

Halal chocolate takes off as sweet-tooth Muslims want their fix

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[KUALA LUMPUR] Muslim countries are turning into fast-growing markets for chocolate, and a small nation in Asia is betting more people around the world are going to want candy and goodies that comply with the religion's strict food laws.

Malaysia doesn't grow much cocoa, but it has become the continent's No 2 processor by grinding beans imported from neighbouring Indonesia, the largest producer outside of Africa and home to the world's biggest Muslim population. With a majority of its own people classified as Muslim, Malaysia already sells mostly cocoa products in compliance with Halal principles - which forbid the use of alcohol and some animal products.

Islam is the fastest-growing religion on the planet and may have 2.8 billion faithful by 2050, according to the Pew Research Center. Global sales of Halal-certified chocolate confectionery will reach US\$1.7 billion by 2020, growing at a 5 per cent annual rate that exceeds the 4 per cent gains expected for all chocolates, according to Euromonitor International Ltd. Malaysia is hoping the growth will help to boost exports that were a record last year.

"Halal certification is regarded as essential in emerging, Muslim-majority markets like Indonesia and Malaysia," said Emil Fazira, senior research analyst at Euromonitor in Singapore.

"In markets where Muslims have increasing purchasing power, halal-certified products are expected to be preferred over uncertified products."

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Based on the teachings in the Koran, the certification doesn't just apply to food ingredients. Processing machines also must avoid alcohol used in cleaning products as well as many animal-based lubricants - including emulsifiers or gelatins extracted from hogs.

Dazzle Food Sdn, which sells specialty couverture and consumer chocolates such as the Mr Coco and Marie Coco brands, became fully Halal in 2009. In addition to the domestic market, it exports to Singapore, Indonesia, China and the Middle East. The Selangor-based company, in an email response to questions, said the certification helped boost sales by 20 per cent to 30 per cent over the past three years. Demand may grow even faster this year, it said.

Muslim-dominated countries in central Asia and the Middle East provide some of the biggest opportunities for increased exports as their economies expand, according to the Malaysian Cocoa Board. In many, Halal-labelled products aren't niche markets but mainstream staples.

"For countries in central Asia, their confectionery industries are developing and growing," Norhaini Udin, Director-General of the Malaysian Cocoa Board, said in an interview at the board's Nilai office on the outskirts Kuala Lumpur.

"The Muslim community is more cautious now. If you don't carry the halal logo, you can't capture their market."

Boycott

Malaysia doesn't just sell chocolate. A large part of its exports are cocoa products, fillings and coatings made on Halal-compliant equipment, Ms Norhaini said. Last year, overseas shipments of cocoa beans and products were valued at a record RM5.74 billion (S\$1.8 billion).

The word Halal means "permissible" and is part of a system of morals known as sharia. In countries with Muslim minorities, the Halal certification has sparked calls for boycotts of products with the Halal label.

Nestle SA stopped Halal-certification of retail chocolate products sold in Australia as of March 2016. Other chocolate brands may comply with Islamic principles but aren't labeled Halal.

That's not an issue in Malaysia, where all the foods that Nestle sells there, including Kit Kat, are Halal-certified.

Malaysia has 51 chocolate manufacturers and confectioneries and 194 local chocolate producers, selling about RM1.095 billion a year, according to cocoa board data.

Growth

The country is focusing on four regions to boost sales, Ms Norhaini said. The country already has more than 50 per cent market share in cocoa powder and butter in South-east Asia, and 30 per cent in the rest of Asia, New Zealand and Australia. In the Middle

East it holds a 20 per cent market share for cocoa butter and powder imports and in eastern Europe it has a 15 to 17 per cent share of chocolate ingredients. Top customers in that region are Russia, Ukraine and Kazakhstan.

"By 2020, we should be able to capture 20 per cent from the current position for overall eastern Europe," Ms Norhaini said.

Euromonitor estimates Asia Pacific will continue to be the strongest market for cocoa ingredients, with compound annual growth of 4.5 per cent over 2015-2020 compared with 1.7 per cent globally. It's already the second-largest region by volume, ahead of North America.

Importantly for chocolate lovers, Dazzle says the Halal certification doesn't affect taste.

"The thing about chocolate is there's a whole amount of science involved," company spokeswoman Awatif said.

"The tempering, refining, conching, the things you put inside. I wouldn't say there's a specific difference in taste, it depends a lot more on the processes rather than whether it's Halal or not. It's the process that matters more."

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