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Report Highlights:

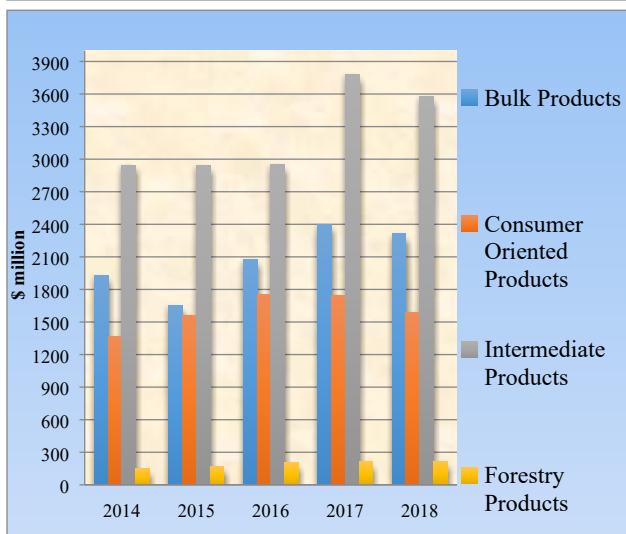
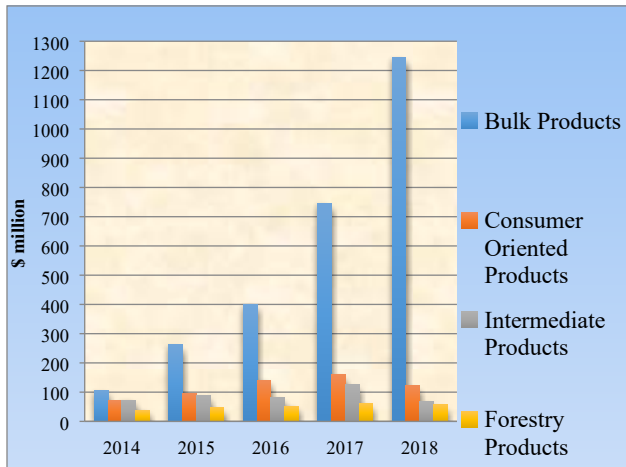
Pakistan is a growing consumer market as new hotels, restaurants, and retail food sectors continue to open. Rapid urbanization and a young population are combining to shift traditional consumption patterns away from bulk and raw foods towards packaged and processed foods, including ready-to-eat meals, and frozen foods. Despite being a difficult market to navigate with high tariffs, a constantly changing regulatory environment, and geographic proximity to competing countries, U.S. agricultural exports to Pakistan have increased 420 percent to nearly \$1.5 billion in 2018, up from \$287 million in 2014. As a result, Pakistan is one of the fastest growing markets for U.S. agricultural exports, ranking in the top 21 markets for U.S. food and agricultural exports in 2018. The top U.S. exports to Pakistan consist of soybeans, cotton, wood products, tree nuts, dairy items, pulses, and live animals. This report provides U.S. exporters with background information and suggestions for entering Pakistan.

MARKET FACT SHEET: PAKISTAN

Executive Summary:

Pakistan is among the top 21 markets for U.S. food and agricultural products in 2018. The value of agricultural trade between the United States and Pakistan in 2018 totaled nearly \$1.5 billion mainly in the form of soybeans (\$619 million), cotton (\$612 million), consumer oriented products (\$124 million), wood products (\$57 million), planting seeds (\$37 million), pulses (\$14 million), live animals (\$4 million). In contrast, U.S. agricultural imports from Pakistan totaled \$133 million led by exports of rice (\$31 million), sugar/sweeteners (\$30 million), spices (\$19 million), processed fruit and vegetables (\$9 million), snack foods (\$7 million), seafood products (\$7 million), tea (\$4 million), and feeds and fodders (\$4 million).

Pakistan Agricultural Imports from the United States



Quick Facts 2018

List of Top 10 Growth of Agricultural Products in Pakistan

1. Cotton
2. Soybeans
3. Wood products
4. Tree nuts
5. Dairy products
6. Planting seeds
7. Pulses
8. Snack foods
9. Prepared food
10. Live animals

Top 5 Retailers

- Metro
- Carrefour
- Imtiaz
- Naheed
- Alfatah

GDP/Population 2019

Population: 212 million
 GDP: \$283 billion
 GDP Per Capita: \$1,497
 Economic Growth Rate estimate: 3.3%
Source: BICO and State Bank of Pakistan

Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
Good reputation of U.S. products perceived as high quality and safe.	Unwillingness of U.S. suppliers to meet Pakistani buyer's requirements of mixed shipments and changing product labeling as per Pakistani food laws. Pakistan retailers rarely import U.S. products directly as they prefer purchases from commercial traders located in Karachi and Lahore.
Opportunities	Threats
Growing potential for imported commodities like soybeans, nuts, live animals, and wood products as they are not available domestically.	Stringent regulations that govern consumer packaged food. These include high tariffs, persistent sanitary and phyto-sanitary requirements. The fluctuating value of Pakistani Rupee against the US Dollar is also a problem.

Pakistan Agricultural Imports from World

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SECTION 1: MARKET OVERVIEW

Economic Situation and Trade:

Pakistan is the sixth most populous nation in the world with a population of more than 212 million. Economic growth for 2019 in Pakistan is estimated at 3.3 percent. Production of some of the major crops experienced negative growth as cotton, rice and sugarcane declined by 18 percent, 3 percent and 19 percent respectively. Crops showing positive growth include wheat and maize, which grew at the rate of 0.5 percent and 7 percent respectively. Cotton ginning also declined by 13 percent due to a smaller cotton crop while Pakistan's livestock sector grew by 4 percent.

During the first half of 2019, Pakistan's per capita income stood at \$1,497 while foreign direct investment (FDI) dropped 52 percent from July 2018 to April 2019 to \$1.376 billion as compared to \$2.849 billion during the same period last year. FDI from China remained at 31.2 percent of overall inflows as compared to 61 percent in the preceding year. However, China was still the top direct investor to Pakistan followed by UK and Hong Kong. Meanwhile, Pakistan has also improved its position on the ease of doing business index and ranked 108th as compared to 136 last year in the most recent [World Bank's Doing Business Report](#). This development is expected to attract foreign investors and boost FDI in Pakistan.

Agriculture is a key sector of Pakistan's economy accounting for 18.5 percent of GDP and 38.5 percent of employment. The agricultural sector has many linkages with other sectors of the economy and plays a significant role in socio-economic development. During fiscal year (July/June) 2019, the agriculture sector recorded a growth of 0.85 percent. This under-performance was mainly due to the lack of water, which led to a drop in cultivated area and fertilizer offtake. Pakistan is a significant importer of key agricultural products such as cotton, vegetable oil, pulses, tea and dairy products. According to the Trade Data Monitor (TDM), Pakistan imported around \$8 billion worth of food and agricultural products in 2018.

According to U.S. Census Bureau, Pakistan's overall trade with the United States rose to \$4.68 billion through the first nine months of 2019. In contrast, U.S. exports to Pakistan decreased 21 percent. The overall U.S. trade deficit with Pakistan in 2018 stood at \$1.24 billion. There are at least 30 U.S. firms in Pakistan's food and agriculture sector primarily in the form of investments, franchising or distributorships. The major U.S. seed and chemical companies are CORTEVA and FMC. The Massey Ferguson Company assembles tractors and sells small-scale farm equipment. U.S.-based companies PepsiCo, Coca-Cola, and Kraft have all invested in food processing. Valmont sells irrigation equipment, while dairy genetics companies are tapping into the growing demand for bovine semen. The recent first-

ever sea shipment of U.S. dairy cattle is expected to increase domestic dairy production in Pakistan. Cargill and the U.S. arm of Louis Dreyfus maintain commodity-trading operations in the country. There are about 15 U.S. restaurant franchises operating in Pakistan, helping to provide the impetus for the development of safe and modern food supply chains. Furthermore, Pakistan is now the leading importer of U.S. wood products in the region because of a residential construction boom. U.S. companies already have an advantage as U.S. products are considered premium products due to their high quality.

Food Purchasing Behavior:

A small number of international and domestic grocery retail outlets are starting to change the food retail sector in Pakistan, but Pakistanis still buy much of their food in traditional shops and markets. In major cities, middle and high-income consumers are slowly diversifying their purchases away from bulk and raw foods towards packaged and processed foods, including ready-to-eat meals and frozen foods. Supporting this trend is an increase in women working full-time and higher levels of disposable income, particularly in urban areas. Food consumption patterns have not changed in the rural areas and are based on wheat and grain products and a variety of meat products.

A typical Pakistani household makes regular purchases of staple foods (i.e., wheat flour, pulses, edible oils, fruits, vegetables, milk, and meat) from neighborhood stores due to convenience, perceived freshness, and limited storage space at home. Young Pakistani professionals purchase food from modern retail stores due to the greater variety of products, access to co-located stores, and access to restaurant and prepared foods. For urban dwellers with sufficient incomes, one-stop grocery shopping is catching-on as a family outing. Affluent Pakistani families are attracted to modern retail stores due to affordability, strategic locations, variety, and access to imported processed foods. The demand for specialty and high value foods such as dates, cereals, beverages, chocolates, almonds, cakes, fruits and fruit juices soars during the Islamic festive season, especially at Eid and Ramadan.

Consumer Demographics Trends:

Pakistan is the sixth most populous nation in the world with a population of 212 million. The male population stands at 106 million (51 percent), whereas the female population is 101 million (49 percent). Pakistan is also one of the youngest countries in the world with 19 million in the 15-19 years age group. Pakistan’s middle class is estimated at over 60 million, but incomes deemed middle class are significantly lower than in the United States. Consumers from the Pakistani middle class broadly support both domestically produced and imported goods, including imported foods. The upper middle-income class is estimated at 17 million, with relatively high per capita income that favors consumer spending.

Advantages and Challenges for U.S. Suppliers

Advantages	Challenges
Pakistan has a large young population that is more focused on consumer items	Shipments from the United States take longer
Expatriate community looks for specialty U.S. food products	U.S. suppliers have not been flexible in terms of specialty

and dine in Western-style restaurant	products of smaller quantities required by the industry
Consumers are seeking quality products from both domestic and international suppliers	Competition from other countries like the United Kingdom, Australia, New Zealand, South Africa, and Europe
Gradual transformation of the modern retailing in urban centers	Imported food products are subject to high tariffs which range from 25 – 65 percent and a high duty structure for all value-added food ingredients
U.S. products are popular for quality, taste, and wholesomeness	Proximity to other countries provide competitors a comparative advantage
Eating out culture is becoming popular at upper- and middle-income levels	Inability of U.S. exporters to meet Pakistani importers' requirements (mixed shipments)
Urban population creates demand and welcomes new products as they are open to try novel tastes	Locally produced snack foods, salad dressings, sauces, jams and other processed foods are relatively inexpensive
International retailers that market a wide range of imported products in the sector have great influence on purchasing patterns	Local importers prefer to initiate business deals with small orders which is usually not welcomed by many U.S. exporters
Franchising has been introduced and the retail food sector is transitioning to a modern structure with a growing number of western-style fast food restaurant chains, bakeries, and coffee shops	Market penetration for imported products is mostly concentrated in major cities

SECTION II: EXPORTER BUSINESS TIPS

General Consumer Tastes and Preferences:

Pakistan consumers prefer fresh foodstuffs that are readily available in their neighborhood at affordable prices. Healthy eating is becoming more popular among educated consumers and is featured in newspapers, magazines, and television. Fresh foods, fruit juices, fruit concentrated-based beverages, organic foods, sugar-free confectionary, packaged food with higher fiber content, dairy products, and vitamin and calcium fortified packaged foods and beverages are all gaining acceptance among middle and upper-income consumers. Pakistan is 96 percent Muslim, thus, pork is only consumed by 4 percent of the population. Products with meat ingredients must be certified Halal to ensure that the meat is sourced from livestock slaughtered in accordance with the tenets of Islam. Food and ingredients destined for the food service sector must also be certified Halal where appropriate. The import and sale of alcohol is also prohibited for religious reasons.

Traditional and modern snack foods, such as confectionaries, pastries, cakes, biscuits, ice cream, or sweet and savory snacks are very popular among Pakistanis. Frozen foods and instant noodles, which are easy to prepare for children, are popular among working mothers. Local flavors are preferred and local food manufacturers are exploring opportunities to produce new products using a combination of local and imported flavors. The rise of the urban middle class has increased the acceptance of packaged,

convenience, and ready-to-eat food products. Pakistanis are more willing to try new foods while eating out and prefer traditional fare at home. Chinese, Italian, Thai, Moroccan, and Lebanese foods are among the fastest growing new cuisines in Pakistan.

Finding a Business Partner:

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

Restaurant franchises are one way of introducing new products. An increasing number of restaurant chains are opening in Pakistan, especially in Karachi and Lahore. These include fast food, casual dining, and cafes. While most of these companies' source food ingredients produced in Pakistan, some require specialized ingredients or imports of certain items that are not readily available. Exporters should check with importers to see if they are approved suppliers for franchises. Additionally, Pakistan's hotel sector feature niche high-value food products not readily found in Pakistan. Global hotel chains and excellent local chains operate here. Fresh fruits and vegetables are readily available in Pakistan, but certain high-quality fruits and vegetables (e.g., cherries, plums, broccoli, and lettuce), meat (e.g., steak), and fish products (e.g., shrimp and crab) can be difficult to source locally.

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

A Pakistani importer should ensure that:

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

Consider the following before selecting a distributor:

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

Ensuring payment is a critical consideration when establishing a relationship with an importer. Until a working relationship is established, exporters may wish to consider requiring an irrevocable letter of credit. Some Pakistani importers are accustomed to operating without credit and may be willing to pay cash prior to shipment. While FAS Islamabad receives few inquiries concerning delinquent Pakistani importers, our office cannot mediate contractual disputes or serve as a collection agent when differences over payment arise. For firms that qualify, the Export Import Bank of the United States provides exporter insurance. USDA's Export Credit Guarantee Program (GSM-102) is not operational in Pakistan.

SECTION III: IMPORT FOOD STANDARDS, REGULATIONS AND IMPORT PROCEDURES

New Halal, Shelf life, and Urdu Labeling Requirements for Consumer-Packaged Products:

On July 1, 2019, Pakistan's Ministry of Commerce (MOC) implemented onerous new requirements stipulated in Statutory Regulatory Order (SRO) 237 for all imported consumer-packaged food and beverage products. The government asserts that the new standards will improve food safety and consumer education.

Since July 1, 2019:

- All items exported to Pakistan, will need to be from a halal certified supplier accredited by SMIC and IHAF.
- Case packaging and the contents of the case must have a halal logo.
- Case packaging and the contents of the case must have Urdu translation.
- Sticky labels are not permitted.
- Urdu labelling is not required for bulk packaged industrial products.
- All consumer food and beverage imported products must have 50% of shelf life remaining, from date of filing Import General Manifest (IGM), and 66% of the shelf life remaining from the date of manufacturing.

Documents Required by the Country Authority for Imported Food:

1. A National Tax Number (NTN) certificate issued by the Federal Board of Revenue (FBR) on filing of application form accompanied with one attested copy of National Identity Card of the importer.
2. A Pakistani bank account.

3. A Sales Tax Registration. For registration, an importer must send Form ST-1 to their local sales tax registration office via post. The local registration office transmits applications to the Central Registration Office in FBR Islamabad. Pakistan eliminated previous requirements of furnishing supporting documents now that the Central Registration has online access to the NTN database. On verification, Central Registration generates and issues a registration certificate to the applicant directly.
4. A membership certificate of Chamber of Commerce and Industries or any relevant trade association of Pakistan.

SECTION IV: MARKET SECTOR STRUCTURE AND TRENDS

Retail Sector Key to High Value Imports:

The food retail industry in Pakistan grew substantially in ten years and reached over \$1.5 billion in 2019. The well-known European supermarkets, Metro, Carrefour, and Tesco, in collaboration with Pakistani groups, opened several self-serviced outlets in Karachi, Lahore, Faisalabad, and Islamabad. These hypermarkets are typically 50,000 to 100,000 square feet to take advantage of scale and create a unique one-stop shopping experience in Pakistan that differentiates them from smaller supermarkets and traditional small retailers. This influx of foreign retailers is supported by the ease of doing business as there is no restriction on foreign companies owning and operating retail outlets in Pakistan. The U.S. retailer groups were concerned about Pakistan's security situation, but the situation has improved the past two years so U.S. companies can engage with local players. The new government elected in 2018 in Pakistan welcomes foreign direct investments and has developed a one-window operation to facilitate foreign direct investment in Pakistan. The U.S. companies can take advantage of this conducive working environment and begin exploring opportunities to identify relevant partners. U.S. companies already have an advantage as U.S. brands have significant recognition in the Pakistan market due to their premium quality.

Pakistani consumers have been slow to embrace online shopping. The relatively high cost of computers, low internet penetration rates, payment issues, and the need for a better delivery options have limited growth. Recently, fueled by increased demand among younger urban consumers and the prevalence of mobile phones, internet retail sales have increased significantly, albeit from a very small base. Thus far, no online retailers have developed food or grocery websites.

Food Service Sector Growth and Trends:

Fast food is a growing industry in Pakistan that is capitalizing on changing lifestyles, a growing young population, expansion of urban malls, modern retailing, and an increase in the number of working women. The U.S. companies dominate the franchise market in Pakistan. Fast food chains are focusing on specialized products to attract consumers in the 15-49 age range. Western-style fast food outlets purchase a limited volume of imported foods and food ingredients such as frozen french fries, cheese, dressings, sauces, whipping cream, bakery ingredients, mixes, and condiments.

The same potential exists for high-end coffee shops as well, as specialty and flavored coffees. This trend is being promoted both by international coffee chains and their Pakistani competitors. Coffee shops tend to use various imported coffee ingredients including creamers, honey, flavorings, and roasted coffee. During the last few years, the high-end bakery concept has become popular in the urban areas of

Pakistan. These bakeries tend to use imported ingredients including bakery yeast, dough, flavors, icing, and cocoa in their specialized products to improve quality and taste. In addition, the small frozen fruit and vegetable sector is growing to meet the demands of the restaurant sector.

Food Processing:

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

The consumption of unprocessed meat and seafood remains quite popular among Pakistani consumers because of their perceived freshness and safety. However, led by poultry, there is a small but growing sector focusing on processed meat and seafood, which provides opportunities for U.S. exporters. Supermarkets now allow companies to place branded freezers in their outlets, with some going so far as to allow company salesmen to stand next to these freezer and approach shoppers to discuss the benefits of consuming processed meat and seafood.

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

The dairy sector is expanding rapidly with the availability of processed products such as cheese, butter, yoghurt, ice cream, and ghee. Large firms produce about 80 percent of the processed dairy products. Pakistanis traditionally consume a soft cheese known as paneer, but they are gaining exposure to western-style cheeses through the fast food industry.

SECTION V: AGRICULTURAL and FOOD IMPORTS

Best Product Prospects

Products Present in the Market with Good Sales Potential

Description	Total Imports CY 2018 - Value (USD millions)	Imports from U.S. CY 2018 – Value (USD millions)	Key Constraints	Market Factors
Soybeans (HS code 1201)	876	619	Price competition with Brazil.	Total dependence on imports.
Cotton (HS code 52)	1098	612	Price competitiveness with India, Brazil, and Egypt etc.	Local production is inadequate and long staple fiber is required for export-oriented products. Cotton contamination is a big local issue.
Forestry Products (HS code 44)	217	57	Competition from Canada, Europe, Burma, Malaysia, and Russia.	Total dependence on imports.
Tree Nuts (HS code 08)	280	49	Competition from Afghanistan and Iran.	Growing seasonal demand, health consciousness, and value additions.
Dairy Products (HS code 04)	216	38	Competition from foreign suppliers like EU, Turkey, New Zealand, Poland, and Malaysia.	Increasing popularity of imported brands and shortage of quality domestic products. Demand is growing for powdered milk for processing.
Planting Seeds (HS code 1209)	73	37	Hybrid seed for corns and vegetables is not available.	High demand of hybrid seed to achieve high local production.
Pulses (HS code 07)	521	14	Price competitiveness and freight advantage for countries like Myanmar and India.	Local production is inadequate and domestic consumption is met through imports.
Processed Food (preparations of cereals, flour, bakers' wares HS code 19)	184	13	Competition from countries like China, India, Afghanistan, and Thailand etc.	Growing demand for fruits in domestic offseason and increasing demand for processed vegetables.
Live Animals (HS code 01)	22	4	Competition from countries like Australia and Holland.	Preference for imported animals for higher productivity and better genetic potential.

Source: TDM and BICO

VI: POST CONTACTS AND FURTHER INFORMATION

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Attachments:

No Attachments