



Halal Industry
Development Corporation

Presentation to:
IDB Conference

Business Opportunities in Halal Industry

10.05.12

A photograph showing two people in business suits shaking hands. The background is blurred, showing other people at a table in a meeting room.

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- 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

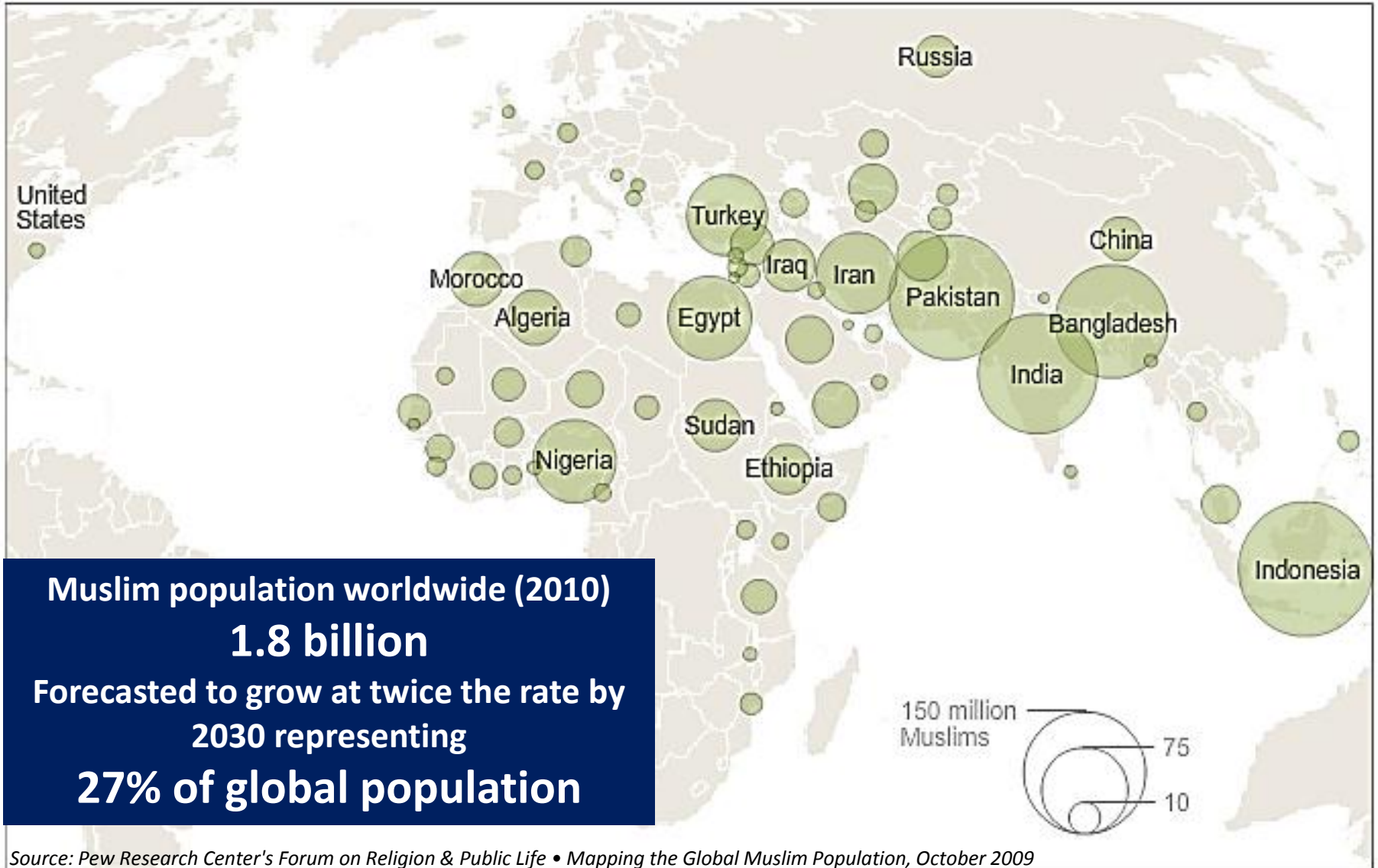


1. Sizeable and growing Muslim population

2. Growing economic development in Muslim countries

3. Emergence of potential Halal markets (China & India)

Sizeable and Growing Muslim Population





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



- 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' 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

	Country	1990	2009	Rank
		(with data from 1988-92)	(with data from 2002-07)	
1	Sierra Leone	33.1	33.8	"Extremely Alarming"
2	Chad	37.7	31.3	
3	Niger	36.5	28.8	"Alarming"
4	Yemen,	30.7	27	
5	Comoros	22.7	26.9	
6	Mozambique	35.9	25.3	
7	Bangladesh	35.9	24.7	
8	Guinea-Bissau	21.6	23.1	
9	Togo	27.8	23.1	
10	Djibouti	32.6	22.9	
11	Pakistan	24.7	21	
12	Burkina Faso	21.8	20.4	
13	Sudan*	26.3	19.6	"Serious"
14	Mali	24.2	19.5	
15	Gambia,	18.3	18.9	
16	Tajikistan	-	18.5	
17	Nigeria	24.4	18.4	
18	Guinea	22.6	18.2	
19	Cameroon	22	17.9	
20	Senegal	20.8	17.3	
21	Benin	23.9	17.2	
22	Mauritania	22.1	15	
23	Indonesia	19.7	14.8	
24	Uganda	18.7	14.8	
25	Côte d'Ivoire	16	14.5	

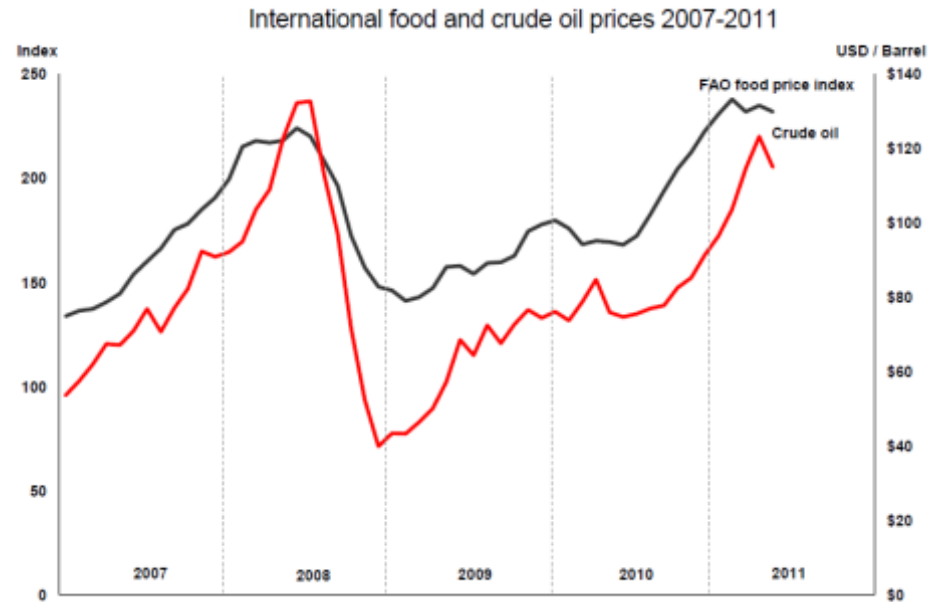
(Source: Global Hunger Index 2009)

Increasing Food Prices and Oil Impact the Supplies

“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.”

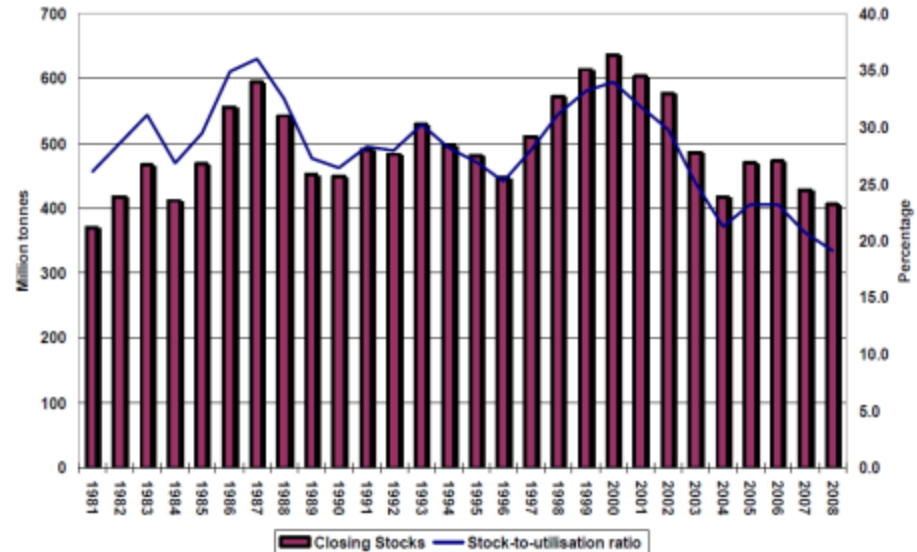
“Showing an opposite trend, food stocks has reduced and the stock-utilisation ratio has increased”

(Source: Economic and Social Commission for Asia and the Pacific)



Industry Corporation

: Global cereal stocks and stock-to-utilisation ratio



Food Commodities Trade Statistics

Food Commodity

Producers

Exporters

Importers



Rice

- China (29.2%)
 - India (21.0%)
 - **Indonesia (8.5%)**
 - **Bangladesh (6.8%)**
 - Vietnam (5.6%)
- OIC:World = 19.1%**

- Thailand (30.8%)
 - Vietnam (16.7%)
 - India (13.1%)
 - USA (10.2%)
 - **Pakistan (9.2%)**
- OIC:World = 11.8%**

- Philippines (6.6%)
 - **Nigeria (6.2%)**
 - EU (3.9%)
 - **Bangladesh (3.6%)**
 - **Iran (3.6%)**
- OIC:World = 31.1%**



Sugar

- Brazil (23.7%)
 - India (11.2%)
 - EU (11.0%)
 - China (8.2%)
 - Thailand (4.7%)
- OIC:World = 7.7%**

- Brazil (47.4%)
 - Thailand (9.6%)
 - Australia (6.8%)
 - EU (3.8%)
 - Guatemala (3.0%)
- OIC:World = 1.7%**

- India (11.3%)
 - EU (6.7%)
 - USA (4.5%)
 - Russia (4.3%)
 - **Indonesia (4.1%)**
- OIC:World = 12.2%**



Poultry

- USA (20.0%)
 - China (18%)
 - EU (12.5%)
 - Brazil (12.0%)
 - India (2.7%)
- OIC:World = 6.5%**

- Brazil (33.7%)
 - USA (33.4%)
 - China (9.2%)
 - EU (8.8%)
 - Thailand (5.7%)
- OIC:World = 1.5%**

- China (16.4%)
 - Hong Kong (9.4%)
 - Japan (8.8%)
 - EU (7.3%)
 - Mexico (6.3%)
- OIC:World = 11.5%**

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%

Poverty

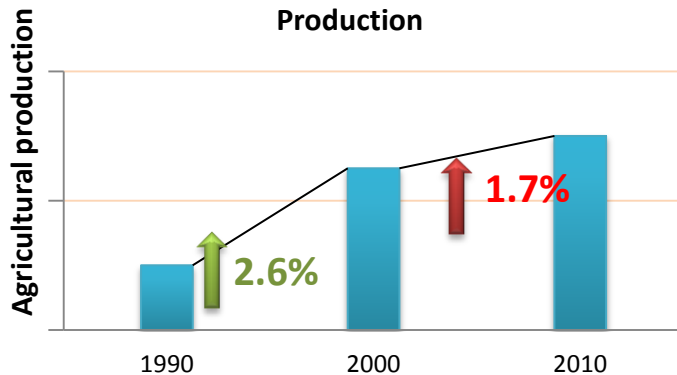
Global food price
continue to rise



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

Food Price

Percentage growth in Agricultural
Production



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

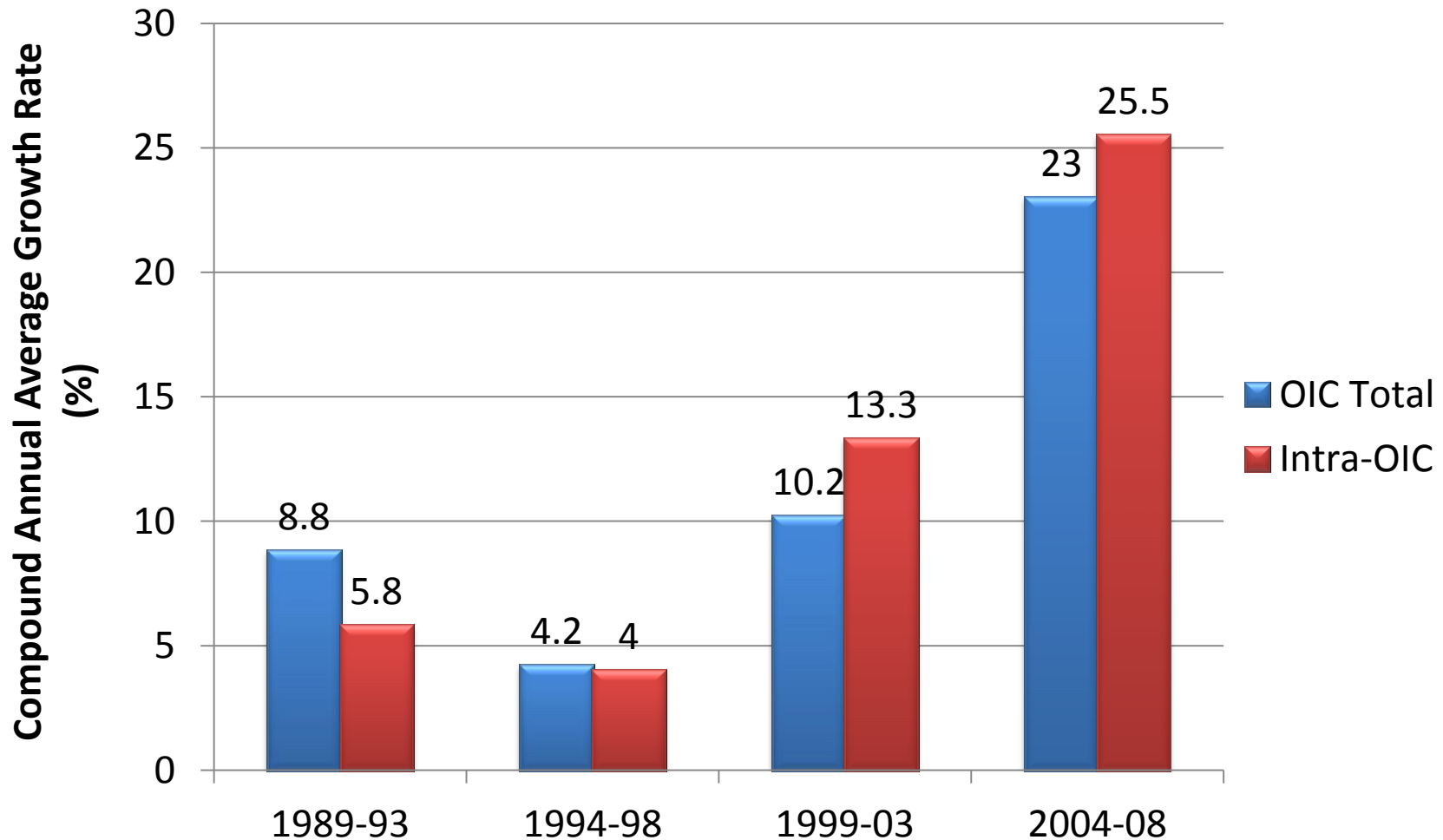


Why OIC?



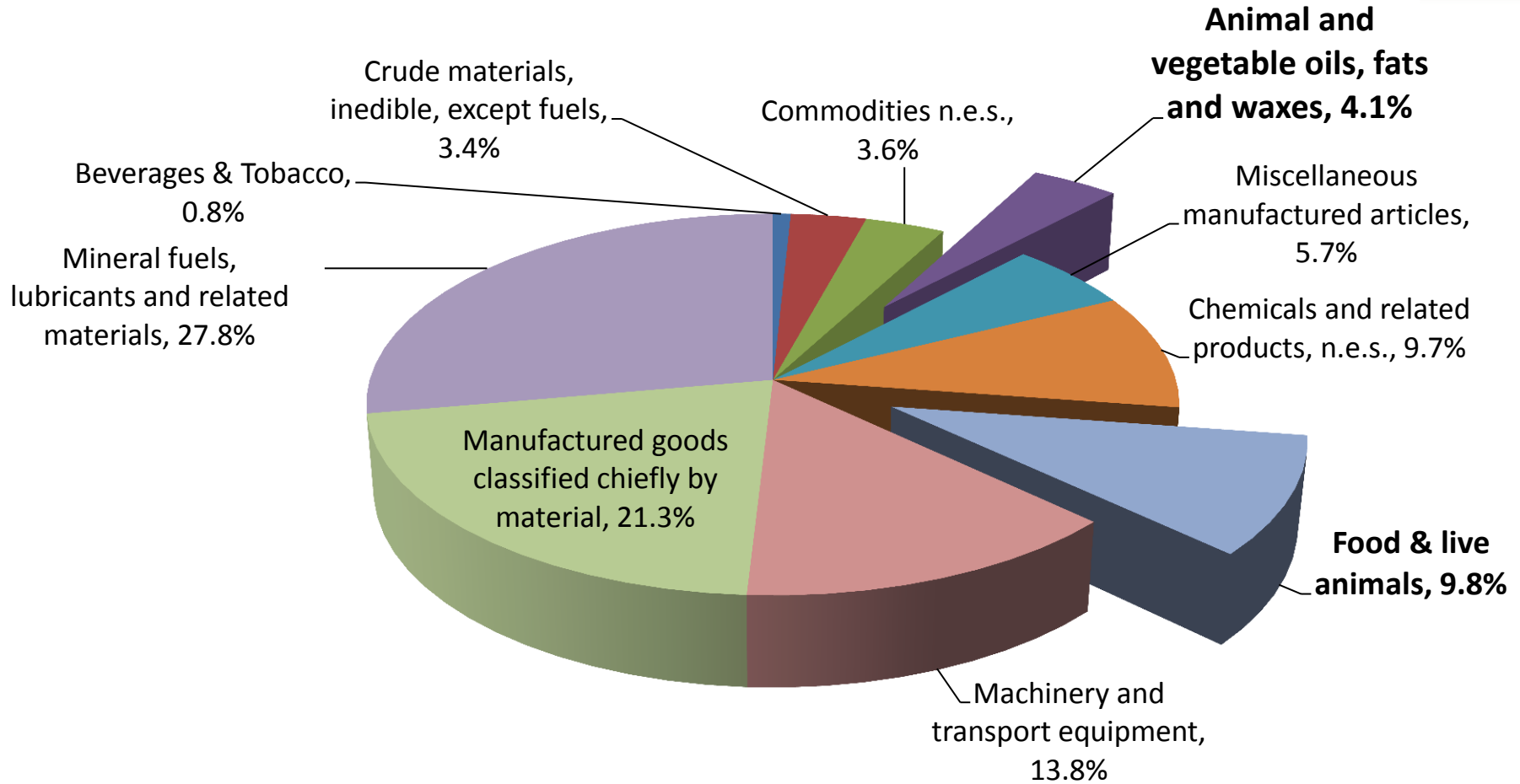
Steadily Growing Trend in Intra-OIC Trade

Growth in Intra-OIC Trade (at current USD)



Intra-OIC Trade for Food & Ingredient is Less Than 15%

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



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.

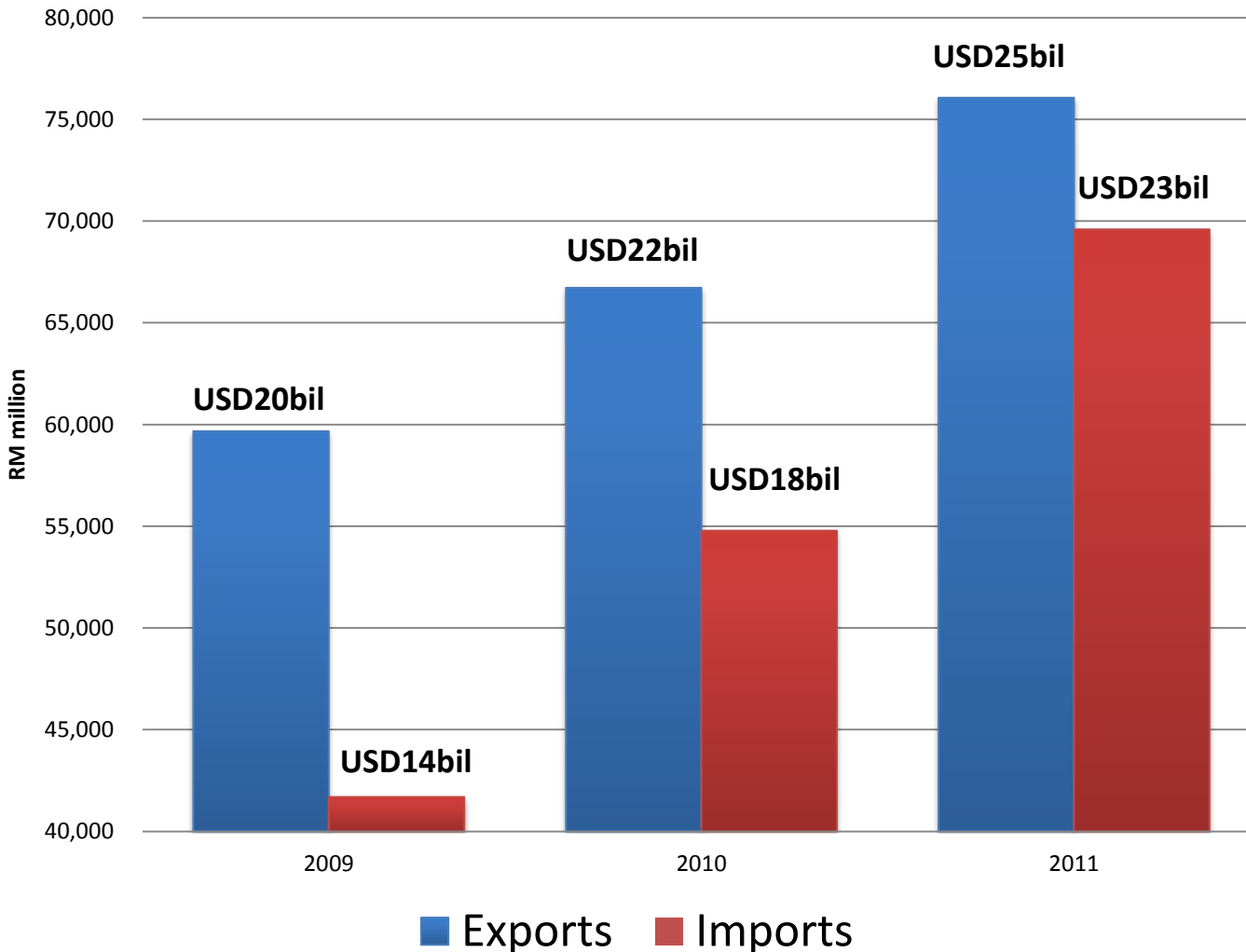


Halal Industry in Malaysia



Growing Trend of Malaysia's Export in Halal Products

Malaysia's trade with OIC

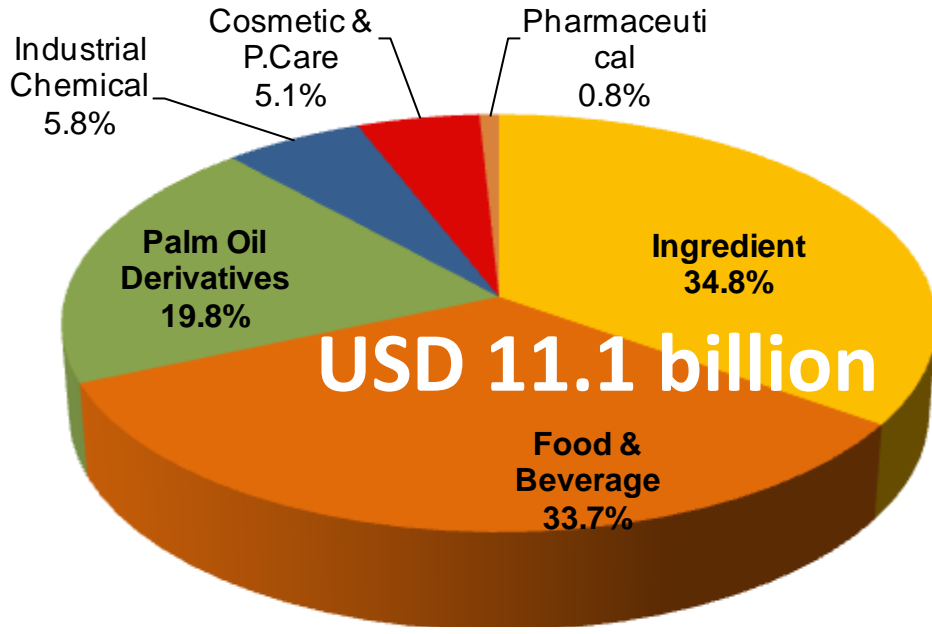


6% of Malaysia's exports to OIC ~ **USD1.3 billion** are Halal products in 2010

9% of Malaysia's exports to OIC ~ **USD7.3 billion** are Halal products in 2011

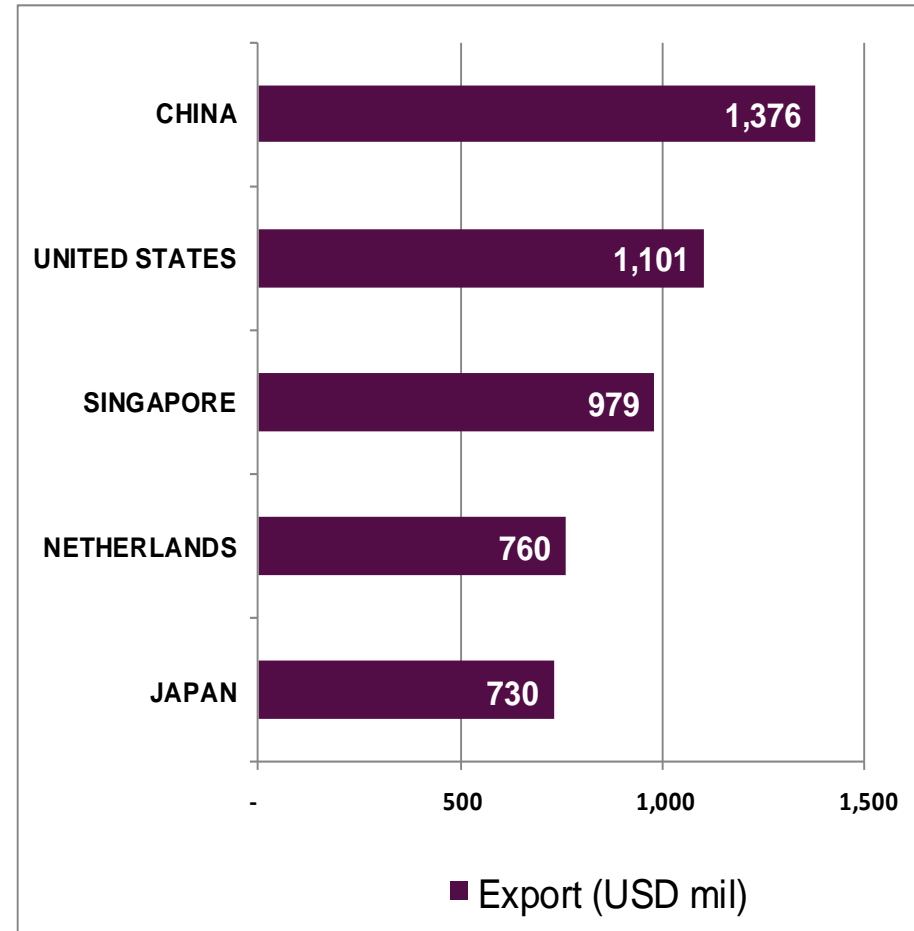
Over 70% of Malaysian exports F&B and ingredients

Products and export destinations: -



Export Value 2011

■ 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



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

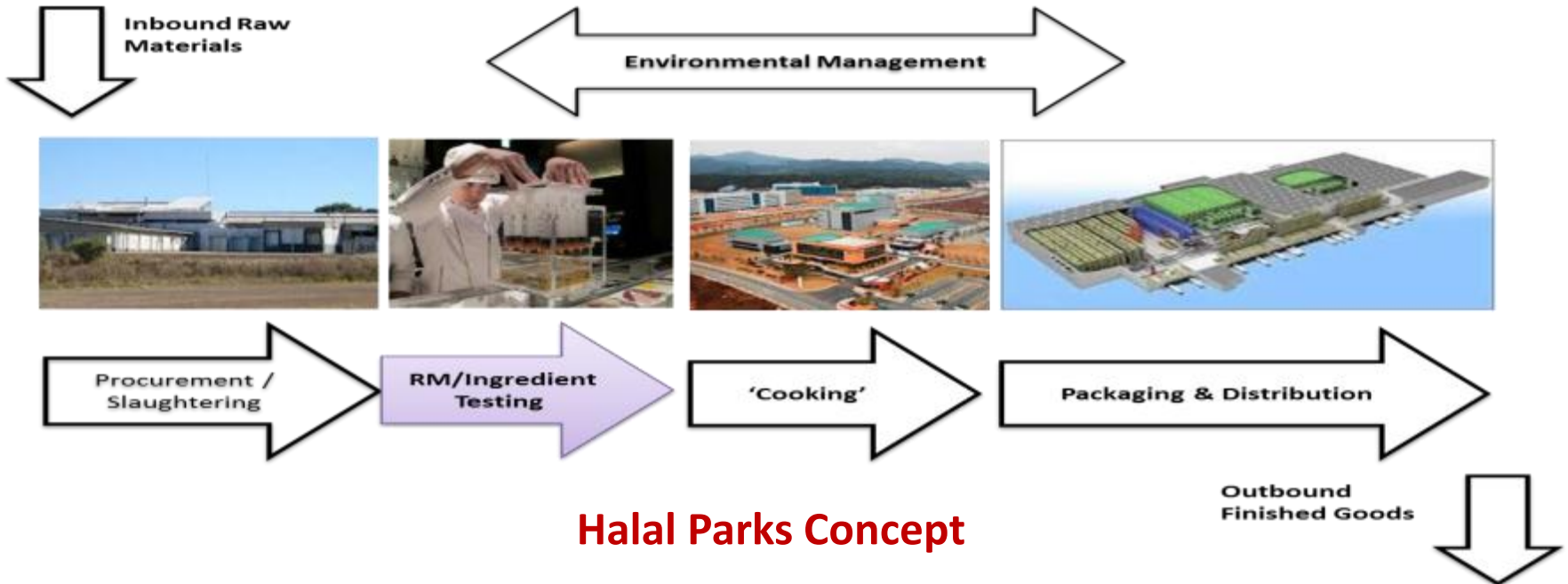


**USD2 billion
Investment**

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



Halal Industry Development Corporation





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



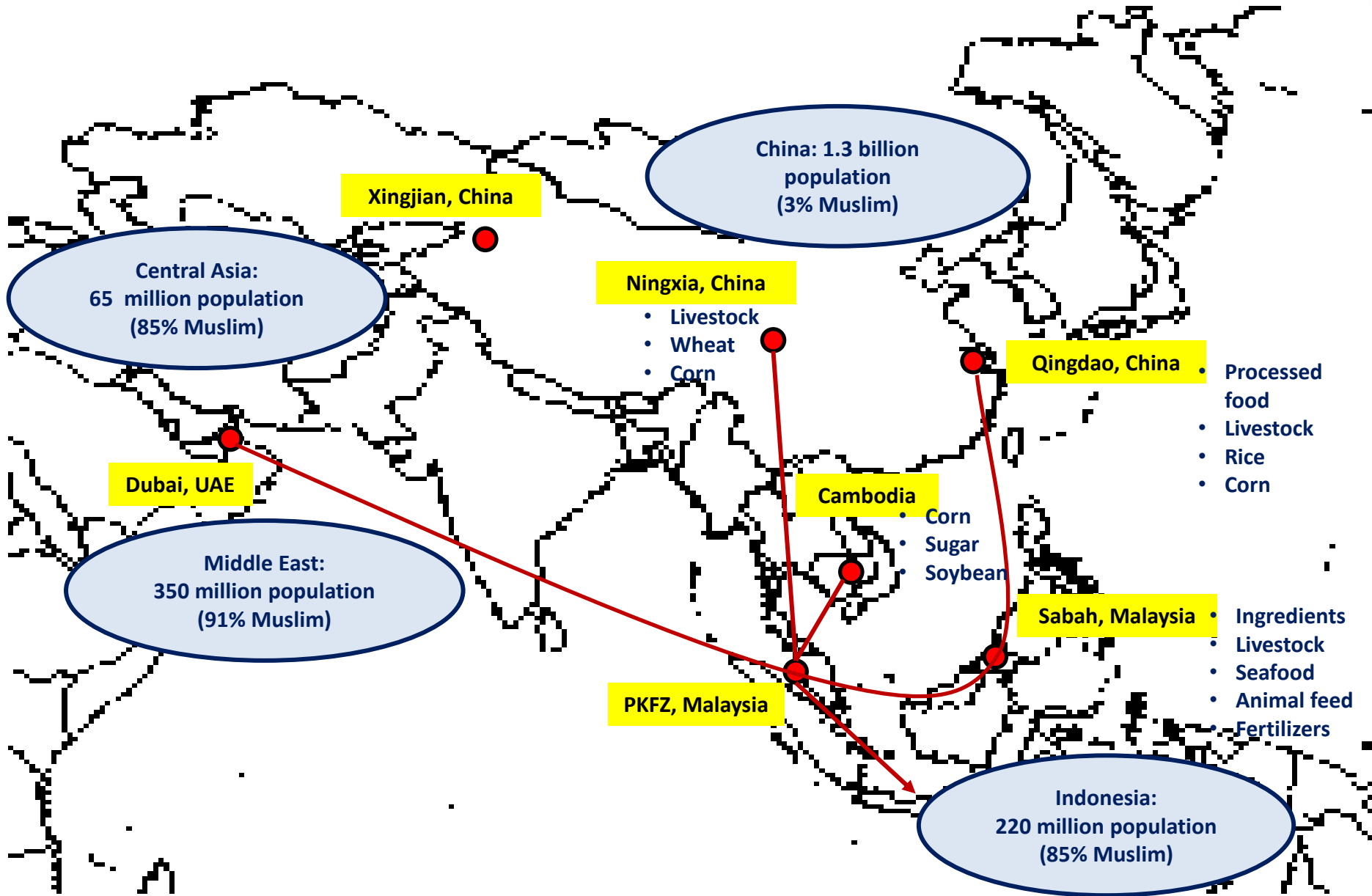
Incentive for Halal Logistic Operators

- 100% tax exemption for 5 years
- Exemption on import duty for cold room equipment

Major Investors



Halal Superhighway Link with the Global Supply Chain



Innovation in Halal Ingredients

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



The Innovations

Status

Challenges



- Halal shortenings for bakery products

Technology transferred to a producer in Yemen

Lack of capital to expand



- Halal animal fat replacer for meat products

Technology ready for commercialization

Cost of technology



- Halal fillings for confectionaries

Technology ready for commercialization

Domination by the MNCs



- Skin products – high vitamin E
- DHSAs for cosmetic products
- Surfactant for detergents

Technology ready for commercialization

Wrong perception by consumers on palm oil



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

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KORPORASI PEMBANGUNAN
INDUSTRI HALAL

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**



PureCircle: Investment in Stevia farm & facility

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للبحرین



Stevia

- Part of the sunflower family
- Originally America – Today, all over the world, incl. China
- Used to produce sweetener / sugar substitute
- Healthier alternative

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

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



PureCircle
Everything stevia

broad portfolio of
natural, no-calorie
stevia solutions

Explore our latest breakthrough ingredient, **PureCircle Alpha**, perfect for deeper calorie reduction.

PureCircle: Investment Proposition

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Cultivating Stevia directly in Malaysia would ease the logistics and bring direct benefits to the local supply chain

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

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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)

Climate Change Capital
Carbon Fund II
(London)

60%

40%

Inno Integrasi

Inno-Works™



** 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

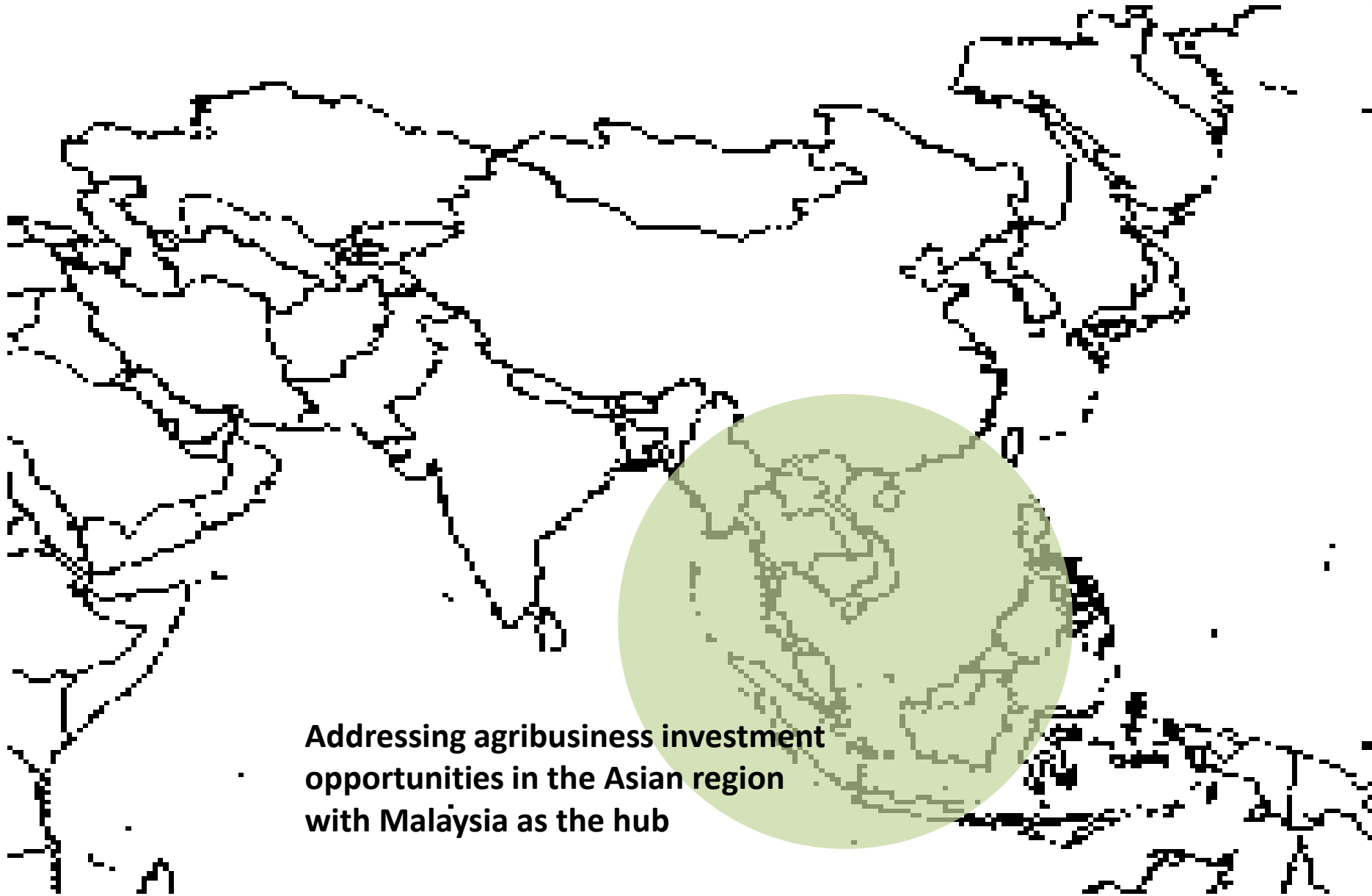
- The use of bio-fertilisers and purely chemical will result in lower fertilisation costs
- The cost savings would be approximately USD130/ha/ year
- This cost advantage may expand further as the cost of chemical fertilisers has risen by 80% in the last 2 years

- 30% increase in agricultural yields



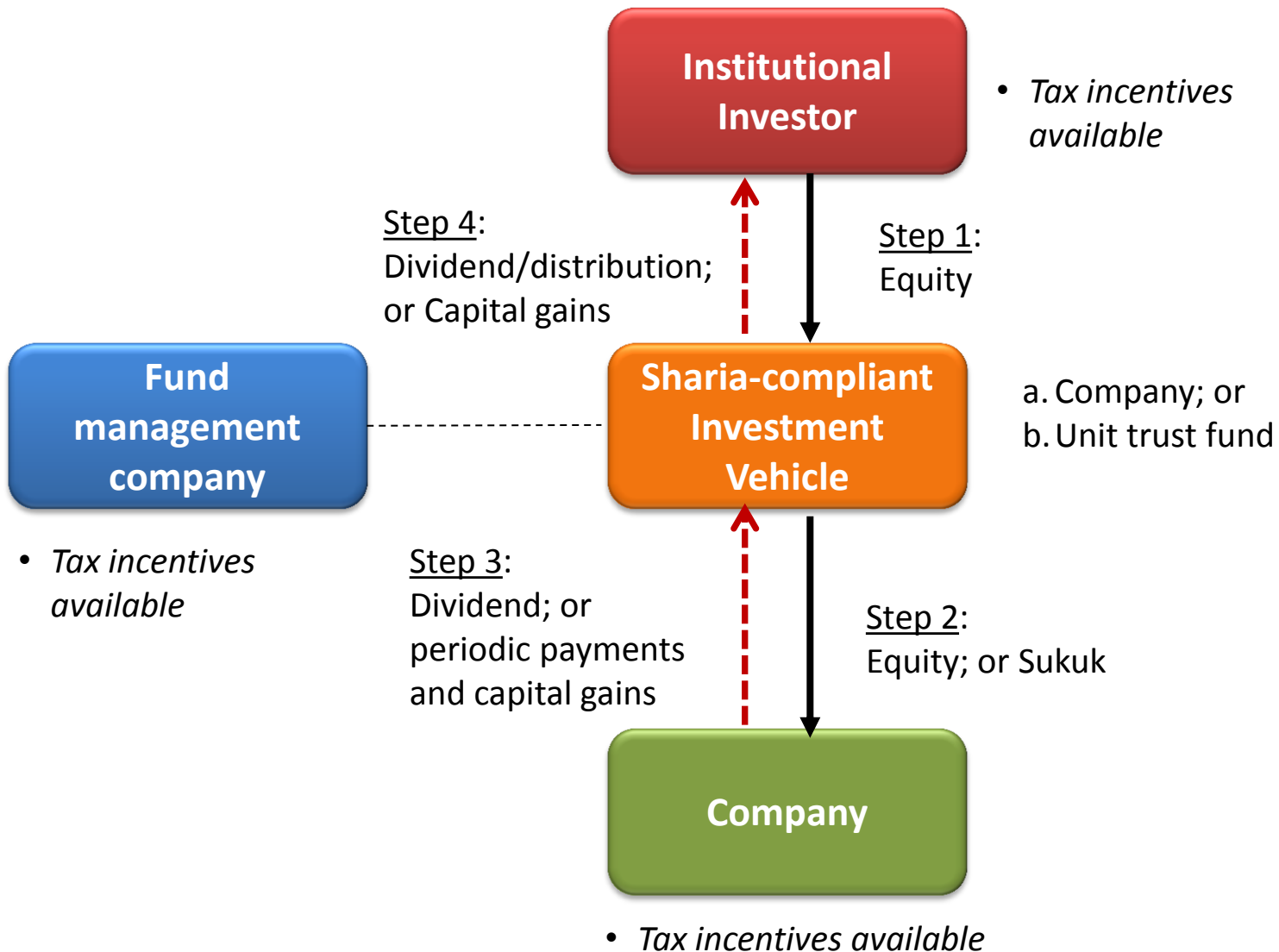
An Asian-based Agribusiness Fund

HDC™



Addressing agribusiness investment opportunities in the Asian region with Malaysia as the hub

Institutional Investors Can Participate in the Fund



- 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

	2004	2011
No. of Islamic-based FMC	36	40
No. Islamic based funds	71	167
% NAV of Islamic-based funds/ total market capitalisation (Bursa Malaysia)	12.1%	19.85%

NAVIS



ASIASONS | 亞昇投資集團

Some considerations in structuring a fund

Greenfield or
brownfield
investments?

Direct, or fund of
funds?

Minimum
contribution by
investors?

Sectoral/
Geographical
allocation?

Lifespan/tenure?

Target investment
size / “sweet-
spot”?

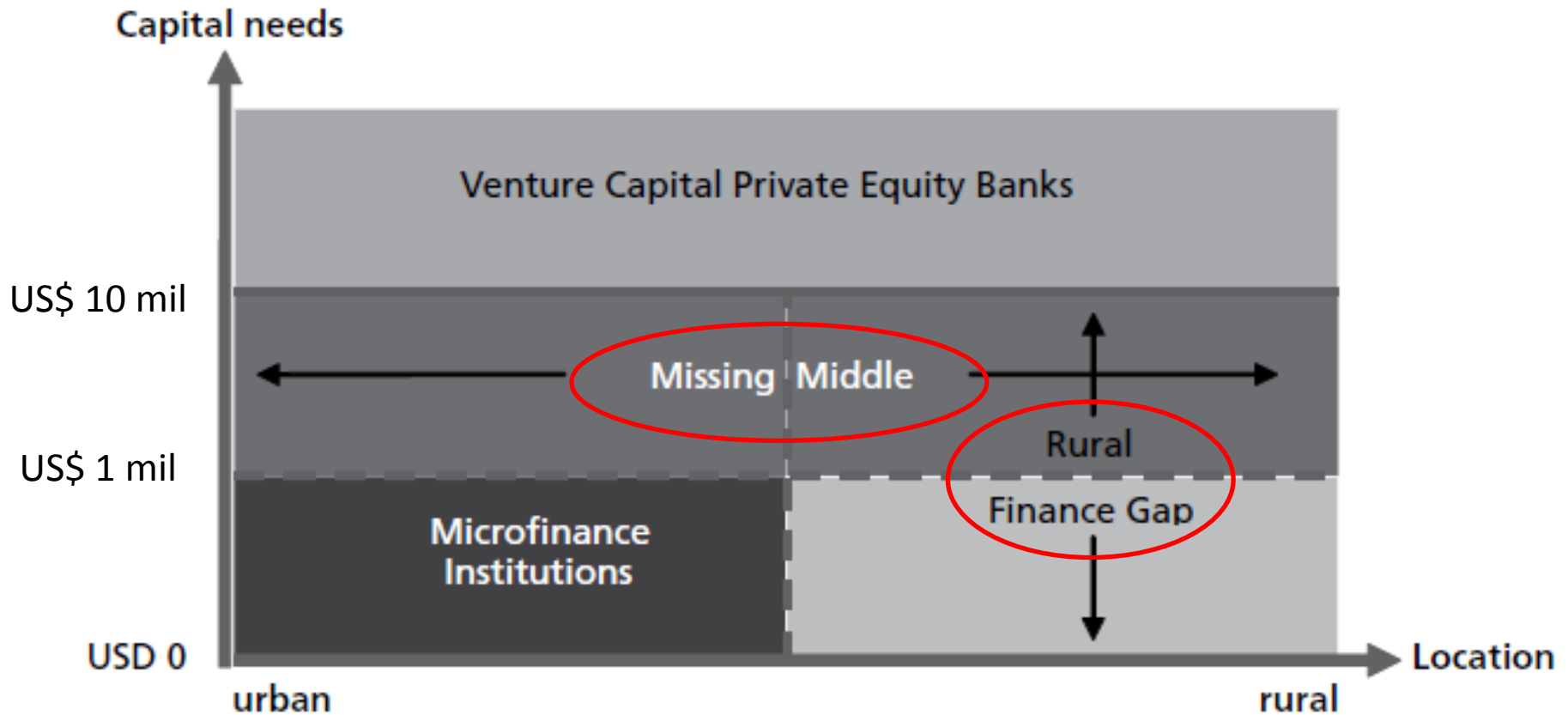
Open-ended or
closed-ended?

Financial assistance
vs guarantee
provision?

Non-financial
investment
criteria? E.g. job
creation

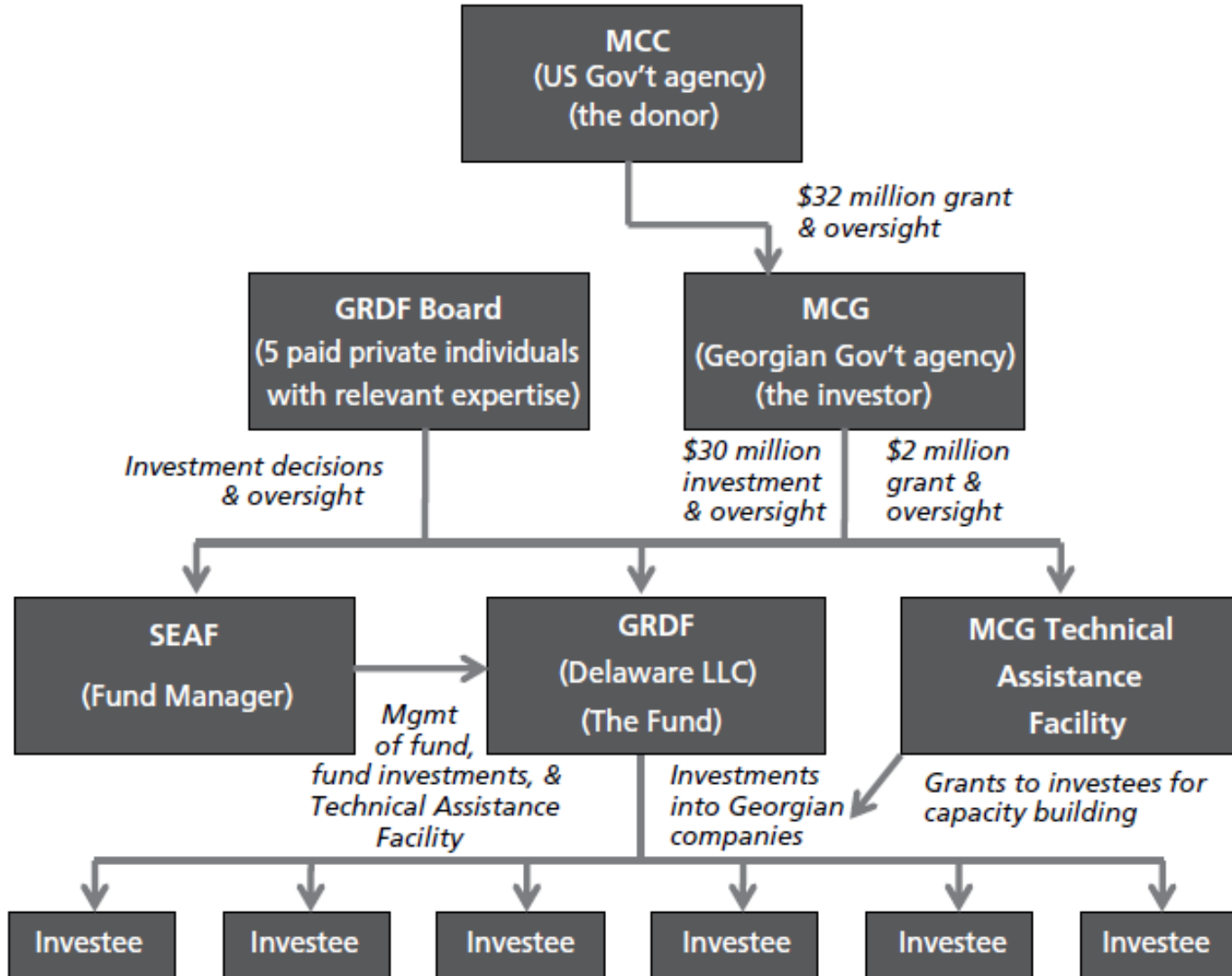
Domicile of fund?

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 slow-down



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

We welcome conversation with you during this conference.



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Thank you

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