



Pakistan Meat Exports: Strategizing Productivity Enhancement

A Policy Paper

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Executive Summary:

This chronicle encompasses the value chain of Pakistan Meat Exports with the help of industry stakeholders. Global Halal food trade is estimated to be approximately US\$ 1.3 billion, which was US\$ 0.5 billion, annually, just 5-6 years ago. The policy paper is highlighting the country's meat export scenarios on the existing condition of farmers, meat processors, exporters, target markets, supply chains management, marketing approaches, financial constraints, and sustainability of business.

The exporters have been competing in 8-10% share carcass (meat with bones) market globally and neglecting 90-92% share of frozen boneless and value added meat products internationally. India has become the largest exporter of meat products in 2017 with 1,925,000 Metric Tons and China's growing population and demand for food products have made them one of the biggest importers of meat/meat products (950,000 Metric Tons), respectively in recent years as illustrated by USDA. As per FAO reports, human meat protein consumption will rise from 25.5 kg to 37 kg by 2030.

Research methodology used for this policy paper is semi structured interviews and meetings with meat industry stakeholders. Pakistan meat export is at 35,388 Metric tons and worth of US\$ 244 million (2015) which constitutes predominantly the chilled carcass meat. Its value added meat products has negligible share in global market due to non-reliable supply chain, lack of local meat brands, and poorly managed marketing strategies.

Majority of our meat exporters have been dealing with Pakistani expatriates overseas which has high risk due to financial fragility. Proposals and recommendations have been submitted on small to medium term and medium to long term strategies to increase the profitability and productivity of meat export sector of Pakistan. It is highly recommended to establish local meat brands, which will aid the industry to learn with meat production, processing, supply chain, and marketing management to further compete in world meat market. Nevertheless, it is only possible after de-capping the price of meat in the local markets.

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Introduction:

Pakistan is located at a very critical geostrategic position where it can effectively serve as economic gateway for Russia, Post-Soviet States, China, South Asia and Far East Asia after CPEC. The landscape of the country, its indigenous resources like soil, water, climate, crops, livestock, and people makes it compatible to compete with the international trade and commerce. Agriculture of Pakistan has always contributed largely in its economic activity and development. When it comes to livestock, the share of this particular sub-sector in the national economy is consistently at a rise in the last decade or so. It was contributing merely 39% in Agriculture in 2002, which has now grown up to 58.6% (Economic Survey of Pakistan, (2015-16). If we compare the significance of livestock in national GDP of our neighboring countries, Pakistan is again at the top with 11.8% contribution as compared to India, Bangladesh, and Sri Lanka (Faostat (2014).

Figure 1.1 depicts the share of livestock in national GDP of the South Asian countries.

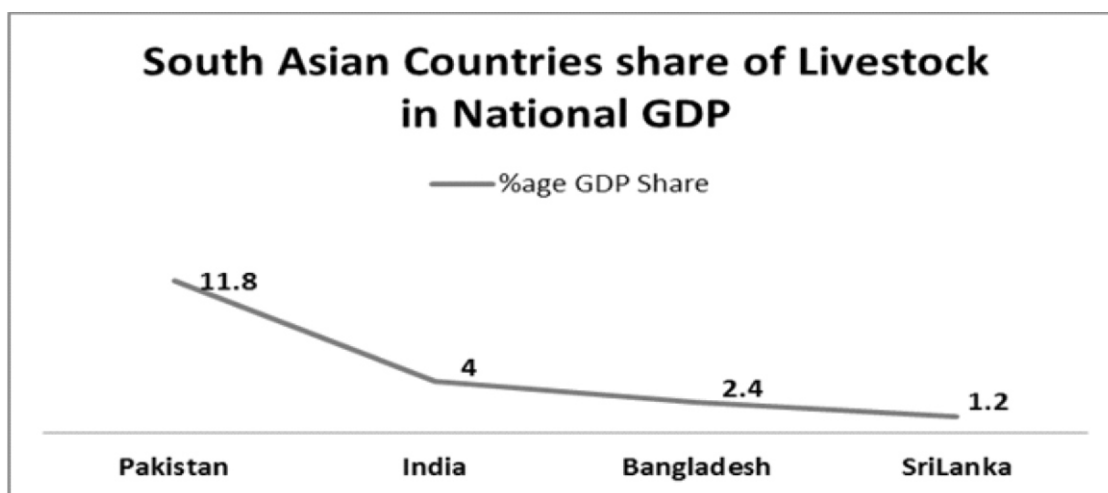


Figure 1.1: South Asian countries share of Livestock in National GDP

National dairy statistics shows a consolidating and growing pattern for Pakistan, positioning among top ten highest milk producing nations in the world (ciwf.org) (IFCN, (2014). But the other side of the picture is not as bright as of dairy i.e. fattening. Although Pakistan is almost self-sufficient in poultry meat, beef, and mutton for local consumption but meeting the international demand of quality meat products is yet an uphill task. The existing number of animals and export opportunities in Gulf countries, China and Far East Asia provides lucrative incentives for domestic meat value chain. Our neighbors are the biggest importers (China) and exporters (India) of meat products. It is obvious that with the growing urbanization in both developing and under-developing countries, there will be an increase surge for food security and food safety, respectively.

* CPEC China Pakistan Economic Corridor

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There will be an increase of 12.5 kg in animal protein consumption from 25.5 to 37 kg in industrial countries by 2030 as reported by Economic and Social Development Department of FAO (World Agriculture: Towards 2015/2030. An FAO perspective). Similarly, FAO stats shows that the carcass weight of animals will be increased from 121 kg (1999) to 151 kg (2030) for cattle and buffalos; and 12 kg (1999) to 15 kg (2030) for sheep and goats, respectively (www.fao.org). Increase food demand in animal protein provides a wider canvas for Pakistan meat export industry to draw huge share of international meat trade. Global meat and veal trade is growing with every passing year and it provides a great opportunity for Pakistan to play its role especially in Halal meat market. “USDA reports forecast the growth in meat business internationally by 2% in 2017 which will make it to 9.6 million tons annually, whereas the production will cultivate sluggishly up to 2% to almost 62 million tons in 2017” (Livestock and Poultry: World Markets and Trade, 2017).

The following figures depict the global import and export trends of meat and veal from 2013 to April 2017 (Livestock and Poultry: World Markets and Trade, 2017).

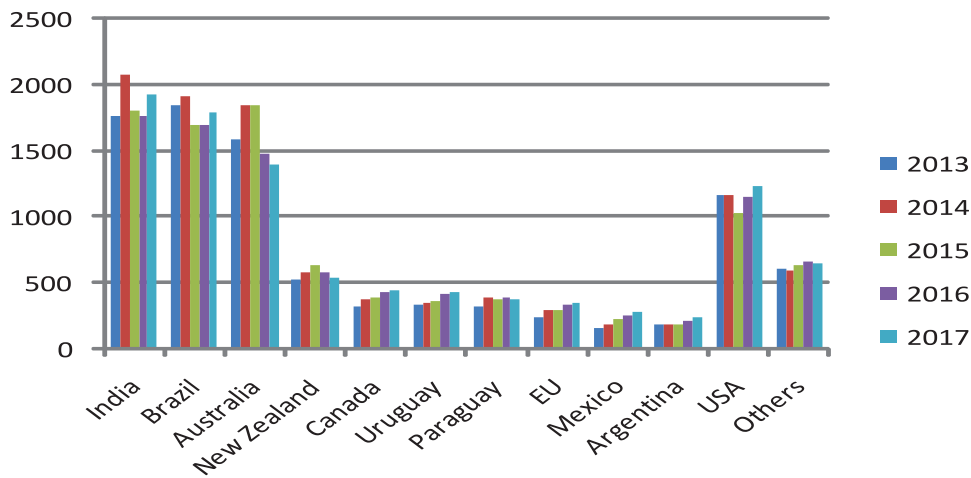


Figure 1.2: Meat & Veal Exporting Countries

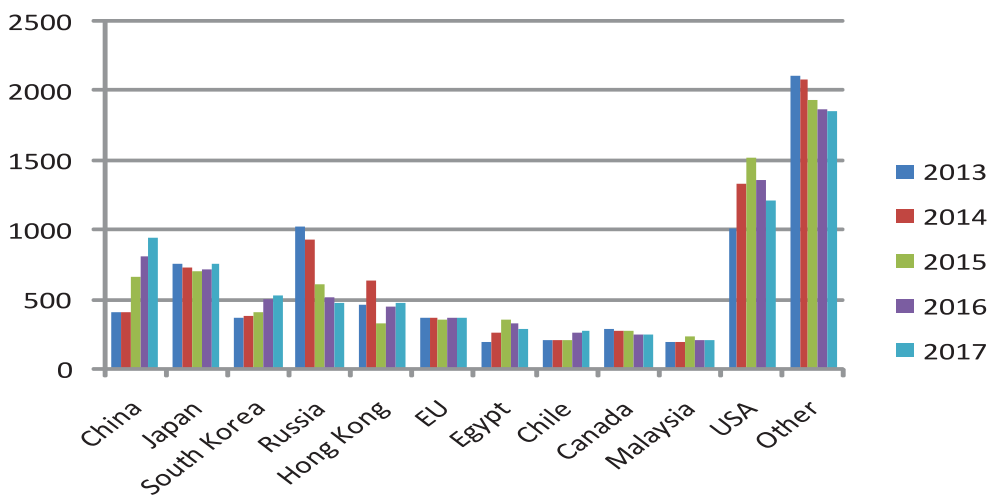


Figure 1.3: Meat & Veal Importing Countries

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Analysis of global meat trade patterns can be very helpful for Pakistan meat market to build a vivid infrastructure to cater the demand of meat in countries like Middle East, Malaysia and China. One of the huge opportunities is Halal meat exports to Muslim countries where Pakistan can become a competitive and trusted player.

Methodology:

Objective of this study is to get acquainted with the current status of Pakistan meat exports, identify the gaps, research target markets, sustainability of supply chain management, quality processing, and fragility of financial transactions. This will ultimately help the government to set their priority areas in meat value chain by subsidizing the meat sub-sectors to enhance its productivity to attract foreign remittances. Methodology used to collect the data was both primary and secondary. Semi structured interviews, formal meetings, and a consultative meeting among stakeholders of meat export industry was conducted at UVAS to collect the primary data. Secondary data was collected through USDA Gain Reports, FAO Stat website, journal articles, Economic Survey of Pakistan, State Bank of Pakistan and through market intelligence.

The paper's main emphasis was to study the on ground conditions and activities of meat export stakeholders. It is important to review the current scenario of Pakistan meat exports, filtering it through SWOT analysis, and then conclude it with strategies and recommendations for sector enhancement.

Current State of Pakistan Meat Exports:

Livestock productivity depicts the overall situation of a nation's agribusiness as it is dependent upon various agriculture products and by products (Koo, et. al. (1994). The statistics of yesteryears shows growth in country's meat export but it is just meager share after looking at the potential of the local meat sector. Moreover, the growth in meat export is not significant over the years due to lack of appropriate branding, concrete marketing strategies, and unsustainable supply chain. Pakistan meat export trade value is shown in the following figure 3.1 as stated by State Bank of Pakistan (2016).

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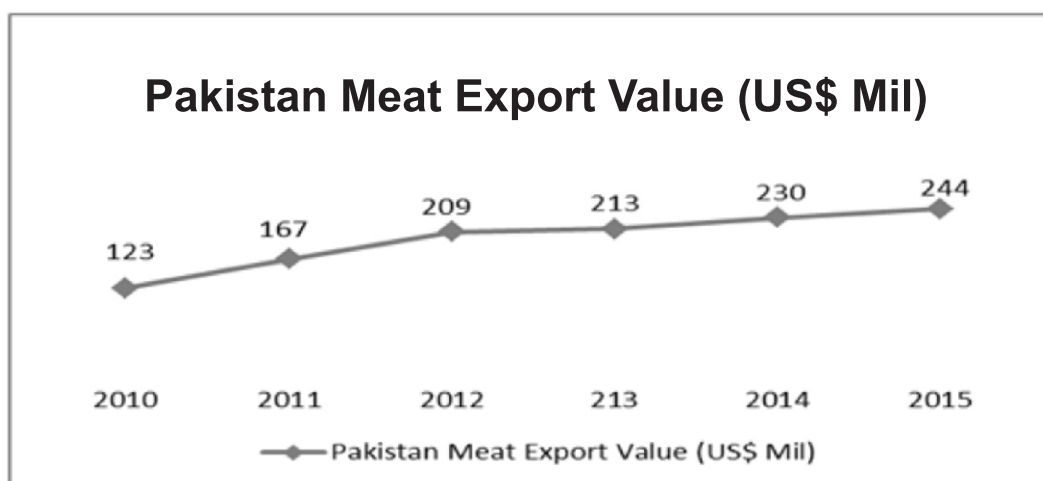


Figure 3.1 Pakistan Meat Export Value (US\$ Mil)

Pakistan meat is predominantly exported in chilled form and a very less amount has been sent in frozen form through sea to international markets. Some of the main target markets for Pakistani exporters are Dubai, Saudi Arabia, Kuwait, Bahrain, Qatar, Muscat, Malaysia, Iran, and occasionally China (through Vietnam). Gulf States markets are recipients of 89% of Pakistani chilled meat carcass and only 3% of frozen meat value added products. The demand by this particular market is quite high for frozen meat products which are being nurtured by other global exporters like India, Australia, New Zealand, Brazil, and Africa.

The following table 3.2 depicts the proportion of various meat products and market share by local exporters (Aleem & Arocha, 2013).

	Pakistan (Supply Share)	UAE (Demand)	KSA (Demand)	Kuwait (Demand)	World (Demand)
CHILLED					
Carcass	87.9%	15%	5%	13%	6%
Bone in cuts	8.2%	3%	0.6%	1%	12%
Boneless cuts	0.7%	18%	9%	10%	24%
FROZEN					
Carcass	0.1%	0.1%	0.9%	0.1%	0.4%
Bone in cuts	0.6%	2%	3%	1%	3%
Boneless	2.5%	63%	83%	74%	54%

Table 3.2: Pakistan proportion in global chilled & frozen meat trade

The above table 3.2 indicates that we have maximum share of world's chilled meat carcass demand but it is hardly 6-8% of global meat and veal trade. Whereas frozen boneless cuts/value added products have quite obvious and ginormous demand while local exporters are just catering 3-4% of worldwide demand. These figures are advocating that we have been playing in smaller portion of the pie and rest is unexplored/ unchecked zone which has larger share for global meat exporters.

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Similarly, our meat exports share in comparison with India and rest of the world can be explained by following table 3.3 (Aleem & Arocha, 2013).

	Pakistan (Exports)	India (Exports)	World (Demand)
CHILLED			
Carcass	87.9%	0.01%	6.3%
Bone in cuts	8.2%	0.01%	11.7%
Boneless cuts	0.7%	0.8%	24.3%
FROZEN			
Carcass	0.1%	0.03%	0.4%
Bone in cuts	0.6%	0.00%	3.0%
Boneless Cuts	2.5%	99.2%	54.2%
TOTAL TONNAGE	35,388	1,034,082	7,751,799

Table 3.3: Pakistan chilled & frozen meat exports comparison with India & the world

World is demanding value added and boneless cuts which can predominantly be exported in frozen form through sea. This is the area where we are weak and need to strengthen the capacity of meat value chain. The country's meat export hardly meets 0.5% of the total global demand in spite of having one of the largest herds of cattle, buffalos, sheep, and goats (ciwf.org).

There are almost 17 meat processing establishments working in the country; 9 in Sindh and 8 in Punjab Province, largely owned by private sector. The market players shared that there are approximately 35 exporters who use these processing facilities to export their meat products to Gulf countries. Main supplies are delivered through airplane spaces and transactions are made through "Delivery on Advance". The chilled meat has less shelf life and hence the exporters and importers both have to work with high alertness in order to utilize the shelf life described by the concerned country's authorities. There are a few associations of meat exporters/processors (un-registered) who are not very effective due to vested interests. Some of abattoir owners in Pakistan are from butcher families and have their family members settled in Gulf States to take care of their exports.

While others focus on butchers from the importing countries generally Asians (Pakistanis) but only a few exporters have been successful in finding the proper importers of meat for restaurants and hospitality industries in Gulf States. Financial transaction safety lies with seasoned and professional importer of meat who has developed a proper marketing structure for their products liquidation. These are among some of the main issues of inconsistent and unsustainable exports of meat products in spite of getting 10-20% premium price for Pakistani meat in Gulf States. Bottom of the pyramid of meat exports is fatten animals; means feedlot fattening farms which are scarce in the country due to lack of incentive and return on investment for farmer.

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Animals are usually purchased through middlemen from animal markets (mandi) and farmer is being exploited for non-dairy or low-dairy yielding animals. Repeatedly, when a farmer gets low price or exploited by the middlemen, he never thinks of rearing male calves or less yielding dairy animals for fattening purposes. Lack of sufficient feedlot fattening farms shows an ugly picture of the whole meat value chain. There are no defined/implemented disease free zones where the animals can be produced free from Foot & Mouth Disease (FMD) and other diseases which are pre-requisite for international meat trade.

SWOT Analysis of Pakistan Meat Sector:

In business world, companies and professionals calibrate their investments and projects through various analyses. In order to get a clear sight of country's meat export ventures, we have tested it through SWOT Analysis.

a- **Strengths:**

Pakistani labor cost is cheaper than many meat exporting countries. It has huge animal population, both for dairy and fattening. The climate and other input expenses for fattening is reasonably favorable for farming. Meat produced on locally grown fodder fetches premium price from Middle Eastern countries. CPEC has enabled the local authorities and law makers to think out of the box i.e. provision of enabling environment for meat value chain strengthening.

b- **Weakness:**

There is lack of specific developed local fattening animal breeds those which can compete with the western breeds. Insufficient feedlot fattening farms in the country is a continuous threat for meat exporters to expand their business & restrict them for future contracts. Exploitation of farmers discourages them to stay away from fattening business model of farming. There is no meat grading system of Pakistan as we follow other countries with their specifications. Majority of meat exports are in chilled form which is highly vulnerable for businessmen. Quality assurance and meat traceability is in a poor rather infant condition with interrupted supply chains. Meat processors are unable to develop a local brand and try to jump directly on to the export markets. Unless we develop brands and fulfill the local demand of meat and meat products, it is not sustainable to export. Average size of animals being slaughtered is less than 120kg carcass, which makes boneless unprofitable. The carcass size should be beyond 200kg for a sustainable & cost-effective meat to bone ratio, as practiced by Australia, Brazil, India & USA. Even in Pakistan's case, all the frozen boneless being shipped to China (through Vietnam) is of end-of-life buffaloes yielding 200kg plus carcasses.

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c- Opportunities:

We are surrounded by almost half of the world's population which gives immense potential for halal/non halal food trade. Pakistan being a Muslim country is a hall mark for production of Halal meat and this brand image is required to be exploited globally, at least in the Muslim world. Halal food contributes 16% of the global food trade which makes US\$ 500 billion annually as recorded in 2010 (Zulfakar, et. al. (2012). CPEC provides an opportunity to target the world's largest importer of meat; China, and also using ports of Gwadar and Karachi to expedite frozen meat marketing worldwide. Skilled human resource can be found and they can be trained through technical institutions on customized subjects. Value added processed meat products can help the country to get foreign remittances. Local meat brands can be established like poultry products. Trade agreements with nations like China and others can create a demand pull and will help in latching the demand and supply mechanism in Pakistan like happening in rest of the world.

d- Threats:

India is the largest exporter of boneless/value added meat products and is in our neighborhood. Incompetency to comply with the current demand of international market may squeeze the export opportunities in future. We haven't yet implemented disease free zone which in a later stage may create problems for marketing country's meat in various international markets. It may be possible that China may start exporting its imported meat products to market which will be alarming for local meat producers.

Role of University of Veterinary and Animal Sciences, Lahore as a stakeholder:

Academia and R&D institutions are vital for industrial development and sector improvement across the globe. They work as incubation centers for development, research, training, and troubleshooting for public and private sector organizations. In Pakistan, University of Veterinary and Animal Sciences (UVAS), Lahore is the first chartered university in Livestock and Veterinary segment and has proved its worth in sector growth through industrial linkages, research and development. UVAS Department of Meat Science & Technology is the first department of its kind in Pakistan which has been working on meat quality, standardization, packaging, processing, and training of industry stakeholders. Over 1200 butchers, processing workers, feedlot fattening farmers, and other concerned meat industry stakeholders have been trained by this department since 2014. Recently, the meat department has established 2 meat shops (one is mobile) with traceable meat products in collaboration with Livestock and Dairy Development Department. This has set a very good example of connecting poor farmers with viable marketing set ups in premium markets like Lahore etc. These models should be replicated in local industry to build local meat products brands which will help the sector to export the surplus and premium products to international market. Moreover, university has proposed an "Export Facilitation Center for Livestock and Poultry industry at UVAS, Lahore" worth of PKR 62.830 million for ADP 2017-18. UVAS has always provided a platform for meat industry stakeholders and facilitated them in policy making, advocacy, and mediation among various segments of the sector.

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Recommendations for improving Meat Exports:

Currently, Pakistan's local and export meat supply is based upon availability of animals in weekly markets (Mandies) from where animals are purchased, slaughtered, and their meat is sold out without any specifications. If there is shortage of live animal supply, quality of meat in both local and export markets deteriorate accordingly. Backward integration with farms is vital for the continuous and consistent supply of quality meat for retailers and exporters. A few local meat brands have been developed and are supplying relatively better quality of meat in the market. Price capping is not being applied on these brands and they are allowed to sell meat without any meatless day.

Interviews and meetings with the stakeholders shared almost same concerns for meat export sector in Pakistan. Recommendation for meat exports can be divided into 3 plans: Short term, Medium term, and Long term approaches.

a- Short Term Plan:

- ***De-capping of prices of meat and meat products in local market is a prerequisite to improve the availability and quality of meat.***
- Identification of meat in local market indicating the source of meat that which meat belong to cattle, buffalo, sheep, goat and of young or old animal etc.
- Standardization of meat products in local market with internationally accepted models with the assistance of UVAS.
- Ban on export of less than 150kg carcass is vital to enhance output of every single animal being exported and increase meat output of each animal.
- Backward linkages of meat exporters with feedlot farmers for consistent supply of quality of meat being exported from Pakistan.
- Registration of feedlot fattening farms with meat processing and exporters association along with Livestock Departments for traceability.
- Time based minimum incentive for value-added meat cut exporters only considering the viability of the products on long-term feasibility.
- Efficient customs and quarantine assistance through sea shipments.
- Credit insurance for exporters.
- Establishing a database of feedlot farmers registered with an authority connecting exporters for supply chain development.

b- Medium Term Plan:

- Policy for eradication of FMD to be developed on national and provincial scale to enable exports to countries like Indonesia, Russia, China, Brunei, etc.
- Easy loans to integrated supply chain from feedlot farmer to local meat brands and/or meat exporters.
- Disease free zones identification and implementation of policies to produce healthy and disease free meat products that should be fit for international standards.

* FMD Foot & Mouth Disease

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c- Long Term:

- Breed improvement with local available breeds (Bradfield & Ismail, (2012).
- A Meat Product Development Center should be established in UVAS which can research and develop ready to cook meat products and packaging (Enhancing Livestock Sector Export Competitiveness: Trade related technical assistance programme, (2012).
- Top meat exporters can be provided with subsidy on taxation/duties etc. as an incentive and motivation for others.

Conclusion:

The research evidently portrays that Pakistan meat exports have huge potential in the world because of its location and the geographical presence favors both farming and exporting potential of the country. Pakistan has significant number of animals, reasonable number of meat processors/abattoirs, and exporters but the bottleneck is ineffective "Marketing and Supply Chain". A regular business requires quality of products, consistency of goods, and a vigilant supply chain to cater the full value chain of the trade. Unfortunately, we are way behind in meat products marketing and animal supply chain stability as compared to our global competitors. Among all stakeholders, farmers are the one who have not been getting the premium and hence reluctantly get involved in the meat export value chain. At present, when CPEC is established, China's demand of meat products has showed remarkable increase over the last years, and a short term ban in Uttar Pradesh, India on abattoirs (leading meat exports base in India) has provided a golden opportunity for local meat exporters to capitalize it tactfully. But for competing with world's largest exporters, there is dire need of a culture where all stakeholders of the meat industry should get equal benefits on share basis. Government institutions, universities, R&D organizations, and industry will have to synchronize their efforts towards achievement of a unanimous goal; more share in global meat market in next 5 years.

Limitations:

1. Limited access to a few exporting markets
2. Availability of quality meat animals is on decline
3. Local market of meat has been developing at a very slow pace because of price capping.

Meat processors, farmers, and exporters those were contacted were Tazij Meat, Aabedin, Oasis Farms, All Pakistan Meat Exporters and Processors Association, Anees associates, Fattening farmers, Quarantine department, UVAS Meat Technology Department, and export professionals. As mentioned in the paper, there may be short term interests of participants, but the researchers tried to record answers pertaining to research question i.e. how to strengthen the Pakistan Meat Export share through incentivizing and strategizing the whole value chain.

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Picture Gallery



UVAS Meat Shop (City Campus, Lahore)



Inauguration of UVAS Meat Shop (City Campus, Lahore)



Consultative meeting of Meat Industry stakeholders



Syed Babar Ali at UVAS Meat Shop



Chairman HEC visiting UVAS Meat Shop



Mumtaz Khan Manais (PAMCO) at UVAS Meat Shop

Picture Gallery



Visit of PFA Officials at UVAS Meat Shop



UVAS Mobile Meat Shop at Gulberg, Lahore



UVAS Mobile Meat Shop at Model Town, Lahore



UVAS Meat Shop (Interior view)



UVAS Meat Science & Technology Department conducting training of meat sector stakeholders



UVAS Meat Science & Technology Department

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