

Solutions for Gradual Development of Halal Logistics in Indonesia

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Abstract

Indonesia has a low awareness of halal logistics and halal products, although it has the biggest Muslim population, in other countries, many non-muslims are also the consumer of halal products because of the high quality of the products. As reported by IDN Times (27 November 2017), "Brazil, India, Argentina, Russia, and France are the five big countries that represent 28.5 percent of the export market for halal food and beverages. Indonesia is one of the five biggest importers that imported halal certified products worth Rp. 193 trillion in 2015 or 7.4 percent of total consumer spending with Rp 2,616 trillion in the same year." Therefore, the halal logistic business in Indonesia should be a promising business. This study was conducted using a qualitative approach because it is aimed to clearly and deeply describe the activities.. In accordance with UU No.33 of 2014 concerning Guarantees of Halal Products, Sucahyo as General Manager of Halal Logistics & Cold Storage of PT. Multi Terminal Indonesia said "the derivative of the regulation does not exist so halal logistics runs very slow. Even companies that provide this are very limited." We need the government's support to solve the problem like forming a halal logistics community, especially for further socialization to the potential logistics businessmen, and to people who have low awareness of quality and benefits of consuming halal products. We should make halal products a lifestyle for Indonesian people

Keywords: halal logistics; awareness; socialization; halal logistic community; halal products lifestyle.

Introduction

Indonesia is one of the countries with the most population in the world which is in the 4th position with a total population of up to 262 Million people (Indonesian Central Statistics Agency, 2018). 85% of the

total population in Indonesia is Muslim, and therefore Indonesia is named as number one Muslim country in the world. Consequently, there must be a guarantee that a product must have halal certificate to be consumed by Muslims. Halal comes from Arabic which means halal or permitted. The opposite of halal is haram, which means it is illegal or prohibited. Halal and Haram are universal terms that can be applied to all aspects of life. Halal product not solely defined from the process of making of the product, in Islamic law, halal product must include; the substance, the obtainability, and all the activities of the delivery. ..

In this study, the writers use halal terms in relation to food and meat products, various cosmetics, personal care products, food ingredients, and food contact materials, which include part of Halal Logistics. Halal logistics is the process of managing material flow and information flow throughout the supply chain in accordance with halal standards. Material flow includes transportation, storage, containers and terminal operations. Information flow includes data management in the supply chain, such as product information, requested data, and halal logistic codes. Halal includes the aspects of butchery, storage, display, preparation, sanitation and hygiene. This includes food and non-food product categories. In trade globalization, advances in science and technology, and ongoing initiatives to simplify the manufacturing process, it is crucial that the concept of halal must be fully understood by logistics service providers and the end-user society. Unfortunately, many Indonesian Muslims are not aware of the existence of Halal Logistics. Product circulation in Indonesia is actually Halal within the product manufacturing, but the logistics activity is still unclear whether it is halal or not. Halal logistics is the process of managing the procurement, movement, storage, and handling of material, livestock, and intermediate goods inventory both food and non-food along with related information and

documentation flow through company organizations and supply chains that adhere to the principles general principles of sharia (Malaysia Institute of Transport). Tieman, Van der Vorst, & Ghazali (2012) explained the principles of halal logistics in which halal products are separated from non-halal products to avoid contamination, mistakes, and guarantee consistency with sharia and Muslim customers' expectations. Recently, there are not many logistic companies in Indonesia, which provide special services for halal logistics. This fact is inversely proportional to the needs and obligation of Muslim society in which they must use and consume products which are 100% halal starting from the process of making of the products until they come to the consumer.

Literature Review

1. The Concept of Halal Industry

Halal refers to Islamic principle that is part of Shariah and is mentioned in The Holy Quran. Shariah is the code of conduct or the way of life to be followed and applied by all muslims in every activities include eating. Halal is defined as permitted, permissible and lawful. The opposite of Halal is Haram (non-Halal) which means forbidden and unlawful, in the context of Islamic law. Halal is normally associated with food products but it is more than just concerning about food. Halal should also for cosmetics products, pharmaceuticals products, services such as banking and finance and tourism. Every Muslim must adhere to the Islamic principles, so that every product and services must not use non-Halal ingredients (carrion, blood, flesh of the swine, etc.), manipulate the environment and labor, and are not harmful or intended to harmful use. (Mohamed Syazwan Ab & Mohd Remie Mohd, 2012). The "Halal" understanding can be interpreted according

to the current needs, which are: (1) Universal foods means necessary for all humanity, not just for Moslems. Especially on the emphasis of the concept of health (Hygiene), Cleanliness (Cleanliness), Security (Safety) and Integrity, (2) Where this concept corresponds to Moslems' view of the meaning of "Halalan Toyyiban", (3) Animal cutting measures for Shari'a-compliant foodstuffs, (4) Selection of safe, clean and Shari'a food sources, (5) Commitment and declaration on the size of weight & measures to avoid contamination, (6) Good handling and storage according to the applicable law. (Handayani & Hidayat, 2017). Nevertheless, recently Muslims realize that the halal concept is not only confined to food as it also includes the process of distribution, handling, packaging, and storage. The concept of halal and Toyyiban as 'wholesome' as stipulated in Islam covers nutrition, quality, cleanliness, and safety for everyone and it is aimed for all not only the Muslim society and it can be practiced in food production. For instance, the halal authentication of food products must cover the source of raw materials to the consumers. Accordingly, any activities related to the supply chain such as handling, storage, and distribution must be sharia compliant in which Halalan Toyyiban concept can be applied. Halal products cannot be mixed with haram products and must be separated. This process creates the halal supply chain to be broadly and significantly accepted and acquired by the consumers and that will increase the demand for halal logistics among the halal food industry players. (Jaafar, Omar, Osman, & Faisol, 2013)

2. Concept of Halal Logistics

Halal logistics has been defined as the process of managing the procurement, movement, storage and handling of materials, parts, livestock, semi-finished or finished inventory both food and non-food, and related information and documentation flows through the organization and the

supply chain in compliance with the general principles of sharia (Tieman, 2013). Moreover, the following topics should be addressed in halal logistics; they are definitions, requirements process, procedures, tracking & tracing, cleansing (as corrective measure), packaging and labeling, organization, and certification. Halal logistics is a new phenomenon that is happening in the logistics industry and society, where Sharia is being applied to logistical disciplines. This development is very similar to Islamic banking, where the banking system is developed in accordance with Sharia principles. The main goal of logistics is integrated management of physical goods flow and information flow to optimal costs that meet customer requirements. The majority of the population in Indonesia is Muslim; therefore, Indonesia must immediately develop halal logistics. Since Muslim consumers must consume halal products, so that not only the production of halal products which is important but also the logistics. The basic requirement in halal logistics is the separation of halal and non-halal product items, to prevent cross-contamination and errors. In addition, it is to ensure that operations run consistently with the expectations of consumers and the stakeholders. Halal logistics refers to the application of the *halalantoyyiban* principles along with the supply chain activities, which means that all the activities ranging from the source of supply, storage, transportation, manufacturing, handling, and the distribution should follow the concept of *halalantoyyiban* as underlined by Islamic law. This means that the halal products should not be mixed with the non-halal products throughout the logistics activity to ensure that the halal status of a product could be maintained. (Jaafar et al., 2013)

3. Potential Business of Halal Logistics

According to Sindo Weekly Magazine, the size of the halal logistics market is US \$ 2.3 trillion with the largest distribution in Southeast Asia, the Middle East and Africa. This value is around IDR 30,000 trillion or 3 times of Indonesia's GDP (Martono, 2017). Halal logistics is a significant part of sending food and goods for Muslim people and for non-Muslim. It is to confirm that the goods can be delivered to consignee at the right condition, the right time, place and to reach customers' high satisfaction without having anxiety feeling towards halal status (Azhar, 2017). Therefore, halal logistics companies carry a very important role for the process. Unfortunately, halal logistics is still relatively less available in Indonesian. There are only a few countries that currently provide services for halal logistics, because these services are quite new in the community and logistics companies in the world. This will be the focus for many discussions. Companies in Indonesia is the first that apply halal logistic. Therefore, the writer collected the data by interviewing one of the Halal Logistics Company in Indonesia. Indonesia as the country with the most Muslim population in the world must see this as a potential business opportunity. Indonesia must be a halal hub country, which is now the main target of one of the neighboring countries, namely Malaysia. The big potential of the market value and access makes Malaysia highly prepare to become a Hub in Southeast Asia for halal logistics. Malaysia has cleverly pioneering the development of halal logistics and traceability. Malaysia is aggressively promoting itself as a world halal hub. Malaysia for example is developing an International Halal Park acting as a Global Halal Hub to facilitate imports, manufacturing and exports from a Halal economic zone. These zones not only provide Halal logistics facilities, but also comply with the environmental standards and provide a sustainable production in a Halal cluster supported by education, research, trading and financial

services. On the other side, Thailand is keen to project itself as the hub of the halal industry in terms of services like hospitals, restaurants and tourism. With the growth of the Muslim population in the world around 1.86% per year, the market value of halal logistics is very tempting (Asrofi, 2011). America and Europe have opened the cooperation for halal logistics on their countries. In fact, the Rotterdam Port in the Netherlands has provided a special door for the service and delivery of halal products to various countries in Europe. Moreover in France, the Port of Marseilles is developing a halal regional distribution center in collaboration with Malaysia. Bambang Brodjonegoro as Minister of Indonesian National Development Planning said the halal economy is a new economic flow that is potential to drive global economic growth. It can be seen from three aspects. The first is the increasing growth of the world's Muslim population, which is estimated to reach 27.5% of the total world population in 2030. The second is the increase of economic growth in Muslim countries, and the third aspect is the emergence of a potential halal market for two countries, which have the most population in the world such as China and India. Indonesia has the opportunity to become the biggest halal product market in the world as well as being a halal product producer. This is because Indonesia is in a strategic position for halal superhighway links in the Global Halal Supply Chain (Akhir, 2018). Now, it is time for Indonesia to wake up and aware of the existence of a potential business called halal logistics.

Method

The approach of this research is qualitative which is aimed to describe in depth on how to improve the awareness of the existence of Halal Logistics in Indonesia.

Data collection is conducted through a structured, semi-structured and in depth interview, and focused group discussion. The data analysis techniques used in this study is an approach developed by Miles and Huberman that includes (after data collection) data reduction, data separation from unfocused and excessively detailed, and the others so that the data will reveal patterns or themes. Next is to display data (data display) that serves to help the understanding of advanced analysis of an information or event. The last process is the conclusion of the researchers based on the pattern and theme. Withdrawal conclusion is done continuously, that is while doing at the time of data reduction and data display done. (Miles, Huberman, & Saldana, 2014)

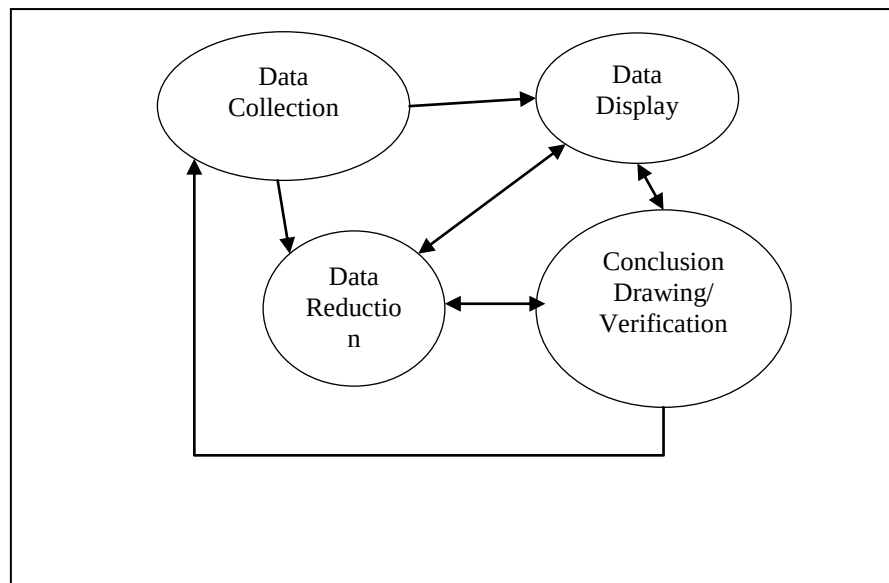


Figure 3.1.

Data Processing Technique

Source: Miles, Huberman, & Saldana (2014)

A site visit has been carried out at PT. Multi Terminal Indonesia Halal Logistics & Cold Storage (MTI).

Data sources in this paper are informants who have the capability and competence so that the information provided is credible and in accordance with the needs of this research (purposive) because the main goal is to find out how to improve the awareness of the existence of Halal Logistics in Indonesia.

The informants in this study are:

1. Mr. Sucahyo as General Manager of PT. Multi Terminal Indonesia Halal Logistics & Cold Storage (MTI)
2. Mr. Hasanuddin Yasni as Chairman of Indonesia Cold Chain Association (ICC)
3. Mr. Parwoto as Financial Manager & Human Resource Department Halal Hub Port Jakarta of PT. Multi Terminal Indonesia Halal Logistics & Cold Storage (MTI)

Discussion and result

Halal logistics is still new in Indonesia, but it is not in other countries. With the largest Muslim population in the world, Indonesia has become a large consumer of halal products, unfortunately, the halal logistics sector is still undeveloped.

Halal logistic in Indonesia still much improvements. The small number of halal logistics businessmen and the low level of understanding of the people about halal logistic products have caused a low market. They are the reasons why halal logistics in Indonesia runs slowly.

The results of the study are:

1. A low number of logistics businessmen

The low market for halal products makes logistic businessmen in Indonesia anxious to take risks to provide halal logistic services. The lack of derivatives in UU No.33 of 2014 concerning Guarantees of Halal Products is one of the reasons.

2. The high price of halal logistics products

It refers to point 1, which is the high price of halal products is caused by a little number of halal logistics companies. To produce a hundred percent of halal products needs special services, and this makes halal logistics products premium

3. Special services

Halal logistic products require special services so that the halal of the product is assured. Particular services on halal products start from the selection of raw materials that must correspond with the halal law, and the prevention of contamination from non-halal products in the process of storing and shipping to customers hand.

4. People mindset

Halal Logistics is not well developed in Indonesia. Because the mindset of the Indonesian people is the lower the cost is better. Moreover, the price of halal products is expensive. Halal products have the same concept as organic products. As we know that organic products are expensive, and do not have a high market in Indonesia because Indonesian people are more concerned with low prices than quality and healthiness. Unlike the Malaysian, even though the price is expensive, as long as halal, they will purchase. It has become a lifestyle for Malaysian people. This conviction must be changed, that consuming halal products can also be a lifestyle for Indonesian people.

Conclusion

Indonesian people are very critical for halal products, especially because the majority are Muslims. However, the community does not fully understand what is meant by-products from halal logistics. Nowadays, people feel sufficient with the halal label stated on a product. Meanwhile, they should fully understand about halal logistic products that is processed in halal shari'a from the beginning to the end, and that the process creates higher quality product.

Based on the results above, the conclusions are:

1. Government should support the solution for this problem. Extensive socialization to business people about the benefits and great opportunities for this halal logistic business could be the support, considering that Indonesia has the most Muslim population. For Indonesian people as the target market, they must be given understanding of halal logistic products and the advantages of consuming these products.
2. Logistics businessmen must have courage to take steps to provide halal logistics services. If there are a lot of logistics businessmen that provide this service, the price of halal products will decrease.
3. People have to use halal products more often so that the demand for halal products will increase and logistics businessmen can provide these services without fear of loss.
4. It is necessary to establish a halal logistic community in Indonesia as a place to exchange ideas for logistics businessmen halal logistics campaigners in order to support the development of this business in the future.

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