Halal value chain project
Final report
November 2016

Prepared by

In partnership with
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EXECUTIVE SUMMARY

Global Muslim consumption of food, cosmetics, personal care and pharmaceuticals is estimated at $1.26 trillion, of which around $250bn is traded (2015). This project estimates that the Western Cape has R10bn, or 0.3%, share of this trade.

There are significant opportunities to build on the Western Cape’s asset base in order to grow halal-related exports. These opportunities go beyond core “halal-sensitive” products such as meat – e.g. ostrich, venison and other red meat - to a wide range of products such as juices not from concentrate, sauces and seasonings, cheeses and yoghurts, confectionary and chocolate, natural cosmetics and personal care, ingredients to MNCs, and vaccines. These opportunities link to an overall positioning of natural, healthy/wholesome, and quality (tying into the concept of Tayyib). There are also wider opportunities in primary agriculture, Muslim friendly tourism, and modest fashion.

The project has identified key segments and geographies to pursue. The priority segment is the Global Urban Muslims/“Generation M”, whilst target geographies include the GCC, Malaysia and Indonesia, minority Muslim markets (Europe and the US), Nigeria, China, India, Turkey, and Egypt, and potentially the East Coast of Africa. Some of these markets could be served through hubs such as Dubai and Singapore.

Given the nature of the support required and the limited resources available to each player, realising this opportunity will require a partnership across all key stakeholders. It is also recommended that the approach involves a phase of testing and prototyping, to allow flexibility and responsiveness. The diagram below sets out a theory of change, including priority support areas.

Support areas:
- Information sharing and networking
- Removal of market access barriers
- Accreditation & certification “future proofing”
- Promotion and marketing
- Skills and talent attraction

Scenario – Growing to 1% of halal-related trade and 1% of Muslim tourism, could result in additional ~$2,000 agri-processing jobs in W. Cape, ~additional R7bn p.a. agri-processing exports, ~R16bn p.a. agri exports; ~R20bn tourism spend

W Cape:
- Expands agri-processing production
- Grows halal exports / trade to Muslim markets
- Grows related jobs
- Which pulls demand in primary agriculture

AND THEN ULTIMATELY

- W. Cape becomes recognised as a quality halal & Tayyib producer and Muslim friendly destination (halal, quality, natural, healthy, wholesome, family-friendly)
- Skills gaps are addressed and young Muslim talent attracted into agri-processing
- W. Cape develops clear halal positioning and promotes halal exports and Muslim-friendly tourism through trade shows, local events and social media
- SA halal certification bodies are accredited and follow halal standards (GCC and Malaysia) required in key markets
- Barriers are reduced &
- Official import requirements are known and SA veterinary & lab services address these requirements
- Producers and exporters understand the halal opportunity
- Producers can make informed decisions about which opportunities to access
- They can also tailor product, packaging, labelling accordingly
- And link into the most appropriate distribution channels

IF

IF

IF

THEN

THEN

IF

2017

2025
TECHNICAL SUMMARY

Potential product and service opportunities

In the context of Western Cape competitive advantages, halal opportunities include not only the most traditionally “halal sensitive” sub-sector of meat, but also a wide range of food and beverages, as well as cosmetics and personal care, pharmaceuticals, tourism and education.

In terms of meat, ostrich (both fresh and processed) seems to have potential to grow and contribute to employment. It is estimated that 10,000 to 16,000 people are employed in the Western Cape ostrich industry (of which >2,500 are in processing). A recovery in supply is clearly underway since the avian flu crisis, with exports from the Western Cape 2015 were valued at R255m (over 99% of all ostrich exports are to Europe). The leather market will need to also grow, and care might need to be taken to maintain the premium in existing European markets and profitability for producers whilst promoting ostrich into new consumer markets. Venison and red meat are likely to represent a smaller opportunity. Further exploration is required of the growth potential of meat snacks (including biltong), Karoo lamb, and game meat (halal hunting could also represent a tourism niche). In addition, value-added meat products, including for the food service industry.

There is consensus between stakeholder and expert input as well as global market research that halal or “family-friendly” tourism could represent a significant growth opportunity for the Western Cape (in 2014, there were an estimated 1.7m foreign visitors to the W. Cape). Global Muslim tourism was worth $1.51 billion in 2015 and is growing rapidly; Muslim tourists travel in larger groups and stay for longer than average. 1% of this market would be roughly equivalent to doubling current foreign spend in the Cape Town in 2014. There is clear potential to build on the Western Cape’s cultural, natural and health/medical offerings, air access from Muslim majority markets, and context as a Muslim-friendly destination. Tourism could also pull demand for various halal lifestyle products and services (food and beverages, cosmetics, health/medical, modest fashion, etc.), promote W. Cape halal products through direct experience and word of mouth, and create trade relationships. This would require alignment of tourism products with halal requirements, improved information and promotion of the halal product offering, and potentially integrating halal/Tayyib into the event and festival calendar.

In terms of the fruit value chain, although fresh fruit and fruit juice are not particularly halal sensitive, there are potential opportunities to leverage the Western Cape’s export strengths and buyer relationships in this area to unlock market access for a wider range of Cape halal products. There may also be opportunities to develop niche products that respond to Muslim consumer preferences, e.g. not from concentrate juices and celebratory non-alcohol sparkling grape juice. There may also be some opportunities related to peak periods such as religious holidays, e.g. dates to European supermarkets during Ramadan.

Other processed food such as confectionery, sauces and seasonings could present growth opportunities, both in terms of end consumer markets and inputs into regional/global food service buyers. The Western Cape is active in both the mainstream/high-volume and artisanal/healthy segments, and already has halal
certified ingredients and manufacturers. Another opportunity worth looking into in more detail is additional internationalised food service offerings/franchises.

The increased attention by Muslim consumers on the exact make-up of products – and the fit with the technical capability in the Western Cape – may present opportunities for industrial ingredients and inputs e.g. halal enzymes, extracts, rennet and gelatine, and possibly also animal feed supplements. However, this depends on securing access to multinational buyers and meeting their stringent requirements.

The Western Cape’s dairy exports are currently almost entirely into Southern Africa (which has low Muslim consumer numbers). Further exploration is required of the viability of extending exports more widely, with recent opening up of market access to some key markets such as the EU, and the rise of premium artisanal dairy production. This might include dairy staples into East and West Africa (e.g. UHT milk, yoghurt), including through “backhaul” of traders based in SA, or higher-end longer shelf-life products in global premium Muslim segments (e.g. cheeses and yoghurts).

There may also be potential to build on the emerging natural cosmetics and personal care capabilities in the Western Cape to tap into the rapidly growth halal cosmetics and personal care market. In time this might require halal certification of ingredients, stringent traceability and non-contamination procedures, as well as taking into account religious and cultural issues in branding, packaging and labelling. There are challenges with the competitiveness of W. Cape pharmaceutical production and exports at present, but there could be potential in specialised areas such as halal vaccines, vitamins and supplements.

Halal education is a relatively new field and is less saturated than, for example, Islamic finance. Opportunities may exist in either offering professional short courses (physical or online), or integrating Halal and Tayyib as specialisations/streams within qualifications such as food technology, MBAs, logistics and hospitality. This could also help position the Western Cape as an opinion leader around halal and Tayyib.

Potential geographical markets and market segments

The project identified 19 countries of particular interest as halal markets, and considered them against a range of factors related to Muslim population and demographics, income, W. Cape trade relationships and total halal relevant imports. Together these countries represent close to 1 billion Muslim consumers. Many of these countries are also already on Wesgro’s promotion targets for 2015 to 2020, and some are target markets for promotions and improving market access sector associations or export councils.

The following priority country groupings emerged from the project:

- GCC, in particular Saudi and UAE – very high per capita income, majority Muslim citizens, urbanised, Arabic speaking, and good existing two-way trade relationships with W. Cape; likely to require GSO accreditation for market access
- Malaysia and Indonesia – significant Muslim populations (Indonesia very large), relatively young populations; likely to require Malaysian halal accreditation
- Minority Muslim countries – Europe and potentially US, high overall income (does not necessarily reflect the income of minority Muslim populations) highly urbanised, multi-ethnic, very strong trade relationships with the W. Cape
• **African East Coast.** Mozambique, Kenya, Tanzania, and potentially extended into Somalia, Eritrea and Ethiopia – lower average per capita income and quite rural, but there may be informal backhaul opportunities through Somali traders based in the W. Cape

The following countries were also identified as potential opportunities: **China, India, Nigeria, Turkey, and Egypt.** There may also be opportunities to target regional markets specifically through **hubs such as Dubai and Singapore.**

Some **global segments** also emerged from the analysis. The best fit appears to be with **Global Urban Muslims/ “Generation M”—** younger, internationally educated, higher income Muslims that are more likely to travel, use social media, be interested in new food and service experiences, and want high traceability and labelling around halal requirements. This segment links to Western Cape lifestyle, nature, design and innovation-led and artisanal strengths, which could also link to a **Tayyib/ wholesome/eco-ethical market segment.** Other segments could include **wealthy traditionalists** and more **price-sensitive mainstream segments** (if accessed through informal trade relationships or cost-competitive backhaul, or through multilaterals and NGOs providing disaster relief/food aid, pharmaceutical and vaccines).

**Recommended areas of support**

Some of the above opportunities can be realised with minor adjustments or support. For others, there may be significant supply-side or market access constraints, and **therefore risks and lead times to realising these opportunities.** As the halal global regulatory context and market dynamics are changing rapidly, there is also a need to **“future-proof” the approach,** by taking into account trends that are likely to become more mainstream in 5 to 10 years, building in flexibility and responsiveness.

The **overall supply-side issues facing agricultural, agri-processing and the bio-economy** also impact on halal segments, including **water and climate, land access and cost, electricity, policy certainty, agri-processing labour relations and skills development, bioprospecting and benefit sharing.** The extent to which these issues can be addressed will therefore affect the scale and timeframe for the growth that can be achieved by the halal focus.

Based on the theory of change, the following **five support areas** are recommended as priorities to address through a multi-stakeholder partnership (in broad order of when they need to start):

1. **Information sharing and networking/relationship-building** – understanding halal, Tayyib & Muslim market preferences, building trust to enable deal-making
2. **Reducing market access barriers** – tariff and non-tariff barriers, disease-related bans, alignment of veterinary services, laboratories and residue testing
3. **Accreditation and technical infrastructure** – alignment with GCC & Malaysian accreditation requirements, applying traceability technologies and systems
4. **Promotion and marketing** – participation in key international expos/trade shows, integrating into existing local events, with new events over time
5. **Addressing halal-specific skills and talent attraction requirements** – e.g. Muslim butchers, halal food technologists, halal logistics and traceability, halal hospitality management
A: INTRODUCTION

1 Purpose of the document

This document provides the analytical and strategic outputs of the halal value chain project, in terms of opportunities and support recommendations. This has drawn on stakeholder consultations and workshops, market and value chain research, trade analysis, expert interviews, benchmarking. Detailed information is provided in the appendices.

2 Value chains and markets selected for research

The following value chains and markets were included in the research:

<table>
<thead>
<tr>
<th>Value chains</th>
<th>Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meats and related products: ostrich, game, other red meat (beef, lamb, goat)</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>Dairy</td>
<td>China</td>
</tr>
<tr>
<td>Fresh fruit</td>
<td>Egypt</td>
</tr>
<tr>
<td>Juices and non-alcoholic drinks</td>
<td>France</td>
</tr>
<tr>
<td>Confectionery (sweets, chocolates)</td>
<td>Germany</td>
</tr>
<tr>
<td>Sauces, seasoning, spices</td>
<td>India</td>
</tr>
<tr>
<td>Natural ingredients</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Cosmetics and personal care</td>
<td>Kenya</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>Kingdom of Saudi Arabia</td>
</tr>
<tr>
<td>Food service</td>
<td>Malaysia</td>
</tr>
<tr>
<td>“Family friendly” / Halal tourism</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Halal education</td>
<td>Netherlands</td>
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<tr>
<td></td>
<td>Nigeria</td>
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<tr>
<td></td>
<td>Russia</td>
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<td>Tanzania</td>
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<td></td>
<td>Turkey</td>
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<td></td>
<td>UK</td>
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<tr>
<td></td>
<td>United Arab Emirates</td>
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<tr>
<td></td>
<td>US</td>
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</tbody>
</table>

Please see Appendices A and B for the detailed value chain and market analyses.
3 Strategic context

3.1 Definitions

Halal is an Arabic term meaning permissible or lawful. Its opposite is Haram, meaning prohibited or unlawful. For the purposes of this report, Halal refers to food and beverages, pharmaceuticals, and cosmetics and personal care that are permissible for use and consumption by Muslims.

Broadly speaking, all foods are generally permissible except for those derived from prohibited animals such as pigs, dogs, predators or carrion, as well as food and beverages containing alcohol and other harmful or poisonous elements. In case of animal-based products, slaughter must be carried out in a prescribed manner with the intention that it is performed in the name of God.

From a trade perspective, the broadest generally agreed upon definition is contained in the Codex Alimentarius1. Other widely recognised definitions are contained in the Halal standards of Malaysia2, the United Arab Emirates3 and the Organisation of Islamic Cooperation OIC4. The ITC Halal Standards Map provides a useful resource on trade-related definitions within standards – see www.standardmap.org/halal.

While there is broad general agreement regarding definitions of Halal, there are some differences of opinion that can have a major practical impact, especially when it comes to animal slaughter. These are primarily around the use of pre-slaughter stunning and mechanical slaughter. Stunning (whether electrical or gas) tends to be disliked by scholars and yet is widely practiced by industry; mechanical slaughter is also widely practiced, but increasingly prohibited by a growing number of authorities. In most sects all products from the sea (fish, seafood) are considered naturally Halal; however, some sects consider animals from the sea that do not have scales - or are not shaped like fish - as haram.

These differences vary from market to market, and can be used as non-tariff barriers to trade. Care must be taken to comply with the importing country’s requirements.

It is important to recognise that not all permissible (i.e. Halal) products are certified as Halal. For example, grains, fruits and vegetables are all permissible, but the majority are never certified as Halal. Meat and poultry products generally require Halal certification for acceptance by Muslims and are often viewed as being prohibited, unless clearly marked as being Halal.

In terms of pharmaceutical and medical products, there are differences of opinion on whether medicine is considered a “compelling necessity” like food. Some are of the view that a Haram substance is only permissible if there is no entirely Halal alternative or substitute medication available; if the patient’s life is endangered if

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1 CAC/GL 24-1997 General Guidelines for use of the term “Halal”, Codex Alimentarius
2 MS 1500:2009 Halal Food – production, preparation, handling and storage – General Guidelines
3 UAE.S 2055 – 1:2015 General requirements for Halal food
4 OIC/SMIC 1, General Guidelines on Halal Food
5 Halal Goes Global – from niche to mainstream, International Trade Centre, 2015 (HGG)
the medicine is not taken; or if the medication is prescribed by a Muslim physician who is both knowledgeable and God-conscious.\(^6\)

There are also significant regional differences in the **wider political meaning** given to the general concept of Halal, in terms of identity, culture, economics and politics.

Because there are Quranic references to ‘Halal and Tayyib’ (lawful and wholesome), there is a growing movement to ensure that Halal products, in addition to being lawful, are also wholesome, healthy, additive-free, and considerate of animal welfare, the environment, fair trade and sustainability. This trend is following similar patterns in the mainstream markets, but is significantly behind the curve of, for example, the organic market and other eco-ethical market sub-sectors, and is likely to be a growth area in the future.

### 3.2 Policy and legislative context

The Halal value chain is being explored within the context of the national and provincial agriculture, agro-processing and overall economic imperatives. Key relevant plans, policies and strategies include:

- National Development Plan
- Provincial Strategic Plan
- National Industrial Policy Action Plan and relevant Customised Sector Programmes / sector desk business plans (agro-processing now including cosmetics, pharmaceuticals)
- National Bio-Economic Strategy (relevant to natural products, natural extracts and cosmetics)
- Project Khulisa
- Broad-based Black Economic Empowerment Strategy

In particular, Project Khulisa has a joint plan of action to double the size of the Western Cape Agri processing sector over the next 5 years in terms of both jobs and GVA.

These policies and strategies, along with line department business planning, place emphasis on issues such as:

- Creating **economic opportunities and jobs**, and ensuring benefits of growth are shared
- Increasing **industrial capacity**, in particular through developing black industrialists
- Growing **exports and diversify trade**, in terms of products and markets, as well as knowledge-intensity (by reducing red tape, overcoming tariff and non-tariff barriers to trade, and supporting exporter development)
- Emphasising Agro-processing, but with a **whole value chain approach**, supply chain integration and supplier development
  - This includes finding new areas of opportunity such as cosmetics derived from natural ingredients (to support this, the cosmetics sector desk has been moved into the agro-processing unit at the DTI).
- **Upgrading human capital**
- **Building a strong regional “brand”**

\(^6\) Zakiullah et al, Applying Islamic Principles of Halal and Haram to the field of Pharmaceutical Sciences, available through [www.salaamgateway.com](http://www.salaamgateway.com)
Within Agro-processing this might build on brand values such on quality, natural and Halal

- Improving intergovernmental coordination, and developing partnerships between the public and private sectors

South Africa’s trade and cooperation agreements, as well as other preferential trade arrangements, are also part of the strategic context, including with SADC, EU, EFTA, US, MERCOSUR, and more recently the SADC-EAC-COMESA Free Trade Agreement and ongoing negotiations related to a SACU-India preferential trade agreement. In some cases this preferential market access may overlap with Halal market opportunities. More specifically, South Africa and the Malaysian Industry Government Group for High Technology have signed a cooperation agreement around Halal industry development.7

Wesgro’s 5-year strategic plan (2015 to 2020) is aligned to Project Khulisa priorities, and targets the following geographical markets for export promotion (countries in bold could overlap with priority Halal markets):

- West Africa: Ghana, Nigeria, DRC, Angola and Cameroon
- East Africa: Mozambique, Kenya, Uganda, and Tanzania
- South East Asia: China, Japan, Malaysia, Thailand, Singapore
- Middle East & Asia: UAE, Saudi Arabia, India & Australia
- America’s: Brazil, United States of America, Canada
- Europe: Russia, UK, Netherlands and Italy

In South Africa, Halal is not specifically legislated/regulated by government; certification falls within the realm of non-profit/private certification bodies within a religious regulatory context guided by teachings/doctrine (see definitional section).

However, Halal products do fall within the wider regulatory context as appropriate to their relevant product grouping such as food, cosmetics and pharmaceutical e.g. Agricultural Products Standards Act, Merchandise Marks Act, Food Safety Act, Meat Safety Act, Perishable Product Export Control Act, Medicine Act, etc. Changes to animal identification and traceability regulation in South Africa (as per the Draft Policy for Individual Animal Identification and Value Chain Traceability in South Africa) may also impact on the need for enhanced traceability and auditing/inspection through the abattoir and meat processing system.

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B: VALUE CHAINS AND MARKETS

Part B draws out key findings from the value chain and market research that have informed the opportunities and support needs for the Western Cape.

The following are “core” reports that are drawn on regularly in the report. They are sourced within the document using the “shorthand” in the bracket.

1. AT Kearney, 2009, Addressing the Muslim Market (AMM)
3. International Trade Centre and Imarat, 2015, Halal goes global (HGG)
4. Salaam Insights, 2016, Resolving the Current Inefficiencies in the Global Regulation of Halal Food (CIGR)
5. Thomson Reuters and Dinar Standard, various years, State of the Global Islamic Economy Report (SGIE)

The agri-processing related halal opportunity (food, pharmaceuticals, cosmetics and personal care) should be seen within a wider Islamic economic opportunity context, as summarised in the diagram below from the 2016 State of the Global Islamic Economy report.
Figure 1: Overview of Islamic economy\(^6\)

- **Halal Food**
  - $1,173 Bn
  - 2015 Muslim Spend on Food and Beverage
  - 8.5% CAGR Growth (2015-21)

- **Halal Travel**
  - $151 Bn
  - 2015 Muslim Spend on Outbound Travel
  - 8.2% CAGR Growth (2015-21)

- **Modest Fashion**
  - $243 Bn
  - 2015 Muslim Spend on Apparel and Footwear
  - 7.2% CAGR Growth (2015-21)

- **Halal Media & Recreation**
  - $189 Bn
  - 2015 Muslim Spend on Recreation and Culture
  - 6.8% CAGR Growth (2015-21)

- **Halal Pharmaceuticals**
  - $78 Bn
  - 2015 Muslim Spend on Pharmaceuticals products
  - 9.3% CAGR Growth (2015-21)

- **Halal Cosmetics**
  - $56 Bn
  - 2015 Muslim Spend on Cosmetics Products
  - 6.6% CAGR Growth (2015-21)

- **Islamic Banking Assets**
  - $1,451 Bn
  - 0.9% of Total Global Market

- **Islamic Finance Assets**
  - $2,004 Bn
  - 9.5% CAGR Growth (2015-21)

\(^6\) SGIE, 2016

Islamic Finance current estimates are based on Thomson Reuters 2015 data. The GIE Index model can be found at: http://www.zawya.com/GIE/. All other estimates by One Standard are as follows: Muslim spend projections are determined by leveraging historical annual growth of the relevant industry metrics on GDP growth for each country. The regression determined a line of best fit that, using IMF 2015 GDP forecasts, projected industry growth. Existing and standard Muslim market estimates and analysis was a regression projection. Actuals estimates were determined primarily by interviewing certification bodies and reviewing trade map data (Halal Food), reviewing national clothing market estimates and Pew Forum estimates (Modest Fashion) and leveraging travel survey results on close to 1,000 respondents undertaken by COMACO on travel (Muslim Friendly Travel).

1 Malanik (aged 18-64) Islamic economy related world-wide Facebook interactions were tracked during a 6-week time period (July 27-Aug 17, 2019).

2 Industry survey undertaken based on 1,22 respondents across sectors and primarily senior level individual.

Prepared by Kaiser EDP, Imarat Consultants and NYZ Afripeak
4 Value chain analysis

See Appendix B for further detail on individual value chains.

4.1 Overall Halal value chain structure

It is only in the past decade that the notion of the Halal value chain has really been widely considered. The realisation that the application of Halal principles and compliance criteria need to be applied to all the elements in a complex value chain has led to an increasingly sophisticated approach to Halal in general.

In contrast to the traditional view that Halal was primarily related to slaughter methods, it is now widely accepted that Halal integrity must be maintained throughout the entire supply chain. With the growth of global trade, complex supply chains are now the norm rather than the exception, and thus, the issues of end-to-end Halal integrity have become increasingly important, as shown in the Figure below.9 Whilst this value chain focuses on food with an emphasis on meat (which is still the majority of the global Halal market), many of the trends apply to other relevant sub-sectors.

![Figure 2: Halal chain](image)

It is increasingly important for Halal producers to demonstrate that their entire supply chain is Halal compliant. This inevitably requires the stakeholders at every stage to buy into the concept of Halal, and the values that go with it, and companies that have successfully integrated end-to-end Halal values have seen corresponding success in the market place.10 Careful analysis of the gaps in the supply chain, as well as the coming trends, can give prospective entrants into the Halal market a

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9 HGG
good idea of the kinds of opportunities that are emerging as this market continues to expand.

Although not yet a mainstream consideration, wider Sharia compliance in terms of Islamic finance (and to a lesser extend HR and company practices) of the supply chain is increasing in importance. This may include ensuring separation of revenues from non-permissible activities such as gambling and alcohol sales. This may have implications in future for company structuring and policies, branding or listing on Shariah compliant indices etc.

The value chain stages in the Halal food chain are very similar to the typical overall food value chain. In addition, there are numerous commonalities between trends in overall agricultural and agri-processing value chains and those in Halal value chains, including the increased emphasis on tracking and traceability of the supply chain, clear labelling, food safety, humane treatment and animal welfare, accreditation of standards and certification bodies, quality control, organic, reduced additives and colourants, and new marketing technologies.

However, there are also potentially some areas where Halal and overall agriprocessing value chain trends are diverging. Examples include no use of mechanical slaughter, and no stunning before slaughter. These trends are rapidly shifting and varying in different markets, and therefore need to be followed closely to inform decision making. In addition, value chain governance varies in that the role of Halal certification bodies creates a different dynamic to that of other quality management and traceability certification and accreditation systems.

The types of players active in the value chain can vary from general value agriprocessing value chains, e.g. until recently, major multinational food and personal care producers and retailers were less active in the Halal value chain than in overall markets, in terms of both market share and decision-making power. However, as Halal is becoming more “mainstream” this is shifting, and having implications for distribution channels. For example, the previous pattern of a Muslim consumer buying their meat from a trusted corner butcher shop is shifting to buying their meat from a supermarket chain along with other groceries.

Islamic or Halal specific branding/marketing is a relatively new area of study in marketing, even though Shariah compliant practices have been in place for a longer time. Over and above certification, considerations include wider Shariah compliant practices, brand positioning (how relatable the brand and marketing is to Halal consumer segments). Additionally, in terms of the specific focus of marketing activities, many Muslim consumers have previously felt neglected in the marketing activities of mainstream brands, whilst some Halal-specific products in the past did not have the look and feel that younger consumers are now expecting.

The Noor Islamic brand index research has shown that perceptions by Muslim consumers of “sincerity, genuine empathy and understanding” are more important than brand origin, and that “the closer a category is to the human body and the more regular the consumption, the more it must be completely Shariah compliant”.

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4.2 Summary of key sectoral value chains

<table>
<thead>
<tr>
<th>Value chain dynamics</th>
<th>Western Cape strengths and constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Meat products – ostrich</td>
</tr>
<tr>
<td>• Avoiding haram</td>
<td>Strengths:</td>
</tr>
<tr>
<td>ingredients in ostrich</td>
<td>- South Africa produces 70% of world ostrich meat, feathers and</td>
</tr>
<tr>
<td>feed e.g. porcine,</td>
<td>- leathers; the Western Cape accounts for 77% of this - mainly in</td>
</tr>
<tr>
<td>insect, feathers</td>
<td>- Klein Karoo</td>
</tr>
<tr>
<td>• Tayyib – ethical</td>
<td>- Majority of meat and products are exported (90%); Mainly to</td>
</tr>
<tr>
<td>treatment of animals</td>
<td>- Europe; high phytosanitary standards and procedures already in</td>
</tr>
<tr>
<td>• Halal certified</td>
<td>- place, export-certified ostrich abattoirs</td>
</tr>
<tr>
<td>slaughter</td>
<td>- Main players already halal certified and interested in halal market</td>
</tr>
<tr>
<td>• Some consumer</td>
<td>Constraints:</td>
</tr>
<tr>
<td>preference for no-</td>
<td>- Supply: disease burden (avian flu), recovering after ban/cull</td>
</tr>
<tr>
<td>stun / mechanical</td>
<td>- Market access uncertainties(bans)</td>
</tr>
<tr>
<td>slaughter</td>
<td>- Production costs means it has to have a relatively premium</td>
</tr>
<tr>
<td></td>
<td>- market position and also need leather demand to grow</td>
</tr>
<tr>
<td></td>
<td>- Marketing/awareness (not a traditional/known meat in Muslim</td>
</tr>
<tr>
<td></td>
<td>markets, even in markets where it is known it is a niche</td>
</tr>
<tr>
<td></td>
<td>Meat products – game/venison</td>
</tr>
<tr>
<td>• Halal certified</td>
<td>Strengths:</td>
</tr>
<tr>
<td>hunting and slaughter</td>
<td>- Export certified game abattoirs, some of which are also halal</td>
</tr>
<tr>
<td>• Tayyib – ethical</td>
<td>- certified (e.g. Karoo area)</td>
</tr>
<tr>
<td>treatment of animals</td>
<td>Constraints:</td>
</tr>
<tr>
<td>• Some consumer</td>
<td>- Supply: W. Cape not the major hunting or game meat producer</td>
</tr>
<tr>
<td>preference for no-</td>
<td>- location within SA, W. Cape mostly Klein Karoo</td>
</tr>
<tr>
<td>stun / mechanical</td>
<td>- Processing: farm abattoirs not necessarily halal and export</td>
</tr>
<tr>
<td>slaughter</td>
<td>- certified, “10 minute rule” – need to process within 10 minutes of</td>
</tr>
<tr>
<td></td>
<td>- shooting, need Muslim hunters</td>
</tr>
<tr>
<td></td>
<td>- Market access e.g. bans after foot-and-mouth outbreaks</td>
</tr>
<tr>
<td></td>
<td>Meat products – other red meat (beef, lamb, goat)</td>
</tr>
<tr>
<td>• Halal certified</td>
<td>Strengths:</td>
</tr>
<tr>
<td>hunting and slaughter</td>
<td>- Export certified abattoirs, many producers already halal certified</td>
</tr>
<tr>
<td>• Tayyib – ethical</td>
<td>- Food processing capability, quality and reliability</td>
</tr>
<tr>
<td>treatment of animals</td>
<td>- Traceability systems</td>
</tr>
<tr>
<td>• Some consumer</td>
<td>Constraints:</td>
</tr>
<tr>
<td>preference for no-</td>
<td>- Supply constraints and supply cycles (access to suitable land,</td>
</tr>
<tr>
<td>stun / mechanical</td>
<td>- water/droughts, stock levels) e.g. currently SA cannot meet own</td>
</tr>
<tr>
<td>slaughter</td>
<td>- demand for lamb, W. Cape only produced 4% of SA’s beef</td>
</tr>
<tr>
<td>• Varying consumer</td>
<td>- Market access e.g. bans after foot-and-mouth outbreaks</td>
</tr>
<tr>
<td>preferences e.g.</td>
<td>- Cost of animal feed and transport (feedlots mostly in F. State)</td>
</tr>
<tr>
<td>appearance, size,</td>
<td>- Veterinary service –service responsiveness, industry compliance</td>
</tr>
<tr>
<td>flavour</td>
<td>Dairy</td>
</tr>
<tr>
<td>• Avoiding animal</td>
<td>Strengths:</td>
</tr>
<tr>
<td>origin gelatine,</td>
<td>- Mainstream dairy production (cow milk, yoghurt, cheese)</td>
</tr>
<tr>
<td>rennet, pepsin,</td>
<td>- Artisanal production (speciality cheeses, goat cheese)</td>
</tr>
<tr>
<td>Vitamin D, haram</td>
<td>- Innovation: recipe development, product design, packaging</td>
</tr>
<tr>
<td>enzymes, cultures</td>
<td>- Industry organisation</td>
</tr>
<tr>
<td>fortification agents,</td>
<td>- Exports to the region</td>
</tr>
<tr>
<td>• Varying consumer</td>
<td>- Halal certified gelatine available in SA</td>
</tr>
<tr>
<td>preferences around</td>
<td>Constraints:</td>
</tr>
<tr>
<td>taste, portion size,</td>
<td>- Distribution and distance from main Muslim consumer market,</td>
</tr>
<tr>
<td>packaging etc.</td>
<td>- short shelf life on many products, logistics cost</td>
</tr>
<tr>
<td></td>
<td>- Market access to some key markets until recently e.g. EU</td>
</tr>
</tbody>
</table>
## Value chain dynamics

### Fresh fruit
- Naturally halal
- Varying consumer preferences around taste, size, sweetness etc.
- Some geopolitical dynamics e.g. not wanting to consume dates from Israel

**Strengths:**
- Fruit production and export, in particular table grapes, other deciduous fruit such as apples and pears, stone fruit, citrus
- Quality reputation and phytosanitary processes (PPECB)
- Industry organisation and promotion

**Constraints:**
- Supply: water supply, production lead times of around 5 years, land reform policy certainty and competition of land uses, etc.
- Market access – tariff and non-tariff barriers (efforts are underway to open up markets like China and India)

### Juices and non-alcoholic drinks
- Avoiding alcohol contamination or fermentation, other additives such as cochineal, carmine
- Ingredient labelling/ transparency
- Varying consumer preferences e.g. thickness of juice, not from concentrate, no added sugar, fruit blends

**Strengths:**
- Strong existing exports of fruit juices, flavoured mineral waters
- Wine industry that is interested in premium non-alcoholic sparkling grape juice and emerging innovations around non-alcoholic sparkling grape juice (beautifully bottled, for celebrations)
- Unique flavours associated with W. Cape e.g. rooibos
- Design and packaging capabilities e.g. Bos Tea

**Constraints:**
- Supply: fruit for juice is typically a ratio of total fruit production (processing vs export grade) – associated constraints around water supply, production lead times of around 5 years, land reform policy certainty and competition of land uses, etc.
- High barriers to entry for new players into mainstream

### Confectionery (sweets, chocolates)
- Avoiding haram gelatine, other haram enzymes, fortification agents, cochineal, carmine L-cysteine, and animal fats
- Varying consumer preferences e.g. "Generation M" likely to try new flavours, eco-ethical issues

**Strengths:**
- Innovation: product and recipe development, packaging
- Artisanal production: chocolates, sweets, snacks, including serving market segments looking for low carb, sugar free, gluten free, natural, healthy, organic
- Unique flavours associated with W. Cape e.g. fynbos

**Constraints:**
- Production: mainstream confectionary struggling to compete on cost with imports
- Certification: not all producers are halal certified

### Sauces, seasoning, spices
- Avoiding haram animal fats, colourants, flavourants, gelatine
- Different consumer preferences e.g. “Generation M” likely to try new flavours, eco-ethical issues

**Strengths:**
- Innovation, recipe development, blending
- Mix of large corporate and artisanal producers
- Some products following the health trend
- Strong brand-building and marketing
- Existing exports
- Many producers are already halal certified

**Constraints:**
- Market concentration

### Ingredients
- Avoiding contamination by alcohol and haram additives
- Some opinions are that alcohol cannot be used in the

**Strengths:**
- Biodiversity asset base, and development of bioeconomy strategy to support economic benefits from this asset base
- Some base of research and technical capacity
- Some extraction capacity and links to into global buyers

**Constraints:**
- R&D: Cost of new ingredient discovery, facilitating bio-
### Value chain dynamics

<table>
<thead>
<tr>
<th>Western Cape strengths and constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>extraction method, others are that it is acceptable, or accept as long as it is not grape alcohol</td>
</tr>
<tr>
<td>Increased interest in Tayyib</td>
</tr>
<tr>
<td>prospecting and benefit sharing, testing and registering</td>
</tr>
<tr>
<td>Supply: access and scale of indigenous plant harvesting, cultivation, maintaining good community relations and benefit sharing</td>
</tr>
<tr>
<td>Standards/certification: Compliance with MNC’s standards and international certifications</td>
</tr>
<tr>
<td>Value chain governance, sales, distribution: access to and negotiation with large ingredient buyers and multi-nationals</td>
</tr>
</tbody>
</table>

### Cosmetics and personal care

- **Strengths:**
  - Innovation and new product development
  - Links to natural environment and tourism (lifestyle associations, spas, hospitality industry)
- **Constraints**
  - Product development and registration – high cost and time of new product
  - Trend of declining exports from W. Cape
  - Industry concentration: barriers to entry for new players

### Pharmaceuticals and vaccines

- **Strengths:**
  - Strong R&D base (medical research at universities and hospitals)
  - Production of generics
  - Recent developments to promote vaccine industry in the W. Cape
  - Regional exports
  - Health and wellness capabilities (medical facilities, nutrition etc.)
- **Constraints**
  - Challenges around global competitiveness of W. Cape pharmaceutical production: net importer, falling exports, challenges of cost of separation of production for halal and non-halal products to avoid cross-contamination
  - Market access and regulatory environment: high barriers to entry, high cost and time of registration, new regulatory requirements around natural medicines

### Food service

- **Strengths:**
  - Many fast food chains already halal certified
  - Some institutional caterers are already certified e.g. hospital, airline catering
  - Differentiated tastes and flavours (e.g. Cape Malay)
  - Presence of major Islamic disaster relief agencies
  - Tourism: food links (restaurants, airlines)
  - Food technology, product development and testing capabilities (e.g. Nigerian businessman working with CPUT Food Technology Station to develop military rations for Nigerian army using egusi)
- **Constraints:**
  - Avoiding haram ingredients/ cross-contamination, including alcohol, pork (in SA, certification requires no alcohol on site, but this is not the case in all countries)
  - Transparency of information on
## Value chain dynamics

- Certification and accreditation for relevant markets
- Varied taste preferences of Muslim consumers

## Western Cape strengths and constraints

- International market access/proximity
- In W. Cape, integration of high-end restaurant and other food experiences (festivals, markets, events) with wine

### "Family friendly" / Halal tourism

#### Strengths:
- Established and well-recognised international tourism destination
- Diversity of product and experiences, including existing family-oriented offerings e.g. nature-based, Garden Route family attractions
- Cultural and historical links, including Cape Malay, kramats
- Direct air connectivity to key majority-Muslim destinations (e.g. Dubai, Qatar)
- Already a somewhat Muslim-friendly destination – culturally diverse, availability of mosques and halal food, malls already have prayer spaces, lower political sensitivity around Muslim travellers / more welcoming than e.g. European destinations
- Medical and health facilities

#### Constraints:
- Lack of information: limited information on current Muslim tourism numbers and preferences, statistics not considered reliable due to people travelling on dual passports, current websites with halal tourism listings have limited coverage
  - Customised information/marketing on halal/Muslim friendly offering (but subtly done so that Muslims do not feel that they are being “singled out”)
- Promotions: limited promotions and marketing budgets, diverse source countries and information needs /appropriate channels

## Halal-related education

### Possible relevant education areas to address:
- Understanding halal core principles and differences
- The business of halal
- Tayyib
- Halal food technology
- Halal/family-friendly hospitality and travel
- Marketing to the Muslim consumer
- Halal and Islamic finance

#### Strengths:
- Established universities with a good international reputation, and relevant courses around agriculture, food technology, business, hospitality
- Existing base of international education in the province e.g. English language, aviation, MBA programmes
  - Already included Muslim learners, options for home stay with Muslim families etc., less antagonists towards Muslims

#### Constraints:
- Potentially long processes for registration of new courses, curriculum development
- Marketing to potential global students
- Student visa requirements
- Current instability in the SA university funding system, and possible negative international perceptions of the student unrest
4.3 Regulatory frameworks and certification

The Halal food sector is slowly moving towards a regulatory framework that is comparable to that found in the mainstream food sector, to ensure compliance from farm to fork. As shown in Figure 5 below\(^1\), there are significant elements missing in the Halal sector, and these are now being addressed. In the absence of any clear global leadership, this process is inevitably complex and time-consuming, but it appears to be taking shape and should bring the Halal food sector into line with the regulatory norms of the mainstream food industry.

The main initiatives to develop a robust regulatory framework are being done in the United Arab Emirates, the GCC region level, and at the OIC level (led by Turkey). Other major initiatives are underway in Malaysia, but the Middle Eastern programmes are likely to have more immediate impact as they will control the export of Halal products into this region.\(^1\)

The evolution of a viable regulatory framework for the Halal food sector is likely to be a dominant factor over the next 2-3 years, and attention must be given to understand and comply with the changes that will be introduced as a result. These changes will effectively bring the Halal sector up to the same levels of compliance as are found under the frameworks provided by ISO, GMP, GHP, HACCP etc.

Halal certification is one of the key elements in the overall Halal supply-chain, and has an important role in terms of providing market access. Muslim majority countries

\(^{1}\) Resolving the Current Inefficiencies in the Global Regulation of Halal Food (CIGR), Salaam Gateway, April 2016
are increasingly requiring Halal certification, and not just for meat and poultry products. While the traditional view is that all foods are Halal except for those that are clearly prohibited, the market is pivoting towards a position where proof of Halal compliance is increasingly required, and given the size of the market opportunity, this trend is likely to continue and grow.

In the case of Muslim majority countries in the Middle East and South East Asia, Halal certification is done via government appointed agencies. In Muslim minority countries, certification is done by major mosques (as in France) or by independent privately owned organisations, many with charitable status. Given that the majority of Halal food production is done by the non-Muslim world, the historical lack of oversight on the independent Halal certification bodies (CBs) is changing, and hence the move towards accreditation frameworks that mirror mainstream structures.

 Whereas in the past it was sufficient for a certification body to be ‘recognised’ by Malaysian or Indonesian religious bodies, it will soon by necessary to be accredited by one or more of the newly developed accreditation bodies, following their standards. These standards are effectively ISO standards, and as such, they have set the bar higher than the Halal sector is familiar and comfortable with. This is likely to create a pool of a top-tier of accredited certification bodies that can meet exporters’ requirements, and smaller second-tier CBs that can only certify for domestic markets or smaller communities.14

Note that food, cosmetic and pharmaceutical exporters are typically still needing to comply with other standards/systems in destination markets as applicable, in particular in Minority-Muslim markets e.g. HACCP, ISO, EU regulations, US FDA.

4.4 Competitive landscape

Over the past 30 years, the Halal market movement has been driven by South East Asian countries, and by Malaysia in particular. With much of the food production in the hands of non-Muslim Chinese, and Halal certification being under the control of the Muslim Malay government, it was natural for Halal standards and certification to evolve. This had knock-on effects in the surrounding area, and was followed by Indonesia, Singapore, Thailand and Brunei.

Malaysia also encouraged regional multinational corporations (MNCs) to develop their own in-house expertise, and Nestlé Malaysia has become the stand-out example of this by providing guidelines on Halal that are used in Nestlé plants around the world. This was closely watched (but not yet followed) by many of its competitors such as Unilever, Mars, Kraft, Cargill. The majority of MNCs in the food sectors – restaurant chains, supermarkets and manufacturers – are already deeply engaged in the Halal sector by their presence in the GCC and Asia, and expanding this footprint is a matter of when and where to expand their Halal offerings without alienating their core customers.15

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14 See HGG and CIGR
15 HGG and SGIE
While **major MNCs dominate the market, there are clearly opportunities for SMEs to serve both domestic and international markets**, either with their own branded goods aimed at niche markets, or by supplying other larger manufacturers.

With **most Middle Eastern countries being major food importers**, supplying these markets is highly lucrative, and in **countries such as Australia and Brazil, exporting meat and poultry to these markets is a key component of national strategy**, strongly supported by their governments’ agencies.

There is ample scope for trade and investment support institutions (TISIs) to play a more active role in developing their Halal sectors, and good examples can be found in Southeast Asia, and more recently in Morocco.\(^\text{16}\)

Recent studies have also shown **an increase in merger and acquisition activity in the Halal food sector**, and coupled with **increased liquidity in the Islamic finance sector, M&A activity is likely to increase in the coming years**.\(^\text{17}\) This trend, and other growth indicators, are also supported by more accurate and methodical data being made available, primarily through initiatives by the Dubai Governments “Dubai Capital of Islamic Economy” initiative in 2013.\(^\text{18}\)

In terms of market presence, recent years have seen a marked shift in the global market. Halal market ‘buzz’ was for many years coming from South East Asia, especially in terms of trade events, conferences, data and promotional activity. **Recent initiatives in Dubai and in the wider GCC region** have changed this, and given their purchasing power, geographic location and willingness to innovate, as well as new regulatory frameworks, this region is playing an increasingly visible and influential role.\(^\text{19}\)

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\(^{16}\) HGG

\(^{17}\) Global Halal Food M&A Activity and Opportunities, Salaam Gateway 2015

\(^{18}\) See SGIE reports 2013-16, Salaam Gateway etc.

\(^{19}\) HGG
5 Western Cape Halal industry and Agro-processing landscape

Western Cape Halal value chain overview

Most of the elements of the Halal value chain are already present in the Western Cape e.g. Halal certification bodies, primary producers, abattoirs, food processing companies, specialist food service and catering, logistics and distribution, and more recently, specialised lab testing.

Based on a high-level analysis of the numbers of members of 3 of the 5 certification bodies (where lists are available on their websites) some of the main categories are:

- Food service and retail (fast food chains, restaurants and coffee shops, retailers, hospitals, catering)
- Beverages
- Bakeries
- Abattoirs and meat processors (red meat and poultry)
- Dairy
- Confectionary
- Food ingredients/inputs
- Spices, sauces and condiments
- Fish and seafood
- Baby food
- Cereals

Note: Only a small number of cosmetics and pharmaceutical member companies were listed.

However, the certification bodies do not track volumes and some individual members are very large firms so output proportions could be quite different (e.g. breakfast cereals, fruit juices).

Many of the certification organisations have been in existence for more than 20 years and have active links to international Halal structures. They are already aware of trends and developments in the global value chain, and are considering the implications and options in terms of international accreditation.

Agro-processing context

Identified leading sub-sectors in Agro-processing through the Project Khulisa process in 2015 based on production value growth and employment growth are shown in the graph below. Other than pork, wine and brandy, these sub-sectors are potentially relevant to Halal opportunities.

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20 PGWC April 2015 Project Khulisa, Agri Processing; Sub-Sector Selection
Changes in local capabilities may improve the competitiveness of meat production, e.g. meat residue testing, plans to educate around animal welfare at abattoirs, proposed Independent Meat Inspection Scheme\(^{21}\).

**Analysis of Western Cape ‘Halal relevant’ exports**

This section presents some statistical analysis of Western Cape 2015 exports. The basis of this analysis is the SARS export data, by postal code.

In order to understand the Halal opportunity for Western Cape, it is important to define which product groups are most relevant to the consumers of Halal products. As such, the foundation of this analysis has been to define ‘Halal relevant’ sectors, building on existing definitions of Halal products, and mapping individual HS8 tariff codes onto the sector. Furthermore, sub-sectors have been defined which relate specifically to Western Cape export trade to be able to explain current export patterns meaningfully. Therefore, this categorisation presented in this section is both Halal-specific and Western Cape-specific.

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\(^{21}\) 9 June 2016, Western Cape to open R9m meat testing plant, available at http://www.fin24.com/Economy/western-cape-to-open-r9m-meat-testing-plant-20160609
In 2015, the Western Cape exported R120 billion across all product groups. Many of these products are not relevant for this project (e.g. fuel and wine being the top two exports). The top five export markets in 2015 for the Western Cape overall were Namibia (R12.3 billion), the UK (R8.9 billion), Netherlands (R7.3 billion), Botswana (R6.8 billion) and the US (R6.8 billion).

Approximately one third (R42 billion) of Western Cape’s exports are relevant to Halal. The graph below shows Western Cape’s top 20 export markets for these ‘Halal-relevant’ products.

Looking only at the ‘Halal-relevant’ sector, the UK is the most significant export market for the Western Cape (compared to second for all Western Cape exports) with R5.5 billion of exports in 2015. The Netherlands also moves up one place to second compared to overall exports. Also of some significance is the UAE: the fourth most important market (compared to seventh for all Western Cape exports). The next Muslim-majority market in terms of Western Cape Halal-relevant exports is Malaysia – eleventh, with just over R1 billion of exports from the province.

Western Cape exports to OIC countries amount to around R8 billion (18.7% of total Halal-relevant exports), which calculations indicate is approximately 0.5% of imports of Halal-relevant products to these markets.
From a product perspective, the most dominant export product group is **fruit and vegetables** (fresh, frozen and dried). This sector grouping accounts for **R24 billion of the total R42 billion** Western Cape exports. Meat (fresh and processed) is relatively small: R480m of exports from the Western Cape in 2015. Live animals exports are small by comparison: a total of R35m in 2015.

The graph below shows the Western Cape export for all of these 11 Halal-relevant ‘sectors’.

**Figure 6: W. Cape “Halal relevant” export sectors (Rand), 2015**

The R24 billion of **fruit and vegetable** exports are **largely made up of fresh fruit – R22 billion in total**. This is mainly fresh grapes (R5.2 billion), fresh oranges (R4.8 billion), fresh apples (R4.1 billion). The Netherlands is the top export market for fresh grapes and oranges (UAE second for oranges). The UK is the top export market for apples (followed by Malaysia, Nigeria and the UAE).

In terms of **processed food**, **preserved fruits and jams** is the largest export category (R2.3 billion). This largely consists of **preserved peaches (nearly R1 billion) and pears**, as well as various jams and marmalades. The nearly R1 billion of **sauces and seasoning** exports are a diverse mix of products, ranging from tomato sauces to spices.

**Non-alcoholic beverages** are dominated by **fruit juices** (which have a degree of sensitivity in relation to Halal due to the potential contamination and risk of fermentation). **Mixed juices are the largest category** (R780m of exports from the Western Cape), as well as orange, apple and grape juice. Flavoured water was a R68m export for the Western Cape in 2015.
6 Geographical markets and market segments

See also Appendix C for a more detailed discussion of market statistics and dynamics for each country. This Appendix also covers some initial ideas that may inform the market entry and distribution strategy for Western Cape companies.

6.1 Note on approaches to estimating the Halal market

Market research has increased significantly, but is still a long way behind the levels found in mainstream markets; overall the Halal sectors have been characterised by a lack of accurate market data. Reports in recent years by the likes of A.T. Kearney22, the Economist Intelligence Unit23, Euromonitor International24 and Oxford Analytica25 have given some mainstream credibility to the Halal sectors, but in general the Halal space is still under-researched and not fully understood.

Therefore, although Halal market data availability has improved significantly, there are still ongoing challenges in obtaining accurate market estimates. The main approaches to market sizing used are as follows:

1. Estimating the Muslim population per country (total population, % Muslim)

2. Building on the above population estimate, estimating per capita consumption on relevant items based on statistical expenditure sources to derive Muslim population consumption, including in minority Muslim countries (e.g. Thomson Reuters and Dinar Standard reports)

3. Estimating imports of relevant products into majority Muslim countries based on official trade statistics (ITC and Halal Goes Global), noting that international trade data does not have a mechanism to track Halal-specific trade (some countries have put specific systems in place to try to do this, such as in Malaysia (HGG))

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22 Addressing the Muslim Market – can you afford not to?
23 The Shariah-Conscious Consumer – driving demand
24 Doing Business in the Halal Market – products, trends and growth opportunities
25 Standards in the Halal Food Industry
The table below, although now dated, shows the difference in which countries are top ranked using different approaches.

**Figure 7: Muslim consumption country ranking using different methods (2009)**

<table>
<thead>
<tr>
<th>Largest Muslim population</th>
<th>Largest Muslim % of total population</th>
<th>Highest purchasing power of Muslim population*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Bahrain</td>
<td>Saudi Arabia</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Kuwait</td>
<td>Turkey</td>
</tr>
<tr>
<td>India</td>
<td>Saudi Arabia</td>
<td>Iran</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Algeria</td>
<td>Malaysia</td>
</tr>
<tr>
<td>Turkey</td>
<td>Iran</td>
<td>Qatar</td>
</tr>
<tr>
<td>Egypt</td>
<td>Oman</td>
<td>Russia</td>
</tr>
<tr>
<td>Iran</td>
<td>Turkey</td>
<td>France</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Yemen</td>
<td>Libya</td>
</tr>
<tr>
<td>China</td>
<td>Tunisia</td>
<td>UAE</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Iraq</td>
<td>United States</td>
</tr>
<tr>
<td>Algeria</td>
<td>Libya</td>
<td>Algeria</td>
</tr>
<tr>
<td>Morocco</td>
<td>Pakistan</td>
<td>Singapore</td>
</tr>
<tr>
<td>Sudan</td>
<td>UAE</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>Qatar</td>
<td>Egypt</td>
</tr>
<tr>
<td>Iraq</td>
<td>Egypt</td>
<td>The Netherlands</td>
</tr>
</tbody>
</table>

* Source: Economist Intelligence Unit

* Calculated in purchasing power parity terms, which equalizes the purchasing power of different currencies in their home countries

Halal certified production volumes are very seldom used to estimate market size for a number of reasons:

- Many Halal products until recently have not been certified e.g. locally produced meat in majority Muslim countries, naturally Halal products such as vegetables, fruit and fish
- Most certification bodies have not had systems in place to track volumes of products they have certified
- Halal certified products may not necessarily be purchased by Muslim consumers e.g. large producers / MNCs certifying all their cereals/cosmetics as Halal.

In future this information may become more available, depending on the evolution of the certification system.

6.2 **Market size and segmentation**

Muslims make up 23% of the global population (1.6 billion), and more than 60% are under the age of 30.

There are various estimates of the global Muslim consumption market for lifestyle products (including food, beverages, cosmetics, pharmaceuticals, as well as other sectors such as modest fashion, travel and media). The Thomson Reuters Dinar Standard 2015 SGIE estimate is around $1.8 trillion of food and lifestyle sector expenditure (2014) projected to grow to $2.6 trillion by 2020.
The Halal market can be segmented in various ways, including:

- **By geography** e.g. majority Muslim markets vs minority Muslim markets, by regions, or country
- **By certification regime/principles**
- **By product groupings** (red meat, poultry, processed food, cosmetics, personal care, health and pharmaceuticals, etc.)
- **By distribution channel and type of buyer** (institutional such as food service, military, aid relief, consumer retail, consumer profile segment e.g. young modern families, older traditionalists)

Most reports segment the market by geography or product grouping, with less information available on certification regime, channel/type of buyer or consumer segment.

**Geographical segments**

The map below (AT Kearney AMM report) sets out top Islamic population countries.

*Figure 8: Map of largest Muslim populations*

![Map of largest Muslim populations](image)

*Source: Global Mapping International*

**Source: www.islamicpopulation.com**
The table below provides a summary of estimated consumption by region. The Middle East and North Africa remain the most significant Muslim consumption markets.

**Figure 9: Muslim consumption estimates by region (2014)**

Regional Muslim consumption estimate for halal-relevant sectors (food, beverages, cosmetics, pharmaceuticals, 2014) (Total US$1,292 Billion)

Top countries with Muslim food consumption are Indonesia ($158 billion), Turkey ($110 billion), Pakistan ($100.5 billion), and Iran ($59 billion) based on 2014 estimates.

**Product groupings**

The table below (SGIE) shows global growth rates per Halal sector.

**Figure 10: Global Halal sector growth rates**

<table>
<thead>
<tr>
<th>Sector</th>
<th>CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halal Food</td>
<td>12</td>
</tr>
<tr>
<td>Travel</td>
<td>9</td>
</tr>
<tr>
<td>Media &amp; Recreation</td>
<td>8</td>
</tr>
<tr>
<td>Fashion</td>
<td>11</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>6</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>8</td>
</tr>
</tbody>
</table>

SGIE estimates Global Muslim consumer spending on **food & beverages of $1,128 billion** (17% of global food and beverage expenditure) in 2015. Food and beverages are still estimated to make up the majority of Halal product consumption.

Estimates of imports for selected product groupings into OIC member countries from the HGG report include:
- Unprocessed meat and live animals: US$ 15.3 billion

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26 Source: Thomson Reuters/Dinar Standard 2015 SGIE
- Processed meat, poultry, seafood US$ 2.2 billion
- Dairy, eggs and honey: US$ 16.7 billion
- Fresh fruit, veg, nuts: US$ 22.4 billion
- Cereals, grains: US$ 50.8 billion

Global Muslim spending on pharmaceuticals is estimated to be $75 billion in 2014, which represented 6.7% of global pharmaceuticals expenditure. The graphic below provides further detail on the country breakdown of this consumption.

Figure 11: SGIE estimates of top markets and exporter for pharmaceutical products

Top countries with Muslim consumer pharma expenditure

<table>
<thead>
<tr>
<th>Country</th>
<th>2014 est., US$ bil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>$8.8</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$6.0</td>
</tr>
<tr>
<td>United States</td>
<td>$5.9</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$4.8</td>
</tr>
<tr>
<td>Algeria</td>
<td>$3.5</td>
</tr>
<tr>
<td>Russia</td>
<td>$2.7</td>
</tr>
<tr>
<td>Iran</td>
<td>$2.7</td>
</tr>
<tr>
<td>France</td>
<td>$2.4</td>
</tr>
<tr>
<td>Egypt</td>
<td>$2.3</td>
</tr>
<tr>
<td>Germany</td>
<td>$2.2</td>
</tr>
</tbody>
</table>

Countries that export most pharmaceutical products to OIC

- France $4,947 mln
- Germany $3,900 mln
- UK $1,890 mln

The SGIE report estimated a $54 billion Muslim market for cosmetics and personal care, which represents 7% of global expenditure. They estimate that it has the potential to reach $80 billion by 2020.

Figure 12: SGIE estimates of top markets for Halal cosmetics and personal care

Top countries with Muslim consumer cosmetics/personal care expenditure

<table>
<thead>
<tr>
<th>Country</th>
<th>2014 est., US$ bil</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>$4.2</td>
</tr>
<tr>
<td>Russia</td>
<td>$3.3</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$3.1</td>
</tr>
<tr>
<td>Turkey</td>
<td>$2.9</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$2.7</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>$2.3</td>
</tr>
<tr>
<td>Egypt, Arab Rep.</td>
<td>$2.1</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>$1.9</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$1.7</td>
</tr>
<tr>
<td>Iraq</td>
<td>$1.7</td>
</tr>
</tbody>
</table>

Thomson Reuters and Dinar Standard estimated that the global ingredients trade for food and beverages, pharmaceutical and cosmetics industries was valued at $245 billion in 2015. OIC member states imported $33 billion of ingredients in 2014, (13% of the global total).

---

27 Thomson Reuters and Dinar Standard, 2016, Addressing the Halal Ingredients Opportunity
The table below sets out a range of statistics which can help to understand and prioritise potential halal geographical markets. This covers the size and growth of the market (population, income as a rough proxy for potential spend, and growth in overall halal relevant imports), demographics, and the Western Cape’s trading relationship with them (halal relevant exports from the Western Cape, and total imports from that market into the Western Cape, which could represent two-way trade opportunities for import-export agents).

The cells highlighted in blue are where a country performs above a selected threshold (shown in the first row – in most cases this is the average across all of the countries). The countries are ordered by the number of factors where they perform better than the threshold.

<table>
<thead>
<tr>
<th>Country</th>
<th>Muslim popn (m)</th>
<th>GNI per capita ($)</th>
<th>Pop under 35%</th>
<th>% urbanised</th>
<th>Total Halrel imports ($m)</th>
<th>Growth of Halrel imports</th>
<th>WC Halrel exports ($m)</th>
<th>Growth with WC Halrel exports</th>
<th>WC Halrel market share</th>
<th>WC total imports ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold</td>
<td>20</td>
<td>26 872</td>
<td>59%</td>
<td>62%</td>
<td>50 302</td>
<td>-1.0%</td>
<td>50.0</td>
<td>17.6%</td>
<td>0.51%</td>
<td>50</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>28.7</td>
<td>54 730</td>
<td>60%</td>
<td>83%</td>
<td>29 189</td>
<td>4.5%</td>
<td>64.4</td>
<td>6.9%</td>
<td>0.22%</td>
<td>1 244.4</td>
</tr>
<tr>
<td>UAE</td>
<td>7.0</td>
<td>70 570</td>
<td>63%</td>
<td>85%</td>
<td>18 004</td>
<td>-5.2%</td>
<td>135.8</td>
<td>23.7%</td>
<td>0.75%</td>
<td>500.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.0</td>
<td>49 200</td>
<td>41%</td>
<td>91%</td>
<td>71 452</td>
<td>-0.1%</td>
<td>415.6</td>
<td>12.6%</td>
<td>0.58%</td>
<td>308.1</td>
</tr>
<tr>
<td>China</td>
<td>24.6</td>
<td>14 160</td>
<td>50%</td>
<td>56%</td>
<td>122 537</td>
<td>9.5%</td>
<td>79.3</td>
<td>20.9%</td>
<td>0.06%</td>
<td>2 612.7</td>
</tr>
<tr>
<td>Germany</td>
<td>4.7</td>
<td>48 260</td>
<td>37%</td>
<td>75%</td>
<td>133 163</td>
<td>-1.9%</td>
<td>112.7</td>
<td>19.6%</td>
<td>0.08%</td>
<td>575.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>19.0</td>
<td>26 140</td>
<td>65%</td>
<td>75%</td>
<td>16 780</td>
<td>-1.8%</td>
<td>89.2</td>
<td>19.9%</td>
<td>0.53%</td>
<td>144.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>76.0</td>
<td>19 360</td>
<td>61%</td>
<td>73%</td>
<td>16 283</td>
<td>-0.5%</td>
<td>14.8</td>
<td>21.2%</td>
<td>0.09%</td>
<td>106.3</td>
</tr>
<tr>
<td>UK</td>
<td>3.1</td>
<td>40 550</td>
<td>44%</td>
<td>83%</td>
<td>95 109</td>
<td>2.3%</td>
<td>434.9</td>
<td>16.9%</td>
<td>0.46%</td>
<td>628.1</td>
</tr>
<tr>
<td>United States</td>
<td>2.6</td>
<td>56 430</td>
<td>47%</td>
<td>82%</td>
<td>219 031</td>
<td>5.2%</td>
<td>108.2</td>
<td>13.8%</td>
<td>0.05%</td>
<td>510.5</td>
</tr>
<tr>
<td>France</td>
<td>5.0</td>
<td>40 470</td>
<td>42.4</td>
<td>80%</td>
<td>83 605</td>
<td>-1.6%</td>
<td>50.4</td>
<td>16.5%</td>
<td>0.06%</td>
<td>206.2</td>
</tr>
<tr>
<td>Country</td>
<td>Muslim popn (m)</td>
<td>GNI per capita ($)</td>
<td>Pop under 35%</td>
<td>% urbanised</td>
<td>Total Halrel imports ($m)</td>
<td>Growth of Halrel imports</td>
<td>WC Halrel exports ($m)</td>
<td>Growth with WC Halrel exports</td>
<td>WC Halrel market share</td>
<td>WC total imports ($m)</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------</td>
<td>-------------------</td>
<td>---------------</td>
<td>-------------</td>
<td>--------------------------</td>
<td>-------------------------</td>
<td>-----------------------</td>
<td>---------------------------------</td>
<td>------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Mozambique</td>
<td>4.6</td>
<td>1 170</td>
<td>79%</td>
<td>32%</td>
<td>1 241</td>
<td>8.0%</td>
<td>45.0</td>
<td>23.5%</td>
<td>3.63%</td>
<td>91.0</td>
</tr>
<tr>
<td>Nigeria</td>
<td>86.6</td>
<td>5 800</td>
<td>77%</td>
<td>48%</td>
<td>6 407</td>
<td>-25.2%</td>
<td>63.9</td>
<td>50.8%</td>
<td>1.00%</td>
<td>595.0</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>152.7</td>
<td>3 550</td>
<td>69%</td>
<td>34%</td>
<td>6 140</td>
<td>-7.7%</td>
<td>28.4</td>
<td>26.3%</td>
<td>0.46%</td>
<td>41.2</td>
</tr>
<tr>
<td>India</td>
<td>180.2</td>
<td>6 020</td>
<td>66%</td>
<td>33%</td>
<td>25 199</td>
<td>6.8%</td>
<td>12.4</td>
<td>15.3%</td>
<td>0.05%</td>
<td>1 466.5</td>
</tr>
<tr>
<td>Egypt</td>
<td>85.0</td>
<td>10 690</td>
<td>69%</td>
<td>43%</td>
<td>13 476</td>
<td>-4.7%</td>
<td>3.3</td>
<td>18.7%</td>
<td>0.02%</td>
<td>8.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>221.9</td>
<td>10 680</td>
<td>63%</td>
<td>54%</td>
<td>16 322</td>
<td>-2.6%</td>
<td>6.1</td>
<td>-9.5%</td>
<td>0.04%</td>
<td>87.5</td>
</tr>
<tr>
<td>Kenya</td>
<td>4.5</td>
<td>3 060</td>
<td>79%</td>
<td>26%</td>
<td>2 297</td>
<td>-1.1%</td>
<td>17.1</td>
<td>21.9%</td>
<td>0.75%</td>
<td>2.6</td>
</tr>
<tr>
<td>Russia</td>
<td>14.2</td>
<td>23 790</td>
<td>46%</td>
<td>74%</td>
<td>33 927</td>
<td>-8.6%</td>
<td>111.0</td>
<td>9.5%</td>
<td>0.33%</td>
<td>70.5</td>
</tr>
<tr>
<td>Tanzania</td>
<td>18.0</td>
<td>2 620</td>
<td>79%</td>
<td>32%</td>
<td>1 417</td>
<td>-0.3%</td>
<td>6.3</td>
<td>15.2%</td>
<td>0.44%</td>
<td>2.0</td>
</tr>
</tbody>
</table>

As the table above shows, many of these countries perform well against multiple criteria (13 countries perform above the threshold on more than 5 of the 10 factors). Together the 19 countries in the table above account for more nearly 1 billion Muslim consumers and $500 billion of halal relevant imports (total halal relevant imports to the country rather than a percentage allocated to Muslim consumers).
This table also demonstrates the range / diversity of market characteristics – from lower to very high income, Majority to Minority Muslim, mostly rural to highly urbanised.

Another way of looking at markets is to consider cross-cutting segments. Two key segments are discussed in the boxes below.

**Global Urban Muslims**

One factor that is already giving an indication of its potential influence is the emergence of a new demographic cluster within the Muslim world. Aged 20-45, western educated, media savvy, globally connected, politically and environmentally aware – and sincere about their religion – the global urban Muslims are more connected to each other, regardless of location, than they are to their own parent’s generation. Shared references and values, overlapping agreements as to what is hip and cool; this demographic is likely to have a profound effect on the next wave of Halal market evolution.

It is estimated that 60% of the global Muslim population of 1.7 billion is under the age of 30. Islam is the world’s fastest growing religion, and Muslims have the highest birth rate of any religious grouping. Islam, and by extension Islamic values, already has a profound influence globally; it has until now lacked the illusive ‘cross-over’ factor that will see these values merging with the mainstream.

The Global Urban Muslims are that cross-over link. They share many of their values with their non-Muslim contemporaries; they listen to the same music, watch the same TV series and films, share many of the same concerns about what kind of world their children will inherit, and are wary of the influence of corporate power and greed. They share a love of fusion cooking, artisan foods, health and wellbeing, and in this respect are more in line with the mainstream than any other generation of Muslims.

In many respects, this new ‘Generation M’, by asserting their own preferences, values and identity, is simultaneously merging with the mainstream, and in doing so, has created a doorway into the emerging force of the Halal marketplace.

**“Halal and Tayyib”**

The Qur’an is the underlying foundation of the Halal sector. In more than one verse, the terms halal and Tayyib are placed together, as in ‘Oh Mankind, eat from the earth that which is Halal and Tayyib (lawful and wholesome)”28. Over that past twenty years, the emphasis has been primarily on the lawful aspect, such as: how was the animal slaughtered? Are there traces of alcohol? What is the source of the gelatine?

In line with the global shifts of awareness around the importance of healthy eating, Muslim consumers are starting to pay more attention to the quality of the food, not just its legality. As the Halal market matures, and as the development of standards

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28 Qur’an, Chapter 2, verse 168
and certification practices start to come into line with the mainstream, a new phase of market development is appearing, and it is based around quality.

The terms Halal and Tayyib are increasingly being used together, and while some manufacturers are starting to pay more attention to Tayyib qualities, it remains a largely untapped opportunity.

In fact, the concept of Halal and Tayyib is in harmony with broader global eco-ethical movements relating to health, well-being, ecology, sustainability and fair trade. These themes are continually discussed and promoted on global media via magazines, and TV shows, and while they are being driven primarily by the developed West, the impact has already had global impact.

To date, the Halal markets are lagging behind these global trends, despite the fact that these movements can, from a theoretical perspective, all be seen as sub-sets of the values that are inherently part of the Halal market. The spread of global awareness and the role played by blogs and social media, combined with the maturing of the Halal market, is creating a growing demand for products and services that are not just Shariah-compliant, but also meet the expectations of increasingly aware Muslim customers.

Within the context of the Halal market and the Islamic Economy, these eco-ethical values begin to have demonstrable market value, and not just within the food sector. These values are relevant to cosmetics, personal care, pharmaceuticals, finance, travel, fashion, education, media and entertainment. Once the values change, the impact is widespread and far-reaching.

The first strong wave of Halal awareness can be seen to have started in Malaysia and other Southeast Asian countries around 2004, and these initiatives centred around standards and certification, and dominated the next decade of Halal market development.

The second wave was initiated in 2013 with the ‘Dubai – Capital of Islamic Economy’ project that effectively widened the parameters to include all that had been done in Asia, and also incorporated all other related sectors whether these required Shariah compliance or were simply goods and services that were widely used by Muslim customers around the world. This initiative changed the rules of the game, and shifted the gravitational centre of the Halal market to the Middle East.

However, when we look to assess the extent to which these regions can be flag-bearers of Halal and Tayyib, we can see that they are already well behind the cutting edge thinking of the eco-ethical movements and market development.

The move towards, and the demand for Halal and Tayyib is being driven by the communities and entrepreneurs within the Muslim diaspora countries of the western world. The levels of awareness around health and well-being that are prevalent in the western world far surpass anything in evidence in the Middle East or Southeast Asia. They are, however, being absorbed, along with the rest of western cultural influences both positive and negative, and are creating a sense of expectation for Halal and Tayyib to be seen – and be available – across any and all Islamic Economy sectors.
6.3 **Estimates of the local Halal market**

Similarly, to international Halal market estimation techniques, the SA and Western Cape Halal market could be estimated based on the size of the Muslim population and per capita spend on relevant products, notably food and beverages. As is the case with international Halal estimates, this has some challenges as not all Muslim consumers will necessarily be strictly Halal in all their purchases.

The General Household Survey 2015 statistics show Muslims as comprising **1.9% of the total South Africa population**, mostly located in Western Cape, Gauteng and KwaZulu-Natal, as indicated in the table below.

**Figure 13**: StatsSA General Household Survey 2015 religious affiliation by province

<table>
<thead>
<tr>
<th>Religious affiliation</th>
<th>WC</th>
<th>EC</th>
<th>NC</th>
<th>FS</th>
<th>KZN</th>
<th>NW</th>
<th>GP</th>
<th>MP</th>
<th>LP</th>
<th>RSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christian</td>
<td>87.8</td>
<td>83.5</td>
<td>98.4</td>
<td>97.7</td>
<td>78.5</td>
<td>93.3</td>
<td>87.1</td>
<td>93.2</td>
<td>79.9</td>
<td>86.0</td>
</tr>
<tr>
<td>Muslim</td>
<td>6.3</td>
<td>0.4</td>
<td>0.9</td>
<td>0.6</td>
<td>2.0</td>
<td>1.5</td>
<td>2.4</td>
<td>0.8</td>
<td>0.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Ancestral, tribal, animist or other traditional African religions</td>
<td>2.8</td>
<td>8.6</td>
<td>0.0</td>
<td>1.4</td>
<td>12.3</td>
<td>3.9</td>
<td>2.3</td>
<td>4.0</td>
<td>4.5</td>
<td>5.4</td>
</tr>
<tr>
<td>Hindu</td>
<td>0.4</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>3.3</td>
<td>0.1</td>
<td>0.8</td>
<td>0.1</td>
<td>0.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Jewish</td>
<td>0.5</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
<td>0.6</td>
<td>0.0</td>
<td>0.1</td>
<td>0.2</td>
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<tr>
<td>Other religion</td>
<td>0.7</td>
<td>0.2</td>
<td>0.3</td>
<td>0.1</td>
<td>0.5</td>
<td>0.1</td>
<td>0.6</td>
<td>0.4</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Nothing in particular</td>
<td>2.6</td>
<td>7.2</td>
<td>0.3</td>
<td>0.1</td>
<td>3.3</td>
<td>2.1</td>
<td>6.3</td>
<td>1.5</td>
<td>14.4</td>
<td>5.2</td>
</tr>
<tr>
<td>Do not know</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In terms of absolute numbers, this translates to a total of just over 1 million Muslim consumers in South Africa, with the following breakdown for the provinces with the largest Muslim populations: **Western Cape: 327 115; Gauteng: 307 301; KZN: 206 825**.

A rough estimate of total annual expenditure by the Muslim population on food and non-alcoholic beverages (not yet including changes in income and expenditure, and food inflation since 2011) can be calculated based on the above income brackets and Income and Expenditure Survey estimates of spend per income bracket on food and non-alcoholic beverages. As per the diagram below, this ranges from 36% for households with income below R3,500 to 5% in the highest income brackets.
As the IES spend is per household, it is necessary to assume an average household size. For the purposes of this estimate, the national average household size has been assumed (3.4) which is similar to the Western Cape average. The 2011 IES food and beverage spend percentages were then applied to the estimated number of Muslim households per income bracket. This was then multiplied by 12 to obtain annual spend. The result is a rough spend estimate of around R4.8 billion p.a. by Muslim consumers on food and non-alcoholic beverages nationally, and R1.5 billion p.a. in the Western Cape. This still needs to be tested and refined but provides a directional indication of the scale of the market. Wesgro, based on BMI research, estimated food spend of around R500 billion in SA in 2016, R123 billion spend on non-alcoholic beverages i.e. R623 billion combined. Based on this rough estimate, Muslim consumption would represent only 0.8% of the SA total (vs. 1.9% of the population); the calculation might therefore be an underestimation.

In terms of population groups, in the General Household Survey responses that identified their religious affiliation as Muslim, 43% were Indian/Asian, 31% Coloured and 25% African. These cultural groupings also have different food traditions which will impact on their Halal food and beverage preferences.

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29 Source: Eighty20
## C: CONCLUSIONS ON OPPORTUNITIES

### 7 PEST and SWOT analysis

#### 7.1 PEST

<table>
<thead>
<tr>
<th>Political</th>
<th>Economic</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Government commitment to Project Khulisa and halal’s contribution to it</td>
<td>• Established trade relationships, air and port links</td>
</tr>
<tr>
<td>• Efforts to increase intergovernmental coordination</td>
<td>• Growing global Muslim population, large young population, some areas with increased income, higher education and greater tendency to travel</td>
</tr>
<tr>
<td>• Market access efforts (addressing tariff and non-tariff barriers)</td>
<td>• W. Cape relatively high cost structure vs. high price sensitivity of many halal market segments</td>
</tr>
<tr>
<td>• Danger of “competition” between provinces around halal industry development and halal parks (being addressed through intergovernmental relations)</td>
<td>• General tendency towards greater mechanisation/capital intensity vs. desire for job creation</td>
</tr>
<tr>
<td>• Regulatory and administrative burden (public and private regulation, locally and internationally) e.g. new active ingredient/pharmaceuticals, bio-prospecting, certification and accreditation (halal, quality, food safety)</td>
<td>• Rapidly changing global trends around halal</td>
</tr>
<tr>
<td>• Mainstreaming of halal has increased involvement of large multinationals, SMMEs and local companies have to work harder to retain/gain market share</td>
<td></td>
</tr>
<tr>
<td>• Potential for Islamic finance and investment to strengthen halal production capability</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social</th>
<th>Technological</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Diversity</td>
<td>• In many cases, strong phytosanitary and quality systems already in place</td>
</tr>
<tr>
<td>• Reasonable level of tolerance</td>
<td>• Production technology choices might be required - halal no stunning/hand slaughter, vs. non-halal methods</td>
</tr>
<tr>
<td>• Cultural and family ties between W. Cape and Muslim markets</td>
<td>• Rise of traceability technologies/potential to transfer traceability technologies used in other sectors/market segments e.g. wine</td>
</tr>
<tr>
<td>• However, lack of social capital and trust across historically separate networks (e.g. Muslim vs. non-Muslim business communities in W. Cape)</td>
<td>• Increase in laboratory testing technologies for halal e.g. porcine DNA test</td>
</tr>
<tr>
<td>• Increased use of e-commerce and social media in halal, in particular for “Global Urban Muslim” segment</td>
<td></td>
</tr>
</tbody>
</table>
7.2 SWOT analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong primary production base, in particular for fruit</td>
<td>• Supply-side constraints (water, climate, land availability and cost, cost structure, policy certainty, disease and pest burden etc.).</td>
</tr>
<tr>
<td>• Globally dominant position in ostrich production and exports</td>
<td>• Distance from major Muslim markets; transport costs to access these markets</td>
</tr>
<tr>
<td>• Other strong areas of relevant agro-processing production e.g. dairy</td>
<td>• Fragmented networks and limited information sharing (e.g. between primary agriculture producers and Muslim businesses, between government and halal producers)</td>
</tr>
<tr>
<td>• Base of well-established halal certification bodies, and large numbers of suppliers that are already halal certified</td>
<td>• Limited joint promotional budgets for most sub-sectors</td>
</tr>
<tr>
<td>• Strong phytosanitary systems, quality and lab testing systems and facilities (e.g. PPECB, Tokeid Laboratory), international reputation for quality and reliability</td>
<td>• Currency volatility</td>
</tr>
<tr>
<td>• Established trade relationships with important Muslim majority and minority markets (importers, supermarket chains etc.)</td>
<td>• Possible gaps in skills e.g. halal food technology, halal butchers and hunters</td>
</tr>
<tr>
<td>• Natural environment, high biodiversity and potential for differentiated ingredients</td>
<td>• Rise of artisanal and specialist production of food, sauces and seasonings, natural cosmetics, nutritional supplements etc.</td>
</tr>
<tr>
<td>• R&amp;D, genetics and varietal development, innovation capability in public, academic and private spheres</td>
<td>• Relatively Muslim-friendly context, and low current politicisation of halal</td>
</tr>
<tr>
<td>• Quality of life, lifestyle, trendy, healthy</td>
<td>• Some sub-sectors are well-organised</td>
</tr>
<tr>
<td>• Well recognised international tourism destination and diverse tourism product</td>
<td>• Strong sectors that could provide support services e.g. IT, design, packaging, marketing, finance, insurance</td>
</tr>
</tbody>
</table>
Opportunities

- Positioning:
  - Premium
  - Quality & reliable
  - Natural and healthy
  - Lifestyle products
  - Cultural ties, Muslim-friendly
  - New tastes & experiences
  - Innovative, well-designed
- Global Urban Muslim/ Generation M segment
- Halal and Tayyib / eco-ethical
- Niche premium/artisanal products e.g. ostrich, speciality cheese, confectionery, natural cosmetics
- Halal / “family-friendly” tourism
- Halal-related education
- Expanding existing mainstream and speciality food products into new markets e.g. snacks, sauces, juice
- Ingredients to MNCs such as fast food, food, cosmetics, pharma (e.g. enzymes, extracts, halal gelatine)
- Internationalised food franchises and services – unique taste experiences
- Multilaterals and NGOs supplying disaster relief, food aid, vaccines

Threats

- Competing international accreditation schemes
- Rising cost structure
- Possible lack of interest by Muslims in involvement in rural and primary agriculture occupations e.g. abattoir, butchers/“blockmen”, meat processing, hunters
- Market access bans e.g. foot-and-mouth, avian flu
- Lead time to realise opportunities vs. rapidly changing halal market trends
- Local and global rise in politicisation of halal - dangers of alienating other consumers when promoting halal (and tensions in positioning wine & brandy vs. halal)

The table below shows how the market segments interact with geographical market opportunity, highlighting the Global Urban Muslim segment which is considered the best fit with the Western Cape’s strengths.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Global Urban Muslims / Generation M</th>
<th>Wealthy traditionalists</th>
<th>Price sensitive rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country/grouping</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GCC</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Malaysia &amp; Indonesia</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Minority Muslim EU &amp; US</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>E Africa coast</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>India</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Nigeria</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Egypt</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

As the W. Cape and SA halal market is relatively small, and the market already has a high presence of locally produced halal product (both certified and uncertified, going to both Muslim consumers and more widely), the growth potential is limited.
8 Theory of change and roadmap

The figure below provides an integrated **theory of change and roadmap**. The purpose of this is to show how support could contribute to the ultimate objectives, the relationships between support areas, and the implications for timings and sequencing. Timings are indicative rather than exact. The scenario gives an indication of how the halal agri-processing opportunity could contribute to overall Khulisa objectives; while the market share in this scenario is lower than in the initial Khulisa target of 2%, the analysis in this project is that 1% might be more realistic given the base, and could still yield significant socio-economic contributions.

**Figure 15: Theory of change and roadmap**

1. **Information sharing and networking**
2. **Removal of market access barriers**
3. **Accreditation & certification “future proofing”**
4. **Promotion and marketing**
5. **Skills and talent attraction**

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Scenario – Growing to 1% of halal-related trade and 1% of Muslim tourism, could result in additional ~32,000 agri-processing jobs in W. Cape, ~additional R7bn p.a. agri-processing exports, ~R16bn p.a. agri exports; ~R20bn tourism spend

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**Support areas:**

- **Producers and exporters understand the halal opportunity**
- **Producers can make informed decisions about which opportunities to access**
- **They can also tailor product, packaging, labelling accordingly**
- **And link into the most appropriate distribution channels**

**2017**

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**2025**
9 Strategic recommendations on support priorities

In some cases the above opportunities could be realised with minor adjustments or support. In other cases there may be significant supply-side or market access constraints, and therefore risks and lead times to realising these opportunities. This sequencing will be included in the theory of change to be developed later in this project.

As the halal global regulatory context and market dynamics are changing rapidly, there is also a need to “future-proof” the approach, by taking into account trends that are likely to become more mainstream in 5 to 10 years, building in flexibility and responsiveness, as well as diversifying risks related to accreditation systems, as well as product and market risks.

The overall supply-side issues facing agricultural, agro-processing and the bio-economy also impact on halal segments, including water and climate, land access and cost, electricity, policy certainty, agro-processing, labour relations and skills development, bioprospecting and benefit sharing. The extent to which these issues can be addressed will therefore affect the scale and timeframe for the growth that can be achieved by the halal focus.

The table below sets out a multi-stakeholder approach that intends to make the best use of limited resources, and work with existing institutional capacities, events etc. It also attempts to mitigate risks by allowing for incremental development and refinement. Where relevant, examples from the benchmarking are provided (in italics), see Appendix D for further detail on benchmarks.
<table>
<thead>
<tr>
<th>Category</th>
<th>Focus for support</th>
<th>Description</th>
<th>Timings and resource requirements</th>
<th>Potential role players</th>
</tr>
</thead>
</table>
| **Information sharing, awareness raising and networking** | • All W. Cape producer sectors and export agents – agro-processing, cosmetics, pharmaceuticals, ingredients, tourism etc. | • Information sharing through meetings, presentations and documents with agriculture and agro-processing industry and tourism associations and export councils, individual producers/service providers, covering issues such as the evolving definitions of halal and Tayyib, trends around certification and accreditation, and Muslim consumers’ preferences  
• E.g. Australian industry bodies directly represented on Halal Programme board with certifiers  
• Relationship- and trust-building to enable market linkages and deal making, e.g. between producers and traders | • Timings - start immediately  
• Types of resources required – IT and communication systems, development of collateral/material for particular audiences (desktop publishing, printed and digital materials, website, newsletters, presentations), database maintenance and expansion, coordination, team to present at workshops and meetings, research team to continuously update, expand intelligence | • Wesgro, DEDAT market intelligence unit  
• CT Tourism  
• Chamber of Commerce, Industry associations  
• Halal forum overall  
• Halal experts  
• Certification bodies |
| **Removing market access barriers**                | • Ostrich to UAE as high priority, Others may emerge, e.g. dairy, specific Indian states | • Obtain detail on all current import requirements, share this information with producers and exporters  
• Reduce tariff and non-tariff barriers to priority halal markets  
• Align veterinary and lab services | • Timings – immediate  
• Types of resources required - human resources, senior intergovernmental relations, information and communication | • DAFF provincial and national  
• DTI and FERS  
• Certification bodies and their international networks |
| **Accreditation and traceability**                | • Ensure coverage of key market requirements, in particular GCC and Malaysia accreditation systems | • Certification alignment with international accreditation requirements  
• Applying traceability technologies and systems  
• Ensure lab testing meets the emerging needs of industry (halal and wider) e.g. residues, DNA testing  
• E.g. Thai halal certification process has evolved beyond strict halal into general food standards and safety (supported by a Halal Standards Institute to research and develop standards with government to comply with international standards and UAE halal standards) | • Separate project to be completed | • Certification bodies  
• Potentially government  
• Traceability technology providers, IT industry  
• Veterinary services, PPECB |
<table>
<thead>
<tr>
<th>Category</th>
<th>Focus for support</th>
<th>Description</th>
<th>Timings and resource requirements</th>
<th>Potential role players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion and marketing</td>
<td>• Generation M&lt;br&gt;• Tourism, exotic meats, cosmetics and natural products</td>
<td>• Linking into existing promotion efforts in target markets, including coordinated participation in key trade shows e.g. Gulffood, Anuga halal trail&lt;br&gt;• Events – integrating into existing W. Cape trade events and shows (e.g. Good Food and Wine, WTM Africa), in time creating specialist multi-faceted events&lt;br&gt;• Utilising tourism experiences to expose visitors to halal products and services as consumers and potential trade e.g. festivals, markets, hospitality, retail&lt;br&gt;• E.g. OTOP programme in Thailand supports rural projects with design/ standards/ packaging to link into tourist and mainstream economy</td>
<td>• Timing – initiate planning and agreement on positioning immediately, integrate into medium-term budget and promotion activities; depending on success and available stakeholder budgets, develop halal focused local events in medium to longer term&lt;br&gt;• Human resources and technologies for coordination and organising</td>
<td>• Wesgro, export councils and other industry bodies&lt;br&gt;• Existing trade show, event, festival organisers&lt;br&gt;• Tourism and other lifestyle industry bodies&lt;br&gt;• Existing agents&lt;br&gt;• The dti (funding through EMIA)</td>
</tr>
<tr>
<td>Addressing halal-specific skills and talent attraction requirements</td>
<td>• Meat</td>
<td>• Integrating halal and Tayyib considerations into existing research and courses on agriculture, agriprocessing, food technology and food control, MBAs e.g. as modules/specialisations&lt;br&gt;• Potentially over time over these courses to wider/international market&lt;br&gt;• Strategies to develop and attract Muslim butchers and hunters, halal food technologists, halal logistics and traceability, halal hospitality management&lt;br&gt;• In Singapore the certifying body is responsible for training slaughtermen, while in Australia training can occur privately, but slaughtermen must belong to industry association and carry card identifying the certifying body</td>
<td>• Timings – initiate coordination and planning immediately, integrate and rollout in medium to longer term&lt;br&gt;• Resources required – human resources, facilitation and coordination, over time promotion and marketing</td>
<td>• Premier’s skills forum and Skills Gamechanger&lt;br&gt;• DEDAT skills unit&lt;br&gt;• Education providers, including universities, TVETs, SETAs</td>
</tr>
</tbody>
</table>