

**Research Study**

**An Insight of Meat Industry in Pakistan with Special Reference to Halal Meat**

## CONTENTS

<b>1. EXECUTIVE SUMMARY .....</b>	<b>2</b>
<b>2. INTRODUCTION .....</b>	<b>4</b>
<b>3. RECENT DEVELOPMENTS AND CURRENT SCENARIO OF PAKISTANI MEAT INDUSTRY .....</b>	<b>6</b>
3.1 Consumer demand.....	6
3.2 Trade of Livestock and Livestock Products .....	8
3.3 Market Trend .....	9
<b>4. Poultry .....</b>	<b>9</b>
<b>5. Fisheries .....</b>	<b>10</b>
<b>6. HALAL MEAT INDUSTRY .....</b>	<b>11</b>
6.1 Industry Players .....	11
6.2 Competitive Advantage in setting up Meat Facility .....	12
6.3 Issues faced by Halal Meat Industry in Pakistan .....	12
6.4 Recommendations for uplift of Halal Meat industry.....	13
<b>7. GOVERNMENT POLICY MEASURES .....</b>	<b>15</b>
7.1 Save the calf/calf fattening Scheme .....	16
7.2 Future Government Plans.....	17
<b>8. Role of ZTBL .....</b>	<b>18</b>

## 1. EXECUTIVE SUMMARY

The importance of livestock sector can be realized from the fact that it is not only a source of foreign exchange earnings by contributing around 3.1% to the total exports, but also a source of 35-40% of income for over 8 million rural families and providing them food security by supplementing high value protein of animal origin. Despite the fact that livestock sub sector could not attract large amount of investment due to its inherent subsistence and structural characteristics, this sector has shown a healthy growth of 4.0 % in 2018-19 over the previous year of 2017-18. Pakistan per capita meat consumption in 2000 was 11.7 kg that was increased to 13.8 and 14.7 kg in 2006 and 2009, respectively. Additionally, current per capita meat consumption has reached to 32 kg that is further expected to reach 47 kg by 2020. However, urbanization, economic growth, industrialization as well as eating pattern resulting increased per capita meat in the future years that will also generates higher demand for meat and allied products.

There are four main attributes contributing directly to purchase of meat and meat products; taste, income, price and preference. However, clues and study factors for each country may vary that drives its market, affects consumer behavior and anticipation of consumer's changing habits. Furthermore, the recent research and awareness about protein quality of animal based products than that of plant based proteins played a substantial role in changing the attitude and preferences for meat consumption.

The government targeted to produce 4.4 million tons of meat during 2018-19 to meet the local and export demand. According to Ministry of National Food Security and Research, the target for beef meat was set to 2.2 million tons, 0. 732 million tons for mutton, whereas, 1.5 million for poultry meat during the period. Furthermore, government is taking steps to increase livestock production, focusing not only on meat but also scaling up milk and eggs production. To meet this targeted scale, the government revolutionizing veterinary organizations and infrastructure, standardization of feed given to animals as well as develop trained manpower.

Poultry is one of the most vibrant subsectors of livestock sector. The current investment in Poultry Industry is more than Rs. 700 billion. This industry is progressing at an impressive growth rate of 8 to 10 percent per annum over last few years. Pakistan has become the 11th largest poultry producer in the world with the production of 1,163 million broilers annually. This sector provides employment (direct/indirect) to over 1.5 million people. Poultry today has been a balancing force to keep check on the prices of mutton and beef. Poultry meat contributes 34 percent (1,518 thousand tons) of the total meat production (4,478 thousand tons) in the country.

Fisheries as a sub-sector of agriculture plays a significant role in the national economy and towards the food security of the country as it reduce the existing pressure on demand for mutton, beef and poultry.

Fishery plays an important role in Pakistan's economy and is considered to be a source of livelihood for the coastal inhabitants. Apart from marine fisheries, inland fisheries (based in rivers, lakes, ponds, dams etc.) is also very important activity throughout the country. Fisheries share in GDP although very little but it adds substantially to the national income through export earnings. During the year 2018-19 (July-March), a total of 130,830 metric tons of fish and fishery products were exported, earning value of US\$ 293.887 million (Rs. 39,245 million).

Halal food product category is increasingly being recognized as potential engine of economic growth, having annual turnover of hundreds of billions of dollars globally. Halal certified products are recognized as being hygienic and of good quality and are hence in high demand even in non-Muslim countries. The meat industry of Pakistan entered the world markets long time ago where its red meat is in great demand in the international world particularly in Middle Eastern and Southeast Asian countries. The production of quality meat is directly linked with livestock, being produced in Pakistan. With agriculture as its backbone, Pakistan is said to be the fifth largest livestock producer in the world. Pakistan produces top quality meat and beef in particular. The key export destinations of Pakistan's halal meat industry for beef and chicken are United Arab Emirates, Saudi Arabia, Bahrain, Oman, Qatar and Kuwait. India is the largest beef exporter in the world mainly due to the fact that it offers lower price in comparison to its competitors like Brazil. Furthermore, its proximity to China also helped in enhancing its export volume. However, as India exports "Carabeef" which is actually a buffalo meat, Pakistan can beat the competition by exporting high quality cow meat which is better in taste and is in great demand

Despite having immense potential and possessing strong competitive advantage, Pakistan's halal meat industry is still in its nascent stage where its share in the global halal food market remains merely around 5%. The major problem lies in setting up appropriate halal standards which are acceptable in all the halal import markets particularly Saudi Arabia and Middle Eastern countries. Similarly, among global food trade, as halal meat is the fastest growing segment; Pakistan should effectively capitalize on the widespread global demand. The country should approach new markets for attaining high profit margins like Turkey as its meat consumption is expected to show strong demand in the near future due to the large influx of Syrian refugees. Similarly, Chinese markets can also be explored for attracting customers.

Moreover, under "Halal Products", Pakistan is mainly operating in the raw meat industry and even in that segment; its share has remained insignificant. There are many other segments of halal food which offers lucrative returns like processed food products, value added meat products and beverages which can be taken into consideration for investment and diversification strategy. Furthermore, the establishment of halal industrial zone is another healthy step towards developing this sector which would encourage further investment in the country. Since, positive aspects of the industry override the difficulties, many dynamic

entrepreneurs are entering halal markets; finding new opportunities existing in overall supply chain i.e. processing, packaging, distribution and marketing of halal food items. The industry's success models can be taken as exemplars by the new entrepreneurs planning to invest in low cost business sectors.

## 2. INTRODUCTION



Agriculture contributes 18.5 percent to country's Gross Domestic Product (GDP) and provides 38.5 percent employment to national labour force but it remains backward sector of the economy while high performing agriculture is a key to economic growth and poverty alleviation. Livestock sector plays a critically vital role in the agricultural based economy of Pakistan. It is extremely labor-intensive and includes a large part of rural work force. Over the years, livestock subsector has surpassed the crop subsector as the biggest contributor to value added in agriculture. Presently it contributes 60.5 percent to the overall agricultural and 11.2 percent to the GDP during 2018-19. Gross value addition of livestock has increased from Rs. 1,384 billion (2017-18) to Rs. 1,440 billion (2018-19), showing an increase of 4.0 percent over the same period last year. The importance of livestock sector can be realized from the fact that it is not only a source of foreign exchange earnings by contributing around 3.1% to the total exports, but also a source of 35-40% of income for over 8 million rural families and providing them food security by supplementing high value protein of animal origin. Despite the fact that livestock sub sector could not attract large amount of investment due to its inherent subsistence and structural characteristics, this sector has shown a healthy growth of 4.0 % in 2018-19 over the previous year of 2017-18.

There are numerous factors involved in evolving the prospects of livestock and animal husbandry including large cattle populations, huge agricultural raw materials to be used as feed and fodder, and large scale meat slaughtering and processing plants. In Pakistan, livestock population mainly comprises of cows, buffaloes, goats, sheep, poultry and camel. The quality livestock gene pool in Pakistan depending on reproduction, weight, milk and meat are Nili-Ravi & Kundi breeds of buffaloes, Red Sindhi and Thari breeds of cows, Kajli, Thali, Kooka and Dumbi breeds of sheep and Kamori, Bari, and Teddy breeds of goats. Among these, Thari cow is especially well-known for rapid weight gain.

Meat consumption is the inclusion of meat and meat products in the diet, influenced by culture, economic status and religious norms. Among these, religion is considered as vital component and household income has positive relationship to meat consumption. This fact describes the higher per capita meat consumption by developed countries than that of developing ones. Also, culture, availability of meat and food choices affects the cuisine of people as evident from Israel and South American countries, consume relatively higher quantity of meat. The meat growth is also mainly influenced by income status and population growth, especially in countries with large middle classes like Asia, Latin America, and Middle East. However, developed countries data showed increasing meat demand but at a slower rate due to the fact they have already reached the saturation level than that of developing world. It has been projected that global annual per capita meat consumption is expected to reach 35.3 kg retail weight equivalent (r.w.e.) by 2025 showing 1.3 kg r.w.e. increase compared to base period. However, this additional demand will be contributed mainly from poultry due to availability, cheaper price, shorter production time and convenient processing behavior.

Pakistan's per capita meat consumption in 2000 was 11.7 kg that was increased to 13.8 and 14.7 kg in 2006 and 2009, respectively. Additionally, current per capita meat consumption has reached to 32 kg that is further expected to reach 47 kg by 2020. However, urbanization, economic growth, industrialization as well as eating pattern resulting increased per capita meat in the future years that will also generates higher demand for meat and allied products. The dietary awareness to population has also played key role in shifting preferences to consume meat and its products. Pakistan having rich traditions and cultural festivities is also adding more demand for meat and meat products during whole year and this demand further rises significantly during festive season. To cope up this growing demand, government as well as meat industry are now concentrating to meet requirements by providing sufficient, healthy and quality produce, both fresh and processed products. Furthermore, consumer awareness is pushing meat industry and regulating agencies to keep an eye on quality of meat, safety assurance, animal health and welfare as well as precise traceability.

The market developments in this industry add towards different meat types as beef, mutton, poultry, camel, goat etc. However, poultry is the cheapest and preferred meat contributes in

terms of production strategies, business set up and processing. Pakistan's poultry industry particularly broiler dominates and Pakistan is the 11th largest poultry producer in the world with 1.02 billion broilers production, annually. This sector contributed 30% of total meat production, shown growth at the rate of 8-10% reflecting inherent potential of this sector. Poultry meat contributes 34 percent (1,518 thousand tons) of the total meat production (4,478 thousand tons) in the country. Poultry meat production showed a growth rate of 9.1 percent whereas egg production showed a growth of 5.6 percent (19.0 billion Nos.) during 2018-19 as compared to previous year. Transformation of poultry production in controlled shed system is making a tremendous difference of quantity and quality of poultry production. There are now over 6,500 controlled environment poultry sheds in the country which indicates that our poultry sector is moving in the direction of modernization and using advance technology.

A large number of small scale poultry rearing setups/sheds located all over the country to achieve self-sufficiently. However, most production at large scale poultry farms are widespread in Punjab and Northern areas. Red meat is among the most desired meat around the globe because its taste, flavor and juiciness creates a high demand in developing economies. Pakistan being situated in the area with vast and variable atmosphere round the year, has extensive cattle and goat farming due to availability of pasture in northern areas and cholistan, natural animal rearing capability, meat producing breeds and favorable climatic conditions. Accordingly, beef production in country is increasing significantly due to demand that is at peak during festive seasons. However, the need for healthy animals, modern husbandry practices, feeding resource availability and proper feeding plan can boost this sector and Pakistan can earn capital by investing in this sector to meet the demand. Pakistan has potential to become a mainstream international participant in red meat industry and can significantly contribute towards the global halal red meat trade.

At this time, both government and private sector are focusing on long run policies and developing projects to satisfy consumer demand for safe and quality produce with improved nutritional value and also reduce wastage of by-products with minimize environmental pollution. Accordingly, Ministry of National Food Security and Research, Livestock and Dairy Development Board (LCCB) and Pakistan Dairy Development Company (PDDC) were established to strengthen the livestock sectors especially with current focus on meat. These corporations are working platform for improvement in this sector by strengthening livestock production services, improving disease control practices, animal breeding and husbandry, management practices and quality meat production capacity in the country.

### **3. RECENT DEVELOPMENTS AND CURRENT SCENARIO OF PAKISTANI MEAT INDUSTRY**

#### **3. 1 Consumer demand:**

The responsibility to produce high quality, sustainable and cost effective meat and allied meat products rests with producers, manufacturers, distributors and retailers to meet consumers demand. Meat is source of good quality animal protein and plays vital role in wellbeing of human. Worldwide the demand for meat and meat products depends on raw meat quality, popularity of special product and trends or traditions followed by the diverse nations. However, main aspect manipulating consumer liking for meat products is quality and safety. Comparing to other protein sources like legumes and beans, meat is preferred by Pakistani consumer depending on cultural, religious and personal aspects. Pakistan being an Islamic country, with rich cultural and traditional festivities has more demand for meat especially during festival season. As this sector is developing in Pakistan, thus, consumer awareness is also pushing meat industry and regulating agencies to keep an eye on quality of meat, safety assurance, animal health and welfare as well as precise traceability.

People in Pakistan consume beef, mutton, poultry meat and some sea food, based solely on the concept of Halal. However, consumers inclined toward poultry meat mainly because it is cheap, easy to process, availability and variety of processed meat products. In Pakistan, meat production is still based on traditional management practices and is less productive. For the last few years, annual growth of meat production showed elevated trends. The meat production has risen to 3.873 million tons in 2016 compared to 3.696 and 3.531 in 2015 and 2014, respectively. Among exports, Pakistani mainly exports red meat that is annually growing by 30%. Despite this rapid growth, 96% of our exports are restricted to carcass with little or no value addition.

The role of animal-based foodstuffs especially meat in human consumption has changed over time and differs across geographies. Meat consumption tend to increase with urbanization, population growth and economic growth however, economic development, is increasingly concentrate in affluent societies leadings towards higher meat consumption. The factors influence the consumer preference for meat and meat products mainly depend are quality, freshness, texture, color, flavor, tenderness and juiciness of cooked meat products.

Currently, the demand of general population of Pakistan is shifting from fresh meat to frozen meat products or ready to eat foods due to changing life-style, socio-economic boost and nutritional awareness. Pakistani meat industry is growing, producing tons of different meat products such as ready to eat products (kababs, patties etc.) formed meat products (tender pops, sausages, nuggets, drumsticks etc.). The demand and purchase of processed meat products is comparatively higher in urban areas than rural mainly due to socio-economic status, fast and busy lifestyle opted, usage convenience and purchasing power of consumer.



In this context, there are four main attributes contributing directly to purchase of meat and meat products; taste, income, price and preference. However, clues and study factors for each country may vary that drives its market, affects consumer behavior and anticipation of consumer's changing habits. Furthermore, the recent research and awareness about protein quality of animal based products than that of plant based proteins played a substantial role in changing the attitude and preferences for meat consumption.

### **3.2 Trade of Livestock and Livestock Products:**

The government targeted to produce 4.4 million tons of meat during 2018-19 to meet the local and export demand. According to Ministry of National Food Security and Research, the target for beef meat was set to 2.2 million tons, 0.732 million tons for mutton, whereas, 1.5 million for poultry meat during the period. Furthermore, government is taking steps to increase livestock production, focusing not only on meat but also scaling up milk and eggs production. To meet this targeted scale, the government revolutionizing veterinary organizations and infrastructure, standardization of feed given to animals as well as develop trained manpower.

The development of the livestock sector and its vertical integration to produce value added products is important to enhance trade opportunities for Pakistan in the global market place. The value addition in livestock and poultry sectors are now on the path of achieving further heights and many value adding livestock and poultry businesses have been established in the country that are actively taking part in trade of livestock and livestock products.

To enhance the trade activities of livestock and livestock products, the government has given following incentives;

- Sales Tax on import of seven types of poultry machinery is reduced to 7 percent. These include poultry incubators, brooders, grain storage silos for poultry and poultry sheds
- Custom duty on import of on grandparent and parent stock of chicken is reduced to 7 percent
- Regulatory duty on import of grandparent and parent flock of chicken has been withdrawn
- Custom duty on import of hatching eggs is reduced to 3 percent
- Custom duty on import of raw skins& hides has been withdrawn
- Custom duty on import of ostriches has been withdrawn
- Custom duty of 3 percent on import of bulls meant for breeding purposes is withdrawn
- Custom duty on the import of feeds meant for livestock sector is reduced by 10 percent to 54 percent and is also exempted from sales tax

- Custom duty on import of fans used in dairy sheds is reduced to 3 percent if imported by members of the Corporate Dairy Association and also exempted from sales tax Custom duty on import of growth promoters premix, vitamin premix, vitamin B12 (Feed grade) and vitamin H2 (Feed grade) is reduced to 5 percent for registered manufacturers of poultry feed
- Custom duty on cattle feed premix is reduced to 5 percent
- Custom duty on calf milk replacer has been reduced to 10 percent

### 3.3 Market trends:

The market trends in meat industry contribute towards different meat types like beef, mutton, poultry, camel, goat *etc.* However, poultry being one of preferred meat contributes towards more emphasis on production strategies, business set up, production and processing.

## 4. POULTRY

Poultry sector is one of the most vibrant subsectors of livestock sector. The current investment in Poultry Industry is more than Rs. 700 billion. This industry is progressing at an impressive growth rate of 8 to 10 percent per annum over last few years. Pakistan has become the 11th largest poultry producer in the world with the production of 1,163 million broilers annually. This sector provides employment (direct/indirect) to over 1.5 million people. Poultry today has been a balancing force to keep check on the prices of mutton and beef. Poultry meat contributes 34 percent (1,518 thousand tons) of the total meat production (4,478 thousand tons) in the country.



Poultry meat production showed a growth rate of 9.1 percent whereas egg production showed a growth of 5.6 percent (19.0 billion Nos.) during 2018-19 as compared to previous year. Transformation of poultry production in controlled shed system is making a tremendous difference of quantity and quality of poultry production. There are now over 6,500 controlled environment poultry sheds in the country which indicates that our poultry sector is moving in the direction of modernization and using advance technology.

The Poultry Development Strategy revolves around Disease control; Hi-tech poultry production in intensive poultry; Processing and value addition; improving poultry husbandry practices and development. The government has always been supportive to poultry industry in providing most enabling environment for its growth and expansion. The commercial layer, breeders and broiler flocks showed estimated growth of 7.0 percent, 5.0 percent and 10 percent respectively, while rural poultry developed @ 1.5 percent when compared to 2017-18.

Thousands of small scale poultry farms located all over country, working independently with small-scale retailers to reach out market and consumer. Majority of poultry production at large scale farms are widespread all provinces of Pakistan. However, the major players are Khyber Pakhtunkhwa and Punjab that significant contributes a major share of chicken birds. Poultry meat solely makes 28% of total meat production in Pakistan, exhibiting growth of 8% per year showing integral potential.

Poultry Development Policy envisages sustainable supply of wholesome poultry meat; eggs and value added products to the local and international markets and aimed at facilitating private sector development for sustainable poultry production. The strategy revolves around supporting private sector through regulatory measures. The federal government has given a number of concessions on import of poultry machinery, parent and grandparent stock of chicken and hatching eggs to reduce input cost.

During the Budget 2017- 18, government reduced the sales tax from 17 percent to 7 percent on import of various types of poultry machinery, reduced custom duty from 11 percent to 3 percent and removal of 5 percent Regulatory duty on import of grandparent and parent stock of chicken and reduced custom duty on the import of hatching eggs from 11 percent to 3 percent. These concessions will help in reducing cost of production of value added poultry products and promote value added poultry industry in the country. Furthermore, federal government is also considering support for waiver of 100 percent cash margin on opening of letter of credit (LC) on import of raw material for poultry value addition to make the Pakistani products more competitive in the export market.

## **5. FISHERIES:**

Fisheries as a sub-sector of agriculture plays a significant role in the national economy and towards the food security of the country as it reduce the existing pressure on demand for mutton, beef and poultry. Fishery plays an important role in Pakistan's economy and is considered to be a source of livelihood for the coastal inhabitants. A part from marine fisheries, inland fisheries (based in rivers, lakes, ponds, dams etc.) is also very important activity throughout the country. Fisheries share in GDP although very little but it adds substantially to the national income through export earnings. During the year 2018-19 (July-March), a total of 130,830 metric tons of fish and fishery products were exported, earning value of US\$ 293.887 million.

During 2018-19 (July-March), total marine and inland fish production was estimated at 575,0004 metric tons out of which 390,000 metric tons was from marine waters and the remaining from inland waters. Whereas the fish production for the period 2017-18 (July-March) was estimated to be



560,000 metric tons in which 380,000 metric tons was from marine and the remaining was produced by inland fishery sector.

During 2018-19 (July-March) a total of 130,830 metric tons of fish and fish preparation was exported. Pakistan's major buyers are China, Thailand, Malaysia, Hong Kong, South Korea, Egypt, Bangladesh, UK, Middle East, Sri Lanka, Japan, etc. and earned US\$ 293.887 million. Whereas the export during 2017-18 (July-March) was 137,819 metric tons of fish and fishery products which earned US\$ 315 million (Rs. 34,031 million). The export of fish & fishery products has decreased by 5 percent in quantity term where as in value terms it also decreased by 7 percent but in rupee terms it increased by 15 percent during 2018-19 (July-March). Quality seafood stocks were being depleting in Pakistani waters because of overfishing and use of destructive nets. Pakistan mostly exports to China at lower rates, while EU lifted ban from two factories only. The government is taking a number of steps to improve fisheries sector and its exports. Further numbers of initiatives are being taken by federal and provincial fisheries departments.

***Export of Fish and Fishery Products to the European Union (EU) countries:*** Since resumption of export to the EU countries different consignment of fish, cuttle fish and shrimps sent from one company to the EU have been successfully cleared after 100% laboratory analysis at EU border.

## **6. HALAL MEAT INDUSTRY**

Halal food product category is increasingly being recognized as potential engine of economic growth, having annual turnover of hundreds of billions of dollars globally. Halal certified products are recognized as being hygienic and of good quality and are hence in high demand even in non-Muslim countries.

The meat industry of Pakistan entered the world markets long time ago where its red meat is in great demand in the international world particularly in Middle Eastern and Southeast Asian countries. The production of quality meat is directly linked with livestock, being produced in Pakistan. With agriculture as its backbone, Pakistan is said to be the fifth largest livestock producer in the world.

Pakistan produces top quality meat and beef in particular. The key export destinations of Pakistan's halal meat industry for beef and chicken are United Arab Emirates, Saudi Arabia, Bahrain, Oman, Qatar and Kuwait. India is the largest beef exporter in the world mainly due to the fact that it offers lower price in comparison to its competitors like Brazil. Furthermore, its proximity to China also helped in enhancing its export volume. However, as India exports "Carabeef" which is actually a buffalo meat, Pakistan can beat the competition by exporting high quality cow meat which is better in taste and is in great demand.

## **6.1 Industry Players:**

Local food manufacturers have not yet caught up with the product diversity of the global Halal food market as they still consider Halal food as being limited to raw and meat only. They need to broaden their horizon and get hold of missed opportunities inherent in the growing global Halal market by venturing into processed foods. Pakistan needs to leverage its wealth of agricultural and human resources; with guided efforts and acumen, even if it succeeds in capturing 1% of the global Halal food market, it can fetch export earnings of \$ 30Bn from food only.

There are around 14 Pakistani companies successfully exporting halal meat items in the international markets. Among them, the leading industry players are PK Livestock Company (established in 1996), Quick Food Industries Ltd. (1997), Anis Associates Pvt. Ltd. (2002), Al – Shaheer Corporation Ltd (2008) and The Organic Meat Company (2010), Lahore Meat Company (2010), and Everfresh Meat (Shafi Group). PK Livestock is considered to be one of the leading meat exporting company in Pakistan having mechanized abattoir facility in rural area of Karachi, Pakistan. It exports frozen and chilled meat in the international markets. The company further started its meat processing company “PK Foods” which offers various processed meat items of chicken, meat and beef in the local market.

Similarly, Organic Meat Company Ltd. possesses large slaughtering facility of 50 heads per hour for buffalo/bull/cow and 120 heads per hour for sheep/goat. Similarly, Fauji meat Ltd. has a production capacity of 100 tons/day of meat including 85 tons/day for beef and 15 tons/day for mutton. In an event, most of the above companies have established their retail brands as well which are operating in the local meat industry where Meat One and Khaas (subsidiary of Al-Shaheer Corporation), Mano Salwa (Quick Food Industries Ltd.), P.K. Food (a subsidiary of PK Livestock), K&Ns and Organic Meat Company are the key players. The companies have set up state of the art meat processing facilities; designed to process all kinds of meat; cattle, buffalo, sheep and goat. “Meat One” and “Khaas”; by Al – Shaheer Corporation Ltd, comparatively a new entrant, are considered to be the premium retail brands in the local meat industry. The company went for public listing last year in 2015 to mobilise funds. Similarly, Fauji Meat Limited by Fauji Fertilizer Bin Qasim Ltd (FFBL), is going to be another major market player in the industry when it becomes operational and will be in tough competition with the halal meat players operating at local retail and international markets of Pakistan.

## **6.2 Competitive Advantage in setting up Meat Facility:**

The presence of quality livestock and low start - up cost are considered to be the major factors of competitive advantage for developing halal meat industry in Pakistan. According to a study; an investment of around PKR 2 billion is needed to setup halal meat facility which will comprise of slaughterhouse and a large area (land kept for receiving and calming livestock before

slaughtering). Furthermore, the ban imposed by the federal government on export of live animals along with waiver given on import duty of meat industry tools and equipment; are steps toward incentivizing this sector.

Savvy investors looking for investment have ideal opportunities to set up facilities for processing Halal surplus cereals, fruits, vegetables, milk, fish meat and poultry produced in the country as value-added products, for domestic and export markets. The time is also ideal for investors who are looking to set up and operate halal food certification companies as the number of such companies operating locally is too limited.

Realizing this advantage, recently Leader of a Chinese delegation Zhu Maa has shown interest in investing in Halal meat industry in Pakistan and exporting it to China and Middle Eastern countries.

### **6.3 Issues faced by Halal Meat Industry in Pakistan:**

Despite having competitive advantage and various incentives for halal meat industry in Pakistan, several issues are still faced by the businessmen operating in this lucrative sector; hindering the growth of halal meat industry in the country

***Informal Practice prevails in Meat Industry:*** The meat industry is working on an informal basis in Pakistan where whole supply chain; from animal nurturing to meat selling, is being operated without any documentation. The animal purchasing is mostly being made from the rural areas from where traders buy the animals and sell them in city markets. The butchers then get these animals on cheaper rates without testing them for diseases/disabilities and slaughter them. As the slaughtering is not being done in a hygienic manner; it creates problem in meat supply on both national and international levels.

***Absence of Local Halal Accreditation body in Pakistan:*** The foremost challenge faced by the halal meat industry is that of halal standards which create confusion as number of private halal certifying bodies and government organizations exist in the global market. Pakistani market players tend to struggle in obtaining these halal certifications of each market making it difficult to operate in international markets. Thus absence of a unified local halal accrediting body has remained a major obstacle for the country's halal meat exporters. In this regard, the National Assembly of Pakistan has approved bill for setting up Pakistan Halal Authority (PHA) in July 2015, with the objective of accrediting halal products in the country. The authority would accredit products under the standards prescribed by the Organization of the Islamic Cooperation (OIC). However, PHA is yet to get operational and the local halal meat exporters continue to get their products accredited by the respective destination country for exports.

***Privation of Technical Expertise:*** The privation of technical expertise is another major hurdle; restricting the growth of this lucrative sector in Pakistan. These include incapability with regard to meeting the stringent safety codes adopted by the meat importing countries due to weak infrastructure facilities, lack of technical know-how and low capability in terms of handling, storage, logistics, marketing, certification, and slaughtering process of meat.

***Lack of Policies and Incentives for Halal Meat Industry:*** Though the government authorities, in its budget for Fiscal Year 2016, announced income tax exemption of four years for the businesses that would set up production units for processing halal meat and obtain halal meat certification before December 2016, however industry needs more policies and incentives to attract the investors and businessmen in this sector.

***Establishment of Halal Processing Zones:*** Halal processing zone has also been established in Faisalabad which would offer investors tax holiday of 10 years and tariffs relaxation on importing plant, machinery and equipment. A similar processing zone needs to be set up in other areas also; particularly in Karachi, which has an added advantage of exporting halal food items being the port city of Pakistan.

#### **6.4 Recommendations for uplift of Halal Meat industry:**

Despite having immense potential and possessing strong competitive advantage, Pakistan's halal meat industry is still in its nascent stage where its share in the global halal food market remains merely around 5%. The major problem lies in setting up appropriate halal standards which are acceptable in all the halal import markets particularly Saudi Arabia and Middle Eastern countries.

Similarly, among global food trade, as halal meat is the fastest growing segment; Pakistan should effectively capitalize on the widespread global demand. The country should approach new markets for attaining high profit margins like Turkey as its meat consumption is expected to show strong demand in the near future due to the large influx of Syrian refugees. Similarly, Chinese markets can also be explored for attracting customers.

Moreover, under "Halal Products", Pakistan is mainly operating in the raw meat industry and even in that segment; its share has remained insignificant. There are many other segments of halal food which offers lucrative returns like processed food products, value added meat products and beverages which can be taken into consideration for investment and diversification strategy.

Furthermore, the establishment of halal industrial zone is another healthy step towards developing this sector which would encourage further investment in the country. Since, positive aspects of the industry override the difficulties, many dynamic entrepreneurs are entering halal

markets; finding new opportunities existing in overall supply chain i.e. processing, packaging, distribution and marketing of halal food items. The industry's success models can be taken as exemplars by the new entrepreneurs planning to invest in low cost business sectors.

## **7. GOVERNMENT POLICY MEASURES**

Livestock Wing under Ministry of National Food Security & Research, with its redefined role under 18th Constitutional Amendment, continued to regulate the sector and took several measures in this regard, including: allowing import of high yielding dairy cattle breeds of Holstein Friesian and Jersey, genetic material of these breeds, (semen and embryos) for the genetic improvement of indigenous low producing dairy animals, allowing import of high quality feed stuff/micro ingredients for improving the nutritional quality of animal & poultry feed and allowing import of dairy, meat and poultry processing machinery/equipment at concessional tariff/duty in order to encourage value added industry in the country.

Livestock Wing also provided necessary facilitation for export of meat and meat products. A total of 48.8 thousand tons of meat and meat products were exported during FY 2017-18 that fetched US\$ 198.8 million, from the registered export oriented slaughter houses in the private sector. The export of other livestock by-products such as animal casings, bones, horns & hooves, gelatin etc. was also facilitated. The efforts continued for market access with the relevant concerned authorities in China, South Africa, Jordan and Indonesia using diplomatic channels for export of various meat and meat products.

Livestock Wing allowed the import of 824.9 thousand doses of superior quality semen and 8,811 high yielding exotic dairy cattle of Holstein-Friesian & Jersey breeds during 2018-19 (July-March). The policy objective of these permissions is the genetic improvement of indigenous dairy animals in terms of per unit productivity. The imported dairy cows added approximately 61 million tons of milk per annum in the commercial milk chain/system.

In order to promote corporate dairy sector, import of calf milk replacer & cattle feed premixes have been allowed at concessional tariffs. During 2018-19 (July-March), 364.6 metric tons of calf milk replacer & 297.4 metric tons of cattle feed premix has been imported for feeding to our dairy herd.

To harness untapped potential in fisheries through shrimp farming, cold water trout farming etc., Federal Government has allocated Rs. 9.3 billion to be spent on these projects.

During 2018-19 (July-March), the Animal Quarantine Department (AQD) provided quarantine services and issued 27,011 Health Certificates for the export of live animals, mutton, beef, eggs and other livestock products having value of US\$ 268.887 million. The AQD generated non-tax



revenue of Rs. 85.787 million during same year as certificate/laboratory examination fee of animal and animal products exported during the year.

The National Veterinary Laboratory (NVL), Islamabad is a national institution reference laboratory to facilitate international trade meeting the WTO's requirements while safeguarding the public health. The NVL conducted surveillance and diagnostics on highly contagious diseases of animals. It also carried out activities on National and Regional Projects regarding prevention and control of Transboundary Animal Diseases in Pakistan. During 2018-19 (July-March), about 11,402 samples were analyzed for disease diagnosis surveillance, veterinary vaccines and residue testing to guide the animal health certification as well as to promote international trade livestock and livestock products.

Livestock Wing also collaborated with international (Office International des Epizooties OIE, Food and Agriculture Organization FAO) and regional organizations (South Asian Association for Regional Cooperation SAARC, Economic Cooperation Organization ECO, Animal Production & Health Commission for Asia APHCA, European Union EU) for Human Resource Development (HRD) and capacity building of national and provincial livestock institutions for diagnosis and control of animal diseases. Inter Provincial Coordination is being done by the Livestock Wing to implement the National Program to Control Foot & Mouth Disease (FMD) and Peste des Petitis Ruminants (PPR) disease in Pakistan. Pakistan has been following progressive FMD Control Pathway, Pakistan has been placed Stage 02 of the total six (06) Stage Pathways. A National FMD Control Program at a cost of Rs.763.9 million for the period of six years has been approved by the competent forums to sustain and continue project activities related to FMD during subsequent years. FAO Pakistan will implement this project under Unilateral Trust Fund (UTF) Agreement. This will help in improving animal health status of the country regarding Transboundary Animal Diseases (TADs) which are technical barrier in the international trade of our livestock and livestock products.

Moreover, to attract further investment in dairy sector, protect the small dairy farmers and the corporate dairy sector, besides regulating import and mitigate use of synthetic milk and recipe products/tea whiteners, regulatory duty to the tune of 25 percent has been imposed on import of Skimmed Milk Powder (SMP) and Whey Powder (WP). Now the existing duty on import of powdered milk is 45 percent (import duty 20 percent and regulatory duty 25 percent).

### **7.1 Save the Calf / Calf Fattening Scheme**

Punjab's livestock resources hold considerable potential for increasing the production of meat. It has been estimated that about 6-7 million buffalo/cattle male calves are available for fattening in the Punjab province. But majority of these calves are sent to slaughter at 1-3 weeks of age. Some calves are raised to 60-80 kg on extremely poor and unbalanced diets.

If these calves are saved and raised on balanced fattening diets based on crop residues and agro-industrial by-products to gain live-weight of 250-300 kg, it is estimated that total beef production could be doubled. Experiences so far, suggest that success of meat production/feedlot fattening is only possible.

Though livestock production is very fragmented and most farm units are small and only 10 percent of the farms in the Punjab hold from 10 to 20 buffalo /cows and 5 percent over 20 heads each. Such units are often run by capable and business oriented farmers who seem to be open to change and eager to adopt improved production practices if these prove profitable. Thus if sufficient subsidy and workable production programs are given, their response is quick and positive.

The objectives of the project are envisaged through a triggering mechanism to supply calf ration as under:

- 1) To save the infant calves for enhancing beef production in Punjab
- 2) To motivate livestock farmers for feedlot fattening
- 3) To improve capacity of technical staff & farmers regarding the management of beef farming system

## 7.2 Future Government Plans

The future plans of GoP as stated in Economic Survey 2018-19 will continue to focus on:

- Inter-provincial coordination for development of livestock sector.
- Coordination with private sector to promote value addition livestock industry and diversification of livestock products.
- Control of Trans-boundary Animal Diseases (FMD, PPR, Zoonotic diseases) of trade and economic importance through provincial participation.
- Bringing more investments in livestock sectors.
- Exploring new markets for export of meat and dairy products with focus on Global Halal Food Trade Market.
- Under the “Prime Minister’s Initiatives on Livestock Sector”, it has been decided to initiate following Programs in all four provinces, ICT, AJK and Gilgit-Baltistan to alleviate poverty and augment the livelihood of poor in the country: Save the buffalo calf Program, Calf fattening Program



and Backyard Poultry Program. Rs. 56 billion will be provided for backyard poultry and save the buffalo calf programme.

## **8. ROLE OF ZTBL**

Zarai Taraqati Bank Limited (ZTBL) is the only specialized financial institution for agriculture sector of Pakistan. The bank plays its designated role is harnessing envisaged agriculture sector growth and development by catering credit requirements of agriculture sector. ZTBL alone is serving approximately 0.350 million farm families annually. Following initiatives have been taken by ZTBL to boost livestock sector of Pakistan,

- The Bank pioneered in establishing poultry farming industry over the period of last 40 years.
- In light of federal government policies on agriculture, rural development (poverty reduction) Scheme of ZTBL regarding joint venture with AJK government became operational in March 2019. Under this scheme, ZTBL will finance 300 small dairy units at AJK with the maximum lending limit of Rs.1 million. Loan duration will be for five years. AJK Government will bear cost of mark-up of these loans provided borrowers repay loans on due dates. Consequent upon default, mark-up will also be borne by the borrowers themselves. The areas of Agri. Credit of ZTBL are expanding and Joint venture schemes on similar lines for agricultural credit are under process with rest of provincial governments i.e., KPK, Balochistan, Sindh and Gilgit/Baltistan,
- An MOU has been signed with the Gilgit – Baltistan Government for provision of loans for, dairy farming, yak farming, sheep farming, goat farming, ostrich farming and poultry farming to small farmers of the area. This scheme envisages saving Rs. 17 billion expenditure of Government of Gilgit – Baltistan incurred on acquiring these items from other parts of the country and will be proven another milestone in country's agriculture and livestock sector. In addition, this initiative envisages leading a great deal towards poverty reduction and self-employment generation opportunities for the populous of the area. Markup free loans will be offered with the markup liability be borne by the Government of Gilgit-Baltistan.
- In order to promote livestock sector, the bank launched Red Meat Financing Package for Sheep/ Goat Rearers, ostrich farming scheme, livestock insurance scheme and milk chilling unit scheme.

Moreover, the bank may adopt following initiatives to expand its role towards uplift of livestock sector and halal meat industry,

- Bank may launch a scheme for halal meat export financing under SBP guidelines for dairy and meat farm financing.
- Bank may provide technical training to the farmers for launching halal meat business.

- Trainings can be extended for best livestock practices for the capacity building of farmers.
- The bank may collaborate with Livestock Wing under Ministry of National Food Security & Research for offering of subsidized livestock products to the farmers.

\*\*\*\*\*