



Agri-Food Past, Present & Future Report

Pakistan

August 2005



The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information. This report is intended as a concise overview of the market for those interested in its potential and is not intended to provide in-depth analysis which may be required by the individual exporter. Although every effort has been made to ensure that the information is correct, Agriculture and Agri-Food Canada assumes no responsibility for its accuracy, reliability, or for any decisions arising from the information contained herein.

Please address any comments or suggestions you have on this report to:

Bryan West - westb@agr.gc.ca

Pakistan

Past Present & Future Report August, 2005

Overview

Pakistan holds the world's ninth largest market with a population of 149 million, however only a quarter or 37 million people make up the consumer base for processed and imported foods. When the available consumer base is put into context, Pakistan provides a market larger than Canada for consumer goods. While poverty continues to be a persistent problem in Pakistan there is an active and growing market.

Despite significant development challenges Pakistan's economy has been steadily growing for the past 6 years, and it has the highest annual growth rate in South Asia. Much of Pakistan's economic success can be attributed to the country's thriving agriculture sector, as well as the prosperous textile industry. The textile industry not only provides 68% of Pakistan's exports, but also aids Pakistan's agriculture sector as almost all the cotton used in textile manufacturing is produced domestically.

Canada - Pakistan Relations

In 1996 Canada strengthened its relations with Pakistan by signing six agreements that sought to improve air services and lead to greater co-operation in areas such as environment, trade, agriculture, and justice. The signing of the agreements displayed Canada's confidence in the opportunities being created by economic reform in Pakistan and a commitment to fostering a full economic partnership with Pakistan.

Canada and Pakistan maintain a strong relationship rooted in the fact that both countries belong to the commonwealth. In the 1990's Canada shifted its focus on relations with Pakistan from aid to trade. Former Prime Minister Jean Chrétien led the biggest delegation from the G-7/8 countries to visit Pakistan to strengthen relationships.

Canada's 2005 International Market Access Priorities outline distinct initiatives with Pakistan such as, promoting the acceptance of wheat specifications, and to monitor the Pakistani government's agenda for infrastructure development.

Canada-Pakistan Bilateral Trade	
Pakistan Total Trade (2004)	US\$ 29.7 billion
Exports	US\$15.7 billion
Imports	US\$14 billion
Trade balance	US\$1.7 billion
Canada- Pakistan Trade (2004)	US\$442 million
Exports	US\$254 million
Imports	US\$188 million
Trade balance	US\$66 million
Canada- Pakistan Ag Trade (2004)	US\$63.2 million
Exports	\$47 million
Imports	\$16.2 million
Trade balance	\$30.8 million

- Canada/Pakistan trade totaled US\$442 million in 2004. This value has been steadily increasing from US\$238 million in 2002 and US\$411 million in 2003.
- Top Canadian exports to Pakistan are oil seed, animal and vegetable fats, and iron and steel.
- Top imports from Pakistan are textiles and clothing.

Agricultural Trade

Traditionally Canada's agri-food exports to Pakistan have averaged \$30 million. In the past five years exports have been affected by shifting requirement in the Pakistani market, diversification of Canada's exports and large one time commodity shipments.

Beginning in 2000 Canada's agri-food exports experienced a 3 year period of decline. In 2000 Canada's exports to Pakistan were valued at \$26 million a slight decrease over traditional levels. The following year witnessed an additional \$4 million decrease, and 2002 saw Canadian exports fall to a period low of \$13.6 million.

In 2003 Canadian exports returned to pre 2000 levels on the strength of a move away from traditional pulse and oil seeds exports towards more diversified products. In addition 2003 witnessed a one time large shipment of Canola seeds worth \$165 million which increased total Canadian agricultural exports to Pakistan to over \$200 million.

2004 saw a continuation of the diversification of Canada's exports to Pakistan enabling totals to achieve a period high when the one time shipment of Canola seeds in 2003 is factored out. In the first 6 months of 2005 Canadian exports are again on pace to surpass traditional levels based continuation of export diversification and a return to the export of wheat.

Canada imports from Pakistan have been steadily increasing for the past 5 years, in 2004 Canada's agri-food imports from Pakistan were valued at \$16 million. Pakistan is Canada's 4th largest supplier of rice, in 2004 50% of Canada's agri-food imports from Pakistan was comprised of various varieties of rice.

Canada's Top 5 Agricultural Exports to Pakistan (2004)	
Canola seeds, nes	\$17.8 million
Peas, dried	\$16.5 million
Chickpeas, dried	\$2.9 million
Bovine	\$2.6 million
Canola seeds	\$1.5 million

Complete Statistical summary available at: http://ats.agr.gc.ca/stats/pakistan_e.pdf

- Total Pakistan/Canada agricultural trade was valued at over \$63.2 million in 2004 and represented over 14% of all trade between the two countries.
- Top Canadian exports to Pakistan in 2004 were canola seeds, valued at \$17.8 million accounting for nearly 40% of agri-food exports, and dried peas at \$16.5 million or 35.3% of total agricultural exports.
- Top Canadian imports from Pakistan in 2004 were varieties of rice, valued at \$8.5 million, accounting for 50% of all agricultural imports from Pakistan, followed by mucilages valued at \$1 million representing 6.5% of all agri-food imports.
- Pakistan imports large quantities of palm oil and cotton; these key exportable commodities represent an opportunity for Canadian exporters. Demand for these products is steadily increasing.
- Other commodities representing an opportunity for Canadian exporters are: processed fruits and vegetables, snack foods, tree nuts, and dairy products, as well as, wheat, health foods and processed food products.
- 2004 Canadian bulk exports to Pakistan totaled \$19.5 million or 41% of all Canadian agri-food exported to Pakistan, in the same year intermediate exports

totalled \$26 million or 56% and consumer oriented exports totalled \$.9 million or approximately 2%.

Economy

Despite being hampered with problems such as severe drought, declining commodity prices and the increasing price of oil; recent trends have shown that Pakistan's economic performance is improving. This is the result of the government implementing a comprehensive macroeconomic stabilization policy in 2000, which includes significant large scale expansion of the manufacturing industry. Pakistan's domestic and external debt, as well as, fiscal debt and inflation are declining as a result of these policies. The government has also made reducing poverty one of its main initiatives.

Pakistan's economy is extremely dependent on its textile industry. Textiles account for 68% of Pakistan's exports and employ 40% of the labour force. In 2003 Pakistan was the world's 8th largest supplier of textiles. The governance of textile trading was largely regulated by an agreement referred to as the Multi-Fibre Agreement (MFA) until December of 2004 when it expired. The removal of the limits set by the MFA has resulted in the re-organization of trade since January 2005, and out of all the major textile producing countries Pakistan posted the highest growth rate since the end of the MFA. The textile industry also serves a dual purpose by using domestically produced cotton and strengthening the country's agricultural industry.

Gross Domestic Product (2004)	
GDP	US\$89 billion
GDP (purchasing power parity)	US\$347 billion
GDP/ capita	US\$570
GDP/capita (purchasing power parity)	US\$2200
GDP growth	5.7% (2004), 6.7% (2005)

Current

- Current unemployment rate of 9%
- Unemployment rate decreased from 9.3% to 9% between 2003 and 2004.
- GDP growth rate has been steadily increasing for the past 5 years from 2.70% in 2001 to over 6% in 2005.

- Per capita income has increased 32% since 2002.
- The government is concentrating on diversifying the country's economy to increase growth, and foreign investment, and decrease its dependence on the textile industry.

Forecast:

- Pakistan has taken an active role in the "war against terrorism", which is expected to strengthen their relationship with other countries involved in the initiative, which include the US, and Britain. The US is currently Pakistan's largest export market, and Pakistan's assistance in the war against terrorism will help maintain their strong relationship.
- GDP is expected to increase by 6.7% in 2005.
- The current unemployment rate of 9% is expected to fall to 8.5% by 2009
- The female employment rate is expected to slowly increase in the coming years, as more women join the work force.
- The economic forecast is closely tied to the success of Pakistan's cotton and textile industry.
- Energy shortages have hampered the expansion of the manufacturing industry and they must be rectified to enable continued expansion.

Consumer Market

Pakistan's consumer base for imported and processed goods is roughly 37 million people, or 25% of the population; and although poverty does exist, 70% of the population lives above the poverty line, which is enabling the consumer base to grow and diversify. Due to the influence of Western media, Pakistan's food sector has seen some significant changes as traditional lifestyles and eating habits are shifting. Western influence is reflected in the increasing demand for Western products such as processed fruits and vegetables, snack foods, tree nuts, and dairy products. Pakistani consumers are becoming more familiar with Western products and fast food chains which presents an excellent opportunity for Canadian exporters to seize the growing consumer base in such product categories.

- The 3 major cities, and the biggest consumer markets in Pakistan are Karachi with a population of 10 million people, Lahore with 5.7 million people and Faisalabad with 2.1 million people.
- Processed foods are becoming more popular amongst middle and upper class urban families.
- The average Pakistani consumer spends 42% of income on food.
- The processed food market has been increasing significantly in recent years and is currently worth US\$1.4 billion, of which US\$325 million is imported.
- Consumer food sales are expanding at a rate of 10% annually.
- Popular imported food items include: canned fruits and juices, snack foods, confectionary, cereals, condiments and mixes.
- Supermarkets are increasing in popularity and currently account for 10% of retail food sales.
- Health and dietary food items are gaining in popularity, which is a result of foreign media influence on Pakistani lifestyle.
- Western influence can be seen in urban areas as consumer preferences are shifting from the traditional foods, such as flat breads to Western Style loaf bread and from higher to lower extraction flour resulting in greater consumption in wheat.

A large portion (97%) of the country is of the Muslim faith. For religious reasons there is little to no consumer base for pork products and alcoholic beverages, and they are prohibited from being imported. It is important to people of the Muslim faith to consume meat that is "halal", which is meat that has been slaughtered in the manner described by the Shari'a. Due to these particular requirements the majority of Pakistani consumers prefer to consume domestic meat over meat imported from non-islamic countries as standards of "halal" meat may not be as strict in other countries. For more information on halal food products please visit <http://ats-sea.agr.gc.ca/africa/e3281.htm>

Competitors

Pakistan is not a member of any free trade arrangement, but is a member of the World Trade Organization. Pakistan is party to arrangements designed to achieve progress toward regional liberalization of trade under such organizations as: the Economic Cooperation Organization, which grants 10% tariff preference on statutory rates for some goods. Pakistan is also involved with the South Asian Association for Regional Cooperation (SAARC), which operates under the South Asian Preferential Trading Agreement (SAPTA). Pakistan is also a member of the Asian Clearing Union, founded with the aim of facilitating multilateral payments through the use of local currencies of participating countries in regional transactions and intraregional trade.

- Pakistan's most active transshipment center for consumer ready products is located in Dubai in the United Arab Emirates and as a result the UAE is Pakistan's

- largest import supplier. In 2003 the UAE provided 11.2% of Pakistan's total imports followed by Saudi Arabia at 10.9% and China at 7.3%.
- Dutch, German, and French suppliers provide Pakistan with the bulk of consumer food items.
 - Only a select number of retailers and processors have the ability to import foreign products directly. Most retailers obtain foreign goods from wholesalers or brokers.
 - The aid of a local representative is highly recommended to help understand the complex product and import regulations.
 - The food import business is dominated by small commercial importers, who sell containers or cases of each product to brokers or wholesalers.

Access Issues

In recent years Pakistan has eased trade barriers to attract more foreign investment. As part of the trend to increase foreign investment import regulations have become increasingly transparent, and tariffs have been reduced.

- Tariffs have been reduced to a rate between 10-25%. A sales tax of 15% is added on top of the tariffs on imported consumer foods.
- There are certain items which Pakistan prohibits from importing which include: items banned for religious reasons, capital and consumer goods banned to protect domestic industry, intermediate goods used in producing protected goods, products and by-products of pigs/hogs/boars.
- More than half of Pakistan consumer food imports are not officially reported.
- Importers are required to obtain special authorization from the Ministry of Commerce to import items on the negative/restricted list.
- Goods are required to be imported under a Compulsory Letter of Credit (L/C) or under a contract which must be registered with a bank.
- Pakistan uses the Harmonized System to classify and describe goods, while customs duties are levied on an ad valorem basis.
- For more information regarding Pakistan's import regulations please visit: <http://www.infoexport.gc.ca/ie-en/DisplayDocument.jsp?did=18199>

Agriculture Sector & Policies

Much of Pakistan's economic success is attributed to its thriving agricultural sector, which accounts for approximately 25% of the country's GDP and employs 48% of the labour force. A vital crop for the Pakistan agriculture industry is cotton, the bulk of which is grown in the Punjab province. In an attempt to boost the economy, the government is allocating more land for cotton production in the hopes of increasing production by 25% by 2010.

- Other important crops for Pakistan include: grain, sugar cane, oil seeds and tobacco.
- Large quantities of wheat are produced in Pakistan for domestic needs, as it is a staple part of the Pakistani diet, however there are periodic shortages and opportunities do exist for Canadian wheat exporters.
- Pakistan's total land area is about 803,940 square kilometres, 60% of which is considered unusable for agriculture as it consists mostly of desert terrain, mountain slopes, and urban settlements.
- Pakistan's agricultural sector is being strained by the rapidly increasing population of the country, as a result the country has to rely more and more on importing food for consumption.

- In 2002 the government initiated a major irrigation project to repair and replace the current dilapidated system that farmers rely on. The project has faced several delays, but when finished it will increase the crop production of many farms in the country.
- The local food processing industry relies heavily on imported ingredients to meet domestic demands.
- Pakistan's food processing industry is large and rapidly growing, currently accounting for 17% of the manufacturing output in the country; 1/3 of the food processing industry is located in the major port city of Karachi. Despite the growth in the industry Pakistan is not expected to become an exporter of processed foods in the near future, and will need to rely on imports to meet domestic demand.
- Pakistan's most cultivated areas are the Indus River plain in Punjab and Sindh.
- 1/3 of Pakistan's farmers are tenant farmers, who are typically required to relinquish almost 50 percent of what they produce to landlords

Contact Information:

The Canadian High Commission in Pakistan

High Commissioner: Mr. Ali Khan

Street Address

Diplomatic Enclave,
Sector G-5,
Islamabad, Pakistan

Mailing Address

P.O. Box 1042
Islamabad, Pakistan

Tel : (011 92 51) 208-6351

Fax: (011 92 51) 227-9111

International Trade Canada – Trade Commissioner Service

<http://infoexport.gc.ca/ie-en/DisplayDocument.jsp?did=18203>

Canada – Pakistan relations

<http://dfait-maeci.gc.ca/islamabad/general-en.asp>