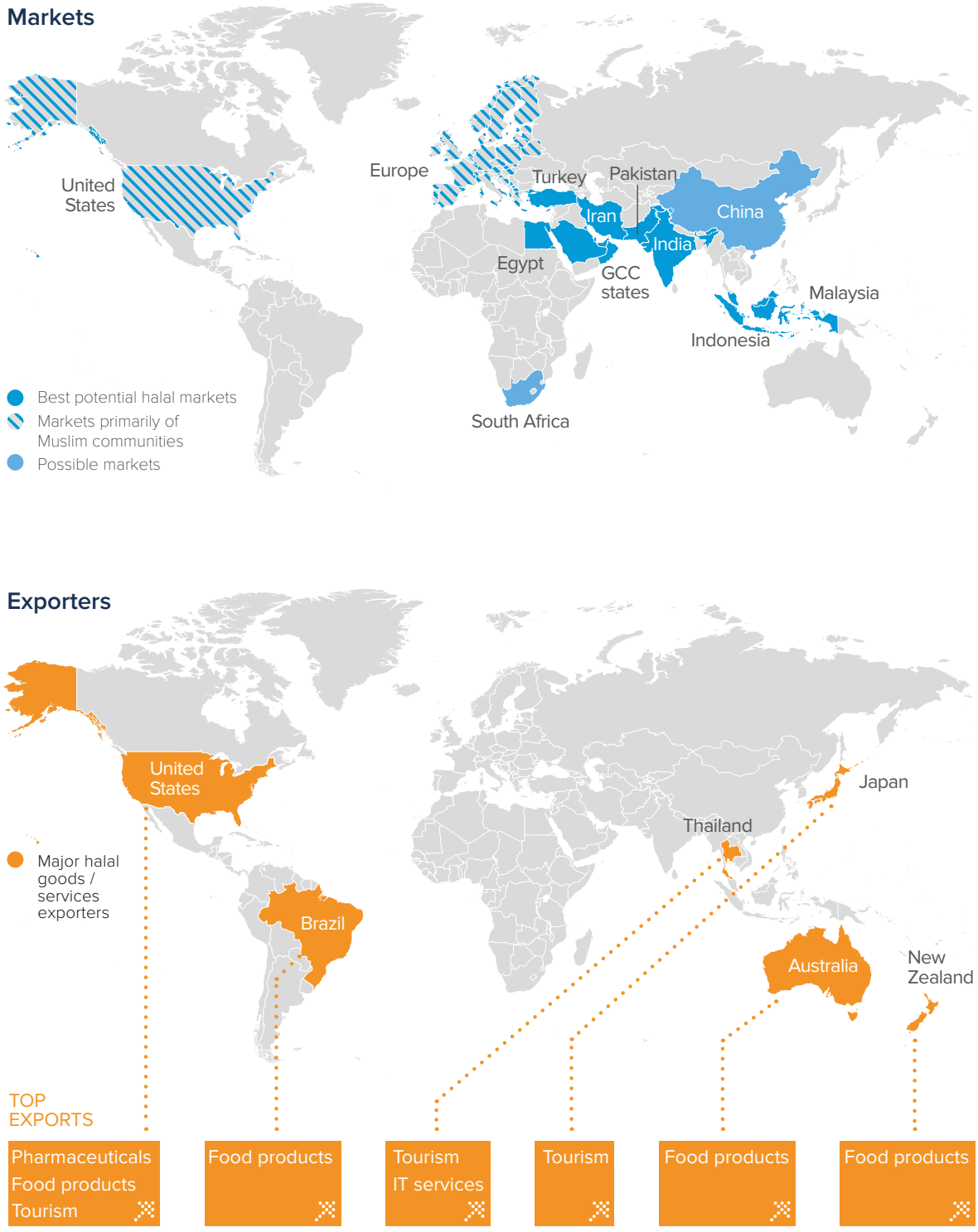
There is broad agreement that the halal foods industry would benefit from greater harmonisation of standards and a more credible accreditation system. However, there is still vibrant debate over how to do this.

A centralised global system or a more diffuse, regional one?

Should there be a single global body responsible for setting standards to which everyone agrees, with responsibility to enforce standards by revoking certification to companies that fail to abide by standards (or by revoking accreditation to certification boards that do not uphold the body's standards)?

Some argue that such a global body would greatly simplify halal foods processes. It would create an easy-to-understand system for consumers, which would build trust and interest in halal foods products. It would facilitate cross-border trade; there would be no concern about whether products imported from the United States or approved in Malaysia or anywhere else would be acceptable to consumers in Saudi Arabia, for example, because everyone accredited and certified under the global system would have agreed to the same standards. It could also simplify the process that companies go through to gain certification; it would erase confusion over which certification boards are credible, for example, as all would be accredited by bodies that are approved by a single global body.

Major halal markets, exporters and potential growth areas



Source: Expert interviews, Thomson Reuters

However, some would object to the centralisation of halal standards in one global body. One concern is that it would privilege certain interpretations of Sharia in a way that would be divisive rather than unifying, and not every country may opt in. There are also some concerns – though less so than in Islamic finance – that centralising the accreditation and standards process might hinder innovation in the industry. Some experts and practitioners would prefer smaller but still valuable steps, such as creating an information warehouse for halal foods companies and creating regional accreditation bodies that allow for a greater diversity of practices while still providing more control than the current system. Some would also prefer the development of general principles that companies and certification boards could voluntarily accept to help create a more flexible but still more organised system, though others argue that this would lack the necessary 'teeth' of enforcement.

CREATING A SINGLE, GLOBAL HALAL BRAND AND LOGO

Some practitioners and policymakers would like to eventually develop a global halal brand with an approved logo managed by a global body. Advantages might include a more informed, unified marketing strategy that could help to break into new markets, including non-Muslim ones. It would also make choices easier for consumers, who could always know when something is approved as 'halal' by respected authorities.

However, others argue that this is impractical and undesirable. Some experts believe that halal products should look to achieve more than just being 'not haram'. In other words, some propose a spectrum in which halal foods, at a minimum, would be 'not haram' and could go up to higher levels, such as also including health and broader ethical concerns. Some experts also worry that working to achieve a single accepted brand and logo would be a divisive process, given the variance in cultures and in interpretations of Sharia.

ANALOGY

The International Organization for Standardization (ISO)

The ISO is an international standard setting body that is composed of representatives from national standards organisations around the world. It is tasked with promoting commercial standards that are then recognised by all member states. It a consensus-based organisation that establishes standards based on market demand, with input from a multiplicity of stakeholders.

The ISO has developed several standards relating to food preparation and safety, including ISO 9001 (quality management of food products) and ISO 22000 (risk management systems for food processing). A halal-oriented counterparty could adapt these standards to ensure halal compliance along the supply chain, using the same consensus-based, multi-stakeholder approach, replete with a certification regime that publishes guidelines for member states to adopt.

IDEAS GOING FORWARD

There are many expert bodies developing proposed standards, which is not the purpose of this report. Rather, based on expert interviews and research, some guiding principles for efforts to increase harmonisation in the halal foods industry include:

– **Liaise with experts in Islamic finance** and draw on lessons from how that sector has been working on and debating greater harmonisation of standards. Some leaders in the halal industry are already doing this.

– **Consider the need for creating a central, virtual warehouse of data** to enhance understanding of the practical landscape of the halal foods industry before trying to complete proposed standards. Such a warehouse – which should provide information to industry companies, Sharia scholars, regulators and consumers – should include information on certification boards in every country, suppliers and buyers in every country, import regulations and so forth. This could greatly help to inform discussion of standards and to ensure that those involved in developing standards fully understand the potential impact on the industry. It would also provide much value to companies, especially SMEs, involved in or wanting to enter the halal foods space. Malaysia's halal repository is a good example of a nascent effort.

– **Identify key points of contact** in every country that plays a significant role in providing or consuming halal foods. Points of contact should include the relevant authorities – governmental or non-governmental – who have formal or informal responsibility for ensuring the application of halal standards and the integrity and safety of halal products. This information would be extremely useful to efforts to facilitate cross-border dialogue on standards and accreditation and would also be a useful addition to the above-mentioned information warehouse.

– **Ensure that Sharia experts from around the world are involved** in any discussion to create global standards and accreditation bodies. The halal foods industry is very global, with major thought leaders from Malaysia to the Gulf to Turkey to Europe and North America, and with companies and consumers around the world. Any successful effort to develop global standards and processes must address the diversity in practices and interpretations and must include voices from all regions with major roles in the industry. While the OIC might be the best forum for starting this process, it will eventually also need to include voices from outside the OIC, given the locations of key supply chains.

– **Aim high but take smaller steps too.** While the goal of a global body and global standards has value – arguably, as noted above – the pursuit of lofty goals should not exclude smaller steps that can add a lot of value and learning experiences. For example, the UAE is working to create mutual recognition agreements to facilitate intra-OIC halal trade.

HOW CAN IMPROVEMENTS IN STANDARDS SUPPORT THE WIDER ISLAMIC ECONOMY?

Achieving the right balance in creating globally accepted standards and developing a more global (or at least regional) accreditation system – and including a greater level of enforceability – would significantly contribute to the development of the global halal foods industry by creating greater consumer confidence and simplifying the processes of credible certification and reliable auditing for companies.

As halal foods is a key pillar of the Islamic economy, improved standards and accreditation processes would be a boon to the wider Islamic economy as well. In addition, some specific benefits might include:

– **Developing standards and review processes** for halal foods is complementary to developing standards and processes for other halal sectors, such as pharmaceuticals and cosmetics.

– **Developing greater confidence in the halal industry** could help attract Islamic finance investment and facilitate greater linkages between these two industries.

– **Clearer, trustworthy certifications** – and even possibly a future global halal 'logo' – might help to attract interest from non-Muslim consumers and investors, which could boost the overall attractiveness of the Islamic economy in the eyes of a broader population base.

– **Improved clarity** in the halal foods sector would also benefit the hospitality sector of the Islamic economy, as providing halal food options for tourists and business travellers is a key part of providing Muslim-friendly lodging, entertainment and conference facilities.

– **Better safety in emerging markets,** where government mechanisms to ensure food and product safety are often insufficient or untrusted, could contribute to improved public health and well-being. It would also allow local firms to demonstrate trustworthiness and compliance with internationally accepted best practices.

Overall, harmonising the halal foods certification process would help to create a more common language that could facilitate interactions with other sectors of the Islamic economy.