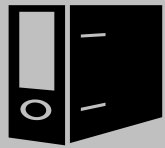




Sector Profile Food Processing

Sector Brief



- ▶ Global food retail sales are about \$4 trillion annually.
- ▶ Pakistan is home to the world's sixth largest population with a growing middle class. As of 2018, there are approximately 17 million middle class households and 102 million middle class individuals.
- ▶ The food and beverage processing industry is the 2nd largest industry of Pakistan after textiles, accounting for 27% of the value-added production and 16% of employment in the manufacturing sector.
- ▶ Food processing accounted for an annual average of \$223.5m in FDI from 2012-2018.
- ▶ Pakistan's food processing industry is broadly categorized into the following 4 sub sectors:
 1. Value-added and frozen food processing sectors, including canned foods
 2. Edible oils and Fats manufacturing/processing units
 3. Beverage production units
 4. Bakery and confectionary manufacturing units.
- ▶ Food processing companies are further categorized into either informal/cottage establishments or formal establishments.
- ▶ The three major industry groups are (1) frozen food (2) value addition in major food crops and (3) fruits, vegetables and intermediate products.
- ▶ Most of the food industry in Pakistan is concentrated in Punjab (60%) followed by Sindh (30%), KPK (6%), Baluchistan (2%) and ICT (2%). In total, there are approximately 2500+ food processing units in Pakistan.
- ▶ Pakistan was awarded the Generalized Scheme of Preferences (GSP) Plus Status (Zero to Low Duty) by the European Union in 2014 which has the potential to greatly uplift the exports of processed food products.
- ▶ Major players in the sector include Pepsi, Coca Cola, Unilever, Nestle, Mitchells, Engro Foods, K&N's, Shezan, Shan Foods, Dawn Foods.

\$4tn  Annual global food retail sales

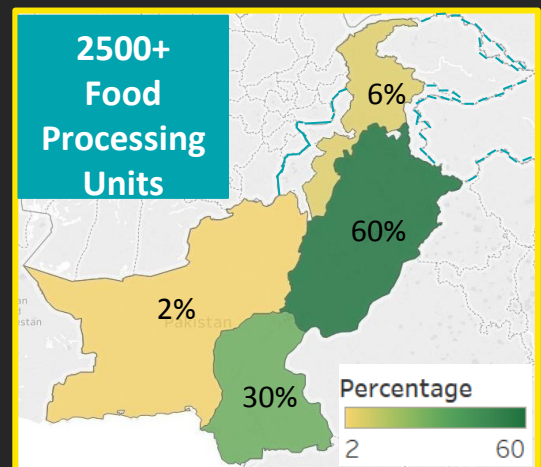
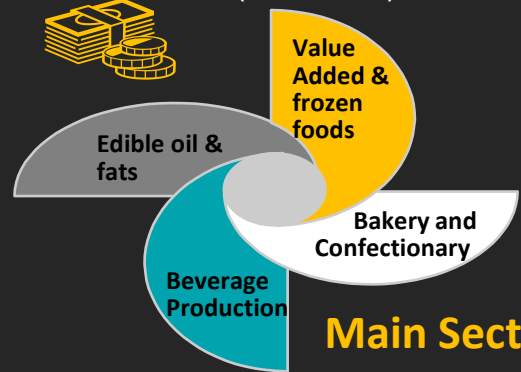
6th largest population in the world
207.8m



2nd largest Industry in Pakistan

Accounts for 27% value added production, 16% employment in manufacturing

\$223.5m Average annual FDI (2014-2018)



Major players

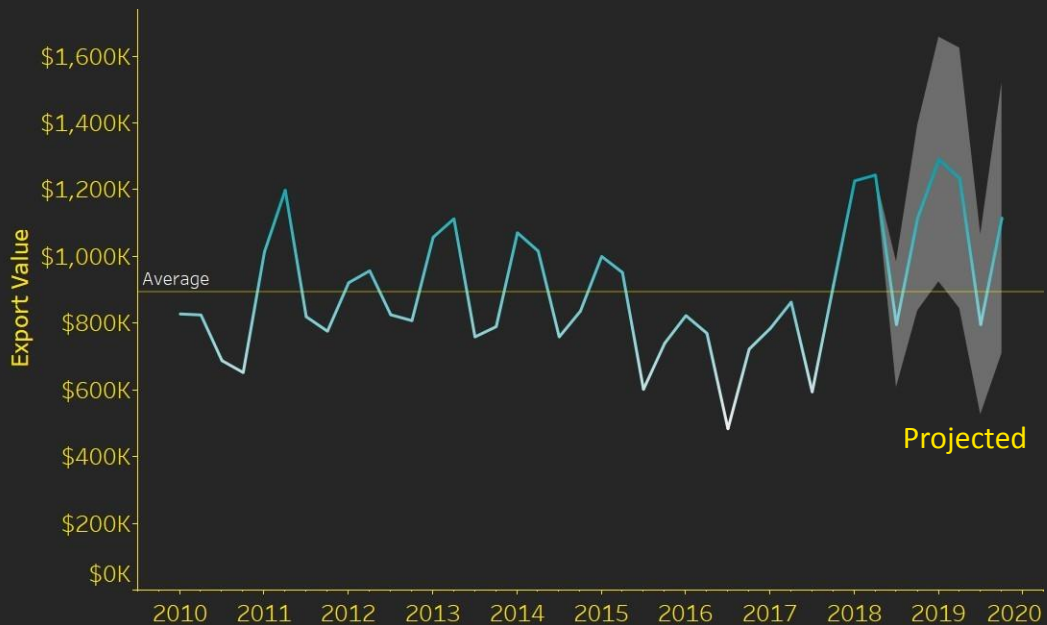


Food Processing Stats

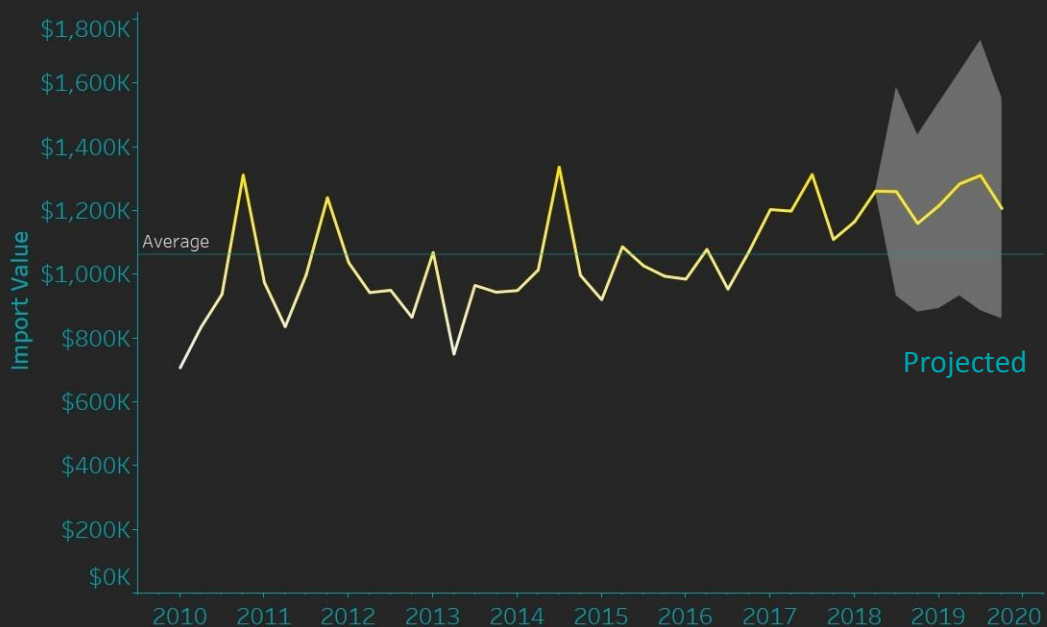


Pakistan's Food Processing Imports and Exports (2010-18)

Food Processing Exports (Quarterly)



Food Processing Imports (Quarterly)

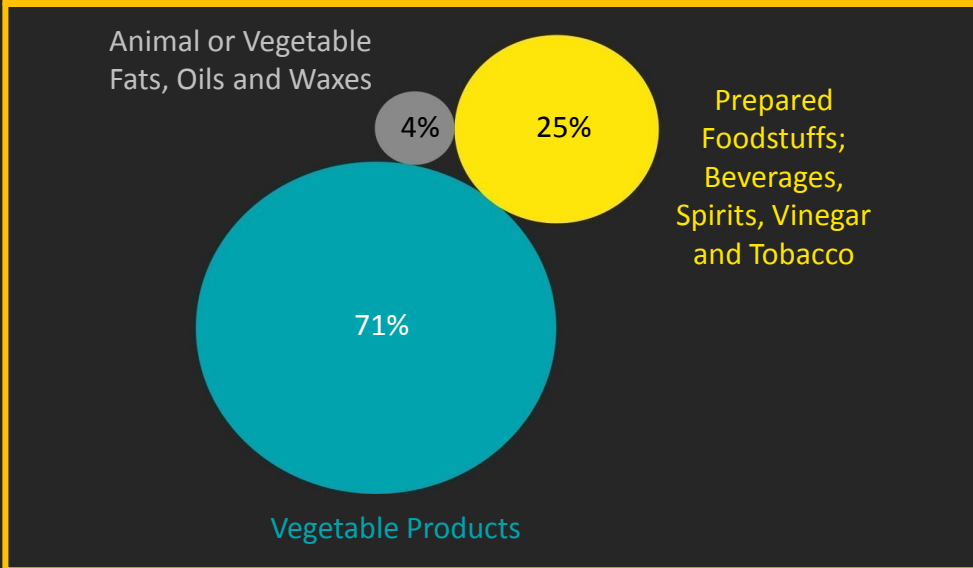


Food Processing Stats

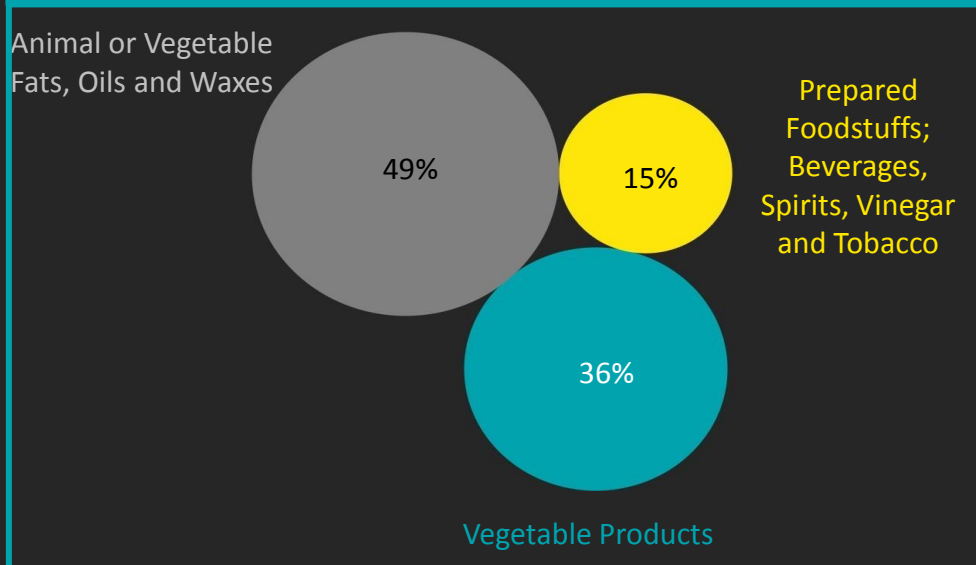


Pakistan's Food Processing (2010 - 2018)

Main Category of Exports



Main Category of Imports

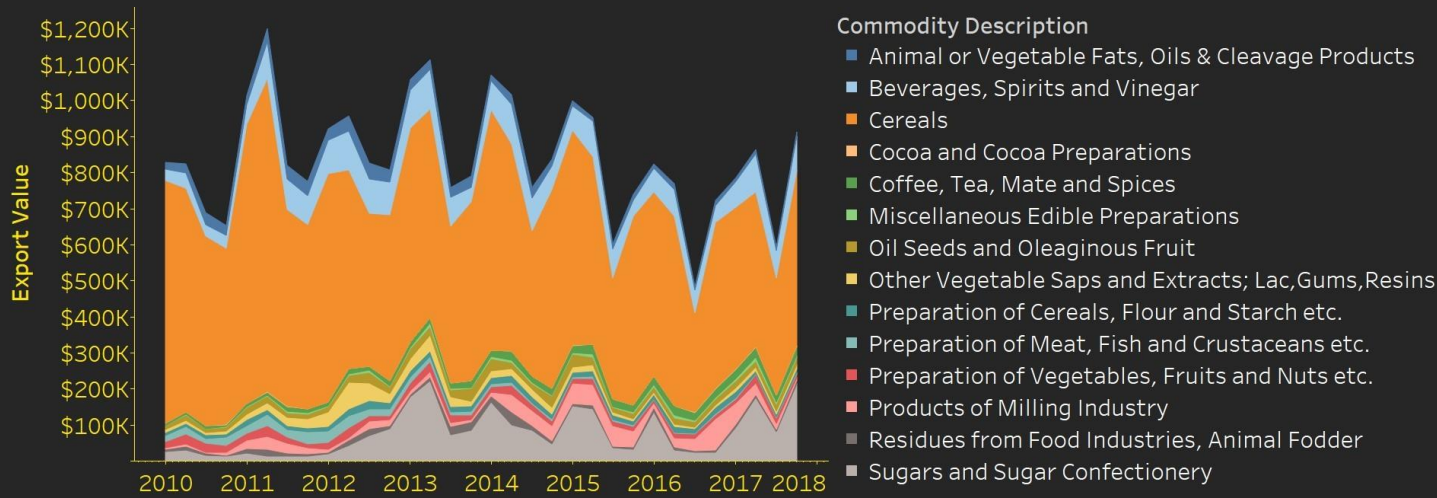


Food Processing Stats

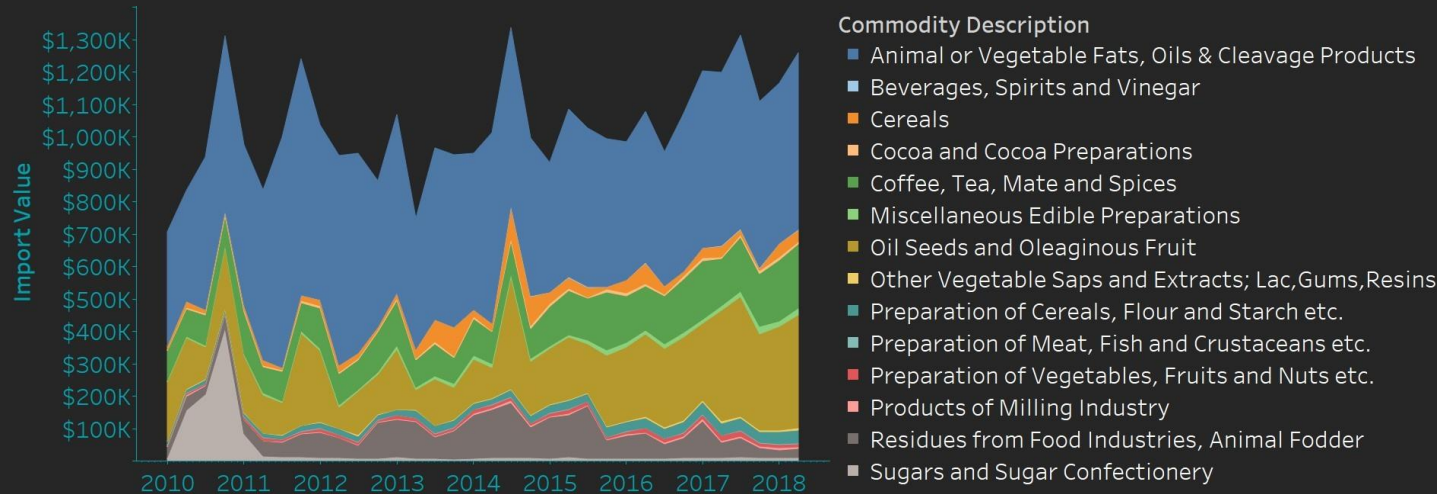


Pakistan's Food Processing Exports (2010 - 2018)

Food Processing Exports by Commodities (Quarterly)



Food Processing Imports by Commodities (Quarterly)



Top Exports

1. Cereals
2. Sugar and Sugar Confectionery
3. Beverages, Spirits and Vinegar

Top Imports

1. Animal or Vegetable Fats, Oils Cleavage
2. Oil Seeds and Oleaginous Fruit
3. Coffee, Tea and Spices



The different categories within food processing

Frozen Foods

The market for frozen foods has grown rapidly in the recent years owing to an adaptation towards a more urban way of lifestyle.

Value Addition in Major Food Crops

Crops such as wheat, rice, which are in abundance, are used to produce products such as cereal, noodles, macaroni, pasta, spaghetti etc..

Agri Food Processing

This area includes all the food that is produced agriculturally. This includes primary processing of fruits and vegetables, fresh produce, flour, sugar, pulses and grains.

Beverages

The beverage industry of Pakistan has been categorized into two broad categories:

- 1) Aerated Beverages
- 2) Juices, squashes and syrups

Edible Oils & Fats

The edible oil and fats sector includes vegetable oil, ghee and margarine. The domestic source of edible oil is cotton seed, sunflower, canola and rapeseed.

Fruits, Dairy, Vegetables & intermediate value added products

Pakistan is known for its high quality fruits, vegetables and dairy. There are more than 25 fruits, vegetables and intermediate value added processing plants in Pakistan

Market Structure and Dynamics



Frozen foods

A growing population, coupled with an increase in urban lifestyles has been the primary driver behind the rising demand for frozen food products. Additionally a budding retail phenomenon is finding its way in the urban markets. This factor has been complemented with the rise of malls, super markets, hyper marts, drug marts e.g. Metro, Al Fatah and Hyperstar, instead of the traditional kiryana and general stores. Local organizations such as Dawn Foods, season foods, K&N's, Sabroso & Sufi have made significant impact in the market with their frozen food products.

Value addition in major food crops

Pakistan is one of the largest producers of industrial crops such as rice and wheat. Such crops can be used in the production of a variety of different products such as cereals, macaroni, spaghetti, pasta etc. Good food processing techniques such as extrusion are being utilized in several developed countries, and are now finding its way to Pakistan as well. Currently, the extrusion technology is being utilized in Pakistan in the processing of food products like cereals, pasta, snacks etc.

Edible oils and fats

The total availability of edible oil from all sources in Pakistan is estimated at approximately 3 million tons. 23% of oil seeds are produced domestically while the remaining is mostly imported which provides a huge opportunity for an increase in domestic production. These oil seeds are used extensively in the vegetable ghee and cooking oil industry of Pakistan which is one of the largest manufacturing industries in Pakistan. There are approximately 160 small and medium sized vegetable ghee and cooking oil units spread all across Pakistan.

Beverages

The beverage processing industry's main products include dehydrated products, fruit products, including fruit juices/drinks, canned fruits and carbonated beverages. The industry has been categorized into two sectors broadly: (1) Juices, squashes and syrups and (2) Aerated beverages. Both the sectors have recorded an impressive growth with major players such as Pepsi, Coca Cola, Nestle, Mitchells, Shezan, Maza etc. Their production units are mostly located in the Punjab specifically Lahore, Sargodha and Bahawalpur.

Fruits, dairy, vegetable and intermediate value adding products

Pakistan is the 4th largest milk producing country in the world which provides tremendous opportunities for value added products in the dairy sector. In the fruits and vegetable sectors, there are more than 25 processing plants. Most of these are citrus based owing to its abundant acreage. Following citrus are mangoes which are abundant in Southern Punjab and Sindh. The major processing plants are located in Peshawar, Lahore and Karachi. Value added products include jams, jellies, marmalades, squashes, canned fruits etc.

Agri food processing (Primary process foods)

This sector includes all the agricultural food produce (primary). This sector alone accounts for 21% of Pakistan's GDP and includes the primary processing of fruits, vegetables, flour, sugar, pulses and grains. More than 22 varieties of vegetables are produced in Pakistan and there are approximately 1,400 flour mills. The country is ranked 5th in the world cane acreage and 9th in sugar cane production.

Pulses are the most important source of vegetable protein in Pakistan and are cultivated on 5% of the total cropped area.

Areas to invest



Key highlights of Pakistan's food processing sector

- 4th largest milk producer in the world
- 11th largest citrus producer in the world
- 35 different varieties of vegetables produced
- More than 30 varieties of fruits produced.

With a population of over 200 million people, Pakistan is the sixth most populous country and the 43rd largest economy in the world. In the current global economic scene, Pakistan is being seen as the top emerging market economy in South Asia that is progressing towards a more advanced stage through rapid growth and industrialization. Pakistan is being classified as one of the Next Eleven (N-11) countries that have the potential to become one of the world's large economies in the 21st century. Economic growth of the country has been on a rise during recent years; measured at 5.4% in 2017 and 5.8% in 2018 with projections forecasting it to be above 5% in the next 3 years. The government is fully committed to capitalizing on the emerging growth trend and is working hard to ensure implementation of all the necessary steps in the right direction to increase the flow of private sector investment.

The food processing sector of Pakistan has the ability to create spillover effects in multiple other industries such as food packaging, bottling, retail chains (hypermarkets, supermarkets) etc. The main sub-sectors however that need to be focused on a priority basis include:

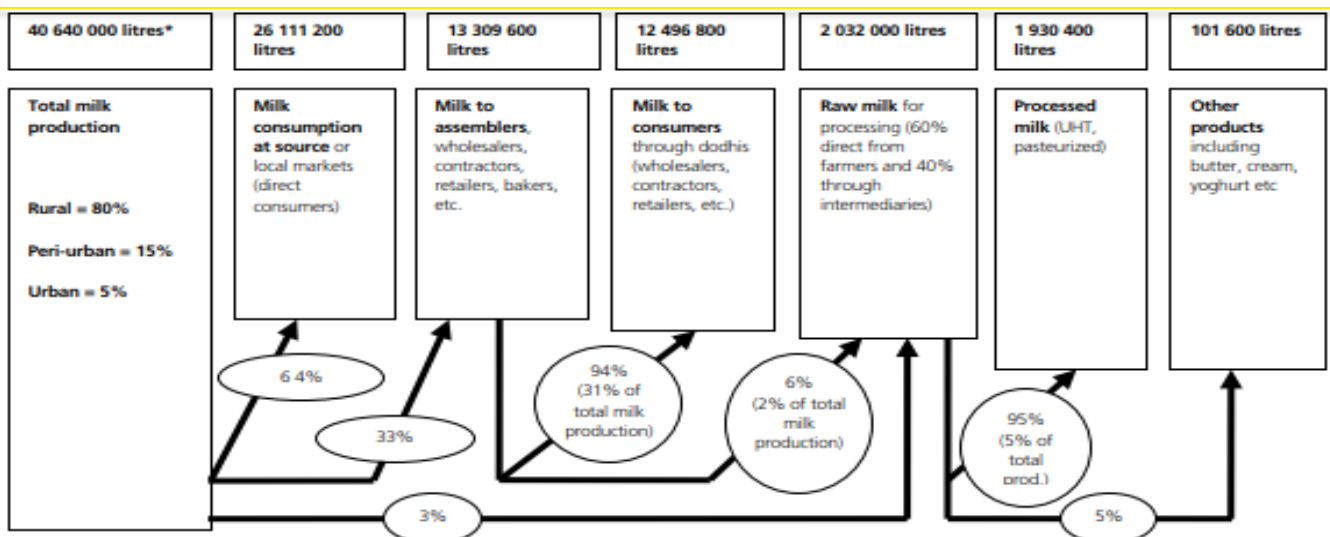
1. Dairy
2. Value addition in fruits
3. Frozen foods (fruits, vegetables and meat)
4. Olive oil extraction units.
5. Potato powder and flakes manufacturing unit

Areas to invest

Dairy



- ▶ The dairy sector in Pakistan plays a significant role in the national economy and its value is more than that of the wheat and cotton sectors combined. The dairy and livestock sector alone contributes 11% of Pakistan's GDP and 49% of the value addition in the agricultural sector Pakistan's current annual milk production is close to approximately 54 billion liters per annum which makes it the 4th largest milk producer in the world.
- ▶ Pakistan is a population of 200 million people approximately. Amongst all household expenditures on food items, nearly 30% is spent on milk and dairy products. A major proportion of milk is consumed in tea which is a common drink so milk is demanded by every household in the country.
- ▶ Milk is one of the most popular food items in Pakistan and is consumed as fresh, boiled, powdered and in processed form such as *yogurt, ghee, lassi (buttermilk), butter, cheese, ice cream, sweets* and in other *confectioneries*. Indeed, the dairy sector opens up the sheer possibility for Pakistan to earn nearly **\$30 billion** from exports of the dairy products on more than one count.
- ▶ The Government of Pakistan formulated its first ever Livestock Policy in 2007 based on which many corporations have made significant investments in the development of cold-chains in remote dairy producing areas. The government has also started giving incentives for the development of the dairy sector. These include regulatory measures for imports of high yielding animals, semen and embryos for cross breeding, duty free imports of veterinary dairy and livestock machinery/equipment and exemption from retail sales tax for processed products.
- ▶ Pakistan has one of the highest levels of urbanization in South Asia; by 2030, 50 percent of the population is expected to live in cities. This coupled with the population increase is expected to increase the demand for dairy and related goods and services.
- ▶ The Dairy sector has recently been able to attract significant FDI. In December 2016, a Dutch FMCG giant, Royal Friesland, acquired 51 per cent of Engro Foods Pakistan, which was one of the largest private sector foreign direct investments in Pakistan's dairy sector, amounting to \$450 million. Under the new deal and 2020 strategy arrangements, Engro Foods will aim for higher milk quality, variety of milk packages and products and farmers' capacity building leading to a reduction in poverty.
- ▶ Around \$800 million of foreign and local investment has taken place in dairy farms and the dairy processing sector over the last five years in Pakistan.
- ▶ Proposition: Establishment of efficient mini pasteurization plants, milk chilling units, storage facilities and refrigerated transport systems.



Areas to Invest

Value addition in fruits



CITRUS

- ▶ Citrus is the largest produced fruit of Pakistan (11th in the world) with its major production hubs concentrated in Punjab. In 2016, the province produced 2.34 million tons of citrus fruit; accounting for 97% of the national production. Sargodha is the largest citrus producing district that accounted for 53.1% of the provincial production in 2016.
- ▶ In 2016, 36% of the total citrus global trade was constituted by the orange juice products; 32.5% of which was that of frozen concentrated orange juice.
- ▶ Kinnow can be processed to produce 'Frozen Concentrated Kinnow Juice' (FCKJ) which is the raw material to produce ready-to-drink juices and drinks. FCKJ manufacturing is an attractive investment opportunity that derives its rationale from abundant availability of raw material, uniqueness of the local Kinnow fruit, high value addition potential, large export and local markets and presence of an existing industrial cluster. Along with the main product FCKJ, Kinnow peel oil, Kinnow pulp, cold press peel and waste peel are the byproducts of the manufacturing process.
- ▶ There is also a large local demand as well by the local fruit juice processing sector. Citrus-based juices and drinks represent an important product category in the local market. The local 'Juice, Nectars and Still Drinks' (JNSD) market has grown at a high rate of around 16% during the past decade. The size of the local beverage market in 2017 was estimated to be 44 billion liters. JNSD market is around 4% of this market which in 2018 was estimated to be 2.0 billion liters. Juice and nectars market is around 10% of the total JNSD market which means that the estimated size of local juice and nectars market of Pakistan in 2018 is around 200 million liters.
- ▶ Major import markets for frozen concentrated orange juice are as follows: 1 - USA, 2 - Germany, 3 - Japan, 4 - China, 5 - Indonesia

MANGOES

- ▶ Mango is Pakistan's national fruit and the second most important fruit crop. The total area under cultivation for mangoes is 167.5 thousand hectares with a production of 1,732 thousand tons per annum.
- ▶ The main mango growing districts in Punjab are Multan, Bahawalpur, Muzaffargarh and Rahimyar Khan. In the province of Sindh it is mainly grown in Mirpur Khas, Hyderabad and Thatta while in the province of KPK it is grown in D.I.Khan, Peshawar and Mardan.
- ▶ Pakistan currently produces approximately 2% - 3% of the world's mangoes which also makes it the 4th largest mango producer in the world. All in all there are around 250 varieties of mangoes that are produced.
- ▶ In terms of exports, UAE has been the major destination for Pakistani mango exports followed up by the UK.

Currently only 3-4% of the Pakistani mango produce is processed into value added products such as pulp for use in drinks and ice creams, canned mangoes and dried mangoes. Therefore there lie tremendous opportunities for investment in value addition of mangoes.

1. **Mango Pulping Facilities:** Mango pulp is an important value added product which has huge demand in both the domestic and the international market. The local market for fruit juices, nectars and drinks has been growing at a very rapid pace in the last couple of years.
2. **Dried Mango Products:** Dried mango is an important value added product processed many countries across the globe. In terms of dried mangoes, mangoes from Sindh have a unique taste and can be converted into dried mangoes considering locations such as Mirpur Khas, Hyderabad and Thatta produce abundant mangoes.
3. Fresh mango grading and packing facility
4. Mango Juices, nectar, squash, yogurt, jams, jellies, ice creams, mango leather, chutneys, pickles etc.

Areas to Invest

Frozen foods



Fruits, vegetables and meat

- ▶ The **Pakistan frozen food** market was valued at USD 489.51 million in 2017. A report from December 2016 said that China had overtaken the EU and Japan at that point to become the largest seafood export market for Pakistan.
- ▶ Frozen vegetables and fruits are produced in large quantities around the world. There is a growing international trade of these products. In 2015, the total export market of frozen vegetables was USD 6.07 billion. Common products traded under this category include frozen peas, potatoes, beans, spinach, strawberries, raspberries, sweet corn and variety of other vegetables and fruits. This opens a window for the vegetables and fruits farmers of Pakistan to sell their surplus produce that is available in large quantities during peak production seasons. **Freezing** is an important process to effect this value addition to fresh produce. The technology used for this purpose is known as **Individual Quick Freezing (IQF)**. Investment in IQF facilities for fruits and vegetables has the potential to reap multiple benefits.
- ▶ 'Individual Quick Frozen vegetables' is a major category in the world export market of horticultural products and Pakistan produces very high quality varieties of vegetables which have a huge potential if processed. The products considered for individual quick freezing include peas, potatoes, carrot, spinach, bitter gourd, okra and mango. There is abundant availability of these vegetables and fruit for producing the value added frozen products. Major share of the fresh produce of vegetables and fruits is consumed in the local market, however it has major export potential as well.
- ▶ **Availability of fruits and vegetables in Pakistan:** Pea is an abundantly produced vegetable in Pakistan. In 2014-15, total national production of peas was 139,233 tons. Furthermore, potato is another abundantly produced vegetable in Pakistan. In 2014-15, total national production of potatoes was 3.99 million tons. Carrot, Bitter Gourd, Okra, Spinach are also produced in all the districts of Punjab. Larger production centers of these vegetables exist mostly in and around central Punjab with Sheikhupura, Gujranwala, Faisalabad, Kasur, Okara and Lahore being the key districts. Mango is a major fruit produced in Punjab. In 2014-15, Pakistan's total mango production was 1.72 million tons.
- ▶ In the **frozen meat** segment the market is preliminarily driven by the convenience factor and the rising demand for animal-based products, such as kebab, parathas, meat balls, sausages, etc. The ready-to-cook (RTE) food segment in Pakistan has also witnessed the emergence of **frozen food companies in Pakistan** that are increasingly catering to tier-1 cities and corporate zones of the country. The key regional players, such as Dawn Foods and K&N's, have also embarked upon providing convenience foods, by expanding the portfolio of frozen *parathas*, frozen *samosas*, and frozen meat products. The **frozen meat and seafood products in Pakistan** are available as cut pieces. Shrimp, sardine, lobster tail, etc. are some of the common seafood products available in the country.
- ▶ Pakistan has an important geographic positioning with access to Central Asia, Middle East, and Europe leading to a total of USD243.5 million in 2015 meat exports. Also a factor to consider are the lower shipping costs for shipping to central Asia compared to Pakistan's rivals. Pakistan has a growing middle class which is simultaneously experiencing a change in their lifestyle patterns. More importantly the arrival of international wholesale chains (Modern Trade; Metro and Makro) and hypermarkets (Hyperstar), the market for pre-cooked and processed foods has expanded and has further potential to expand rapidly.
- ▶ Retail marketing of packaged foods is gradually transforming from a large number of convenience stores or grocery stores to departmental stores and hypermarkets / supermarkets. The modern retail channels, with wide availability of products across regional/global brands, have gained popularity. These superstores have facilitated the process of distribution, easing the process for multi-channel marketing for **frozen food products**. Regional companies like K&N and Meat One have come up with specialist retail stores or online channels, in order to sale their products exclusively.

To encourage exports, the **canned foods** market must be explored further as well. This will be cost efficient due to the fact that a cold supply chain is not necessary, leading to a boost in exports. Areas that Pakistan can target for exports are neighboring countries such as China as well as the West. This is where Pakistan may have a competitive advantage since its cost of production will be significantly lower than western countries.

Areas to Invest

Olive oil extraction unit



Gap and potential

01

The demand for olive oil is increasing day by day due to the eating habits of the people of Pakistan. Local production does not meet the demand which indicates a huge potential for growing olive trees. Edible oil is considered as a necessity and not a luxury product, hence its demand is relatively inelastic and grows with time. It is estimated that in next 10 years, with the help of Government of Punjab, will plant 3.16 million trees in the area covering 23,400 acres that give 21,000 tons of olive fruit which will be available in market for further processing. The long-term objectives of the project are to produce olive oil for export while creating a sustainable olive oil economy which will also benefit the rural communities of the region. Pakistan presently produces 34 % of the edible oils it consumes domestically and is forced to spend significant foreign exchange on the import of edible oil to meet domestic demand.

The proposed processing facilities will extract Olive Oil from the olive fruits and remaining cake will be sold to the local market. The olive cakes are used for different purposes, such as in cosmetics, recipes, medicines, animal feed, etc.

- (1) Virgin Olive Oil: The most popular variety, virgin olive oil is a well-known cooking oil with a surprisingly low acid content.
- (2) Extra Virgin Olive Oil: "Extra" is the highest grade for olive oil, made by cold pressing olive fruit.
- (3) Pure Olive Oil: This oil is actually an amalgamation of refined and virgin olive oil.
- (4) Lampante Oil: This type of oil is used only as a fuel and is not suitable for cooking.

Potential products

03

02

Target market

Pakistan is importing large quantities of Olive Oil and it is estimated that in next 10 years it will be importing approximately 50,000 tons of Olive oil from the world. These olive oil extraction units will help reduce the import of such products and make Pakistan capable of exporting Olive Oil and its related products to the world.

The targeted customers of these products are food, cocktails / juices, agriculture / animal feed, and various other industries. The main export markets for Pakistani Olive Oil are Afghanistan and other neighboring countries. However, majority of the produce will be consumed locally because most of the local demand is currently met by imports. This depicts the huge potential Pakistan has for the Olive oil market.

Olive Oil Extraction Units

Potohar is a large plateau region in north-eastern Pakistan covering an area of 8,592 square miles. It has been identified as suitable for olive production because of its favorable climate and ideal topography.

The climate, temperature, soil, average rainfall and other factors in Sialkot, Narowal, Gujrat, Jhelum, Rawalpindi, Islamabad, Attock, Chakwal and Khushab suit olive cultivation. Punjab government has declared the Pothohar region as "Olive Valley." It recently distributed olive plants to farmers, and organized training of olive growers in the region. The proposed units may be installed at any of these areas especially Attock and Chakwal regions near the orchards.

04

Location



Areas to Invest

Potato powder and flakes manufacturing unit

Gap and potential

Potatoes are not only used as a vegetable for consumption at home but also at restaurants. Global consumption of potato as a food item has seen a shift from fresh potatoes to value-added products. It is estimated that a little less than 50 percent of potatoes grown worldwide are consumed fresh. The remaining are processed into potato food products and food ingredients like animal feed, processed into starch for industry, and re-used as seed for growing next season's potato crop.

The market of Potato Powder and Flakes is increasing at a rate of 4.52% each year. In 2015 Pakistan imported 2,764 tons of Potato Powder and Flakes worth USD 3.78m. Pakistan has abundance of unprocessed potatoes, especially in Punjab province. However, many companies in Pakistan are importing potato flakes and powder to meet their demand due of lack of potato processing units.

Target market

Pakistan is importing large quantities of Potato Powder and Flakes, and it is estimated that in next 10 years it will be importing 450,000 tons of Potato Powder and Flakes. Potato powder and flakes manufacturing units will help reduce the import of such products and make Pakistan capable of exporting Potato Powder and Flakes to the world. The targeted customers for these products are food, bakery, agriculture / animal feed, and various other industries. The main export markets for Pakistani processed Potatoes are Middle East, Far East, China, Malaysia, and neighboring countries. Apart from this, the local demand will also be met by such processing units.

Potential products

Dehydrated potato flakes are used in retail mashed potato products, as ingredients in snacks, and even as an aid for producing other food products. Potato powder, another dehydrated product, is used by the food industry to bind meat mixtures and thicken gravies and soups.

Potato Powder is a dehydrated vegetable made from the whole potato which absorbs large amount of water. The manufacturing of potato powder is based on the efficient dehydration of peeled cooked potatoes on single drum dryer. The thin dried sheet of potato solids is then ground to the desired fineness. As a dehydrated vegetable, Potato Powder can be used in a wide variety of industries including: food production, beverage, agriculture/animal feed, and various other industries

Potato flakes can be used as: Nutritional supplement in food production, Bread improver in baking, Breeding for fried foods; frozen fried chicken and seafood products, Thickening agent; used in soup mixes sauces and baby foods, Base material for many snack foods including potato-chip like fried products, ingredient formula in making pharmaceutical and cosmetic products, Nutritional supplement in Agriculture/Animal Feed. Potato Flakes are hence used in confectionery and processing industries to make potato snacks, potato chips, mashed potato and potato pie to name just a few. They are also used in snacks, bakery and food items.

Potato flakes are most often used as an ingredient in snacks or bakery food items.

Location

The unit can be installed anywhere in Pakistan where the raw material (fresh potatoes) is easily accessible. As per current agricultural practices, Okara is the largest producer of Potatoes not only in Punjab Province but in Pakistan. In 2014-15, Okara district produced 1.4 million tons of Potatoes which is 37% of the production of Punjab and 34% of the Pakistan's total potato production.

Total production of Potatoes in Pakistan during 2014-15 was 4.16 million tons out of which Punjab province is producing 97% of the potatoes.

Other key areas to invests



Dates

Pakistan is the 5th largest date producing country in the world, producing 550,050 thousand tonnes of dates annually. The location of Pakistan makes it ideal for growing high quality dates.

Already exporting a huge proportion of dates to India (reduced import duties) and EU (zero tariffs), Pakistan has the potential to expand this significantly as both these locations import dates extensively.

Key areas to grow dates are Khairpur and Sukkur.

Fish and fish products

Marine fishery is rich in Pakistan with a variety of shrimps, prawns, octopus, squids and fish being found in the coastal regions. Already exporting to neighboring countries, there is increased opportunity to tap the growing markets of China, India and Bangladesh, as well as other countries.

Fish processing plants to produce value-added products will be very lucrative in terms of targeting both the domestic and international market.

Pine nuts

Pakistan is the 3rd largest producer of pine nuts in the world, which are produced in KPK, Balochistan, Northern areas, Kashmir and Gilgit.

About 3,400 metric tonnes of pine nuts are produced by Pakistan (13% of the global share) annually. There is ample potential to increase exports of this, owing to the superior quality that Pakistan can produce.

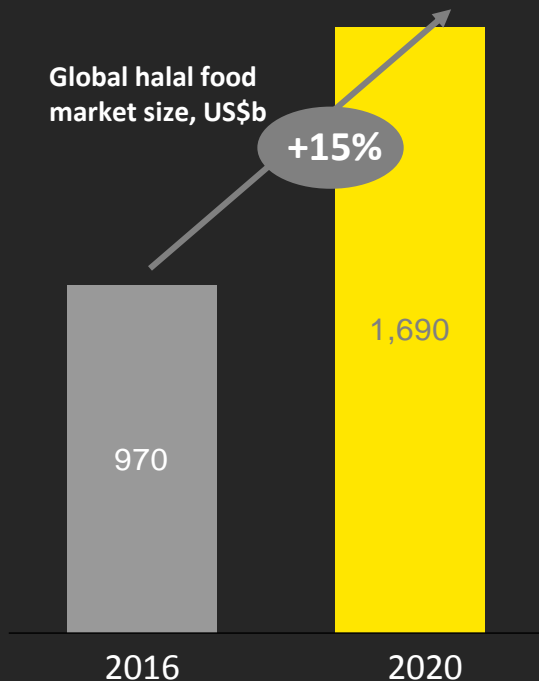


Areas to Invest

Halal Food Market

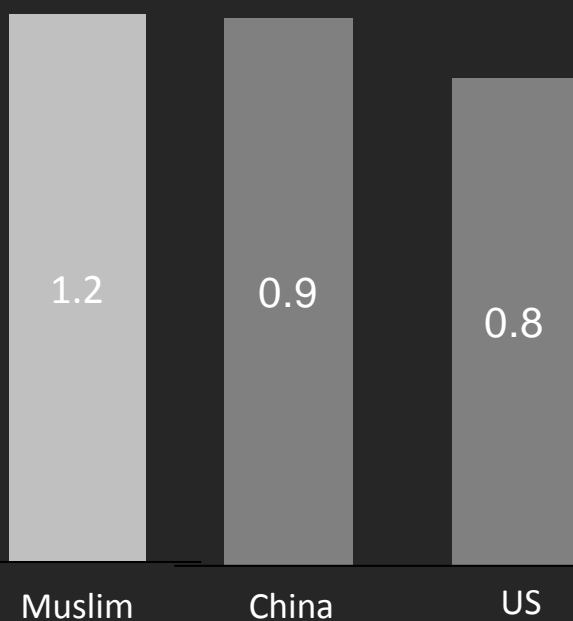


Halal food is a high growth market with untapped potential



- Not confined to meat and poultry and includes other food items as well such as confectionary, canned and frozen food, dairy produce, bakery products and organic food
- Increasingly made available in modern retail channels apart from being widely available in traditional corner shops and neighbourhood butchers
- Introduction of accreditation to oversee certifiers; set to reduce complexity and encourage more players to enter the halal food industry

F&B expenditure by Muslims exceed that of two of the largest consumer markets



Food & beverage expenditure, 2015, (US\$t)

Segments / services	Unaddressed halal demand
Halal meat snacks	<ul style="list-style-type: none"> ▶ Few large companies are addressing demand for Halal snacks, in particular for dried meat. Only select online players in non-Organisation of Islamic Cooperation (OIC) countries present right now
Baby food	<ul style="list-style-type: none"> ▶ Many leading players are not Halal certified, with gelatin and other non-permissible ingredients included in popular products
Health focused halal products	<ul style="list-style-type: none"> ▶ Across US and UK, there are only few leading Halal organic meat suppliers -- Crescent Foods and Euro Quality Lambs ▶ Plant-based products gaining prominence
Meat kit and fresh food delivery services	<ul style="list-style-type: none"> ▶ Meat kit delivery: Leading providers do not provide a Halal option, however, there is an increasing demand for convenience among Muslims ▶ Fresh food delivery: Although few services have emerged (Halal On-Click and Halal Eat), they are available only in handful of cities

Areas to Invest

Halal Food Market



Farm to fork halal assurance touch points across the supply chain

Product segregation

Halal distribution centres
Non-contaminated shipping services
Halal control activities

Key players:
Key sea-ports/airports

Refrigerated transportation
Halal control activities

Key players:
Technology solutions
Logistics companies

Halal parks/hubs
Halal certified cold storage
Halal control activities

Key players:
Technology solutions
Logistics companies

Procurement
Packaging and labelling
Halal parks/hubs

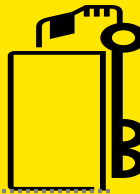
Key players:
Halal vendors
Halal certifiers/regulators
Halal park/hubs



Retail shelving



International transportation



Domestic transportation



Warehousing



Food production

The Halal food market mandates high compliance at every stage of the supply chain.

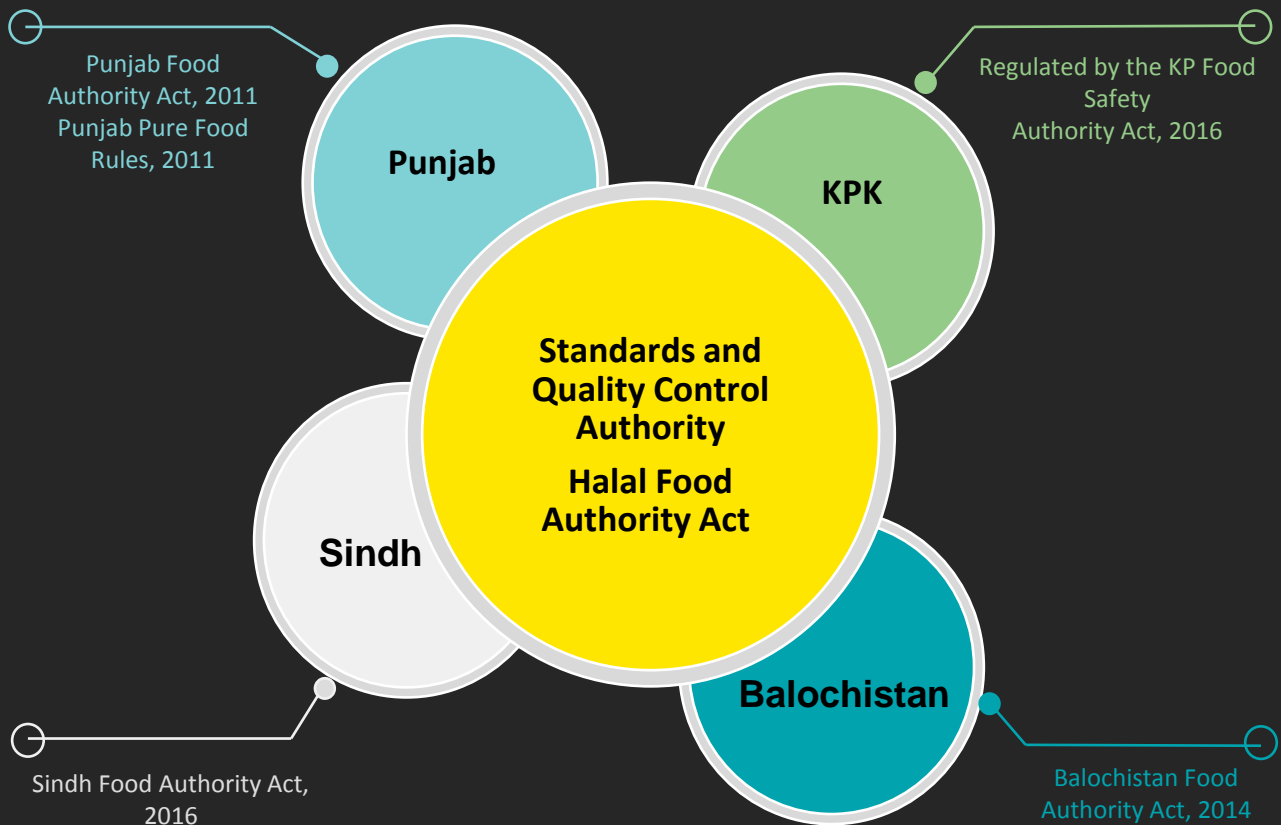
With Pakistan being a Muslim country that already complies with such regulations, it is in an ideal position to expand its share of the global halal food market which is growing rapidly.

Regulation



In Pakistan, every province has its own food safety regulations.

- ▶ Investors setting up plants in Pakistan will need to review and comply with the regulations of the relevant province.
- ▶ There are also certain standards through Pakistan Standards and Quality Control Authority (PSQCA) that have to be complied with by the manufacturers of food and food grade materials.
- ▶ The Government of Pakistan has adopted 22070 ISO Standards and developed 8857 Pakistan Standards.
- ▶ Compliance with the Halal Food Authority Act, 2016 is also required as Pakistan is a Muslim country. Hence, this act applies to all imports, exports, trade and commerce with foreign countries and inter-provincial trade.



Impact of CPEC



CPEC's long term strategy has already defined food processing as a key area of focus, with the following projects being planned. These show that there is immense potential for further investment in this sector.

- ▶ "Asadabad, Islamabad, Lahore and Gwadar will see a vegetable processing plant with annual output of 20,000 tons, fruit juice and jam plant of 10,000 tons and grain processing of 1 million tons.
- ▶ Projects include the construction of one NPK fertilizer plant as a starting point with an annual output of 800,000 tons.
- ▶ Meat processing plants in Sukkur are planned with annual output of 200,000 tons per year, and two demonstration plants processing 200,000 tons of milk per year.
- ▶ In crops, demonstration projects of more than 6,500 acres will be set up for high yield seeds and irrigation, mostly in Punjab•
- ▶ In transport and storage, the plan aims to build "a nationwide logistics network, and enlarge the warehousing and distribution network between major cities of Pakistan". Storage bases will be built first in Islamabad and Gwadar in the first phase."

Maximizing Pakistan's exports by leveraging CPEC developments

- ▶ A study done by the Faisalabad Chamber of Commerce showed that China's crop yield for major crops such as wheat, rice, sugarcane, cotton and maize is almost twice as that of Pakistan's. Therefore, there lies immense potential in adopting the practices and technology used in China and implementing them in Pakistan.
- ▶ By 2025, if Pakistan is successful in increasing its yield to match that of China's, it will not only reduce food imports significantly, but also have surplus crop that can be processed to create value added products and then export to neighboring countries, making use of the improved transportation routes available due to CPEC.



CPEC's Special Economic Zones



There are 4 Special Economic Zones within CPEC that are targeted at food processing:

Project Name	Type of industry	Area
Rashakai Economic Zone, M1, Nowshera	Fruit, Food, Packaging, Textile stitching, Knitting	1,000 acres
Bostan Industrial Zone	Fruit processing, Agricultural machinery, Pharmaceutical, Motor bikes assembly, Chromites, Cooking Oil, Ceramic Industries, Ice and Cold Storage, Electrical Appliance, Halal Food Industry	1,000 acres
Allama Iqbal Industrial City, M3, Faisalabad	Textile, Steel, Food processing, Plastics, Agriculture, Printing and Packaging, Light Engineering	3,000 acres
ICT Model Industrial Zone, Islamabad	Steel, Food processing, Pharmaceuticals & Chemicals, Printing and Packaging, Light Engineering	500 acres



Any foreign investor looking to invest in the food processing sector in Pakistan can leverage the trade routes and Special Economic Zones that have been established as a result of CPEC.

This will lead to a competitive advantage due to the lower overheads in the country, coupled with reduced transportation costs. Furthermore, China's growing population is a huge target market for food exports.

Success Stories



K&N's.

- ▶ The K&N's group became involved in the poultry business in 1964. Today K&N's is a modern, vertically-integrated poultry business with operations ranging from production of breeding stock to retail shops. The group is engaged in feed-milling, grandparent operations, parent stock production, pullet growing, hatching, broiler production, and processing. K&N's has six broiler growing facilities, each with a capacity of 250,000 to 300,000 birds. The company has over 60% of market share in frozen and value addition chicken meat products. The primary outlet for these products is through a chain of highly rated K&N's Chicken Stores, which sell chicken and value-added products in Pakistan's 15 largest cities
- ▶ On the 3rd of January 2014 K&N's went international when it inaugurated its first poultry processing facility in Futton, New York.
- ▶ The company sells Halal chicken products in the United States and Canada under the brand name of "K&N's Foods USA, LLC". Beginning in the spring of 2013, the company invested more than \$5 million in the purchase and renovation of a former Birds Eye plant which employing almost 200 people in the Fulton area.
- ▶ Today K&N's is a multinational brand engaged in integrated poultry operations including breeding, hatching, feed milling, broiler growing, poultry processing and production of Halal ready-to-cook and fully cooked chicken products

Headquarters location

K&N's Corporate headquarters, K&N's Centre 160 Bangalore Town, Shara-e-Faisal, Karachi, Pakistan.

"We faced different challenges and problems, but always remained focused and honest to our objective of providing healthy chicken products to the people and create jobs in the country"

Khalil Sattar, CEO K&N's

"More and more middle-, upper-middle and upper-class consumers in urban areas are choosing to visit modern retailers, in particular for a new experience and for the bulk shopping of packaged food products

Euromonitor International

Product Range

Consumer Products

Industrial Products

Whole chicken, designer cuts and premium boneless meat

Parent Stock

Breaded selection

Day-old chicks

Kabab temptations

Hatching-eggs

Deline

Poultry Feed

Chunks

Signature Samosas and Rolls

Bakistry

Stok

Capacity

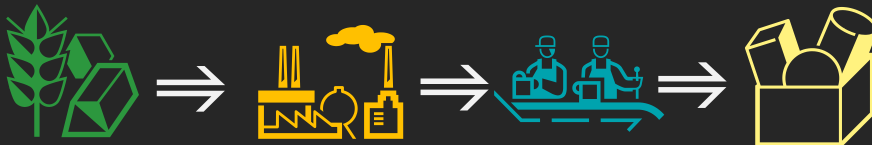
250,000-300,00 birds per broiler
K&N's has six broilers across Pakistan

Success Stories



Dawn Foods

- ▶ Beginning with its first plant in Karachi, commissioned in October 1981, Dawn Bread built up a reputation for freshness, quality and taste. Creating nationwide awareness and a demand for our bread products, Dawn Foods set up our plant in Islamabad in January 1985. Their next plant opened in Hyderabad in January 1987, a year that also witnessed the establishment of another plant in Lahore, in November. In 1989, the company established its fifth plant in Multan. After this expansion, the sixth plant was commissioned at Faisalabad in February 1992.
- ▶ Within a decade of its inception, Dawn Foods have grown to capture a major chunk of the consolidated market share of all bread products in Pakistan.
- ▶ Dawn Foods moved into the frozen foods segment in 2008 and since then has carved a niche for itself as a standout in public perception which is reflected in its significant and ever-growing market share. In quality and freshness, Dawn Frozen Foods mirrors its parent company, the top-notch Dawn Bread. A remarkable aspect of Dawn Frozen Foods, which is also a proof of universal public acclaim here and abroad, is its ever-expanding product range. Having started with Frozen Dough Products, Dawn Frozen Foods now offers a wholesome range in a combination of native and international cuisine in ready-to-cook and ready-to-eat chicken, beef, fish, vegetable and wheat products.



Facility location

Golden Harvest Foods (Pvt.)
Ltd. Plot No. 33, Sector No.
24, Korangi Industrial Area
Karachi

“As an ever-evolving company, we have continually upgraded our production facilities, bringing them in consonance with the best in the world in terms of new inventions in tools, equipment and machinery.

Noman Hussain – CEO Dawn Bread

Capacity

Product Range

Non frozen products	Frozen products
Bread	Frozen chicken products
Buns	Frozen vegetables
Cup-cakes	Frozen wheat products
Rusk	Frozen beef products
Dough products	Frozen fish

Success Stories



Shezan International Ltd.

- ▶ Shezan International Ltd. Is a public Ltd. Pakistani beverages manufacturer which was incorporated on May 30, 1964; conceived as a joint venture by the Shahnawaz Group, Pakistan and Alliance Industrial Development Corporation, United States in 1964.
- ▶ It is one of the largest beverage companies in Pakistan. Since its inception in 1964, Shezan has produced various products including soft drinks, juices, ketchups, and jams.
- ▶ The company is also the single largest grower of mangoes in Pakistan, and employs roughly 1,000 persons. It is best known for its trademark product, 'Shezan Mango', a mango juice drink popular in Pakistan.
- ▶ Shezan exports its food products to more than 40 different countries including UK, USA, Australia, Germany, Canada, etc.
- ▶ Shezan has a juice factory in Hatter, Khyber- Pakhtunkhwa and a bottle filling plant in Lahore, which has increased its productivity significantly. It also owns and operate an independent Tetra Brik plant. The firm's head office is located in Lahore and has distribution offices in United Kingdom and Canada. t countries, including UK, USA, Australia, Germany, Canada, etc.
- ▶ Over the years Shezan has evolved into a top-notch, internationally acclaimed food brand that is set apart due to the impeccable quality. With a wide range of products made with the freshest fruits and vegetables from its orchards, Shezan aims at providing its consumers the diverse flavors of Pakistan.
- ▶ Although the Company is famous for its mango juices, but is a major producer and exporter of pickles, jams and ketchup, the firm has been relentlessly expanding both into local and in international markets ever since. To better serve its customers the company has been slowly expanding itself. To make sure it won't face any supply issues in exports back in 1980-81, Shezan has established a separate unit in Karachi, which now caters for Karachi, Sindh and export demand.

Headquarters location

56 – Bund Road, Lahore,
Pakistan.

“Shezan has never compromised on its quality , so people can have healthy and pure processed foods on their tables”

Waseem Mahmood, Director
Marketing

Sales Revenue

7,159,015,000 Rupees

Product Range

Beverages

Squashes and Syrups

Jams, jellies and marmalades

Ketchups and sauces

Chinese sauces and vinegar

Pickles

Chutney

Food essentials



Success Stories



Nestlé

- ▶ Nestlé in Pakistan is operating since 1988 under a joint venture with Milk Pak Ltd. It is headquartered in Lahore, with four production facilities across the country. Factories in Sheikhpura and Kabirwala are multi-product, whereas the ones in Islamabad and Karachi are water factories.
- ▶ Nestlé Pakistan Ltd. is a subsidiary of Nestlé S.A., a company based in Vevey, Switzerland. Today, millions of consumers across Pakistan mirror emphasis on nutrition, realizing that food choices impact their health and quality of life. About Nestlé Exchange (PSE), the processing company has been operating in Pakistan since 1988 under a joint venture with Milk Pak Ltd, whose management it took over in 1992. For the last several years, Nestlé Pakistan has been consistently placed among the top companies of the PSE.
- ▶ Today it is one of the leading Food & Beverages Company in Pakistan with key focus on Nutrition, Health and Wellness and reaching.

Headquarters location

Nestlé Pakistan Limited
308 – Upper Mall,
Lahore - 54000, Pakistan.
Corporate Office Annex



Product Range

Ambient dairy

Chilled dairy

Coffee

Bottled water

Juices

Culinary and food

Confectionary

Baby food

Breakfast cereals

Key information



Foreign companies already operating in Pakistan

- ▶ Nestle
- ▶ Unilever
- ▶ Coca-Cola
- ▶ Pepsi
- ▶ Metro Cash and Carry
- ▶ Hyperstar (Carrefour Group)



Important websites

- ▶ <http://www.sbp.org.pk/>
- ▶ <http://www.pfa.gop.pk/>
- ▶ <http://www.pas.gov.pk/index.php/acts/details/en/31/382>
- ▶ <http://www.pabalochistan.gov.pk/index.php/acts/details/en/27/345>
- ▶ <http://kpfsa.gov.pk/>
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Limitations



The information taken to prepare graphs and other statistics for analysis has been taken from credible websites such as Automotive associations, State Bank of Pakistan and World Bank. Although we have made all efforts to ensure that data is taken from credible sources, we have not tested the data for reliability, accuracy or completeness.

The analysis was performed describing the strengths of the sector from investor perspective. As such, improvement opportunities and matters for the attention of policy makers have not been highlighted as such in this document.

The trend analysis conducted in this sector profile is based on data from April 2014 to June 2018, from the Pakistan Automotive Manufacturers Association. The graphs have been prepared on a software platform (Tableau). This software was used to conduct forecasts for the next 2 years as well, based on the historical data. The graphs have been included as screenshots in this profile .

From an investor's point of view, the information in this sector profile is incomplete in order to convince someone to invest in Pakistan. Further sections need to be added to the actual website where these value propositions will be uploaded, which shows all steps that need to be taken to invest, starting from getting a visa, registering and starting a business, operating a business in Pakistan and other legal and regulatory requirements.