Korean Halal SMEs Strategy Shift under the COVID19 Pandemic

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President
The challenges faced in the development process of the Korean halal industry

- As a non-Islamic country, Korea does not have a sufficient domestic halal market.
- As Korea is the sixth largest manufacturing country in the world, its growth policy has placed importance on exports.
- Therefore, the halal industry has been recognized as an industry that primarily produces products for export to the Islamic world.
- However, as Muslim residents such as migrant workers and international students are increasing, and Muslim tourists increase, interest in the domestic halal market is also growing.
- Government-level attempts to foster the halal industry began in 2015.
South Korean government policy on halal industry

**「Halal Food Development and Export Promotion Measures(2015)」**

- MAFRA (The Ministry of Agriculture, Forestry and Rural Affairs) announced 「Halal Food Development and Export Promotion Measures」 on June 29, 2015.
- The measures systematically present visions, goals, tasks and strategies.
- The measures provides nine tasks and objectives derived from the analysis of domestic conditions.
- The implementation plan consists of nine projects, and the action plan for each project is presented in detail with a schedule.
Supporting the future growth of agriculture through building the Halal food industry base and expanding exports

**Aim**

- Achieving USD 1.5 billion in Halal exports by 2017

**Tasks**

**Halal Food Export Support**

- Halal certification cost support
- Strengthening the competitiveness of domestic halal certified products
- Raising awareness of domestic halal foods

**Increasing domestic halal food supply**

- Allowing Halal Certification labelling
- Expanding Halal Certified Restaurants
- Expanding supply of hospital halal meals

**Building Halal industry infrastructure**

**Information base**

- Halal Food Information Survey
- Building Halal Food Information Directory
- Halal Desk Installation

**Production base**

- Halal slaughterhouse
- Creation of Halal Horticultural Export Complex

**Manpower and R & D**

- Expanding training for halal experts
- Expansion of R & D investment including development of halal products
Halal industry support system in Korea

Ministry of Agriculture, Food and Rural Affairs
- Food
  - R&D
  - Export promotion
  - Education/training
  - Information survey
  - Halal certification cost support

Ministry of Trade, Industry and Energy
- Consumer goods
  - Export promotion
  - Information survey
  - Buyer search
  - Exhibition cost support
  - Training
  - Information survey
  - Consulting

Ministry of Food and Drug Safety
- Cosmetics
  - Export promotion
  - Information survey
  - Buyer search
  - Exhibition cost support

Halal certified by 4 domestic CBs and/or overseas CBs.
- Com. 1
- Com. 2
- Com. 3
- Com. 4
- Com. 5
- Com. 6
- Com. 7

Korea Halal Certification Mark
- Exhibition participation
- Buyer matching
- Buyer invitation
Korean Halal Industry Ecosystem

- MAFRA: Halal Food Development and Export Promotion Measures (June 2015)
- Korean Halal food Standard (KSH 1061)
- MAFRA: appoint KFRI as halal export support center
- MFDS: entrust KIHI as halal cosmetics consulting service provider since 2016
- KTO: Muslim friendly restaurant support
- Others: KOTRA, aT

2019 Export to Islamic countries
- Food & beverage: $880 million
- Cosmetics: $271 million

- Domestic CB: KMF, KHA, IHCC, HAK
- Foreign CB: BPJPH (MUI), JAKIM
- Halal Lab: KFRI
- Halal logistics: Sejung Shipping
- Research & training: KIHI
- Producers association: KOHEA
- Exhibition: Halal Trade Expo Korea

- Muslim residents: 200,000
- Muslim tourists: 1 million

- Food expend: U$780 million
- Cosmetics spend: U$220 million

1 billion dollar market
## The COVID 19 Pandemic Impact on South Korea

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<td><strong>COVID 19 confirmed cases as of October 25</strong></td>
<td>25,836 (deaths 457. FR 1.77%)</td>
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<td><strong>International tourist arrival</strong></td>
<td>-65% YTD -93% as of June</td>
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<td><strong>Korea Real GDP growth in 2020</strong></td>
<td>-1.9%</td>
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<td><strong>World Real GDP growth in 2020</strong></td>
<td>-4.4%</td>
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**Total export**
-3.2% growth YTD (2020. 1.1 ~ 9.30), from the same period of the previous year whereas SMEs export recorded 4.0% growth, led by quarantine products such as COVID 19 diagnostic kits and masks

**Food & beverage**
export U$5,519million, 6.5% growth YTD (2020. 1.1 ~ 9.30) from the same period of the previous year

**Cosmetics**
export U$4,902 million, 3.6% growth YTD (2020. 1.1 ~ 9.30) from the same period of the previous year
The COVID 19 Pandemic Impact on South Korea - Social shift

- Accelerating the transition to a digital economy as non-face-to-face demand surges through the implementation of social distancing
- Online non-face-to-face demand for “coexistence of daily life and quarantine” is rapidly expanding
- Online shopping delivery service replaces offline consumption
- Promote digitalization of all fields such as smart work, telecommuting, cyber education
- Accelerating the promotion of Industry 4.0 to reduce human interference and human contact in the manufacturing sector
5 Trends
Defining the Future of Manufacturing

Long-term changes in industries: adapting to the “new normal”

Production Reshoring
Companies aim to diversify operating risks and relocate part of their production back to Europe and North America

Diversified Supply Chains
Instead of relying on the megasuppliers, companies aim to create a network of smaller suppliers

Automation
Investments in production automation expected to accelerate

Digital Strategies
Companies reconsider digital strategies and sales channels, with greater focus on e-commerce

Social Distancing Measures
Some of the social distancing measures will prevail, forcing the companies to rethink how they operate their factories

Source: EUROMONITOR (downloaded on Oct. 23, 2020)
Breakthroughs of Korean SMEs to overcome the impact of the pandemic

Halal SMEs rapid adaptation to social changes caused by COVID-19

“Innovation in manufacturing”

- Industry 4.0
- Smart HAS: real time HAS monitoring shared with HCB - No physical face to face audit (case: Smart HACCP in Korea)

Halal market strategy shift

- Direct to consumer sales
- E-commerce
- Live commerce
- Self service(unmanned) store

“Innovation in commerce”

“Innovation in logistics”

- Quick delivery
- Fulfillment logistics
- Cross-boarder sales
- Halal supply chain

“The Korean version of the New Deal project (U$141 billion) contains such strategic support for SMEs in Korea.”
THANK YOU

James Noh, Ph.D.