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INSIGHTS HALAL SUPPLY CHAIN MANAGEMENT AT INDONESIA NUSANTARA FISHERY PORT

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Abstract:

This research was conducted at the Nusantara Fisheries Port (PPN) with a focus on examining the halal supply chain activities among fishers and identifying potential fraudulent practices in fishing operations. Employing a qualitative approach and source triangulation, the study aims to address these issues comprehensively. It sheds light on various stages of the halal supply chain, including fishers' departure preparations, fish unloading processes at the pier, price determination, and product delivery to factories. Findings reveal prevalent fraudulent activities within fishers' operations leading to the compromised halal status of products. Common fraudulent practices are observed in administrative procedures from departure to docking, often normalized among fishers. Moreover, discrepancies in fish pricing at the port frequently occur due to baseless manipulations by some agents or suppliers.

Keywords:

Halal Supply Chain; Fishers; Nusantara Fisheries Port; Fraudulent

Introduction

Indonesia's Muslim community has increasingly acknowledged the importance of halal products and services, resulting in a significant growth in the number of halal companies in the country. This emphasizes the significance of developing the environment for the Indonesian

halal supply chain. The demand for halal goods and services is significant both locally and internationally, covering a wide range of sectors including tourism, clothes, cosmetics, finance, pharmaceuticals, media, fitness, education, and cultural arts (Himawan, Sidiq and Arief, 2023). The growth of the halal product industry is directly linked to increased public consciousness regarding product cleanliness, excellence, adherence to rules, and assurance of safety. The correlation between this trend and the growing worldwide Muslim population is strong, as the increase in the Muslim population directly drives the demand for halal products and services. Projections by Noordin, Md. Noor, Hashim, and Samicho (2009) indicate that the worldwide Muslim population is projected to increase to 2.2 billion by 2030, compared to 1.8 billion in 2012. Moreover, the popularity of halal items is no longer exclusive to Muslims, as non-Muslims are progressively integrating them into their consumption and daily habits.

Ibrahim and Adinugraha (2020) contend that nations with predominantly Muslim populations, such as Indonesia and Malaysia, do not exclusively control the worldwide halal goods market. Companies from China, Thailand, the Philippines, the UK, and Luxembourg are actively competing to produce halal goods. For non-Muslim consumers, the halal certification symbolises cleanliness, quality, purity, and safety. Therefore, the halal logo becomes the worldwide standard and a sign of exceptional product quality.

In Indonesia, halal logistics encounters certain obstacles, primarily due to a widespread belief among the public and consumers that it is not crucial, unlike in other nations where it is required by law (Himawan et.al.2023). This image is largely attributed to Indonesia's current emphasis on the composition of individual food items or ingredients when setting halal product requirements rather than considering the complete supply chain process, which includes warehousing and transportation. Indonesia has incorporated halal logistics into its regulatory framework through Law Number 33/2014 on Halal Product Assurance. This law necessitates a thorough halal assurance process, from the beginning of production to the final delivery of products to consumers.

Literature Review

The fishing port is a designated area that includes both land and surrounding waters. It serves as a location for government activities and various fishery operations, such as docking vessels and unloading fish. The Minister of Marine Affairs and Fisheries, as stated in Regulation Number: PER.08/MEN/2012, has equipped the port with safety facilities for shipping. Often located in a port, the Fish Auction Place (TPI) is a market that hosts auctions for the sale of fish and marine items.

Ministerial Decree No. KP. PER.27/MEN/2012 provides a precise definition of the marine and fisheries industry as the integration of both the upstream and downstream production systems. The goal is to improve the magnitude and excellence of marine and fishing resource production, efficiency, competitiveness, and sustainable value added. This is based on the principles of (1) increasing value-added, (2) improving competitiveness, (3) empowering participants in the marine and fishery industry, (4) giving priority to superior commodities, regions, and regional management systems, (5) modernizing production systems from beginning to end, (6) maintaining a balanced relationship between the utilization of natural resources and sustainable environmental preservation, and (7) promoting a change in mindset and behavior within modern society.

Halal supply chain management encompasses the integration of firm operations and activities (Omar & Jaafar, 2011). Tieman et al. (2012) supports this statement, asserting that this distributed system aims to enhance halal integrity throughout the entire process, from production to customer purchase. Contemporary business and trade widely acknowledge halal as a transformative phenomenon that guarantees quality and shapes people's way of life by changing their beliefs, choices, and principles (Lada et al., 2009). Omar & Jaafar (2011) defined the Halal Supply Chain as a sequential procedure that commences at the origin and extends to the end consumer. The research revealed that fishermen, engaged in pre-sailing preparations and performing a range of tasks at sea, such as unloading, selling, storing, distributing, and transporting fish to the plant, were the source of the data. The activity's purpose was to ensure that all activities in the supply chain adhered to halal standards.

The halal value chain identifies food production and trading as vulnerable points (Tieman, 2015). Concerns among Muslims arise regarding the quality and amount of food produced when food supply chains become increasingly elongated and intricate (Bonne & Verbeke, 2008). The rise of globalization in the food supply chain has made modern Muslim academics more aware of several difficulties related to biotechnology, unconventional sources of ingredients, synthetic materials, advancements in animal slaughter, and meat processing. All of these factors have a significant impact on consumer preferences and choices (Fischer, 2011).

As the global Muslim population grows, there is a rising need for halal food products. Within this particular framework, Muslim patrons express a much-heightened need for assurance that the halal food they consume is completely devoid of any form of contamination. Research by Lada, Tanakinjal, and Amin (2009), Omar, Jaafar, and Osman (2013), and Tieman, van der Vorst, and Ghazali (2012) indicates that the halal industry must guarantee a contamination-free supply chain from the source to the point of consumer purchase. Consequently, the Halal Food Supervision Committee (HFSC) plays a crucial role in establishing credibility and trust among Muslim consumers for food manufacturers.

Methodology

The Nusantara Fishery Port (PPN) served as the site of this study, which used a qualitative case study methodology. The dataset comprises both primary and secondary data. We acquired primary data by directly observing the various operations conducted aAdditionally, we conducted interviews with the port director, personnel, fishermen, fish merchants, suppliers, and export enterprises. We acquired secondary data from relevant agencies and institutions, including Nusantara Fishery Port and Central BPS, and conducted literature studies to gather information from both printed and electronic media. c media. We conducted a case study research approach to investigate the supply chain activities of fishermen at the Nusantara Fisheries Port, with a specific focus on the halal supply chain element. This research aims to provide an overview of halal supply chain activities for fishermen and the halal supply chain at the Nusantara Fisheries Port, using a case study approach. This study employs many qualitative research data collection approaches, such as unstructured interviews and observation. Sugiyono (2015) cites Miles & Huberman, who argue that interactive and iterative qualitative data analysis ensures data saturation and its usefulness. utilizes data analysis methodologies that follow Milles and Huberman's proposed framework. Huberman. Specifically, it utilises an interactive model that categorises data analysis into three distinct stages: data reduction, data display, and conclusion drafting or verification. To verify the data's accuracy, a method of examination is required. Specific criteria form the foundation for the

application of the inspection technique. We employ four criteria: trust level, transferability, reliance, and certainty.

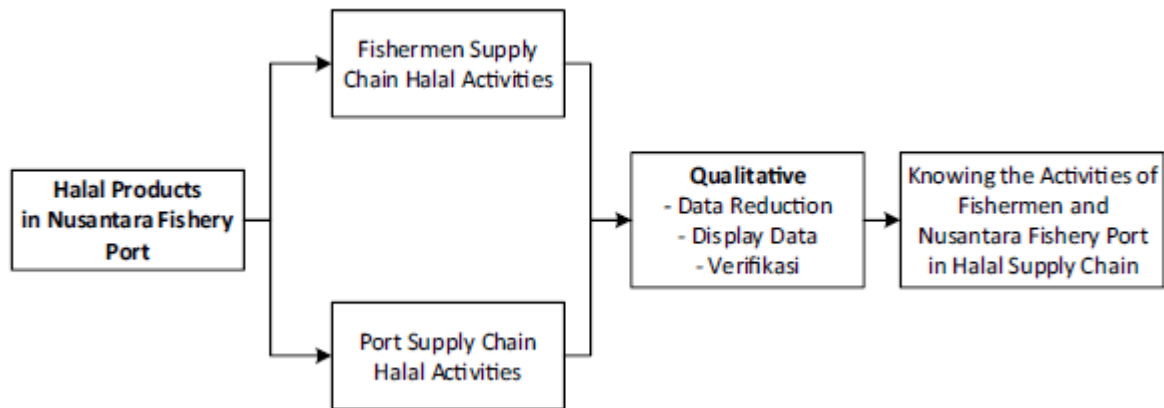


Figure 1: Conceptual Framework

Source: Author (2022)

Moleong (2018) asserts that triangulation is the most effective method for mitigating disparities in the creation of reality within a study. This approach involves gathering data about events and relationships from several viewpoints. We employed the method of triangulation in this investigation, specifically using source triangulation. Despite the existence of 18 Nusantara Fishery Ports in Indonesia, there is a lack of scholarly discourse on the halal supply chain at these fishing ports.

Finding & Discussion

The data analysis comprised two primary phases. Initially, a case study was conducted to examine the operations of the Nusantara Fisheries Port within a singular context. Conversely, a cross-case analysis was performed to delineate the activities of various fishers. This approach aimed to ensure consistency in describing each case, achieved through comprehensive in-case analysis capturing all pertinent information concerning activities pertaining to the halal supply chain.

The Nusantara Fishery Port, despite its high supply chain activity, often overlooks several halal aspects, consequently impacting product integrity. Pre-survey activities conducted by researchers unveiled numerous fraudulent practices, including misrepresentation of fishing vessel sizes not aligned with stated Fishing Vessel Permit (SIKPI) information, clandestine fish auctions between owners and buyers, and the unauthorized extraction of fish by "Tukang Ngorek" without owner consent. Furthermore, environmentally harmful fishing gear, formalin, bombs, potassium, dyes, and bleaches were noted in operation, posing health risks to consumers. Additionally, fraudulent practices were observed in fish supply chain activities, such as ambiguous quantities purchased directly by fish collectors, leading to transactional discrepancies and losses for involved parties.

Halal Supply Chain Activities at Nusantara Fishery Ports

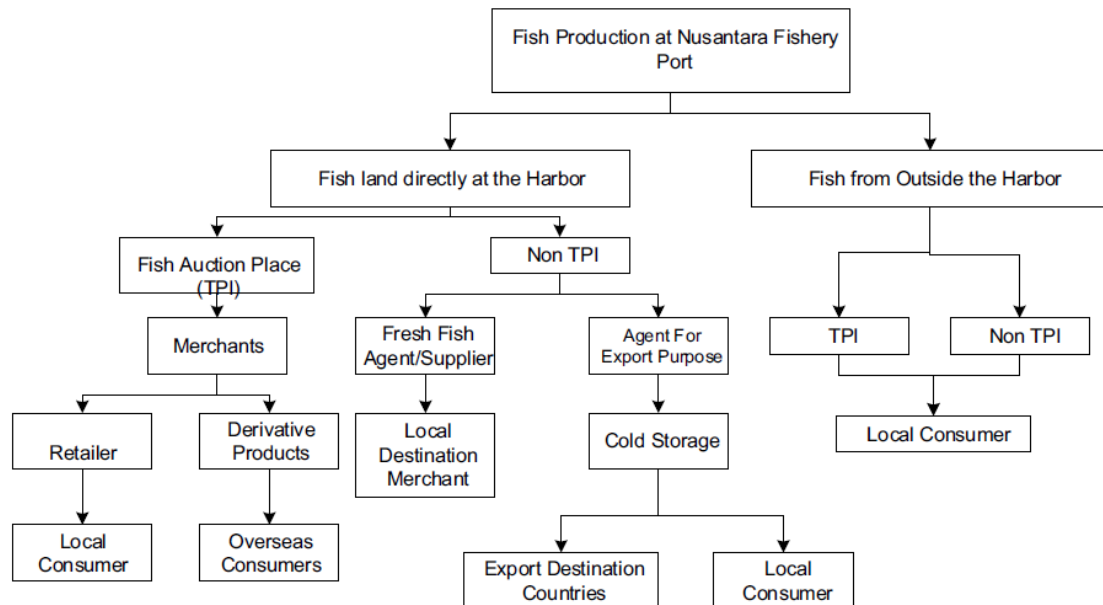


Figure 2: Nusantara Fishery Port's Supply Chain

Source: Author (2022)

The study revealed the supply chain activities at the Nusantara Fisheries Port, encompassing two main fish production processes. Firstly, fish are transported by land from other ports, where they are sold directly to traders or agents for local market consumption. This process, predominantly undertaken by daily fishers, caters to the needs of local consumers and involves pricing based on fish size, type, and quality. Secondly, fish are either produced on land or unloaded directly at the port dock, with larger vessels docking at the port. Fish entering the port from ships over 10GT typically undergo auctioning at the Fish Auction Place (TPI), while others bypass this process. Fish auctioned at the TPI are mainly for local consumption, with prices determined through auctioning. However, fishers and agents seldom engage in TPI activities due to time constraints, opting instead for direct sales to trusted agents for potentially higher prices. Nevertheless, fraudulent practices, such as price manipulation by agents, are prevalent, leading to significant losses for fishers, especially during periods of abundant fish supply.

Observations and interviews at the Nusantara Fishery Port highlighted various issues concerning fishers, traders, and suppliers. Non-compliance with fishing gear regulations was noted among fishers, driven by the desire to evade port official inspections. Additionally, the unauthorized use of chemicals, like formalin, to preserve fish freshness was discovered during the unloading process, posing health risks. Price speculation further compounded the challenges, with suppliers often manipulating auction prices based on the quantity of unloaded fish. Despite the prevalence of fish auctions, smaller traders and suppliers with limited capital face difficulties participating, leading to uneven profit distribution.

Fishers' Halal Supply Chain Activities

The initial phase, termed the debriefing stage, revolves around the halal supply chain concept, adhering to Islamic principles where all required provisions for shipping are acquired through lawful means. Preparation during this stage encompasses procuring halal goods from official

and legitimate sources. The issuance of a Shipping Permit by the Syahbandar office aims to discourage false reporting by fishers regarding fishing gear, catch types, and vessel sizes. Compliance with this permit enables fishers to access government-subsidized fuel, intended to deter fraudulent activities in fishing supplies.

The subsequent stage involves sailing, the primary activity of venturing into the sea to catch fish. This endeavor aligns with Islamic teachings as working to fulfill life's necessities is ordained by Allah, and fishing is not prohibited by religion. The use of environmentally friendly nets and trawls ensures conformity with halal criteria. Additionally, vigilance against chemical use is maintained, with the port employing fish detectors during unloading to identify any chemical presence. Violations result in permit revocation, reinforcing adherence to regulations and safeguarding fishers' livelihoods.

Storage, the third stage, entails preserving fish quality using ice cubes at the Nusantara Fisheries Port. This method, compliant with Islamic law, ensures freshness without compromising health. Despite eventual fish death, Islamic law deems carcasses from fish halal for consumption, hence maintaining halal status throughout the storage process.

The subsequent stage involves selling the catch, facilitating the exchange of fish for monetary compensation. Extensive examination reveals adherence to Islamic principles in the transaction process, devoid of ambiguity or gharar elements. Clarity and mutual agreement between shipowners and contractors ensure the transaction's compliance with Islamic law, rendering it halal.

Finally, the distribution of wages to fishers and sorting workers adheres to prior agreements, ensuring fair compensation for services rendered. This practice aligns with Islamic principles, as both parties voluntarily engage in agreed-upon terms, confirming the process's adherence to Islamic law and halal standards.

Halal Certification by LPPOM MUI for Nusantara Fishery Ports

Nevertheless, the execution of halal supply chain management faces numerous obstacles. The LPPOM MUI halal accreditation only covers the production process and excludes suppliers and dealers. Furthermore, the expense associated with acquiring halal certification continues to vary and is quite significant for businesses. Moreover, the halal certificates provided by LPPOM MUI for microenterprises do not receive acknowledgment from other nations, which means that additional certification is required for exporting halal products. This, in turn, leads to an increase in operational difficulties. Certain enterprises, particularly those involved in the production of everyday consumer goods, have not yet acquired the LPPOM MUI halal accreditation. Furthermore, the implementation of Law Number 33 of 2014 on Halal Product Guarantee (JPH) is not consistent across all sectors.

Conclusion

The findings of this study indicate that in order to effectively carry out halal supply chain operations at the Nusantara Fishery Port, thorough preparation is essential in multiple areas, including management, leadership vision, infrastructure, and stakeholder comprehension of halal products. Logistics is a crucial part of the supply chain that involves several corporate entities, such as suppliers, manufacturers, distributors, and retailers, working together to acquire raw materials and convert them into finished products. Halal logistics is crucial for safeguarding raw materials and perishable food items from contamination during their

transportation or distribution. We take this action to ensure Muslim consumers accept and consume Toyibban Halalan products. The Malaysian Standard for Halal Logistics (MS 2400:2010) specifies the Sharia law-compliant criteria that logistics providers must adhere to in the areas of transportation, warehousing, and retail. In Indonesia, the regulations, specifically LPPOM-MUI Law Number 33/2014, largely emphasise the certification labels for finished products. However, there is a need for additional advancements to thoroughly manage halal logistics.

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