

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

**Date:** 12/22/2014

**GAIN Report Number:** PK1424

## Pakistan

### Exporter Guide

**2014**

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**Report Highlights:**

Pakistan is a small but growing market for imported consumer food products and the small modern retail sector is growing slowly. Rising incomes, urbanization and a young populace are combining to slowly shift traditional consumption patterns away from bulk and raw foods towards packaged and processed foods, including ready-to-eat meals and frozen foods. Dubai serves as an important transshipment point for processed food products entering Pakistan and a growing number of Pakistani importers are attending international food shows. U.S. agricultural exports to Pakistan were valued at \$404 million in 2013, of which \$74 million were value-added foods. Pakistan is a diverse and challenging market, requiring adaptability and persistence. U.S. companies that are willing to invest time to develop market presence should expect to be rewarded in the long-term.

## **SECTION 1: MARKET AND ECONOMIC OVERVIEW**

Pakistan's economy is showing signs of modest growth. The Gross Domestic Product (GDP) grew 4.1 percent in fiscal year (FY) 2013/14 (July/June), up from 3.7 percent the previous year. Per capita income increased from \$897 in FY 2005/06 to \$1,386 in FY 2013/14. Agriculture is a key sector of the economy, accounting for 21 percent of GDP and a much larger share of the labor force. The sector grew 2.1 percent in FY 2013/14.

Pakistan, with a population of over 180 million and an overall GDP of \$245 billion, is the fifth-largest economy (after India, South Africa, Saudi Arabia, and Egypt) in the region that encompasses the Middle East, Africa, and South Asia. It has a young population and a growing middle class, with English as the lingua franca of the business community. Pakistan has a number of attributes that make it an attractive market for multinational firms, particularly those in the fast moving consumer-goods sector. The World Bank's 2013 Doing Business Report, which surveys the ease of doing business in international markets, ranked Pakistan 107th among the 185 economies surveyed. By comparison, regional competitors China and India ranked 91 and 132, respectively.

Pakistan's imports of all products grew 1.2 percent to \$37.1 billion during first ten months FY 2013/14. Imports of food and agricultural products witnessed a decline of 5.8 percent from \$3.6 billion to \$3.4 billion during first ten months of FY 2013/14 (more recent data is not available). In FY 2012/13, Pakistan's agricultural imports were \$5.6 billion. Imports are dominated by vegetable oil and cotton. Agricultural exports from the United States to Pakistan grew 22 percent from \$331 million in 2012 to \$404 million in 2013. Dubai is an important transit point for foreign food products entering Pakistan. Companies in Dubai can consolidate and ship products in approximately four days. A number of U.S. food items are imported this way, allowing importers to better control inventory and reduce the need for expensive storage costs. Pakistan lacks an adequate cold chain system that complicates the import and movement of produce, meat, fish, and dairy products throughout the country.

American firms have a fairly strong presence in Pakistan. Currently, there are more than 60 wholly- or majority-owned U.S. subsidiary firms registered with the American Business Council (ABC) of Pakistan and the Lahore-based American Business Forum (ABF). A number of major multinational firms involved in the seed, food processing, and restaurant businesses are in Pakistan.

On December 5, 2013 the European Union (EU) Parliament approved the Generalized Scheme of Preferences (GSP) Plus status for Pakistan. Access to GSP Plus status means duty-free or lower duty access for almost all Pakistani products with almost 20% of exports entering the 27 European countries at zero tariff and 70% at preferential rates. The effort to establish GSP Plus for Pakistan began as part of the EU's efforts to help Pakistan's economy recover from losses from devastating floods in 2010. The GSP plus Act came into force on January 1, 2014 and will be effective through 2017. The agreement could lead to a significant increase in textile exports to the EU.

## A. Food Purchasing Behavior:

A small number of international and domestic grocery retail outlets are starting to change the food retail sector in Pakistan, but Pakistanis still buy much of their food in traditional shops and markets. In major cities, middle and high-income consumers are slowly diversifying their purchasing away from bulk and raw foods towards packaged and processed foods, including ready-to-eat meals and frozen foods. An increase in the number of females working full-time and higher levels of disposable income has supported this trend. The major food consumption patterns have not changed as much in the rural areas and are still based on wheat and grain products and a variety of meat products. Consumers in the north of Pakistan mainly consume lamb and beef, but in central and the south more consumers prefer chicken. There are still a lot of opportunities for investments in the dairy products sector but products should be adjusted to local tastes.

A typical Pakistani household makes regular purchases of staple foods (i.e., wheat flour, pulses, edible oils, fruits, vegetables, milk, meat) several times per month from neighborhood stores due to convenience, perceived freshness, and limited storage space at home. Young Pakistani professionals (male/female) are making monthly food purchases from modern retail stores due to the greater variety of products, access to co-located stores, and access to restaurant and prepared foods all under one roof. For urban dwellers with sufficient income, one-stop grocery shopping is catching on as a family outing. Affluent Pakistani families are attracted to modern retail stores due to their affordability, strategic locations, variety, and access to imported processed foods.

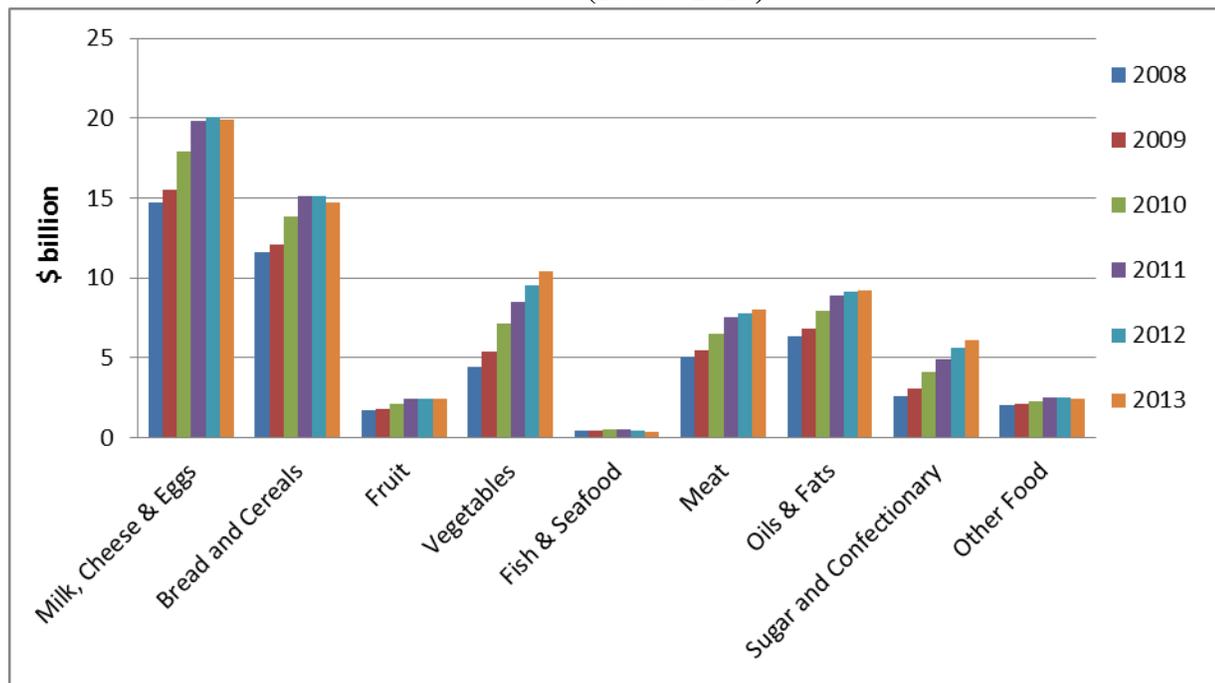
**Table 1: Pakistani Consumer Expenditures on Major Food Categories During 2013**

Categories	2013 (\$ billions)	2008 – 2013 Growth Percentage
Milk, Cheese and Eggs	19.9	35.3
Bread and Cereals	14.7	26.7
Fruit	2.4	41.1
Vegetables	10.4	136
Fish and Seafood	0.4	-25.0
Meat	8.0	56.8
Oils and Fats	9.2	46.0
Sugar and Confectionery	6.1	133.6
Other Food	2.4	20
<b>Total</b>	<b>73.49</b>	<b>49</b>

Source: *Euromonitor*

The demand for specialty and high value foods such as dates, cereals, beverages, chocolates, almonds, cakes, fruits and fruit juices reaches its peak during the Islamic festive season, especially at Eid and Ramadan. These festivals revolve around the year depending on the lunar calendar.

**Figure 1: Growth in Pakistani Consumer Expenditures on Major Food Categories (2008 – 2013)**



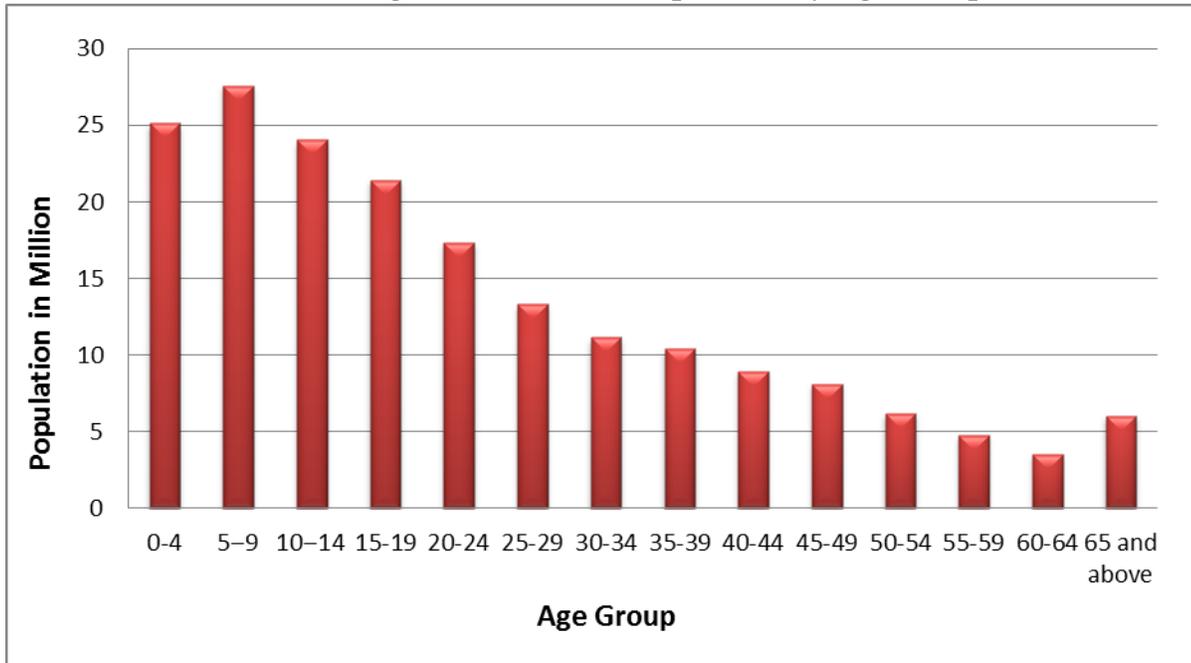
Source: Euromonitor

## B. Consumer Demographics:

Pakistan is the sixth most populous nation in the world with a population of over 180 million in 2013. Pakistan is also one of the youngest countries in the world with 48 percent of the population between the ages of 15 and 49. Pakistan's middle class is estimated at 63 million, but incomes deemed middle class are significantly lower than in the United States. Consumers from the Pakistani middle class broadly support both domestically produced and imported goods, including imported foods. The upper middle-income class is currently estimated at 17 million, with relatively high per capita income which favors consumer spending.

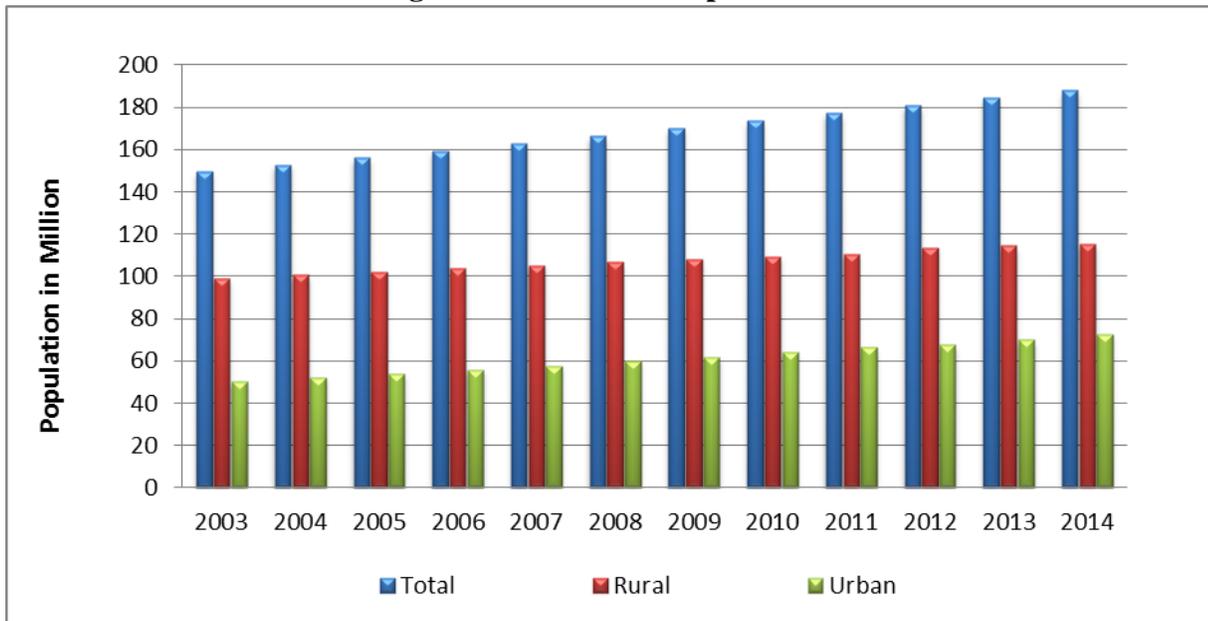
An estimated 115 million Pakistani's live in rural areas compared to 72.50 million who live in urban areas. The population in rural areas decreased from 62.1 percent in 2013 to 61.4 percent in 2014 whereas the population in urban areas increased from 37.9 percent in 2013 to 38.6 percent in 2014 as Pakistan slowly urbanizes. Agriculture accounted for an estimated 21 percent of the GDP in FY 2013/14. The total labor force working in the agriculture sector decreased from 45.1 percent in FY 2010/11 to 43.7 percent in 2012/13.

**Figure 2: Pakistani Population by Age Group**



Source: *Economic Survey of Pakistan*

**Figure 3: Pakistan's Population 2003-2014**



Source: *Economic survey of Pakistan*

### Advantages and Challenges for U.S. Suppliers

<b>Advantages</b>	<b>Challenges</b>
Pakistan has a large young population that is more focused on consumer items	Shipments from U.S. take longer and is a problem for some items
Expatriate community looks for specialty U.S. food products and dine in Western-style restaurant	U.S. suppliers have not been flexible in terms of specialty products of smaller quantities required by the industry
Consumers are seeking quality products from both domestic and international suppliers	Competition from other countries like UK, Australia, New Zealand, South Africa and Europe
Gradual transformation of the modern retailing in urban centers	Imported food products are subject to high tariffs which range from 25 – 65 percent and a high duty structure for all value added food ingredients
U.S. products are popular for quality, taste, and wholesomeness	Proximity to other countries provide competitors a comparative advantage
Eating out culture is becoming popular at upper and middle income levels	Inability of U.S. exporters to meet Pakistani importers requirements (mixed shipments)
U.S. products enjoy an excellent reputation in the local market, especially for their quality.	U.S. companies face tough competition from European, Chinese, Japanese and Korean companies, which generally have a larger presence in the country and are able to offer their products and services at competitive prices.

## **SECTION II: EXPORTER BUSINESS TIPS**

### **A. Political Situation:**

Pakistan is a federation of four provinces, Baluchistan, Khyber Pakhtunkhawah (KP), Punjab, and Sindh. The Federally Administered Tribal Areas (FATA) along the border with Afghanistan, and the Islamabad Capital Territory, are both under the jurisdiction of the federal government. Gilgit Baltistan (“GB,” until 2009 known as the “Northern Areas”) has an administrative setup similar to the provinces, including a Governor, Chief Minister, and Legislative Assembly. The elections held on May 11, 2013, marked the first time in the country's history that one civilian government peacefully transferred power to another. The Pakistan Muslim League – Nawaz (PML-N) is currently the ruling political party.

### **B. Food Preferences:**

The majority of consumers prefer fresh foodstuffs, which are readily available in their neighborhood at affordable prices. Healthy eating is becoming more popular among educated consumers and is featured in newspapers, magazines, and television. Fresh foods, fruit juices, fruit concentrated-based beverages,

organic foods, sugar-free confectionary, packaged food with higher fiber content, dairy products, and vitamin and calcium fortified packaged foods and beverages are all gaining acceptance among middle and upper-income consumers. Pakistan is 96 percent Muslim. Therefore, pork is only consumed by a small Christian community. Products of animals and products containing animal ingredients must be certified Halal to ensure that the meat or ingredients were sourced from livestock that were slaughtered in accordance with the tenets of Islam. Food and ingredients destined for the food service sector must also be certified Halal where appropriate. The import and sale of alcohol is also prohibited for religious reasons.

Traditional and modern snack foods, such as confectionaries, pastries, cakes, biscuits, ice cream, or sweet and savory snacks are very popular among Pakistanis. Frozen foods and instant noodles, which are easy to prepare for children, are popular among working mothers. Local flavors are preferred and local food manufacturers are exploring opportunities to produce new products using a combination of local and imported flavors. The rise of the urban middle class has increased the acceptance of packaged, convenience, and ready-to-eat food products. Many Pakistanis are quite willing to try new foods while eating out, but often return to traditional fare at home. Chinese, Italian, Thai, Moroccan, and Lebanese foods are among the fastest growing new cuisines in Pakistan.

### **C. Distribution Systems:**

Pakistan still largely maintains a traditional distribution system for imported food products which involve several intermediaries. Food products are generally imported by a clearing and forwarding agent, who is responsible for distribution to retailers. Many importers have their own warehouses while others may utilize clearing and forwarding agents to facilitate the storage, movement and distribution of goods given the high cost of building and maintaining warehouses and maintaining truck fleets. Importer/distributors with national distribution typically have sub-offices in regional cities or appoint other distributors to market their products in specific regions.

A slightly different approach is used for distributing locally produced products. The clearing and forwarding agents transport food products from the warehouse to distributors. The agents usually receive two percent margins, then invoice the distributors, and receive payment on behalf of the manufacturer. The distributors have exclusive geographical territories and a sales force that calls on both the wholesalers and on large retailers in urban areas. The wholesalers provide the final link to those rural and smaller retailers who cannot purchase directly from the distributors.

With the rise of chain restaurants, modern companies specializing in the handling of food have also emerged. These firms are equipped to comply with strict temperature and quality specifications on behalf of their clients and offer modern warehousing and transportation facilities.

Retailers rarely import directly, relying on importers and distributors to handle the clearing and storage of products. However, a few of the larger modern retail chains have started to import certain products directly. Imported foods enter Pakistan from regional trading hubs such as Dubai, Singapore, and Thailand as well directly from supplying countries. Major importers are located in Karachi and Lahore.

U.S. companies considering marketing their products in Pakistan should first identify a local distributor, preferably with a national network, to assist in clearing, storing, transporting, distributing, and marketing

their products. Distributors in the urban areas generally seek exclusive products rights to a particular city. As a matter of policy, most companies do not provide credit to distributors, and distributors in turn generally sell on a strictly cash basis to retailers. Smaller distributors often do provide credit to retailers, but the volume of such transactions is relatively insignificant.

#### **D. Infrastructure:**

Pakistan has five international airports, including the Karachi Jinnah International Airport, one of the biggest and most modern airports in Pakistan. Pakistan's road network is the backbone of the country's transport system. The total road network in Pakistan is around 265,000 kilometers, out of which about 70 percent is paved. Roads carry over 96 percent of inland freight and 92 percent of passenger traffic. Pakistan also has 7,800 kilometers of railroads that carried over 42 million passengers and 1 million tons of freight in FY 2012/13.

Pakistan has a coastline of 1,050 kilometers along the Arabian Sea and is serviced by two major ports (Karachi Port Trust and Port Qasim) in Karachi. The Karachi Port Trust handled 30.7 million tons of cargo during the first nine months of the current fiscal year which is 6.5 percent higher than the corresponding period last year. Port Qasim handled 19 million tons of total cargo during the same period, 2.2 percent higher than the same period last year. Container handling facilities are available at both ports and in several major cities. Karachi is Pakistan's largest container port and the port where most containerized food enters Pakistan. Air shipments typically land at the Karachi, Lahore, or Islamabad airports. Freezer and refrigeration facilities at the Karachi and Lahore airports are limited and present a challenge for importers seeking to clear high value food products with short shelf life.

Since March 2008, Gawadar (a deep-sea) Port in Baluchistan has been operationalized and connected with existing road network through Makran Coastal Highway for in country cargoes and to import bulk cargo comprising of urea, wheat, and coal.

Refrigerated warehousing and transportation facilities are limited and costly, but are improving. In some cases, high electricity costs and/or erratic power supplies have constrained cold chain development.

#### **E. Finding a Business Partner:**

If an exporter is interested in the Pakistani market, the first step is to locate a reliable importer or distributor, usually firms handle both functions. A group of professional distributors who are keen to manage brands is developing in Pakistan and many are interested in expanding their product lines. These importers typically seek exclusive rights to market a particular product or brand. The food import business is relatively new and exporters would be wise to meet potential importers and research their business profile carefully through banks and trade associations.

Restaurant franchises are one way of introducing new products. An increasing number of restaurant chains are opening in Pakistan, especially in Karachi and Lahore. These include fast food, casual dining, and cafes. While most of these companies' source food ingredients produced in Pakistan, some require specialized ingredients or imports of certain items that are not readily available. Exporters should check with importers to see if they are approved suppliers for franchises. Additionally, Pakistan's hotel sector has traditionally represented a small niche market for certain high-value food products that cannot be

readily found throughout Pakistan. Several global hotel chains have a presence as do a number of excellent local chains. Fresh fruits and vegetables are readily available in Pakistan but high quality fruits and vegetables (especially cherries, plums, broccoli, and lettuce), meat (especially steak), and fishery products (especially shrimp and crab) can be difficult to source locally.

A visit to Pakistan to gain a first-hand feel of the Pakistani market, preferably coinciding with a major food shows, such as DAWN Sarsabz Pakistan Agri Expo, Expo Pakistan, Food Technology Asia, and IFTECH Pakistan (see Appendix B for more details) offers an excellent opportunity to learn more about the Pakistani market and meet prospective importers. Similarly, increasing numbers of Pakistani importers are visiting international food shows such as Gulfood, ANUGA, and SIAL.

The importer shall ensure that:

- Importation is in accordance with regulations and the item(s) are not on the negative list.
- The terms and conditions of importation are specified in the letter of credit.
- Bulk vegetable oils are the only food products subject to random testing to ensure fitness for human consumption at time of arrival.
- Imported food products, including ingredients, must have at least 50 percent of their original shelf life remaining at the time of importation - calculated from the date of filing the "Import General Manifest" (IGM) in accordance with the Customs Act of 1969.
- Pakistani regulations require importers to acquire a compulsory letter of credit or register the contract with a bank in order to import goods into Pakistan.

Consider the following before selecting a distributor:

- Do they have a national or regional distribution network?
- How is their distribution network structured?
- Who are their customers? Do they sell to retailers, hotels or restaurants?
- What are their capabilities? Do they have experience handling perishable or value added foods?
- Are they interested in marketing your products? If so, how will marketing costs be handled?
- Are they paying listing fees to retailers?
- Are they managing similar brands or products from other suppliers?
- What are the margins and costs charged by the distributor?

## **F. Advertising and Trade Promotion:**

Pakistan has over a dozen major advertising agencies, some with foreign affiliation. Television and newspapers are the most widely used method of advertising. Other means of advertising include radio, billboards, periodicals and trade journals, direct response advertising, slides and commercial film shorts in movie theaters, short messages through cellular phones, as well as the internet. Pakistan has over 120 daily newspapers. Although the English-language press reaches only a small fraction of the population, it is influential in political, business, academic, and professional circles. Increasing numbers of Pakistani consumers have access to a number of national and international channels through satellite television. Urdu channels are popular among the majority of the middle-income population. In addition to government-run television in various regional languages, there are several popular privately-owned channels. Most urban households have televisions, and televisions are also increasingly present in rural

Pakistan.

There are several annual trade shows focusing on various aspects of the food sector. These shows tend to cater to Pakistani exporters and the domestic food industry, but a few shows are starting to become viable options for foreign food exporters. This report lists four shows in Appendix B, two of which, Dawn Sarsabz Pakistan Agri Expo and IFTECH Pakistan, are considered the best in Pakistan and held almost every year. Additional information on other Pakistani trade shows can be accessed from the following websites:

<http://www.ecgateway.net>

<http://www.pegasus.com.pk>

<http://www.terrabizgroup.com>

### **G. Business Etiquette:**

Pakistan is on a Monday through Friday workweek and many offices are open part of the day on Saturday. It is common for offices take one or two hours off on Friday afternoon for prayers. Private businesses usually operate from 9.00 to 5.00 during weekdays, with most international firms closed on Saturdays and Sundays. The national language of Pakistan is Urdu but English is commonly used in business, government offices, and trade. Normal business dress for men is a shirt and tie. Suits are worn to meetings with high-ranking officials and senior business people. Businesswomen should wear similarly formal and modest attire when making official calls or attending formal meetings. Realistically, business visitors can expect to schedule up to four meetings per day. Pakistani businessmen prefer appointments between 11:00 and 5:00pm. Hospitality is a key part of doing business in Pakistan; most business discussions will not begin until “chai” (tea), or a soft drink is served. To refuse any beverage outright will likely be perceived as an insult. Talking about your family and friends is an important part of establishing a relationship with those involved in the business process.

Do not drink alcohol in public. Most hotels serve liquor to foreign nationals after verification of their passports as part of room service. Liquor permits are also given to foreign nationals if they intend to stay in Pakistan for a longer period. Security checks are common at hotels and public buildings including office buildings. This can include the scanning of the cars at entry points and screening of luggage, and it may take longer to enter hotel main reception areas. It is important to comply with these procedures for the safety and security of all. If you have a local agent or partner, it is a good idea to bring him or her to meetings with prospective customers and business contacts.

During Ramadan, a period which lasts for a month, Moslems are required to fast from sunup until sunset. During this time, visitors are not allowed to eat, drink or smoke in public places. The dates of Ramadan shift by about two weeks each year as it follows the lunar calendar. Exporters should avoid visiting Pakistan during Ramadan and elections.

The best time of year to visit Pakistan is between November and April, so that the seasons of extreme heat and rains can be avoided. Although Islamabad (the capital) has a cool, pleasant winter (November - February), summers (April -July) are fierce with temperatures of up to 120 degrees Fahrenheit. Karachi has a subtropical climate and is hot and humid year round. Major cities have good hotels and are well connected by domestic airlines.

## **SECTION III: MARKET SECTORS: STRUCTURE AND TRENDS**

### **A. Food Retail**

Most of the retail segment is fragmented and underdeveloped with a large number of small retail outlets – estimated at over 2.5 million, of which a significant portion carries food items. Most of these outlets offer basic necessities of everyday life and food and beverages account for 60 percent of retail sales. At this time there are less than a dozen shopping malls and they are generally limited to the larger cities of Karachi, Lahore, Faisalabad, and Islamabad. Islamabad’s first shopping mall opened in February 2013.

Large supermarkets or chain stores for general consumer items are still small numbers. Two well-known European chains have opened cash and carry stores in joint collaboration with Pakistani groups and, have opened several self-service outlets in Karachi, Lahore, Faisalabad, and Islamabad. These hypermarkets are typically 25,000 to 100,000 square feet in an effort to take advantage of scale and create a unique one-stop shopping experience in Pakistan that differentiates them from smaller supermarkets and traditional small retailers.

In addition, hundreds of government-owned Utility Stores sell food and household items and serve as a mechanism for restraining inflationary price increases by following the government line on pricing. The military-owned Canteen Stores Department (CSD), a discount retail network, has also expanded to all major cities of the country.

Until modern food retail began to develop a few years ago, smaller “Mom and Pop” stores were the primary purveyors of imported foods. There are thousands of these stores around Pakistan and some are the only source of imported foods in their cities. These small stores continue to be an important sales platform for imported foods.

Pakistan's food wholesale market is fairly well developed, with about 1,000 - 1,500 wholesalers constituting this segment of the distribution network. Karachi is the major distribution center for wholesale goods. Approximately one-fifth of the wholesalers in Karachi sell on a consignment basis. Less than one-third of the wholesalers allow discounts to their customers, but the granting of 30- to 90-day credit is common. Because of limited financial resources, retailers generally sell on a cash-only basis. Consumer credit in Pakistan remains an insignificant portion of total commercial credit.

### **B. Food Service**

Pakistan’s hotel industry has been struggling over the past five years and room occupancy rates average less than 60 percent. Customer traffic to restaurants and adjoining shops is also down. Among modern hotels and restaurants, opportunities are typically for foods and ingredients that are not readily available in Pakistan. Even luxury hotels are very cost conscious and often seek to minimize food costs by using local ingredients where possible. Imported products and ingredients (dairy products, meat, seafood, fruits, frozen French fries, sauces, seasonings and condiments, drink mixes) are used for foreign cuisines such as Thai, Japanese, Chinese, Lebanese, Indian, Portuguese, French, Mexican, Spanish and Italian.

Fast food is a growing industry in Pakistan that is capitalizing on changing lifestyles, a growing young

population, an expansion of urban malls, modern retailing, and an increase in the number of working women. U.S. companies dominate the franchise market in Pakistan in large part due to the fact that they were the pioneers in this sector. Fast food chains are focusing on specialized products to attract consumers in the 15-49 age range. Western-style fast food outlets typically purchase limited imported foods and food ingredients, and the demand is usually restricted to items such as frozen french fries, cheese, dressings, sauces, whipping cream, bakery ingredients, mixes, and condiments.

The same potential exists for high-end coffee shops as well, as specialty and flavored coffees are spreading and this trend is being promoted both by international coffee chains and their Pakistani competitors. Coffee shops tend to use various imported coffee ingredients including creamer, honey, flavorings, and roasted coffee.

During the last few years, the high-end bakery concept has become popular in the urban areas of Pakistan. These bakeries tend to use imported ingredients including bakery yeast, dough, flavors, icing, and cocoa in their specialized products to improve quality and taste.

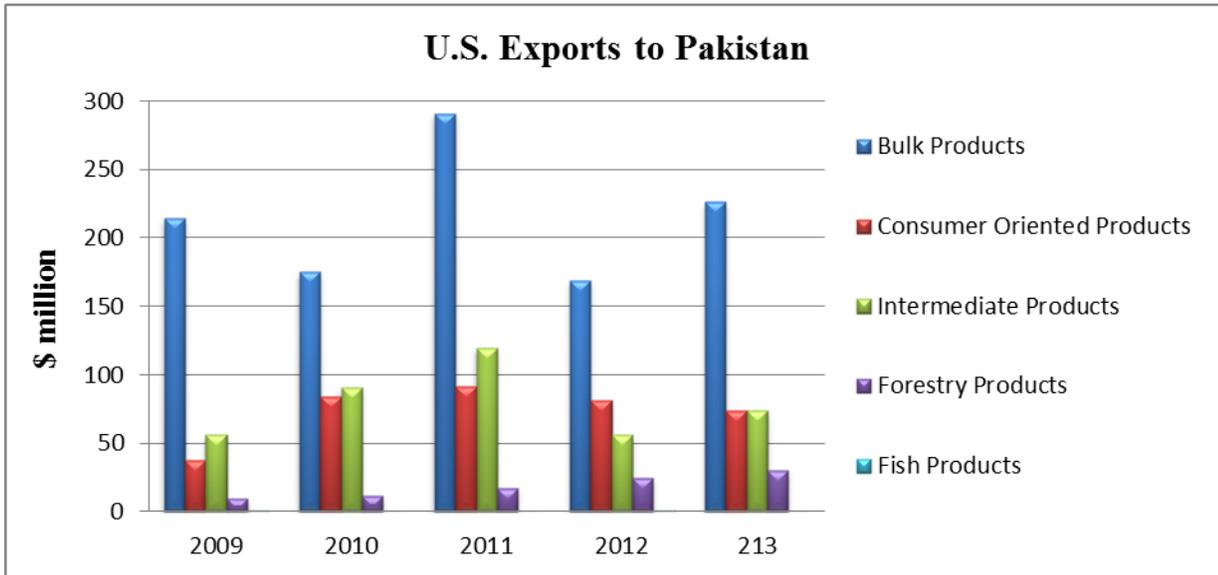
### **C. Food Processing**

An estimated 25 percent of agricultural production is processed in some way and accounts for 16 percent of employment in manufacturing sector. In addition, the food processing sector contributes 17% to the manufacturing GDP of Pakistan and is comprised principally of rice and wheat milling and sugar cane processing. There are more than 1,000 large-scale food processing enterprises in the country and up to 75% of rural based food manufacturers are in the so-called informal sector. The almost year-round availability of fresh products across the country, combined with consumers' preference for fresh products and freshly cooked foods, has tempered the demand for processed food products in the past.

Urbanization, changing lifestyles, media influences, and increasing health awareness are the major factors affecting Pakistan's food sector. The average consumer now spends 42% of his income on food. Retail sales of processed foods in Pakistan has expanded by 10 percent in recent years accounting for about \$1.4 billion (this includes flour, rice, and other basic processed commodities) of which consumer-ready imported products are \$325 million.

Food processors are slowly introducing new products and traditional recipes using improved technology, innovative packaging, and aggressive marketing. For ingredients that are not available in Pakistan, processors turn to imports and typically source through importers specializing in food ingredients. Food ingredients sourced by Pakistani food processing companies from the U.S. include dried fruits and nuts, essential oils, protein isolates, starch, vegetable saps, thickeners, lactose, sugar and sugar syrups, mayonnaise, mixed seasonings, sauces and preparations, yeast, baking powders, sweeteners and other preparations for beverages, vinegar, oleoresins, and gelatin and gelatin derivatives.

The dairy sector is expanding as is the availability of processed dairy products such as cheese, butter, yoghurt, ice cream, and ghee. Large firms produce about 80 percent of the processed dairy products. Pakistanis have traditionally consumed a soft young cheese known as paneer, but are gaining exposure to western-style cheeses through the fast food industry. Pakistanis consumed 4.2 million metric tons of cheese in 2013. The processed milk sector is only 30% of the market as many Pakistanis still consume unprocessed fresh milk.



Source: U.S. Department of Agriculture

## SECTION IV: BEST PRODUCT PROSPECTS

### Products Present in the Market with Good Sales Potential

Description	Total Imports CY 2013 - Value (\$ millions)	Base Tariff	Key Constraints	Market Factors

Almonds	109	10%	Competition from Afghanistan and Iran	Growing seasonal demand, health consciousness, and value additions
Apples Fresh	15	25%	Competition from New Zealand, Iran, Afghanistan, Argentina, China (favorable tariff), and domestic suppliers	Seasonal shortages and high prices, diverse fruits among Pakistan's middle income population and growing retail industry
Beverages, Spirits, and Vinegar	8	up to 90%	High import duty and competition from other suppliers	Increasing consumption and growing middle income population
Cocoa and Cocoa Preparations	28	up to 25%	Competition from domestic and other foreign suppliers	Consumer preference for imported products and brands
Coffee, Tea Mate & Spices	436	up to 25%	Competition from Gulf States, EU, and domestic market	Preference for imported brands and shortage of quality domestic product
Dry Milk	93	25%	Competition from foreign suppliers like EU and Gulf states	Demand for powdered milk for processing
Dairy Products	174	25%	Competition from foreign suppliers like EU and Gulf states	Increasing popularity of imported brands and shortage of quality domestic products
Food Preparations	43	25%	Competition from domestic brands	Consumer preference for imported products and brands and growing fast food culture
Processed Fruit and Vegetables	72	25%	Competition from countries like China, India, Afghanistan, and Thailand etc.	Growing demand for fruits in domestic offseason and increasing demand for processed vegetables
Pulses	193	1%	Price competitiveness and freight advantage for countries like Myanmar and India	Local production is inadequate and more than 37% of total consumption is met through imports
Sugars and sugar Confectionery	38	25%	Competition from domestic and other foreign suppliers	Consumer preference for imported products/ brands

## V: POST CONTACTS AND FURTHER INFORMATION

If you have questions or comments regarding this report or need assistance exporting to Pakistan, please contact the Office of Agricultural Affairs, Islamabad at following address:

Agricultural Counselor  
Office of the Agricultural Affairs

Foreign Agricultural Service  
Embassy of the United States of America  
Islamabad, Pakistan  
Ph: (92-51) 208-2274, Fax: (92-51) 227-8142  
E-mail: [agislamabad@usda.gov](mailto:agislamabad@usda.gov)

For more information on exporting U.S. agricultural products, please visit the Foreign Agricultural Service's home page at: <http://www.fas.usda.gov>

The following reports may be of interest to U.S. suppliers. These, and related reports prepared by FAS Islamabad, can be accessed via the FAS Home Page, [www.fas.usda.gov](http://www.fas.usda.gov) by clicking on “Attaché Reports” and typing the report title.

- FAIRS Country Report 2014
- Food Retail Sector Report 2011

#### APPENDIX A: STATISTICS

**TABLE A: Key Trade and Demographic Information**

Agricultural imports from all countries (USD billion) <sup>1</sup> / U.S. market share	5.6/ 6.7%
Consumer Food Imports from all countries (USD million) <sup>2</sup> / U.S. market share	992/ 7.8%
Total Population <sup>3</sup>	188 million
Urban population <sup>4</sup> (millions)	72.5 million
Population Density <sup>5</sup> (People per square kilometer)	166.3
Proportion of population below 6 years <sup>6</sup> / percentage	25 million/13.4%
Proportion of population above 7 years <sup>7</sup>	27.6 million
Per capita Gross Domestic Product in FY 14 (USD) <sup>8</sup>	1,386
Unemployment Rate 2012/13 <sup>9</sup> (%)	6.2
Female population employed <sup>10</sup> (%)	15.6
Exchange Rate Rs. Per USD (as of December 9, 2014)	101.1

**Source:** <sup>1,2</sup> USDA/FAS Global Trade Database; <sup>3-10</sup> Economic survey of Pakistan and Pakistan Bureau of Statistics 2013

**TABLE B: Top 15 Suppliers of Agricultural Products**

Partner Country	Dollars (USD)			Percentage Share		
	2011	2012	2013	2011	2012	2013
World	6,030,661,091	5,518,637,945	5,579,756,102	100.0	100.0	100.0
Malaysia	2,114,160,177	1,417,211,483	1,178,401,953	35.06	25.68	21.12
India	833,184,545	791,100,638	1,075,020,984	13.82	14.34	19.27
Indonesia	445,702,143	865,575,543	973,953,211	7.39	15.68	17.46

United States	501,888,793	306,609,484	373,637,933	8.32	5.56	6.70
Kenya	220,699,548	263,787,665	263,205,518	3.66	4.78	4.72
Australia	223,514,617	542,990,159	247,640,170	3.71	9.84	4.44
China	279,688,770	246,517,441	223,623,907	4.64	4.47	4.01
Ukraine	11,441,121	10,238,050	156,629,767	0.19	0.19	2.81
Iran	90,371,348	112,525,563	151,691,708	1.50	2.04	2.72
Argentina	21,893,572	47,320,664	119,462,125	0.36	0.86	2.14
Romania	104,995,041	25,241	82,603,406	1.74	0.00	1.48
Thailand	80,810,419	57,750,997	77,934,335	1.34	1.05	1.40
Brazil	95,018,739	127,915,420	69,800,432	1.58	2.32	1.25
Netherlands	46,317,740	56,567,349	64,544,470	0.77	1.03	1.16
Sri Lanka	61,633,837	61,747,260	61,593,195	1.02	1.12	1.10

Source: USDA/FAS Global Trade Database

**TABLE C: Top 15 Suppliers of Consumer Products**

Partner Country	Dollars (USD)			Percentage Share		
	2011	2012	2013	2011	2012	2013
World	976,977,711	943,194,784	991,594,622	100.0	100.0	100.0
India	176,044,782	178,375,745	239,029,376	18.02	18.91	24.11
China	164,929,491	128,242,979	116,426,448	16.88	13.60	11.74
Iran	84,668,830	102,689,040	98,846,433	8.67	10.89	9.97
Indonesia	79,162,413	79,867,918	85,877,598	8.10	8.47	8.66
United States	96,144,604	83,583,129	77,299,289	9.84	8.86	7.80
Netherlands	38,118,942	44,442,583	53,204,824	3.90	4.71	5.37
Thailand	23,829,199	21,436,291	34,881,317	2.44	2.27	3.52
New Zealand	25,498,029	37,541,099	33,661,346	2.61	3.98	3.39
Malaysia	18,319,229	18,804,685	27,914,555	1.88	1.99	2.82
Sri Lanka	8,351,227	18,216,655	27,467,372	0.85	1.93	2.77
France	37,404,776	22,708,999	27,019,801	3.83	2.41	2.72
Singapore	30,535,063	28,861,205	25,706,816	3.13	3.06	2.59
Denmark	3,600,284	10,747,658	18,781,056	0.37	1.14	1.89
Ireland	10,146,619	10,259,834	11,778,370	1.04	1.09	1.19
Germany	12,105,525	18,267,740	10,741,015	1.24	1.94	1.08

Source: USDA/FAS Global Trade Database

## **APPENDIX B: MAJOR FOOD AND AGRICULTURAL TRADE SHOWS IN PAKISTAN**

### **DAWN Sarsabz Pakistan Agri Expo**

Website: <http://agri.dawn.com/>

Annual event organized in March in Lahore

### **Expo Pakistan 2015**

February 26 – March 1, 2015

Venue: Expo Center, Karachi

Website: <http://www.expopakistan.gov.pk/>

Annual event organized in February & March in Karachi

### **Food Technology Asia 2015**

May 12-14, 2015

Venue: Expo Center, Karachi

Website: <http://www.agroasia.net/>

### **IFTECH Pakistan 2015**

September 1-3, 2015

Venue: Expo Center, Karachi

Website: <http://www.foodtechpakistan.com/>

## **APPENDIX C: U.S. COOPERATORS IN PAKISTAN**

### **American Soybean Association (ASA)**

Website: <http://soygrowers.com/>

Local Representative:

Tel: +92-300-921 2727

Email: [janjua@soypak.org](mailto:janjua@soypak.org)

### **Cotton Council International (CCI)**

Website: [www.cottonusa.org](http://www.cottonusa.org)

Local Representative Office Address:

39 Atta Turk Block, New Garden Town, Lahore

Cellular: +91-300-848 7912

Email: [mazhar@sypher.biz](mailto:mazhar@sypher.biz)

## **APPENDIX D: USEFUL PAKISTANI AGENCIES OF CENTRAL GOVERNMENT**

### **Ministry of National Food Security and Research (MNFSR)**

Government of Pakistan

Pak Secretariat, Islamabad.

Website: [www.mnfsr.gov.pk](http://www.mnfsr.gov.pk)

Lead Role: Regulates imports of livestock, plant, seed, fertilizer, pesticide material etc. into Pakistan.

### **Department of Plant Protection (DPP)**

Ministry of National Food Security and Research

Government of Pakistan, Karachi

Website: [plantprotection.gov.pk](http://plantprotection.gov.pk)

Lead Role: Inspection and regulation of the imports of plants and plant products.

**Pakistan Standards and Quality Control Authority (PSQCA)**

Ministry of Science and Technology

Government of Pakistan

Karachi

Website: <http://psqca.com.pk/>

Lead Role: Develops standards for various domestic and imported food products.

**Ministry of Textile Industry Pakistan**

Government of Pakistan

Pak Secretariat, Islamabad.

Website: <http://www.textile.gov.pk/>

Lead Role: Regulates and promotes the textile sector in Pakistan.

**Ministry of Commerce**

Government of Pakistan

Pak Secretariat, Islamabad.

Website: <http://www.commerce.gov.pk/>

Lead Role: Regulates imports and exports across custom frontiers.

**APPENDIX E: LIST OF PAKISTANI TRADE ASSOCIATION**

[The Federation of Pakistan Chamber of Commerce and Industry \(FPCCI\)](#)

[Rice Exporters Association of Pakistan \(REAP\)](#)

[Pakistan Flour Mills Association \(PFMA\)](#)

[Pakistan Poultry Association \(PPA\)](#)

[Pakistan Dairy Association \(PDA\)](#)

[Farmers Associate Pakistan \(FAP\)](#)

[Pakistan Central Cotton Committee \(PCCC\)](#)

[All Pakistan Textile Mills Association \(APTMA\)](#)

[Pakistan Sugar Mills Association \(PSMA\)](#)

[Basmati Growers Association \(BGA\)](#)

[Pakistan Fruit and Vegetable Association \(PFVA\)](#)

[Trade Development Authority of Pakistan \(TDAP\)](#)

[American Business Council of Pakistan](#) (ABC)

[American Business Forum of Pakistan](#) (ABF)