



## Halal certification in Indonesia

How the approaching mandatory halal certification will affect food businesses

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Mandatory halal certification in Indonesia is top of mind as the 2019 deadline to comply with requirements approaches.

However, contradictions within National Law No. 33/2014 and delays in the publication to the enforcement Regulations, are creating challenges for Food Business Operators (FBOs). In this white paper, Felicia Frances discusses how the new law will affect FBOs, especially importers.

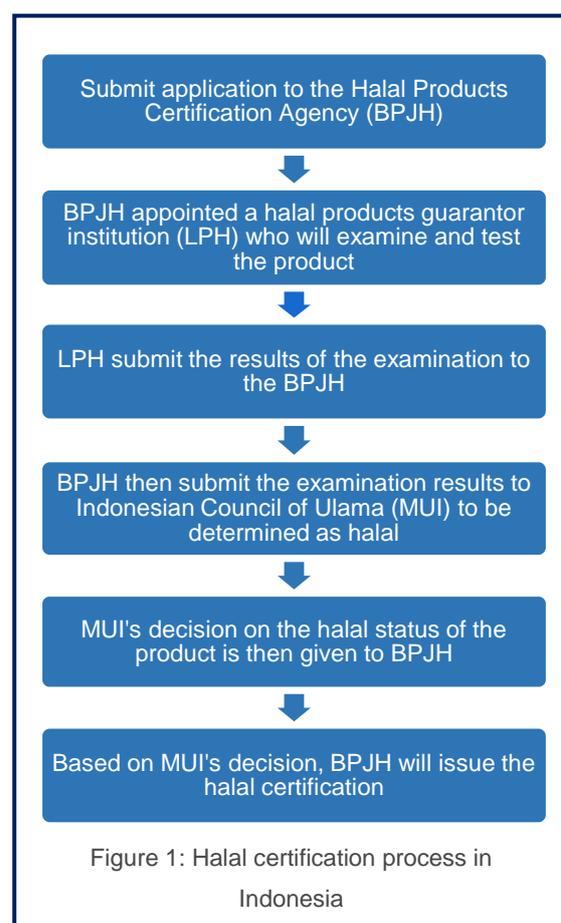
Indonesia (officially the Republic of Indonesia), located in Southeast Asia, is the world's largest island country. With a population of 262 million, it is the fourth most populous country in the world<sup>1</sup>. It also has the world's largest Muslim population, with 82.7% of people identifying themselves as Muslim<sup>2,3</sup>.

Indonesia's Muslim population is increasing year-on-year as the number of newborns rises. This is triggering a rise in demand for halal products, especially food products.

In order to meet demand, as well as consumer expectations on halal products, the Indonesian government has formulated framework legislation on halal certification for products marketed in Indonesia; these include foods and pharmaceuticals. One of the most important pieces of legislation is National Law No. 33/2014 which was published in 2014.

## National Law No. 33/2014

National Law 33/2014 lays down the framework for halal certification as well as



halal labelling in Indonesia. It requires that all food and drink products marketed in Indonesia are certified as halal from October 17, 2019,

<sup>1</sup> Census.gov (2018) Population Clock Current Population. [online] Available at: <https://www.census.gov/popclock/> [Accessed 26 July 2018].

<sup>2</sup> BBC (2018) Indonesia country profile. [online] Available at: <https://www.bbc.com/news/world-asia-pacific-14921238>. [Accessed 26 July 2018].

<sup>3</sup> Central Intelligence Agency (2018) The World Factbook. [online] Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/id.html> [Accessed 26 July 2018].

whether they are locally produced or imported. The Halal Products Certification Agency (BPJH) has also been formed under the Law to oversee the process and provide ongoing certification for products (see Figure 1).

It's not just the end product that needs to be certified. To be eligible for halal certification, food business operators (FBOs) must also ensure that all equipment and raw materials used during production are acceptable under Shari'ah (Islamic) Law. Raw materials include processed ingredients, food additives and processing aids. Furthermore, the Law requires that FBOs have separate production locations for halal and non-halal food. This means FBOs must have two different plants at two different locations if they also produce non-halal products.

**Haram (non-halal food)**

In addition to foods that are generally recognised as haram under the Shari'ah Law

Blood	Pigs and boars
Carrion	Human body parts
Alcohol and alcohol containing food	Any animal (and its derivatives) that is not slaughtered according to Shari'ah
All poisonous and hazardous animals and plants	Other animals and plants that are considered as haram by the MUI

Figure 2: Foods that are considered as haram (i.e. non-halal)

(see Figure 2), the MUI has also published a list of food considered as haram in Indonesia. This list is regularly updated and can be found on the MUI website.

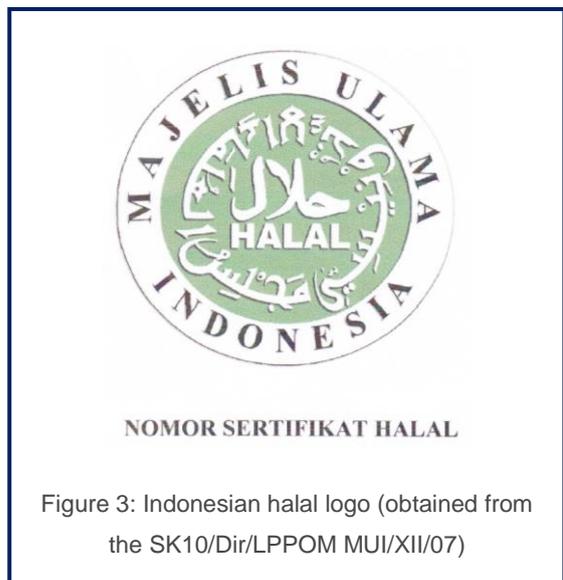
**Imported food products**

For imported products, FBOs are not required to go through the certification process, provided certification has been obtained from an authorised foreign halal certification body by MUI. FBOs are only required to register their 'foreign' halal certification to BPJH before the products are marketed and circulated in Indonesia.

**Halal logo**

Based on the National Law, food that has been certified as halal must bear the Indonesian halal logo on its label (see Figure 3). Prior to using the logo, approval must be obtained from the National Agency for Drug and Food Control (NADFC), based on Head of NADFC Regulation No. 27/2017 on processed food registration.

Imported products certified by an authorised foreign halal certification body must also



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receive prior approval from NADFC to declare the Indonesian halal logo on their label.

Only the Indonesian halal logo may be declared on the label of products to be sold and marketed in Indonesia. In addition, the halal logo must be declared on the main part of the label (i.e. front of pack).

### **Contradiction within National Law No. 33/2014**

Article 4 of the National Law stipulates that “Products that entered, distributed, and traded in Indonesia must be certified as halal”. Based on this, one can assume that non-halal products may not enter or be traded in Indonesia. On the other hand, Article 26 of the National Law provides an opportunity for entry and distribution of non-halal products provided that they bear non-halal information on their label. This contradiction will certainly cause confusion to importers who market their products in Indonesia.

### **Enforcement Regulations**

The National Law states that, within two years of its publication (i.e. in 2016), enforcement Regulations on halal certification will be published by the government. However, as of July 2018, the Indonesian government has yet to publish the enforcement Regulations. In April 2018, Vice President Jusuf Kalla stated that the dialogue on the draft Government Regulations regarding halal product certification had entered into the final stage. However, neither the Vice President nor the Ministry of Religion have announced the final date when such enforcement Regulations or even the draft Regulation will be published.

Next year’s general election could possibly hold up publication of the enforcement Regulations. Should a new Indonesian government be elected, further changes to the draft enforcement Regulation could be made, further delaying the publication process.

In the meantime, there is a glimmer of hope for FBOs regarding halal certification in Indonesia. As part of the World Trade Organization (WTO), the Indonesian government is bound by the Technical Barrier to Trade (TBT) Agreement. Therefore it should not create any Regulation which violates the TBT Agreement by creating unnecessary trade barriers. Taking this into account, it is most likely that the government will eventually permit the importation of non-halal food through the enforcement Regulations provided it is clearly labelled as non-halal food.

### **Conclusion**

Whilst the introduction of mandatory halal certification provides consumers with assurance on the halal status of a product, contradictions within the National Law and delays to the publication of the enforcement Regulations are causing confusion for FBOs in the run up to the October 2019 compliance deadline. Nonetheless, as part of the WTO, we would expect the government to publish the enforcement Regulation in line with the WTO Agreement. Namely, by permitting the importation of non-halal products provided they are clearly labelled as non-halal food.

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### **How Leatherhead can help**

Selling food and beverage products in Indonesia can be quite challenging for FBOs. Not only is the market dynamic, but all the Regulations are in Indonesian, adding further complexities to keeping on top of changes in the Regulations. With native Indonesian language skills, Leatherhead Food Research is ideally placed to provide regulatory support, helping companies ensure that products are compliant in the Indonesian market.

### **About the author**

Felicia Frances joined Leatherhead Food Research in 2016, where she is a Regulatory Analyst in the Global Regulatory Team. A native Indonesian speaker, she is an expert on Indonesian, South East Asian countries, South Central Asian Countries, Australian, New Zealand and US food regulations. She has a Bachelor's degree in Food Science and Nutrition from the University of Surrey.

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## About Leatherhead Food Research

Leatherhead Food Research provides expertise and support to the global food and drinks sector with practical solutions that cover all stages of a product's life cycle from consumer insight, ingredient innovation and sensory testing to food safety consultancy and global regulatory advice. Leatherhead operates a membership programme which represents a who's who of the global food and drinks industry. Supporting all members and clients, large or small, Leatherhead provides consultancy and advice, as well as training, market news, published reports and bespoke projects. Alongside member support and project work, our world-renowned experts deliver cutting-edge research in areas that drive long-term commercial benefit for the food and drinks industry. Leatherhead Food Research is a trading name of Leatherhead Research Ltd, a Science Group (AIM:SAG) company.

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## About Science Group plc

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Originally founded by Professor Gordon Edge as Scientific Generics in 1986, Science Group was one of the founding companies to form the globally recognised Cambridge, UK high technology and engineering cluster. Today Science Group continues to have its headquarters in Cambridge, UK with additional offices in London, Epsom, Paris, Boston, Houston and Washington DC.

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