



GOVERNMENT OF PAKISTAN

Pakistan Export Strategy Processed Food and Beverages

2023-2027



This Processed food and beverages sector strategy is part of the National Priority Sectors Export Strategy (NPSES) initiative which contributes to the implementation of Pakistan's Strategic Trade Policy Framework (STPF) 2020-2025.

ITC is the joint agency of the World Trade Organization and the United Nations. As part of the ITC mandate of fostering sustainable development through increased trade opportunities, the Trade Development Strategies Programme offers a suite of trade-related strategy solutions to maximize the development payoffs from trade. ITC-facilitated trade development strategies and roadmaps are oriented to the trade objectives of a country or region and can be tailored to high-level economic goals, specific development targets or particular sectors. This document was developed on the basis of the process, methodology and technical assistance of the International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

This document has been developed as part of the Revenue Mobilisation, Investment and Trade project (ReMIT) funded by the Government of the United Kingdom and implemented by ITC.

The views expressed herein do not reflect the official opinion of ITC. Mention of firms, products and product brands does not imply the endorsement of ITC.

This document has been produced with the financial support of the Foreign, Commonwealth & Development Office. The contents of this document can in no way be taken to reflect the views of the Government of the United Kingdom.

The International Trade Centre

Street address: ITC, 54–56, Rue de Montbrillant, 1202 Geneva, Switzerland

Postal address: ITC, Palais des Nations, 1211 Geneva, Switzerland

Telephone: (41-22) 730 01 11

E-mail: itcreg@intracen.org

Internet: <http://www.intracen.org>

Layout: Jesús Alés / www.sputnix.es





Pakistan Export Strategy **Processed Food and Beverages**

2023-2027

Forewords

Message from the Ministry of Commerce

Increasing international trade is not only a means of boosting economic growth and the nation's welfare, but also contributing to strengthening international relations. The stabilization of economic and political affairs paves the way for reinforcing friendly relations based on mutual interests with a wide range of trade partners. Trade is thus one of the most important forms of exchange between countries and fostering this will lead to connections such as foreign investments, better employment opportunities, and scientific and technical exchanges, all of which will contribute to Pakistan's growth and prosperity.

The Government of Pakistan has taken a series of initiatives to promote exports to achieve sustainable and inclusive economic growth, poverty reduction and improvement in the living standard of Pakistani people. This is also aligned with the government's vision of the Strategic Trade Policy Framework (STPF) 2020-25 for 'Pakistan to become a dynamic and efficient domestic market as well as a globally competitive export-driven economy'. In this context, the Ministry of Commerce supported the preparation of the Processed Food and Beverages Export Strategy, a priority export sector under the STPF, which will contribute to export diversification of Pakistan. This sector export strategy has been formulated in close consultation with all the stakeholders, and the Ministry of Commerce appreciates all those involved in the process, particularly the private sector.

As a priority export product within the framework of the STPF 2020-25, the processed food and beverages sector presents a new export avenue and an opportunity for Pakistan. The strategy encompasses trade-related factors such as ensuring export quality, greater market access

and product diversification. In addition, substantial investment to expand export potential and grow foreign trade requires strategic targeting. All activities in the framework of designing Strategies has outlined a detailed 5-year Plan of Action to tackle issues and facilitate export procedures, and as identified by all the stakeholders of the Processed Food & Beverages sector in Pakistan.

Despite challenges in the international trade scenario and the global business environment, I am confident that this initiative will serve as an action-oriented blueprint to enhance trade performance and develop a coordinated mechanism with participation from both the public and private sector, increasing its competitiveness in the international market.

To maintain the momentum sparked by the consultations, the Ministry of Commerce is committed to play a constructive and facilitative role, while making it our top priority to execute the activities and reforms proposed in the plan of action. We are particularly committed to continue keeping the private sector in the driving seat for the implementation process through the Sector Specific Council (SSC) on Agriculture & Food Processing. The Government of Pakistan is fully committed to promoting export-led economic growth and encourages all to join hands and work together in making the vision of 'a flourishing processed food and beverages sector' a reality.

Message from the Pakistan Association of Food Industries

The world is recovering from one of the worst pandemics in human history, in the aftermath of which there is an increasing concern for healthier, environment-friendly and cleaner food. The demand for convenience food products is on rise globally and it is projected that the size of the global processed food market will exceed \$7,500 by 2026.

Despite being among the Top 10 producers of mango, oranges (kinnow), wheat, sugarcane, dates and rice in the world, Pakistan's share in the world export of processed food items prepared from these produce is far less than the actual potential. For some of the fruits, Pakistan has surplus production, but value-added products from these fruits cannot be developed for export markets due to unavailability of proper on-farm and off-farm storage facilities and defective cold chain management. A significant quantity of fruit is wasted or cannot be preserved properly during transportation to the processing facilities.

In order to realize this sector's tremendous export potential, the proposed action plan has correctly diagnosed the major issues and effective strategies have been devised to boost high-quality production according to the international

market's demand. The plan of action (PoA) takes into consideration all factors from farm to foreign markets. It starts with research and development (R&D), covering the skill sets requirements for the processed food industry. It recommends tax facilitation and tariff cuts on inputs, envisages common facility centres and economic zones, and focuses on legal instruments, upgradation of testing facilities and uniform standards in food processing. It emphasizes to make certification and quarantine processes easier and swifter, provision of better logistics, warehousing and storage, and development of a modern and efficient cold chain system. Finally, it recommends an up-to-date and hassle-free mechanism for clearance of export consignments through installation of sufficient scanners at all exit points and making other procedures smoother.

The Pakistan Association of Food Industries ensures its all-out support towards the national cause of enhancing the export of this sector through result-oriented implementation of the PoA. All the association's member firms will be taken on board to achieve the objectives set in the PoA.



Dr Zeelaf Munir,
Chairperson PAFI and Managing Director
of English Biscuit Manufacture

Acknowledgments

The Processed Food and Beverages Export Strategy forms an integral part of Pakistan's Strategic Trade Policy Framework (STPF). It was developed under the aegis of the Government of Pakistan and the leadership of the Ministry of Commerce (MoC) and the Trade Development Authority of Pakistan (TDAP), in close collaboration with the Ministry of National Food Security & Research (MNFSR) and the Pakistan Association of Food Industries (PAFI).

The document benefited particularly from the inputs and guidance provided by the sector stakeholders that steered the strategy's formulation, namely the following key sector institutions:¹

Institutions	
All Pakistan Fruit & Vegetable Exporters, Importers & Merchants Association	Pakistan Agricultural Research Council
Asian Development Bank	Pakistan Association of Food Industries
Coca-Cola	Pakistan Council of Scientific and Industrial Research (PCSIR)
Gateway International	Pakistan Standards & Quality Control Authority (PSQCA)
Green Circle	Quick Food Industries
Hilal Foods Pvt Ltd	Shangrila Foods (Private) Limited
Ismail Industries Ltd	Small and Medium Enterprises Development Authority (SMEDA)
Madadgaar Pvt Limited	Tata Best Foods Ltd
Milan Foods	TDAP
Ministry of Commerce	Young's Pvt Ltd
Naurus Pvt Ltd	Zaiqa Food Industries
Nestle Pakistan Limited	

Technical support and guidance from ITC was rendered by the following people:

Name	Designation
Tauqir Shah	Revenue Mobilization, Investment and Trade project (ReMIT) project coordinator
Shoaib Zafar	Project advisor
Basit Abbasi	National sector consultant
Charles Roberge	Senior Officer Export Strategy
Alexandra Golovko	Advisor, Export Strategy and Competitiveness
Victor Deleplancque	Agriculture strategy specialist
Aishwarya Nahata	International consultant

1.— The full list of public–private stakeholders that participated in the consultations and their names is available in Annex I.

Note for the reader

In order to boost export growth, the Ministry of Commerce (MoC) has developed the Strategic Trade Policy Framework (STPF) 2020-25, which was approved in November 2021. ITC provided technical support to MoC and the Trade Development Authority of Pakistan (TDAP) to design selected sector export strategies of the STPF priority sectors. This initiative, called the National Priority Sectors Export Strategy (NPSES), focused on 10 of the 18 STPF priority sectors through a consultative process.

The Processed Food and Beverages Export Strategy was developed on the basis of a participatory approach, during which more than 40 Pakistani industry leaders, small business owners and public sector representatives held consultations to reach consensus on key sector competitiveness issues and priority activities. These inclusive consultations were held in a hybrid model owing to the travel restrictions imposed due to the COVID-19 pandemic.

Besides in-depth research and value chain analysis, these consultations were complemented by visits and interviews by the national consultants with domestic firms to guide the strategy with insights and market intelligence as well as buyers' requirements in terms of quality standards, food safety, packaging, distribution channels and prices, etc.

The Processed Food and Beverages Export Strategy builds on the ongoing initiatives in areas of private sector development, regional integration, investment and economic empowerment of youth. Equally importantly, the sector strategy is complemented by an effort to establish the proper implementation responsibilities among key stakeholders early on to ensure timely implementation of activities, whether by the public sector, private sector or international development agencies. This strategy's principal output is an endorsed, coherent and comprehensive document with a five-year detailed plan of action (PoA) and an implementation management framework.

This document was approved as the official export strategy for the Processed Food and Beverages Sector 2022-2027 by the Sector Specific Council (SSC) on Agriculture & Food Processing and endorsed by the Ministry of Commerce of Pakistan.

Contents

EXECUTIVE SUMMARY	1
A GLOBAL PROCESSED FOOD INDUSTRY THAT KEEPS GROWING AND EVOLVING	5
A VIBRANT GLOBAL MARKET.	5
CHANGING CONSUMER PREFERENCES AND EVOLVING SOCIOECONOMIC CONDITIONS	6
PAKISTAN'S PROCESSED FOOD AND BEVERAGES INDUSTRY IS YET TO CONQUER INTERNATIONAL MARKETS	9
A SECTOR OF ECONOMIC IMPORTANCE PRIMARILY CATERING FOR DOMESTIC NEEDS	9
DIVERSIFIED INDUSTRY WITH GROWING NATIONAL Foothold	10
IMPORTANT SOCIOECONOMIC DIVIDEND COULD BE DERIVED FROM THE INDUSTRY'S EXPORT GROWTH	12
THE INDUSTRY EMPHASIZES CATERING TO THE DOMESTIC MARKET WITH LIMITED EXPORT PERFORMANCE	15
PAKISTAN'S FOOD AND BEVERAGES INDUSTRY'S ATTRACTIVENESS TO FDI IS STILL LIMITED	19
VALUE CHAIN AND COMPETITIVENESS DIAGNOSTIC	21
COMPETITIVENESS CONSTRAINTS	25
DEEPER DISCUSSION OF SELECTED KEY ISSUES.	26
THE WAY FORWARD	29
KEY DRIVERS OF CHANGES IN THE GLOBAL FOOD INDUSTRY.	29
KEY ORIENTATIONS TO DRIVE TRANSFORMATION IN THE SECTOR	33
THE STRATEGIC FRAMEWORK.	38

IMPLEMENTATION FRAMEWORK	39
PLAN OF ACTION (2023–2027)	43
ANNEXES	51
ANNEX I: LIST OF PARTICIPANTS IN THE PUBLIC-PRIVATE CONSULTATION	52
REFERENCES	53

Figures

Figure 1: World imports of processed food and beverages (2011–20) (USD billion)	6
Figure 2: Main importers of processed food products exported by Pakistan in 2020 (USD billions)	6
Figure 3: Product map for processed food and beverages	11
Figure 4: Sales of packaged food in Pakistan (2015–20) (PKR billion)	11
Figure 5: Sales of packaged food in Pakistan, by product category (2020) (PKR billion)	11
Figure 6: Pakistan’s processed food and beverages products with export potential	14
Figure 7: Markets with greatest potential for Pakistan’s exports of processed food and animal feed	14
Figure 8: Pakistan’s imports, exports and trade balance of processed food (2011-20) (USD million)	15
Figure 9: Pakistan’s exports of processed food and beverages	16
Figure 10: Pakistan’s exports of processed food in 2020, by market segment	17
Figure 11: Importing markets for the main processed food and beverages products exported by Pakistan (2020)	18
Figure 12: Foreign direct investment inflows in Pakistan’s food and beverages sector	19
Figure 13: Countries investing in the manufacture of food products and beverages in Pakistan, cumulative total (2011–2019)	19
Figure 14: Value chain diagnostic	22
Figure 15: Market and product development exercise	31
Figure 16: The future value chain map	32
Figure 17: Key drivers of change	37

Tables

Table 1: Key global trends in processed food and beverages	7
Table 2: Main processed food products exported by Pakistan in 2020, in value	16
Table 3: Longlist of competitiveness constraints	25

Boxes

Box 1: Tariff nomenclature used to classify processed food	5
Box 2: Trade and investment support institutions in the food processing industry	23

Acronyms and abbreviations

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

BOI	Board of Investment	MNFSR	Ministry of National Food Security & Research
FAO	Food and Agriculture Organization	MoC	Ministry of Commerce
FBR	Federal Board of Revenue	PoA	Plan of action
FDI	Foreign direct investment	PCSIR	Pakistan Council of Scientific and Industrial Research
GMP	Good Manufacturing Practice	PSQCA	Pakistan Standards & Quality Control Authority
HACCP	Hazard Analysis and Critical Control Points	R&D	Research and development
HS	Harmonized System	SMEs	Small and medium-sized enterprises
ISO	International Organization for Standardization	STPF	Strategic Trade Policy Framework
ITC	International Trade Centre	TDAP	Trade Development Authority of Pakistan

EXECUTIVE SUMMARY

The present strategy outlines a proposed path for the development of the processed food and beverages industry in Pakistan. It is a five-year endeavour that was defined through a consultative process between public and private sector stakeholders. The strategy addresses constraints in a comprehensive manner and defines concrete opportunities that can be realized through the specific steps detailed in its plan of action (PoA). The Processed Food and Beverages Export Strategy is an integral part of Pakistan's Strategic Trade Policy Framework (STPF).

THE GLOBAL FOOD PROCESSING INDUSTRY: A BOOMING AND CONSTANTLY EVOLVING INDUSTRY

According to the United Nations Food and Agriculture Organization (FAO), food preparation and processing can be defined as 'any change that is made to a food to alter its eating quality or shelf life'. The FAO further indicates that the term 'food processing' is broader than preparing and cooking foods, because it involves 'applying scientific and technological principles to preserve foods by slowing down or stopping the natural processes of decay'.

Food processing is among the largest industries of the global economy, manufacturing a wide range of food and beverages products. Driven by a growing world population, increasing disposable income and rapid urbanization, the global demand for processed food is on the rise and is expected to experience sustainable and stable growth in the foreseeable future. While Organisation for Economic Co-operation and Development (OECD) countries and the People's Republic of China largely dominate global trade in terms of exports and imports, key growth drivers are gradually shifting towards developing countries, including dynamic demand emerging from South-East Asian economies.

Food processing is a constantly evolving industry, permanently adapting to shifting consumer preferences. As households are becoming increasingly demanding in terms of quality and safety, with growing health

and 'green' consciousness, especially in high-income countries, demand for convenience food is undergoing profound changes. In response to these trends and the increasing sensitivity to product ingredients, governments around the world are introducing quality and food safety standards as well as standardized labelling rules by which manufacturers must abide in order to sell their products. Technological innovation and the rapid development of e-commerce sales also have significant impacts on the food processing industry and consumer behaviours.

PAKISTAN'S PROCESSED FOOD AND BEVERAGES INDUSTRY: A COMPETITIVE SECTOR DOMESTICALLY THAT IS YET TO TAKE ADVANTAGE OF THE GLOBAL MARKET

The food processing industry is considered one of the most promising sectors for not only domestic industrial development, but also export growth. Benefiting from abundant agricultural resources, the Islamic Republic of Pakistan is well positioned to develop its food processing industry, especially its agroprocessing segment, capitalizing on the diversity of fresh fruits and vegetables that each province produces.

Boosted by an expanding urban middle class with rising disposable incomes, sales of packaged food in Pakistan have surged in recent years. While several large

local companies have emerged as leaders in various segments of the food processing industry, including edible oils, confectionery, cakes and biscuits and herbs and spices, this growing demand for convenience food is currently largely met by imports, contributing to the widening of the national trade deficit. The dynamism of the processed food industry nevertheless has the power to encourage more food processors to establish operations in Pakistan and allow to better cater to the domestic demand for packaged food with a strong import substitution potential.

To date, only a few market segments have managed to successfully and significantly penetrate international markets in a sustainable manner, as export earnings remain limited – amounting to \$574 million in 2020 (UN Comtrade) – and characterized by a high level of volatility. Overall, the sector remains dominated by micro, small and medium-sized enterprises (MSMEs) operating in a traditional manner and catering to the domestic market. Pakistan food exports also appear to be concentrated in terms of market destinations, with an overdependence on the Afghan market. Few commodities have so far managed to meet stringent quality and food safety standards imposed by the European, and British in particular, and North American markets, which have a large Pakistani diaspora.

The Pakistan food processing industry's export performance is hindered by a number of competitiveness constraints, including:

- An inadequate supply of primary agricultural products in terms of quality, quantity and consistency;
- Limited integration of upstream agricultural activity in the food processing supply chain;
- Limited availability of human resources at the processing level, preventing the improvement of production processes and management systems;
- Insufficient uptake of modern food processing technology and machinery, hindering the development of modern, innovative food products;



©shutterstock

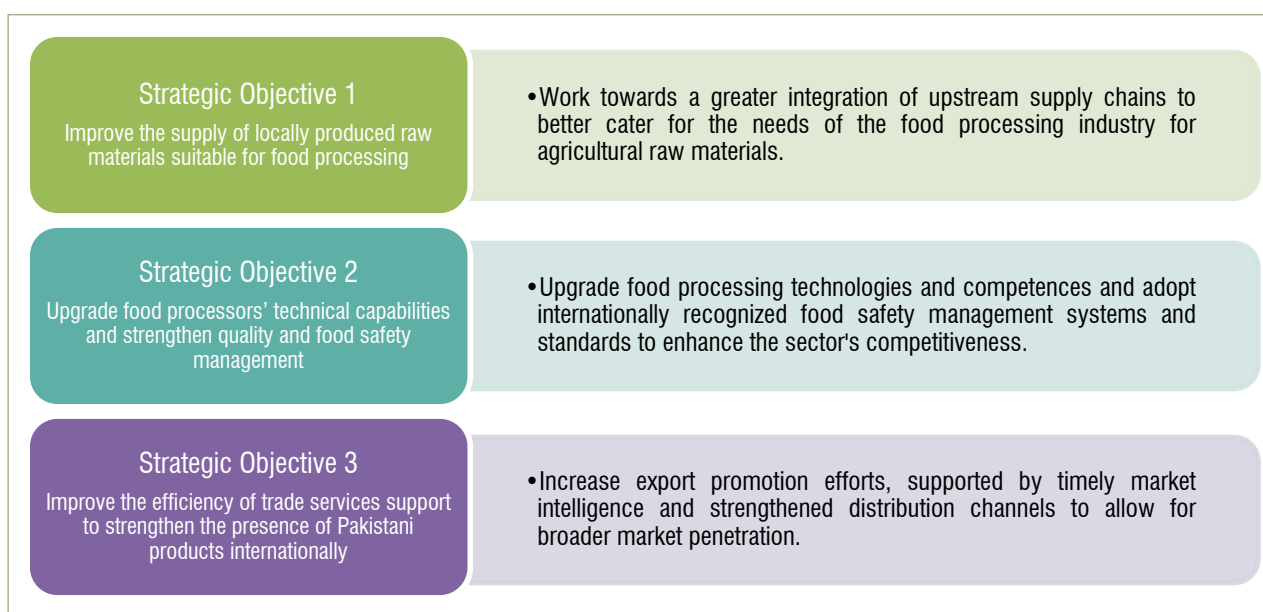
- Food safety remains an area of concern, as there is limited awareness of and compliance with international quality and food safety standards among food processors, and micro, small and medium-sized enterprises (MSMEs) in particular, hence preventing the industry from fully taking advantage of export opportunities;
- Significant investment is required to improve the efficiency and availability of transport and logistics services with a view to improve market access and strengthen the competitiveness of Pakistan food and beverages products on the international markets.

THE STRATEGIC FRAMEWORK

To achieve the industry's development, this strategy provides a roadmap and a plan of action (PoA) geared at achieving the following overall vision, which was agreed on by all processed food and beverages value chain stakeholders in Pakistan.

“ A competitive processed food and beverages industry, driven by quality and technological innovation. ”

The strategy's PoA responds to this vision by addressing the sector's constraints and leveraging opportunities comprehensively. To this end, specific efforts will be made in the following strategic directions.



IMPLEMENTATION MANAGEMENT

The strategy process considered current capabilities, constraints, and future shifts and opportunities for Pakistan's meat sector, and industry stakeholders extensively evaluated future orientations and upgrading trajectories. The strategy presents a pragmatic and forward-looking roadmap for upgrading and internationalization, and can be driven successfully through timely and appropriate resource allocation and effective public-private collaboration for implementation.

Accordingly, a public-private sector specific council for the meat sector is established, operationalized and empowered. The processed food and beverages sector specific council is responsible for overall co-ordination, provision for rapid and viable solutions to regulatory and procedural bottlenecks, policy guidance and the monitoring of industry development against the strategy's objectives.

The following key areas of intervention are priorities to facilitate the strategy's implementation

- Through agronomic research, identify new varieties of agricultural raw materials with characteristics and physical properties that meet the food processing industry's requirements, and for which there is significant international demand. The dissemination of the innovations emanating from the research trials and work to the farming communities should also be ensured.

- Introduce research and development (R&D) and balancing, modernizing and replacement (BMR) incentives to help food processors upgrade their facilities and stimulate innovation in the sector.
- In collaboration with food processors, design technical training programmes and curricula on food science and technology for food technologists and technicians, also covering food engineering, food packaging and labelling.
- Activity conduct a food processing industry baseline survey to provide quantitative information on the sector's current situation (number and size of enterprises, production, exported value and demand for primary agricultural commodities).





A GLOBAL PROCESSED FOOD INDUSTRY THAT KEEPS GROWING AND EVOLVING

Box 1: Tariff nomenclature used to classify processed food

The food processing industry covers many different products classified under different Harmonized System (HS) codes, which makes it difficult to capture global trends for all processed food products accurately. After a careful analysis of the commodities currently produced and exported in Pakistan, including those that could potentially and realistically be exported, the main tariff nomenclature used for the trade analysis is:

- HS 09: Coffee, tea, maté and spices*
- HS 11: Products of the milling industry
- HS 130232: Thickeners, derived from locust beans or guar seeds**
- HS 15: Animal or vegetable fats and oils and their cleavage products
- HS 17: Sugars and sugar confectionery
- HS 18: Cocoa and cocoa preparations
- HS 19: Preparations of cereals, flour, starch or milk; pastry cooks' products
- HS 20: Preparations of vegetables, fruit, nuts or other parts of plants
- HS 21: Miscellaneous edible preparations
- HS 23: Residues and waste from the food industries; prepared animal fodder

* Only the 'spices' segment will be covered as part of the Processed Food and Beverages Export Strategy.

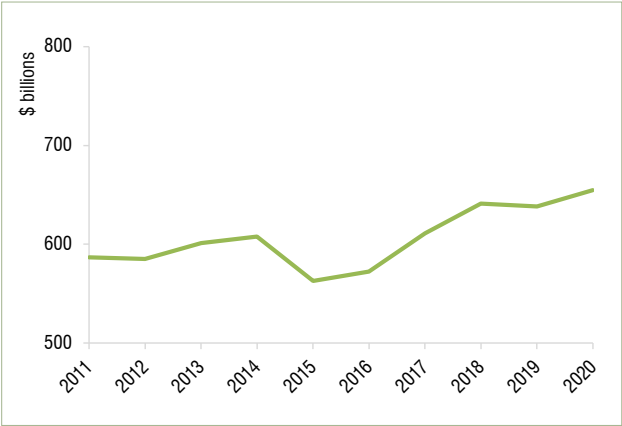
** Being important export products, guar and guar products – mainly used as a thickening agent in the form of gum – have been included within the strategy's scope.

A vibrant global market

Food products are among the most-traded commodities in the world. As markets become increasingly globalized and as the world's population continues to grow, the global food supply chain will only continue to increase in scale and complexity. The range and variety of food products manufactured worldwide is so vast that it is difficult to accurately estimate the sector's total size globally. Depending on the methodologies applied and the nuances of the product range considered, the estimated size of the processed food and beverages sector worldwide varies greatly, from \$2 trillion to \$8 trillion.

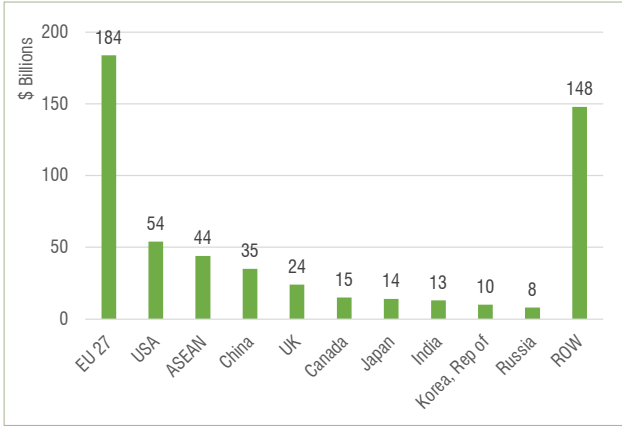
Looking specifically at trade data provided by United Nations Comtrade data, the global market for processed food and beverages products considered under the present strategy exceeded \$655 billion in 2020 (see tariff nomenclature presented in Box 1). Driven by a number of key demand determinants in food consumption patterns, global trade in processed food has expanded rapidly in the last decade. After a contraction in world imports in 2015 – due to large food supplies and a strong United States dollar that were keeping international food prices under downward pressure – demand for processed food has since resumed its rise, growing at a robust compound annual growth rate of 3.4% in 2016-20 (see Figure 1).

Figure 1: World imports of processed food and beverages (2011–20) (USD billion)



Source: ITC calculations based on United Nations Comtrade data.

Figure 2: Main importers of processed food products exported by Pakistan in 2020 (USD billions)



Source: ITC calculations based on United Nations Comtrade data.

World imports of processed food continue to be largely dominated by European and North American countries, while South East Asia is emerging as a major player in the global market. The Organisation for Economic Co-operation and Development (OECD) countries largely dominate the global market, capturing more than 60% of world imports of processed food in 2020, led by European Union member states (United Nations Comtrade). Presenting robust average growth exceeding 5% in the past five years, the United States of America is the largest single importer, followed by China. Key growth drivers have gradually shifted

towards smaller emerging markets, notably in South-East Asia, with dynamic demand emerging from the Republic of Indonesia, the Socialist Republic of Viet Nam and the Republic of the Philippines. The region is expected to witness a significant increase in its market share in the coming decades. On the other hand, poor performances were observed in several major emerging markets, notably in the Federative Republic of Brazil and the Russian Federation, affected by an economic slowdown, while demand from the Republic of India and the Republic of South Africa has not picked up yet.

Changing consumer preferences and evolving socioeconomic conditions

The global demand for processed food and beverages is expected to experience sustainable and stable growth, driven by a number of socioeconomic factors. The market demand worldwide is rising for convenience products, as income growth and urbanization have led to higher rates of packaged food consumption, which indicates a positive future for the sector as cities grow and incomes rise in many highly populated developing countries. The top trends that have influenced and will continue to influence the food industry globally are presented in Table 1.

Competition in the industry means smaller regional companies compete with large multinational corporations for market share across a variety of regional markets. Industry competition has increased in the past five years, with more aggressive promotional and branding activity taking place. Competition for supply contracts with large wholesalers and supermarkets is particularly intense, given that these downstream buyers are the most important link to mass consumer markets.



©shutterstock

Table 1: Key global trends in processed food and beverages

<i>Trends</i>	<i>Implications</i>
Population growth	<p>The major driver in the processed food sector globally is population growth. From an estimated 7 billion people today, the United Nations predicts that the world population will reach 9 billion by 2050. Food security thus takes on unprecedented importance. Demand for processed food and beverage products tends to increase in line with growth in the world population, as these products are considered staples throughout much of the world and are becoming increasingly popular with the growing global urban population.</p> <ul style="list-style-type: none"> • Takeaway: Investment in processed food and beverages industries hold important potential and an assured growing market if retailer and consumer preferences are taken into account.
Urbanization	<p>Another important factor pushing the international demand for processed food is the progressive changes in food consumption patterns, particularly lifestyle changes brought about by urbanization. Urban populations, which are often located far from farming communities, consume much higher quantities of processed foods than rural populations do. As a result, global urban population growth increases demand for processed food and beverage products.</p> <ul style="list-style-type: none"> • Takeaway: The fast-evolving consumer preferences in urban areas need to be carefully studied and taken into account to ensure product relevance.
Per capita income	<p>Also driving the global demand for processed food and beverages is the global growth in per capita income. As incomes grow, consumers demand larger quantities of more diverse and higher-quality food. This explains the growing demand from emerging and developing markets, as higher income usually translates into an increased consumption of processed food and beverages relative to less expensive, locally sourced food.</p> <ul style="list-style-type: none"> • Takeaway: Developing a large variety of processed food and beverages products, emphasizing high quality, should be a key consideration in exporters' marketing strategies.
Consumer preferences	<p>Finally, consumer preferences are increasingly the major demand determinants. Consumers' growing health consciousness has driven and reshaped demand for processed food and beverages from Asia, the European Union and the United States. Highlights on these trends and on the drivers of change are provided in the way forward section of the strategy.</p> <ul style="list-style-type: none"> • Takeaway: Consumer preferences, their likely evolution and their impact on retailers' requirements should be at the centre of any fruit and vegetable processor thinking of shaping the exportable offer.

Food manufacturers and exporters in Pakistan have to adapt to a number of emerging consumer trends that take on increasing importance when attempting to capture market processing share. The strategy's focus is to assist the local processed food industry in developing a more diversified range of value-added food products that meet international consumers' preferences to leverage on the increasing global demand.



PAKISTAN'S PROCESSED FOOD AND BEVERAGES INDUSTRY IS YET TO CONQUER INTERNATIONAL MARKETS

In developing an export strategy for Pakistan's processed food and beverages products sector, the starting place for analysis begins with an understanding of Pakistan's existing products and markets. This section

provides an overview of the sector's current state and highlights the most significant segments and trends of domestic and export markets.

A sector of economic importance primarily catering for domestic needs

Socioeconomic mutations have reshaped consumption patterns in Pakistan. Being a developing country, Pakistan faces some major challenges, which include high rate of population growth, rapid urbanization without up-to-the-mark civic planning, changing food requirements for different age groups and health disorders. With growing economic and social needs, the country's women have started to enter the labour market more extensively, including in the tertiary sector and especially in urban centres and towns. Keeping in view the country's economic conditions, most of the family members from lower- and middle-income groups are compelled to work. This socioeconomic transformation has given rise to the consumption of processed food in the country. A growing number of international and domestic chains of cash and carry stores in the country have further boosted the market of processed food and beverages. These factors are putting pressure on the country's agriculture and food

industry, which needs to not only cater for the domestic market needs and promote import substitution, but must also improve the quality of the processed food industry's supply chain to grab a significant share from the international market.

The second-largest sector in the country after textiles and clothing. Despite the increasing share of manufacturing and other sectors in the country's gross domestic product (GDP) in last two decades, Pakistan can still be considered as an agrarian economy. Nevertheless, owing to a large market in terms of population, its food and beverage processing industry is the second largest of the country after textiles and clothing, accounting for 27% of the value-added production and 16% of the employment in the manufacturing sector.¹ The agrifood processing subsector alone contributes more than 20% to Pakistan's GDP and includes the primary processing of fruits, vegetables, sugar, flour,

1.— Board of Investment, Government of Pakistan, Islamabad.



©shutterstock

pulses and grains. There are approximately 2,500 food processing units in Pakistan, a number that does not include countless rural-based food manufacturers in the informal sector.² The vast majority of these processing units primarily cater to domestic needs and only a small share of them export.

Pakistan's food industry can be largely categorized into four major groups:

- Frozen food, including canned food;
- Value addition to major food crops, fruits, vegetables, edible oil and fats manufacturing units;
- Beverages;
- Bakery and confectionary.

Province wise distribution of food processing industry is such that the major share of approximately 60% is with Punjab, followed by 30% for Sindh and 6% for Khyber Pakhtunkhwa, while rest is divided between Balochistan and Gilgit-Baltistan.³

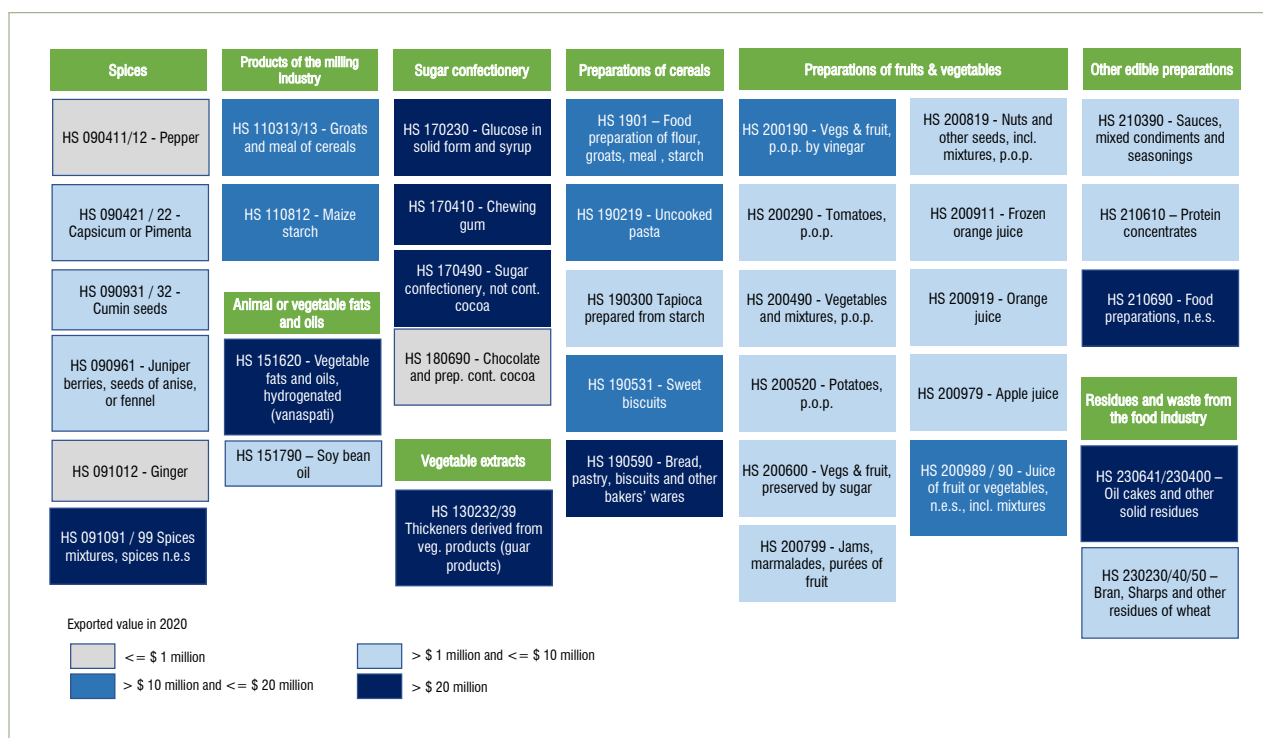
Diversified industry with growing national foothold

The present Processed Food and Beverages Export Strategy does not cover 'Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates' (HS16), as meat preparations are captured under the Meat Sector Strategy. Due to the specific nature of the fish and crustaceans' preparations value chain, it was recommended that these products be treated separately. It is also to be noted that wheat flour (HS 1101), cereals flour (HS 1102) and cane sugar, in solid form (HS 1701) are not currently allowed as per the Export Policy Order, 2020. While these products have been considered in the trade analysis, they are de facto excluded from the scope of this initiative. Finally, products that present a risk to human health (i.e. alcoholic beverages and tobacco) have not been considered.

As Pakistan does not presently have the capacity to produce –or export in significant volumes– all processed food and beverages covered under the above-mentioned classification, a product map defining the strategy's scope was established. This map presents products that are currently being exported as well as some products that are grown locally and that could present significant export potential in the near future. While this list is not intended to be exhaustive, it allows readers to gain a better understanding of the product range covered and the sector's current external position. The product map is presented in Figure 3.

2.– Product group analysis and selection for addressing non-tariff measures, Revenue Mobilization, Investment and Trade project (ReMIT).

3.– Ibid.

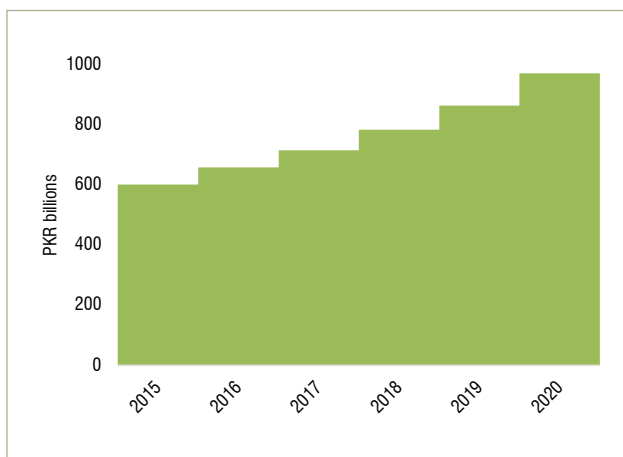
Figure 3: Product map for processed food and beverages

Source: ITC calculations based on UN Comtrade and ITC statistics.

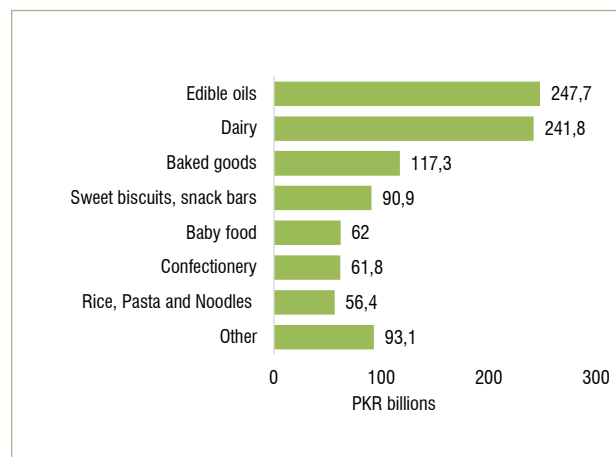
DYNAMIC PACKAGED FOOD SALES GROWTH IN PAKISTAN

Sales of packaged food in Pakistan progressed at a healthy average annual growth rate of 10.2% in 2016–20, to reach PKR 971 billion in 2020 (approximately \$5.7 billion) (Euromonitor, 2021) (see Figure 4). Sales

growth in packaged food in Pakistan is being supported by strong economic growth and an expanding urban middle class with rising disposable incomes, encouraging increasing numbers of households to buy a wider range of convenient products, which are becoming more affordable and accessible.

Figure 4: Sales of packaged food in Pakistan (2015–20) (PKR billion)

Source: ITC calculations based on Euromonitor data (2021).

Figure 5: Sales of packaged food in Pakistan, by product category (2020) (PKR billion)

Source: ITC calculations based on Euromonitor data (2021).

Packaged food sales are dominated by edible oils (26%), dairy products (25%), baked goods (12%) and sweet biscuits and snack bars (9%) (see Figure 5). Shelf-stable products dominate sales in Pakistan, and this is largely due to underdeveloped distribution of chilled and frozen products.

While Nestlé remains the leading player in packaged food, domestic players dominate overall sales, as 8 out of the 10 largest companies in terms of sales are local companies (the other foreign multinational being Unilever). A number of local companies have

indeed emerged as leaders in their respective segments, such as Dalda Foods Ltd in ghee and edible oils, Ismail Industries Ltd in confectionery, English Biscuit Manufacturer (Pvt) Ltd in sweet biscuits and Shahi Enterprises (Pvt) Ltd in herbs and spices.

According to Euromonitor International, packaged food is expected to experience a dynamic increase in demand in Pakistan in the near future, to reach PKR 1,311 billion in 2025, boosted by rising disposable income levels as the country is expected to see stronger economic growth from 2021 onwards.

- Tremendous export opportunities exist for local manufacturers as the global demand for processed food and beverages is on the rise and is expected to experience sustainable and stable growth in the foreseeable future. This growth is especially driven by a growing world population, increasing disposable income and rapid urbanization in developing countries.
- Interestingly for Pakistani exporters, while the global demand for food products remains largely dominated by European and North American industrialized countries, key growth drivers are gradually shifting towards developing countries, in particular China and South-East Asian countries.
- Domestic manufacturers face fierce competition when entering global markets, with an increasing number of food suppliers manufacturing and an ever greater number of food products.
- The domestic food processing industry must keep abreast of the developments of this constantly evolving industry and adapt rapidly to shifting consumer preferences. In particular, consumers' growing health consciousness has driven and reshaped demand for processed food and beverages from Asia, the European Union and the United States
- Pakistani exporters must increase their presence online, as e-commerce sales are rapidly gaining ground and are having a profound impact on the food processing industry and consumer behaviours.

These market trends should guide the future development of the export-oriented processed food and beverages industry in Pakistan, starting with a strong emphasis on ensuring a consistent supply of quality raw material, at competitive prices and in sufficient quantity.

Important socioeconomic dividend could be derived from the industry's export growth

COMPETITIVE ADVANTAGES OFFER PROMISING PROSPECTS FOR EXPORT GROWTH

An immense untapped export potential can be derived from the agricultural sector. Firstly, the country benefits from abundant agricultural resources, leaving it well positioned to grow its food processing sector,

especially its agroprocessing segment, capitalizing on the unique and distinctive fresh fruits and vegetables that each province produces. This great value addition potential can be achieved through a strong drive towards improving productivity in the agricultural sector and developing industrial grade varieties, also considering the opportunity to develop the supply of organic agricultural production. A more efficient domestic supply chain that better caters to the processed



©shutterstock

food industry's needs also holds tremendous potential towards significant increase in farm income through creation of a market for farm products and generation of off-farm employment opportunities.

Its geostrategic location also gives Pakistan an important advantage to attract investment. At the crossroads of Asia, with China as its neighbour in the north, India in the east, and the Islamic Republic of Iran and the Islamic Republic of Afghanistan in the west, Pakistan is ideally located to cater for the increasing demand for food products in the region. The country also has a strategic access to landlocked Central Asian states through Afghanistan.

The rising domestic demand for processed food should boost production and encourage more players, domestic and foreign, to enter the market. Anticipated economic recovery and an expanding urban middle class with rising disposable incomes will inevitably boost domestic sales of a wider range of convenience food products in Pakistan. The experience gained on the domestic market should then allow private operators to venture into export activities.

In particular, upgrading the fruit and vegetable value chains will allow to better cater for the needs of the domestic processed food and beverages industry, thus stimulating value addition through processing. Pakistan can explore opportunities in its top horticultural commodities, including citrus, mango and potato. In particular, the product space for the processed horticulture food segment is concentrated in potato fries and chips, citrus juices and jams, and tomato paste and ketchup. However, processing export-quality food

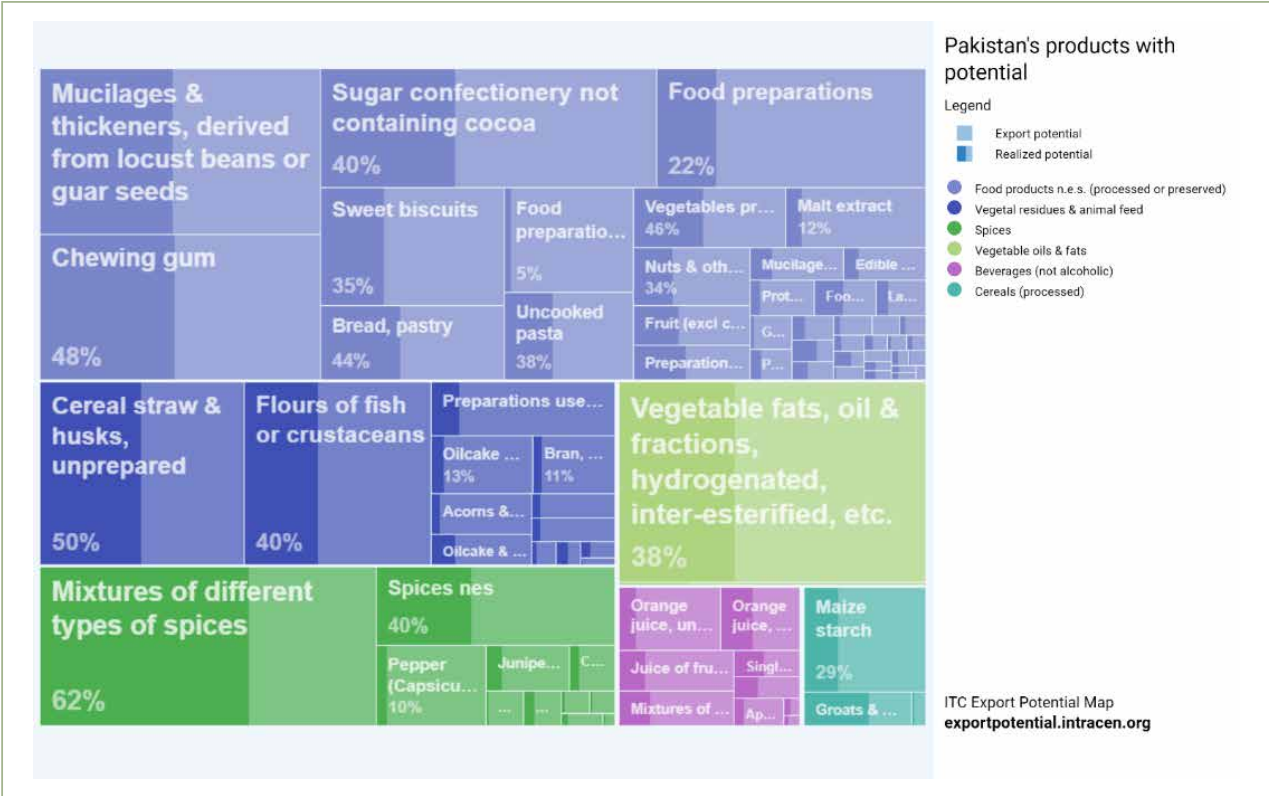
products is currently constrained by the unavailability of industrial grade varieties and surplus production, among other things. This partly explains the fact that, currently, it is estimated that a mere 3% of the fruits produced in Pakistan is processed into value-added products such as pulps, concentrates, frozen and preserved products (3%).⁴ Improving yields and the varieties produced and expanding the associated downstream industry in a more structured and modern way will, therefore, ensure that processing firms have consistent access to quality raw material suitable for industrial processing.

While the emphasis is currently on catering to the domestic market, a tremendous export potential remains untapped. As described above, it is anticipated that the global demand for processed food will continue to grow in the near future, offering promising opportunities for Pakistani exporters. According to ITC's Export Potential Map, the industry's untapped export potential exceeds \$470 million.⁵ The tool estimates that the unrealized potential is considerable for ghee, spices, vegetable residues and animal feed, guar products, sugar confectionery, fruit juice and biscuits, to name a few (Figure 6). The tool further indicates that a number of currently untapped markets could generate significant revenues for Pakistan's exporters of processed food products, including China, the United States and Gulf countries, in particular the Kingdom of Saudi Arabia and the United Arab Emirates. The analysis further highlights the industry's overdependence on the Afghan market, as exporters from Pakistan appear to be trading 'over' the calculated export potential for processed food with Afghanistan (Figure 7).

4.– Product group analysis and selection for addressing non-tariff measures, Revenue Mobilization, Investment and Trade project (ReMIT).

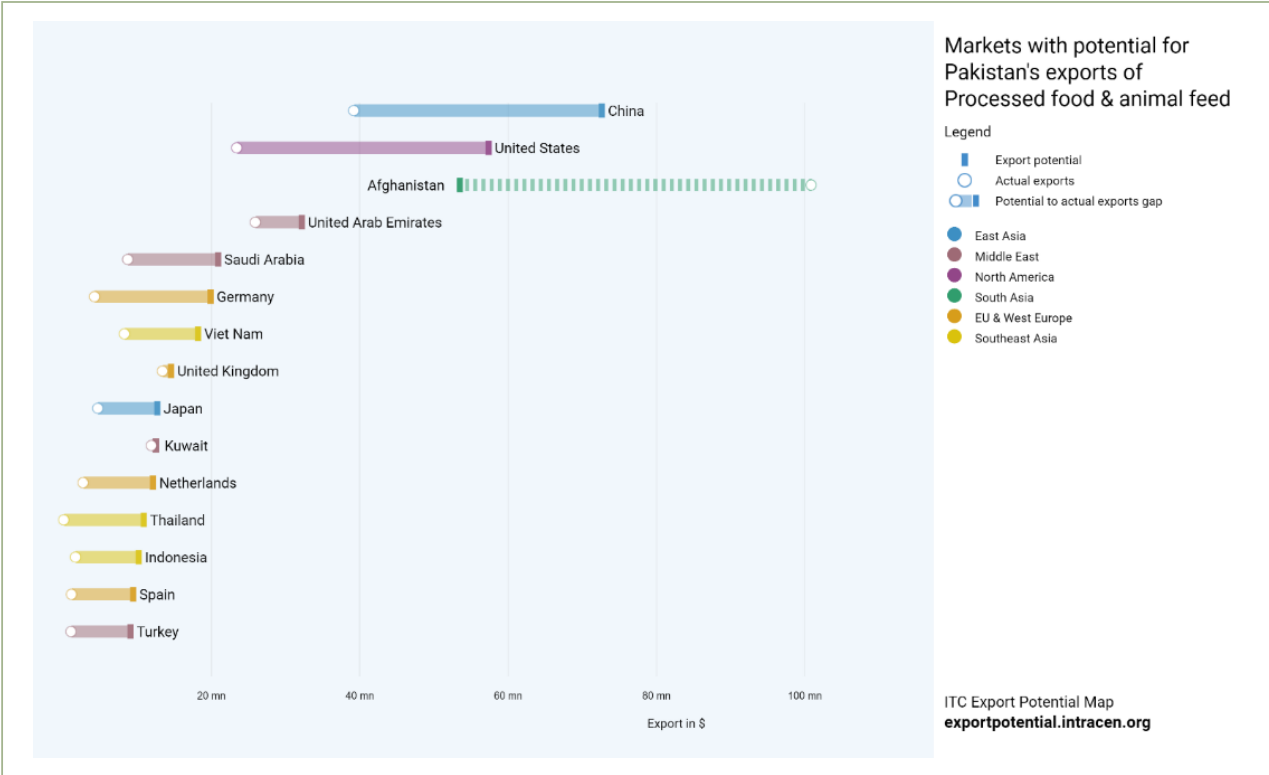
5.– The Export Potential Indicator identifies the potential export value for any exporter in a given product and target market based on an economic model that combines the exporter's supply, the target market's demand, market access conditions and bilateral linkages between the two countries.

Figure 6: Pakistan’s processed food and beverages products with export potential



Source: ITC Export Potential Map.

Figure 7: Markets with greatest potential for Pakistan’s exports of processed food and animal feed



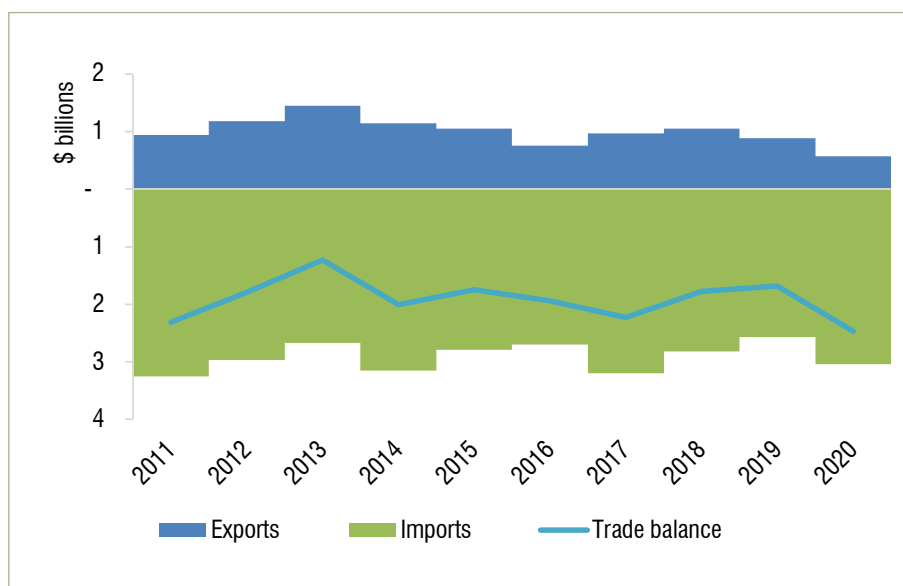
Source: ITC Export Potential Map.

Developing domestic processed food value chains segments offers important prospects for import substitution. While local food processors emerged as leaders in their respective market segment domestically, the industry's export performance remains limited. As a result, Pakistan is a net importer of processed food products and remains highly dependent on a number of import products to meet the domestic demand for convenience food. According to Comtrade data, processed food imports have oscillated between \$2.5 billion and \$3.2 billion in the past decade. In particular, the country imported \$2.1 billion worth of palm oil in 2020, making this commodity the largest non-hydrocarbon import and accounting for approximately 74% of the country's total imports of processed food and

beverages (and nearly one-third of all Pakistan food imports). Other significant import products include food preparations of cereals (5%), cane sugar (4%), animal feed (2%) and soybean oil (2%). As processed food exports have, overall, followed a downward trend in the same period, the trade deficit in processed food tends to worsen, reaching \$2.5 billion in 2020, its lowest level in a decade, in turn significantly impacting Pakistan's overall trade balance.

Stimulating the processed food and beverages industry through improved productive capacities and a better integration of the local agricultural value chains will allow the sector to generate additional export revenues and contribute to import substitution.

Figure 8: Pakistan's imports, exports and trade balance of processed food (2011-20) (USD million)



Source: ITC calculations based on UN Comtrade data.

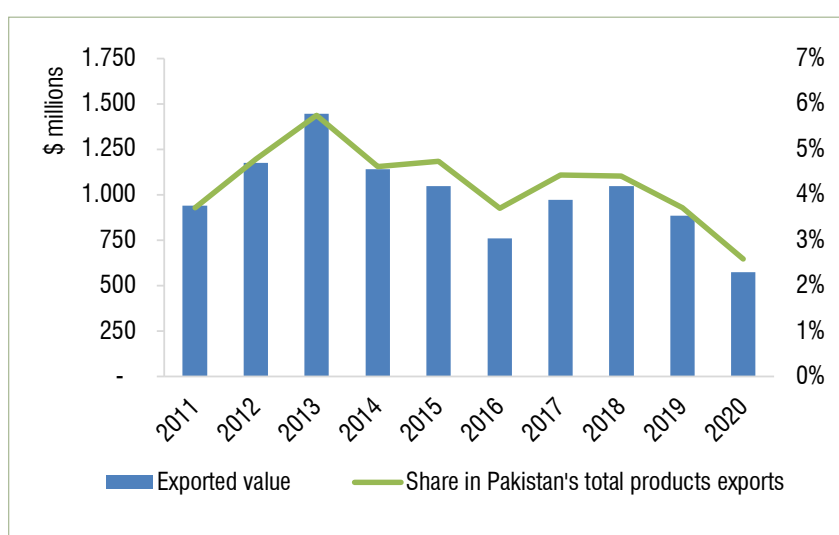
The industry emphasizes catering to the domestic market with limited export performance

Pakistan's export earnings from the processed food and beverages industry have been limited and volatile. The exported value generated by Pakistani manufacturers of processed food products (excluding fish and meat processing) was estimated at \$574 million in 2020, or approximately 2.6% of Pakistan's total product export (see Figure 9). The sharp contraction in export value observed in recent years (exports nearly halved in 2020 compared to their 2018 level) is partly due to export

prohibitions on food products introduced by the Government of Pakistan in its 2020 Export Policy Order to ensure domestic food supply at the outset of the COVID-19 outbreak. The main products concerned include wheat flour (HS 1101), cereals flour (HS 1102) and cane sugar, in solid form (HS 1701). The introduction of restrictions on vegetable ghee and cooking oil (HS 151620) exports to Afghanistan have also contributed to weaken the processed food industry's export performance.



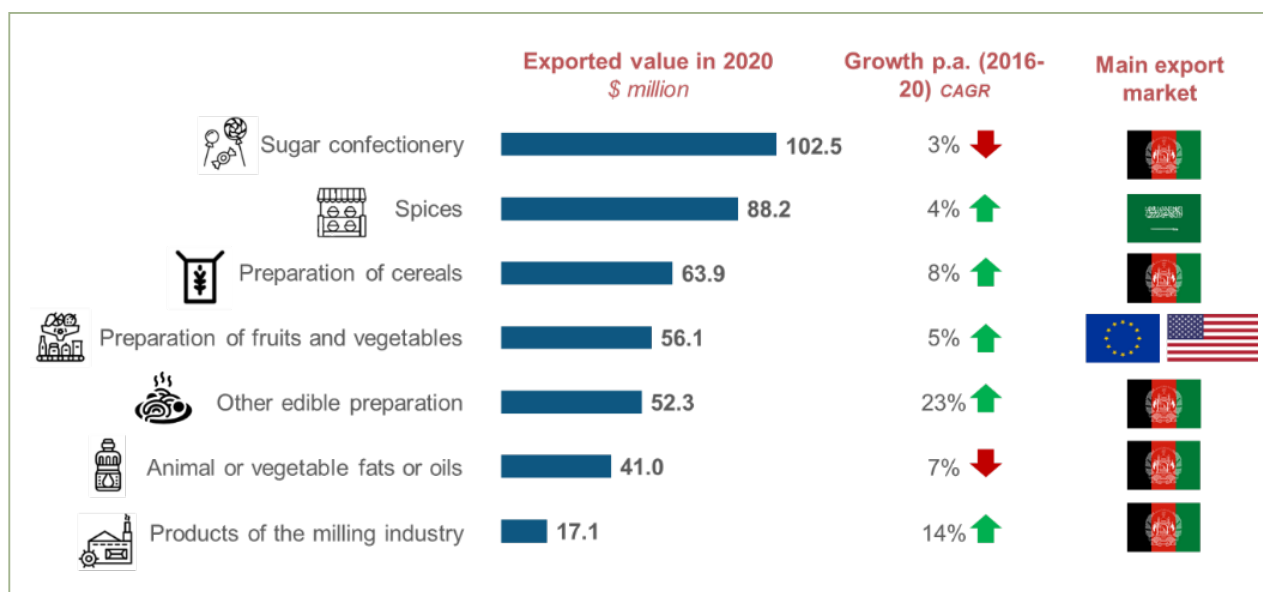
©shutterstock

Figure 9: Pakistan's exports of processed food and beverages

Source: ITC calculations based on UN Comtrade data.

Table 2: Main processed food products exported by Pakistan in 2020, in value

HS code	Product	Exported value in 2020, USD million	Share in industry exports
'091091	Spices, mixtures	72,8	12.7%
'210690	Food preparations, n.e.s.	48,7	8.5%
151620	Vegetable fats and oils, hydrogenated (ghee)	40,8	7.1%
190531/90	Bread, pastry, cakes, biscuits	39,1	6.8%
130232	Thickeners, derived from locust beans or guar seeds	38,3	6.7%
'170230	Glucose in solid form and syrup	38,0	6.6%
'170410	Chewing gum	34,4	6%
'170490	Sugar confectionery	29,5	5.1%
Various HS codes under HS20	Fruits & vegetables, prepared or preserved	25,1	4.4%
'230120	Flours, meals and pellets of fish	22,6	3.9%

Figure 10: Pakistan's exports of processed food in 2020, by market segment

Source: ITC calculations based on UN Comtrade and ITC statistics.

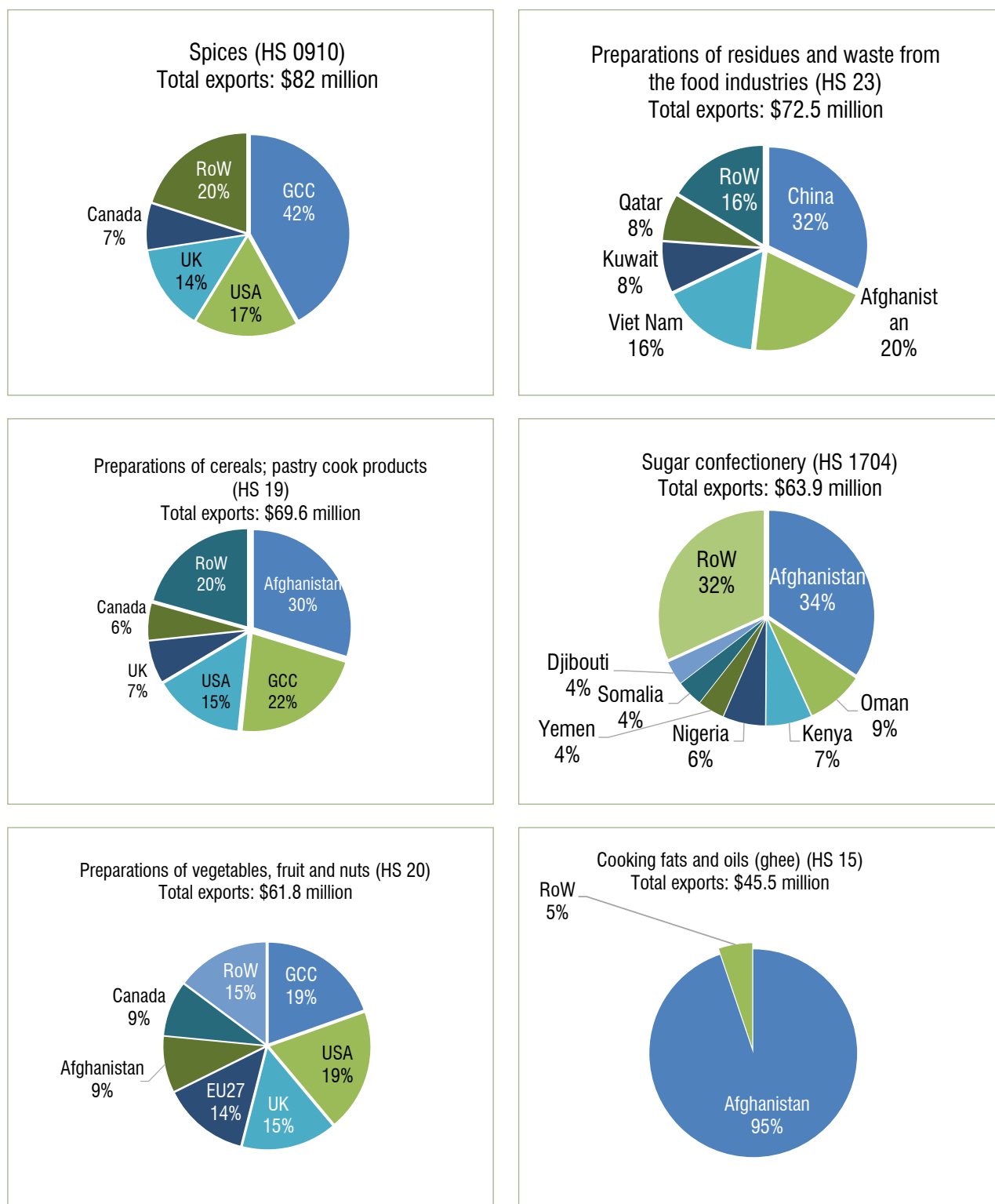
Pakistan's processed food and beverages exports are concentrated in a relatively limited number of products. As illustrated in Figure 10, the confectionery market segment dominates international sales of processed food from Pakistan (i.e. 18% of the industry's exports in 2020), in particular through exports of glucose in solid form and glucose syrup, chewing gum and sugar confectionery not containing cocoa. Pakistan also exports large quantities of spices (13%), hydrogenated vegetable fats and oils, commonly referred to as ghee (7%), guar products, mainly in the form of gum to be used as a thickening agent (7%), bread, pastry, cakes and sweet biscuits (7%), as well as some food preparations (8.5%), including flavouring powders, emulsifying agents, syrups and squashes, sodium iron, protein hydrolysates, concentrates for aerated beverages, and sweet meats and preparations, including tablets consisting of Saccharin.

While the processed fruits and vegetables segment holds tremendous potential given the country's large horticultural production, its share in Pakistan's processed food industry exports in 2020 was less than 10%. In particular, Pakistan's exports of processed products derived from this segment, which almost exclusively consist of citrus frozen and fresh citrus juice, only amounted to \$9.7 million in 2020 as compared to fresh citrus exports of more than \$205 million that same year. Similarly, while Pakistan is the fifth-largest producer of mangoes in the world, with 1.7 million tons produced in 2020–21 (MNFSR, 2021), export of value-added products is almost negligible. Exports from

the fruits and vegetables processing subsector are dominated by prepared or preserved fruits and vegetables (accounting for 44% of the subsector's exports in 2020), fruits and vegetables juices (39%, of which 17% is citrus juice) and jams, purées or pastes (17%). This market segment has nevertheless managed to penetrate higher-end European and North American markets.

Exports from the different market segments of the Pakistani processed food industry are heavily dependent on a limited number of markets, dominated by Afghanistan. The Afghan market captures 95% of Pakistan's international sales of cooking fats, 34% of its exports of sugar confectionery and 30% of its exports of cereals preparations of cereals, including bread, pastry, cakes and sweet biscuits. Other major trading partners for Pakistan food products manufacturers and exporters include Gulf Cooperation Council (GCC) countries, including Saudi Arabia and the United Arab Emirates, particularly in the spices, processed fruits and vegetables and cereals preparations (mainly biscuits and pasta) segments. Exports to the Chinese market from the industry are currently limited to preparation of residues and waste from the food industries, unfit for human consumption.

Few commodities have so far managed to meet stringent quality and food safety standards imposed by the European, and British in particular, and North American markets, which have a large Pakistani diaspora. These include spices, processed fruits and vegetables (i.e. fruit juices and prepared or preserved produce) and, to a lesser extent, pastry cook products and biscuits.

Figure 11: Importing markets for the main processed food and beverages products exported by Pakistan (2020)

Source: ITC calculations based on UN Comtrade and ITC statistics.

Pakistan's food and beverages industry's attractiveness to FDI is still limited

Foreign direct investment inflows in the industry have been limited in the past decade. Apart from two large investment projects recorded in the food segment in FY 2012/13 and FY 2016/17, foreign direct investment (FDI) inflows in the industry have, overall, been limited and volatile, with no clear upward trend (State Bank of Pakistan, 2021) (see Figure 12). This is all the more worrying as FDI inflows in the sector for the last two fiscal years have been the lowest for the 10-year period, accounting for a mere 1.2% (FY 2019/20) and 2.3% (FY 2020/21) of the total FDI inflows in Pakistan.

Pakistan's processed food and beverages sector attracted a cumulative total of FDI inflows of approximately \$1.8 billion between FY 2012/13 and FY 2020/21, mainly targeting the food segment (80%). According to the data collected by ITC's Investment Map tool, these investments mainly originated in Western economies, and the United Kingdom, the Kingdom of the Netherlands and the United States were the largest investors in the sector, together accounting for approximately 80% of the total FDI inflows in the processed food and beverages sector (see Figure 13).

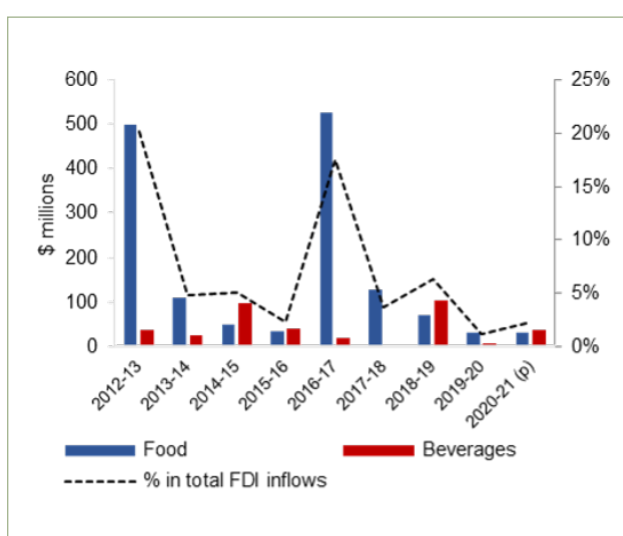
According to the Board of Investment (BOI), the sub-sectors demonstrating the greatest potential for FDI attraction and linkage and, therefore, deserving most attention for proactive investment promotion include:

- Olive oil extraction;
- Value addition units in fruits and dairy;
- Frozen foods, including fruit, vegetables and meat;
- Potato powder and flakes.

It is expected that any major increase in FDI in the sector would be focusing on domestic value addition, bringing more diversified food options to the local population, improving the balance of trade through import substitution, and eventually creating an export-oriented industry that could become another engine for industrial development, job creation and global economic integration.

Investment opportunities notably exist to achieve the potential of value addition in horticulture food processing, in particular in products providing export opportunities such as fries and crisps, citrus juices and tomato puree and paste.

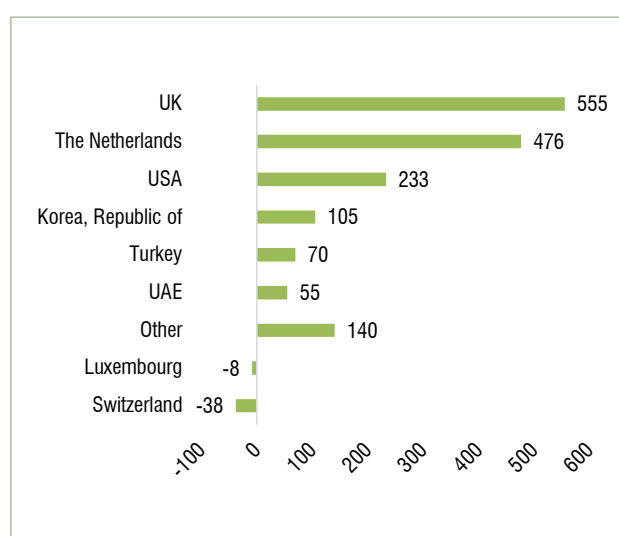
Figure 12: Foreign direct investment inflows in Pakistan's food and beverages sector



Note: Per fiscal year, in USD millions; (p): provisional.

Source: State Bank of Pakistan, 2021.

Figure 13: Countries investing in the manufacture of food products and beverages in Pakistan, cumulative total (2011–2019)



Note: USD million.

Source: ITC Investment Map.

- Pakistan's export earnings from the processed food and beverages industry have been limited and volatile, only amounting to \$574 million in 2020, or less than 3% of Pakistan's total product exports.
- The industry's international sales are concentrated in a relatively limited number of products, including spices, confectionery, cakes and biscuits and prepared fruits and vegetables.
- Exports from the different market segments of the Pakistani processed food industry are heavily dependent on a limited number of markets, dominated by Afghanistan, leaving the sector exposed to product- and partner-specific shocks.
- Most market segments have not yet managed to meet stringent quality and food safety standards imposed by the European, and British in particular, and North American markets, which have a large Pakistani diaspora.
- Competitive advantages offer the domestic food processing industry promising prospects for export growth, in particular with an immense untapped potential to be derived from the agricultural sector.

In order to unlock the tremendous export potential of the Pakistan processed food and beverages industry and move up the global value chain through greater product and market diversification, the sector will need to work collectively to achieve the necessary structural improvements at all stages of the value chain.



VALUE CHAIN AND COMPETITIVENESS DIAGNOSTIC



©shutterstock

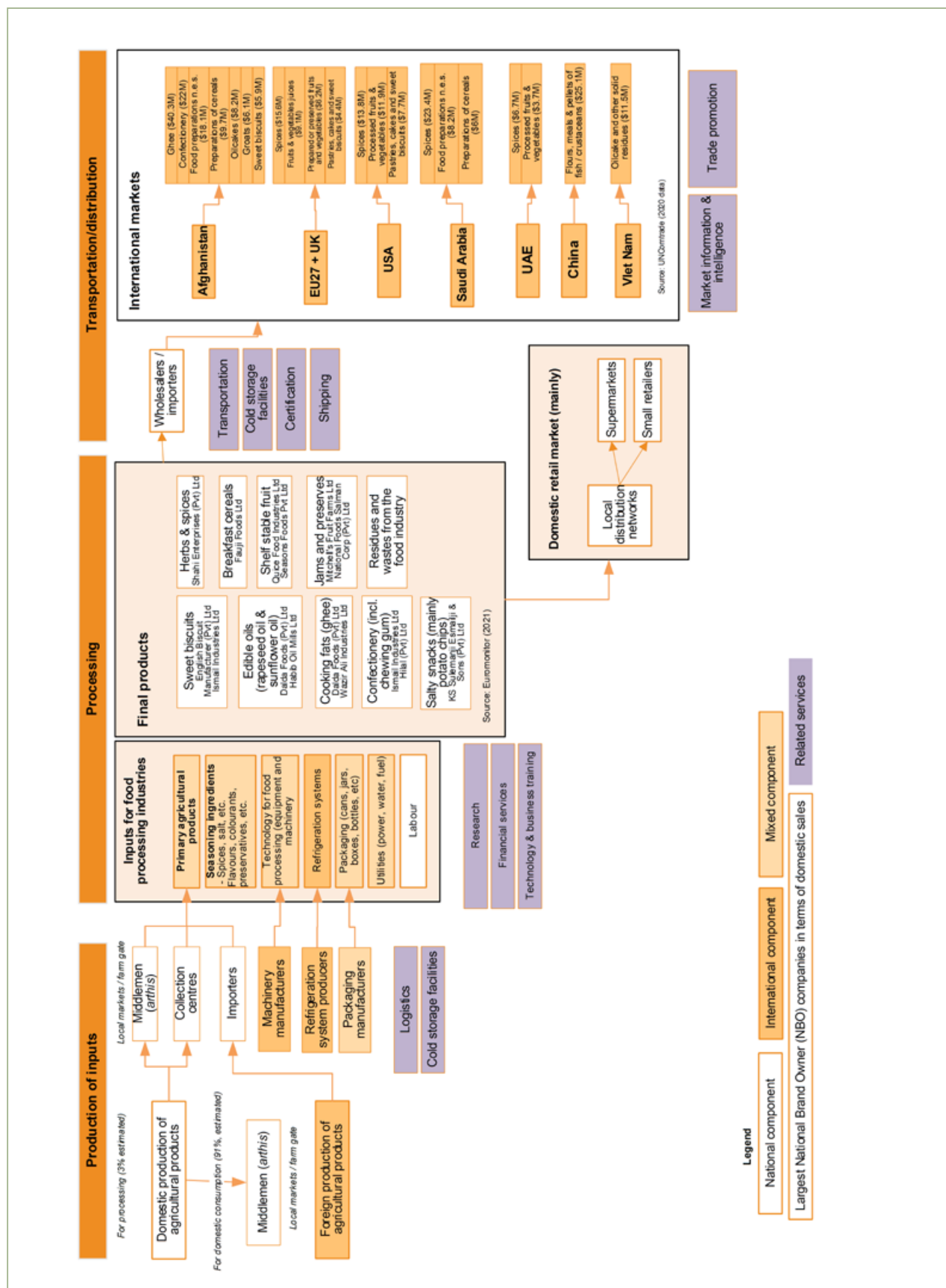
A value chain is simply a visual representation of all the transformation processes and supporting services required to move a product or service from conception through to delivery and the final consumer.

A value chain map:

- Is a visual representation of the processes required to bring a product to market;
- Creates a common understanding of the sector's structure and how it operates;
- Identifies the various stakeholders participating in sector production and their performance;
- Provides a tool to analyse where gaps in performance occur and where improvements to the sector could be undertaken.

Value chain analysis is used to investigate a sector's competitiveness, identify issues and define opportunities for strategic planning. The value chain for the processed food and beverages sector in Pakistan is presented in Figure 14.

Figure 14: Value chain diagnostic



Source: ITC.

INSTITUTIONAL AND POLICY SUPPORT ECOSYSTEM

The success of the processed food and beverages sector will not only depend on the internal capacities of the companies operating in the industry, but also on the role of the various ministries and public institutions, as well as other technical agencies. For the sector to achieve long-term sustainable growth, participating enterprises must be able to rely on a capable network of government and private sector support institutions. The overall trade support network (TSN) of Pakistan's processed food industry is considered for this sector strategy as the aggregate institutional framework in the country, bringing together those institutions that have a particular interest in or bearing on the sector's export development and competitiveness. Broadly, the TSN presented in Box 2 comprises the following support areas: policy support network, trade services network, business services network, and educational services and civil society network.

The roles and responsibilities of the different institutions involved in the development of the food processing industry in Pakistan need to be clarified.

There is no clear delineation of roles and mandates between the different actors involved in food processing activities, and there is limited coordination to guide sector development with a strategic focus. In particular, the industry is not affiliated to any line government agency responsible for driving sector development and addressing the main issues faced by operators. This situation highlights the need to clearly define the roles of relevant trade and investment support institutions to foster sector development, investment promotion and export promotion. In particular, formal affiliation of the food processing sector to the Ministry of Industries and Production, which oversees industrial development in the country, could be considered, including the creation of a specialized and dedicated unit handling issues related to the industry.

In addition, insufficiently structured subsectors, for example, around professional associations, hampers the emergence of coordinated actions for the industry's sustainable development.

Box 2: Trade and investment support institutions in the food processing industry

Policy support	Ministry of Commerce (MoC) Ministry of Finance <ul style="list-style-type: none"> • Planning Division • Federal Board of Revenue (FBR) Ministry of National Food Security & Research (MNFSR) <ul style="list-style-type: none"> • Provincial food authorities Ministry of Science and Technology <ul style="list-style-type: none"> • Pakistan Council of Scientific and Industrial Research (PCSIR) • Pakistan Standards & Quality Control Authority (PSQCA)
Trade services	Federation of Pakistan Chambers of Commerce & Industry (FPCCI) Ministry of Industries & Production <ul style="list-style-type: none"> • Small and Medium Enterprises Development Authority (SMEDA) Ministry of Commerce <ul style="list-style-type: none"> • Trade Development Authority of Pakistan (TDAP) Pakistan Association of Food Industries (PAFI) All Pakistan Fruit & Vegetable Exporters, Importers & Merchants Association (PFVA) Other sector associations
Business services	Ministry of Maritime Affairs <ul style="list-style-type: none"> • Directorate General Ports & Shipping Zarai Taraqati Bank Limited
Academia and civil society	University of Agriculture Faisalabad (UAF) Pakistan Agricultural Research Council (PARC), under MNFSR Provincial agricultural universities and research organizations Centre for Agriculture and Bioscience International (CABI)

CURRENT INITIATIVES IN THE PROCESSED FOOD AND BEVERAGES INDUSTRY

Agrifood processing (AFP) facilities

Agrifood processing (AFP) facilities is a public sector initiative established in Multan as a non-profit public sector company. The plan was developed and executed by the Small and Medium Enterprises Development Authority (SMEDA) of the Ministry of Industries & Production on behalf of the Federal Government. The Punjab Small Industries Corporation (PSIC), representing federal and provincial governments, and from the private sector, the Mango Growers' Association and the Multan Chamber of Commerce and Industry took part in the initiative.

The AFP is a common facility centre for farmers to get their fruits processed according to international standards. The unit's main function is processing of different fruits/vegetables to produce pulp/puree and to provide a grading facility of citrus for local growers, farmers, processors and allied businesses. AFP facilities provide exposure to stakeholders about latest fruit and vegetables processing techniques. It would provide the processing facilities for pulp extraction on state-of-the-art imported plants for various fruits like mango, guava and apple, and processing facilities with nominal charges. AFP produce would further be used by manufactures of fruit/vegetable juices, jams, squashes and ice cream. The AFP company has been certified for Hazard Analysis and Critical Control Points (HACCP) and organic production.⁶ Taking the lead from this initiative, a few such facilities were established by the private sector in the same area as well. Such initiatives need to be replicated in other provinces. However, there is a need to constantly upgrade such facilities according to growing international needs and standards, and AFP Multan also needs to be upgraded with state-of-the-art machinery and equipment to meet the requirements of export destinations.

Government programmes announced in the current financial year

The Government of Pakistan reduced the rate of the Long Term Financing Facility (LTFF) for exporters from 6% to 5% in 2021 and per project LTFF limit has been

enhanced to PKR 5 billion from PKR 2.5 billion. In case of small scale, the government has provided PKR 6.9 billion to support the small and medium-sized enterprises (SMEs). Further, the prime minister approved the National SME Policy Action Plan 2020 to provide much-needed support to SMEs. The plan focuses on access to finance, business development services, skills and human resource, technology, market access, infrastructure and entrepreneurship. These efforts made the small-scale sector grow by 8.3% in 2021.

This approved action plan with a specific timeline for interventions includes actions by federal and provincial governments in the following areas of the food processing industry:⁷

- Seed sector reforms
- Digital subsidy mechanism
- Mechanization
- Post-harvest storage
- Restructuring research institutes
- Olive deepening
- Value chain development
- Perishable produce
- Organic farming
- Clusters (fruit and vegetable)

Promotion of olive cultivation under the Public Sector Development Programme (PSDP)

Olive oil production has witnessed a surge in the recent past. More than nine advanced oil extraction plants have been installed in the country under the Public Sector Development Programme (PSDP) to promote olive cultivation in Pakistan.⁸ Under the PSDP, the government is cultivating more than 50,000 olive plants annually and olive production has crossed 11,000 tons in one season, which can lead towards not only less import of olive oil, but export potential can also be used. The Governments of Punjab and Khyber Pakhtunkhwa have declared Pothwar and Sang Batti regions olive valleys. According to Pak Olive, a government project under the Ministry of National Food Security & Research for promotion of olive and olive oil production in the country, olive oil production will be approximately 16,000–17,000 tons by 2027.⁹

The export of extra virgin olive oil can be made from Pakistan provided that modern facilities for oil extraction with international standardization are established. Afghanistan can be a good market for Pakistani olive

6.– Ministry of Industries & Production (MOIP), Islamabad and <https://www.afpf.org.pk/>.

7.– Ministry of National Food Security & Research.

8.– <https://profit.pakistantoday.com.pk/2021/01/12/nine-olive-extraction-plants-installed-under-psdp/>.

9.– <http://www.pakolive.com/overview.php>.

oil, as the nominal transportation cost makes it more viable for both the countries. More than 4 million hectares of land in Pakistan has been found suitable for

farming, while the Kingdom of Spain supplies the major share of the world's olive supply with half of that land.¹⁰

Competitiveness constraints

The value chain diagnostic above outlines the operations of the processed food and beverages industry in Pakistan and provides an overview of the constraints faced by stakeholders at each stage in the chain. To remain realistic and resource efficient, this strategy will not be able to focus on all the issues affecting the value

chain. An informed selection of the most important issues was made. To assess relative importance, criteria used were the level of disturbance (perceived by national stakeholders) and the ease of resolution (both in terms of cost and time involved). The most pressing issues are presented in this section.

Table 3: Longlist of competitiveness constraints

Constraints	Root causes	Ease of resolution (Grade 1-5; 5- very difficult)	Urgent action needed (Grade 1-5; 5- very urgent)
Input level			
Underdeveloped supply chains, particularly those for refrigerated foodstuffs	Lack of well-integrated value chains linking farmers, market functionaries, exporters and processors.	4	1
	Lack of cold chain systems and proper storage facilities, resulting in substantial post-harvest loss.	4	2
Lack of a mechanism for smooth and uninterrupted supply of raw material for processing	Lack of legal instruments and mechanisms to enable the enforcement of contract farming agreements between food processors and farmers.	4	4
	The prevalence of traditional market systems centred on intermediaries, or <i>arthis</i> , who generally purchase crops and provide informal credit.	4	3
High costs of intermediaries affect the competitiveness of Pakistan food manufacturers on international markets	Prevalence of excessive import tariffs, in particular on intermediate goods and machinery, including spare parts, chemicals and packaging materials.	1	3
	Limited availability of locally manufactured intermediaries and modern technologies for food processing purposes.	4	2
Production and processing level			
Difficulties in securing proper processing skill set, knowledge and management, in particular for SMEs	Limited availability of vocational training and curricula dedicated to food science.	2	4
	Managerial skills and business skills in general are lacking, in particular in small-scale food processing units.	2	4
Food processing units are mostly based on inefficient technology and machinery	Difficulties in accessing finance, in particular for micro, small and medium-sized enterprises (MSMEs), limit the industry's investment capacities.	4	4
	Excessive import tariffs on processing equipment and machinery.	2	3
	Limited FDI in the sector, an important vehicle for technology transfer.	4	2

10.— Agriculture Department, Government of Punjab.

Constraints	Root causes	Ease of resolution (Grade 1-5; 5- very difficult)	Urgent action needed (Grade 1-5; 5- very urgent)
Very few food processors have food safety and quality management certification	Ensuring compliance with internationally recognized quality management systems (QMS) represents an additional cost, which becomes a major barrier to entry for most manufacturers.	3	4
	Limited awareness and application of food safety management systems (e.g. Good Hygienic Practice, Good Manufacturing Practice and HACCP guidelines. Overall, information on export quality management is inadequate.	3	4
	Most food processors place emphasis on catering to the domestic market, which is less stringent in term of food safety requirements.	4	2
Insufficient protection of intellectual property rights (IPR) inhibits innovation	The necessary protection through secured patents and trademarks is insufficient, resulting in the presence of low-quality imitations and counterfeits in the market.	3	2
Logistics and distribution levels			
The distribution of products with cold storage requirements is hindered by insufficiently developed cold chain systems	Underdeveloped state of cold chain networks and systems, including cold storage or cool chain and temperature control warehousing. Overall lack of integrated solutions available for cold chain products.	4	3
	Lack of refrigerated vehicles (i.e. reefers), limiting the volume of temperature-sensitive goods that can be transported throughout the country.	4	3
	There is limited domestic demand and the margins to justify heavy investment in a high-quality cold chain are unavailable. In particular, high costs associated with reefers along with quality constraints limits their adoption for the domestic market.	4	3

Deeper discussion of selected key issues

SUPPLY LEVEL

Prevalence of bottlenecks in sourcing domestically produced agricultural raw materials prevents the food processing industry from thriving

1. **High costs of locally sourced raw agricultural material.** The limited uptake of good agricultural practices and the overall low productivity levels observed in the agricultural sectors, coupled with inefficient market systems, result in a high cost of raw materials supply for processors, making it cheaper to import in some cases.
2. **Unavailability of the varieties required for industry grade produce of fruits and vegetables.** The characteristics of produce grown in Pakistan are not viable for processing needs for value-added products, including nature (specific variety to be used for processing), colour (consumer preference), Brix content (there is a minimum level ideal for processing fruits), and grade, shape and texture (e.g.

tomato varieties grown in Pakistan are not suitable for tomato paste production). Additional resources must be mobilized to strengthen the R&D capacity to develop fruit and vegetable varieties that better match the needs of the food processing industry.

3. **The volumes available with the required quality and characteristics do not match the demand from the processing companies.** The limited surplus production and the lack of aggregation limits the possibility for food manufacturers to source their agricultural raw material locally.
4. **Lack of a mechanism for smooth and uninterrupted supply of raw material for processing.** A traditional informal crop contracting system prevails, whereby most farmers sell their produce to farm contractors through verbal or written contracts. This system is inefficient and does not allow for a mechanism for assured supply of inputs at a future price for the food processing industry.

» **Relevant activities in the PoA for supply level:** 1.2.2; 1.2.3, 1.2.4; 1.3.1, 1.3.2, 2.1.2; 3.1.3; 3.1.4.

PRODUCTION AND PROCESSING LEVEL

Limited processing capacity remains a binding constraint for making export-quality food products

1. Applying knowledge is required to foster diversification into high-value-added products. The limited availability of food technicians hinders the development of sophisticated, higher-value-added products and hinders innovation. Appropriate managerial skills and business skills more generally are also required to improve the sector's efficiency and boost competitiveness.
2. The limited uptake of modern processing and packaging technologies hampers the application of quality and food safety standards. Most food processors, in particular small-scale operators, rely on indigenous technology to process their food products. In order to achieve efficiencies for exporting and for meeting international quality standards, modernizing and refurbishing existing processing units is required.

Access to high-end markets is challenged by insufficient product quality and gaps in the quality infrastructure

1. Complying with stringent sanitary and phytosanitary (SPS) measures and food safety standards imposed by high-end markets represents an absolute barrier to trade. This is especially the case for most small-scale food manufacturers, who do not possess the necessary financial capacity to upgrade their processing units.
 2. Difficulties with conformity assessment requirements. They are mostly affected by the time and the costs to obtain the required quality and SPS certificates, as confirmed by the ITC non-tariff measures (NTM) survey conducted in Pakistan in 2019. High costs and administrative hurdles related to conformity assessment mean it is actually tougher to prove compliance with regulations than to actually comply with the requirements of importing countries.
 3. The non-uniformity of food quality standards in various provinces and the subsequent lack of uniform national standards for processed food and packaging in line with regional and international benchmarks does not stimulate the production of high-value processed food products of superior quality.
- » Relevant activities in the PoA for production and processing level: 2.1.1; 2.1.2; 2.1.5; 2.2.1; 2.2.2; 2.2.3; 2.2.4; 2.3.1; 2.3.3; 3.3.1.

MARKET LEVEL

Insight into international market trends is limited due to an insufficiently developed market intelligence function

Unavailability of critical data. There is no easily accessible and updated information for all relevant information that an exporter would need, including on demand trends in the international markets, export requirements and procedures, consumer preferences and customs duties, etc.

Inefficient logistics continues to inhibit export competitiveness

1. Poor logistics infrastructure, especially for perishable goods. In particular, the lack of proper warehouse and cold storage facilities at major borders points is a serious impediment to trade.
2. The number of containers available for road transportation, the most commonly used commercial freight for processed food in Pakistan, is mostly inadequate. This leads to significant delays, which is a hindrance for perishable goods exports in particular.
3. Shipping lines are reportedly charging excessive rates to exporters. It was pointed out during the stakeholders' consultations that a few shipping companies have monopolized the market, creating an artificial shortage to make higher profits, in turn inflating export costs for food manufacturers. This phenomenon was amplified during the COVID-19 crisis.
4. Due to prohibitive airfreight charges, only small volumes are currently shipped by air from Pakistan. Another major limiting factor is the small number of airlines companies currently operating in Pakistan, which limits the number of markets that can be easily reached at a non-prohibitive cost.

» Relevant activities in the PoA for market access level: 2.1.1; 3.1.1; 3.1.2; 3.1.3; 3.1.4.

A number of impediments contribute to Pakistan's inability to increase its processed food products exports at all stages of production; i.e. raw agricultural products supply, processing techniques and technologies, marketing and distribution.

The present strategy provides tailored responses to the most pressing needs voiced by the main stakeholders involved in the development of the processed food and beverages industry in Pakistan.

THE WAY FORWARD

Based on the analysis and findings of the Pakistani processed food and beverages industry and the competitiveness challenges and opportunities it faces, this chapter provides recommendations for strategic targeting of key products and markets, and puts forward actions to strengthen the industry's competitiveness.

Globalization forces and innovative technologies continue to transform the way processed food and beverages are being manufactured, commercialized and consumed. The present strategy's focus is to assist the local processed food industry understand and incorporate the key drivers of change in their marketing strategies to leverage on the increasing global demand. The strategy delineates a number of strategic orientations for a more resilient, competitive and diversified food processing industry that creates more value and jobs along the value chain.

The global demand for processed food and beverages is on the rise and is expected to experience sustainable and stable growth in the foreseeable future, driven by a growing world population, increasing disposable income and rapid urbanization. The global demand for food products mainly emanates from developed countries and the European and North American markets in particular. At the same time, and most interestingly for Pakistan food manufacturers and exporters, Eastern markets are rapidly gaining market shares, with China emerging as the second-largest importer of food products after the United States. Rapidly growing Association of Southeast Asian Nations (ASEAN) markets also present tremendous

opportunities as convenience is becoming increasingly popular, in particular in Malaysia, Indonesia, Viet Nam and the Philippines.

The dynamism of the global market for food products goes hand in hand with an increasing number of food suppliers manufacturing an ever-greater number of items. This fierce competition makes the differentiation of national production and branding critical, especially for the high-quality production destined to higher-end markets. Against this backdrop, the continuous development of modern, innovative food products and the constant improvement of production processes and management systems are key success factors to become a major food product supplier on the international scene.

Food manufacturers and exporters in Pakistan also have to adapt to a number of emerging consumer trends that take on increasing importance when attempting to capture market share. Food processing is a constantly evolving industry, permanently adapting to shifting consumer preferences. As households are becoming increasingly demanding in terms of quality and safety, with growing health and 'green' consciousness, especially in high-income countries, demand for convenience food is undergoing profound changes. Yet many other influences, ranging from rapid urbanization to the collective focus on health and authenticity, as well as the impact of climate change, are determining not just what is consumed, but also how and where it is consumed.

Key drivers of changes in the global food industry

Changing patterns of consumer demand means that Pakistani processed food and beverages sector will need to adapt to succeed in international markets. The strategy design process considered current capabilities and constraints, and future shifts and opportunities for the sector, and industry stakeholders extensively evaluated future orientations and upgrading trajectories.

Moreover, by solving some of the key competitiveness and growth constraints, the sector can position strongly for export growth. It is necessary to set some

strategic objectives for the short to medium term to drive sector transformation, and prioritize key actions. These strategic objectives for the sector's development are reflected in the strategic foresight and the future value chain, which is the result of consultations, surveys and analysis conducted as part of the Processed Food and Beverages Export Strategy design process, and is rooted in the diagnostic section of the document. The future perspective offers resolution to the current issues and provides the responses to the opportunities, and has two main components:

- A product- or market-related component involving identification of key markets and products for Pakistani exporters;
- Structural changes to the value chain that result in strengthening of linkages or introduction of new linkages.

STRATEGIC FORESIGHT

Technological advances, food safety compliance imposed by importing countries, and changing demographic demands are broad and interconnected megatrends that have driven profound changes in the processed food and beverages industry. To better understand these disruptive changes and how it will affect the current ways of working within the sector, the participants mapped out the current and future trends for the sector, focusing on market and product development (Figure 15). The first column assesses today's way of doing things – both in terms of products and the markets tapped, while the second column assesses where the sector envisages itself in the future. The third column identifies the key success factors or risks that could boost or hinder the transition from the current position to the desired future holding.

Deriving from this, emerging demand determinants include the following trends.

Consumption patterns are progressively shifting to healthier and more sustainable options

In recent years, growing consumer health consciousness has deeply impacted demand for convenience food, with a booming demand for plant-based healthy food and a preference for natural diets. This trend translates to exponential growth in the global organic market, with an estimated total retail sales of more than €106 billion in 2019 (Research Institute of Organic Agriculture survey, 2019), driven by North American and European Union markets (the French Republic and the Federal Republic of Germany in particular). Over the years, a democratization process was observed, with an increased affordability of healthy food products, as healthy food and drink stop being luxuries. The trend towards more environmentally friendly consumption can also be seen in spreading consumer awareness of the issue of food waste and the importance of reducing packaging and waste, favouring the use biodegradable packaging materials.

Increasing demand for time-saving preparation

Time-saving preparation processes and consumers' rising demand for quick and conveniently available food, caused by a relative reduction in the leisure hours available to individuals, is causing people to switch to packaged food. The COVID-19 pandemic has accelerated this trend, with products for at-home consumption becoming increasingly popular as the demand for products that are usually consumed out of home has come to a halt due to the restrictions imposed to limit the spread of the virus. It is to be expected that this change will hold even when restrictions are completely lifted.

Online sales of packaged food products have rapidly gained importance

The rapid development of e-commerce sales is also having significant impacts on the food processing industry and consumer behaviours. COVID-19 containment measures accelerated this digital transformation when businesses and consumers increasingly 'went digital', providing and purchasing more goods and services online as lockdowns and movement restrictions became the norm. Multinationals report that sales through e-commerce are progressively becoming more profitable than traditional retail is. This change is expected to hold even when restrictions are completely lifted.

THE FUTURE VALUE CHAIN

Unlocking the growth potential of the Pakistani processed food and beverages industry will require transformations throughout the value chain, especially to improve connections with local producers. These adjustments, as reflected in the future value chain schematic (Figure 16) are the result of the targeted efforts detailed in the strategy's PoA that address the constraints identified in the competitiveness constraints section. The future value chain will be characterized by:

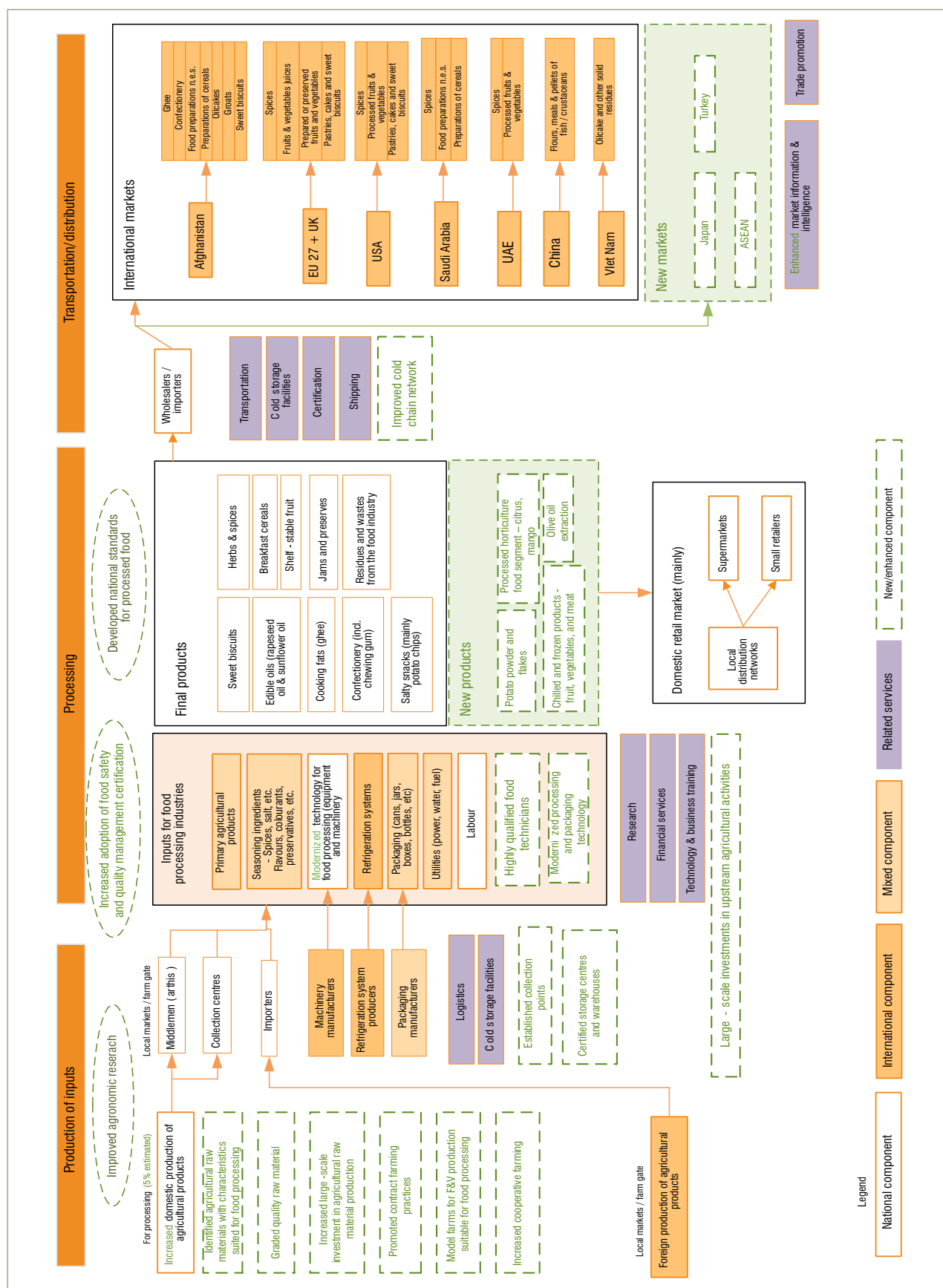
- Improved supply of locally produced agricultural raw materials suitable for industrial processing;
- Upgraded food processors' technical capabilities and strengthened quality and food safety management;
- Improved efficiency of trade services support to strengthen the presence of Pakistani products internationally.

Figure 15: Market and product development exercise

Products	Where we are - (current position)	Where we want to be? - (Future position)	Key factors to consider
	<ul style="list-style-type: none"> Fruit concentrate: Apple juice, chikoo, kinnow Chewing gum Food preparations Fruit syrups / mango pulp Groats and meal of cereals Guar products Honey / jam, purees or pastes of fruit. Maize starch Pasta Pastry, cakes, bread, and sweet biscuits Preserved vegetables Sauces Spices Sugar confectionery Sugarcane molasses Value-added rice products Vanaspati, ghee 	<ul style="list-style-type: none"> Olive oil Jam Onion - dried/fried Noodles Fruits and vegetable paste such as tomato, dates Dried mango Potato starch Mango products (dried/toffee form) Date concentrate Mango concentrate Honey based fruit products Fruits puree such as apple, strawberry, peach, banana Olive (preserved) 	<ul style="list-style-type: none"> Take action against fake pesticides International standards compliance at all stages. Hot water treatment plant for mangoes Quality management systems Local production rather than importing raw materials Improving processing technologies Setting one -window facilitation with advanced IT Increasing awareness at farm level Establishing labs and accrediting Improvement of storage Research and development
Markets	Where we are - (current position)	Where we want to be? - (Future position)	Key factors to consider
	<ul style="list-style-type: none"> Afghanistan Gulf Cooperation Council United Kingdom Hong Kong (juices) Malaysia (mango pulp) Canada (juices) China USA Belgium (mango pulp) Spain (juice concentrate) Turkey (mango pulp) EU (tropical juice, such as mango, guava) 	<ul style="list-style-type: none"> Pectin-based products to China Mango pickles to EU Tomato sauces to GCC Mango pulp to Australia, USA and Japan Volumetric sales of juices in the African countries Juices is a big market in China 	<ul style="list-style-type: none"> Africa, trade agreements and ease of business. Marketing intelligence Single country exhibition and delegation focus on China and Japan Focus on organic products Upgrading the regulatory environment In China, the tariff is low, but acceptance rate for products is difficult. Too many import checks and tests. Signing FTA with Turkey Awareness to comply with TBTs at farm levels e.g. Aflatoxins Terminal issues at seaport

Source: ITC.

Figure 16: The future value chain map



Source: ITC.

Key orientations to drive transformation in the sector

ORIENTATION 1 (SHORT TERM): IMPROVE ACCESS TO DOMESTICALLY PRODUCED AGRICULTURAL RAW MATERIALS SUITABLE FOR FOOD PROCESSING TO ALLOW THE INDUSTRY TO THRIVE

The export performance of Pakistan's food processing industry is hindered by a number of competitiveness constraints, starting with an inadequate supply of primary agricultural products in terms of quality, quantity and consistency, and limited integration of upstream agricultural activity in the food processing supply chain.

Without a steady supply of good-quality, competitively priced agricultural raw materials delivered in a timely manner, established food manufacturers will struggle to thrive and expand their activities, including internationally. The limited access to domestically produced raw material also diverts investments from the food processing sector, and the processed fruits and vegetables market segment in particular.

Ensuring a stronger backward integration with domestic agricultural supply chains would also reduce food manufacturers' dependency on raw material imports, thus strengthening their resilience to external economic shocks and supply disruptions, as highlighted by the COVID-19 crisis, and contributing to import substitution. From a marketing perspective, there are opportunities to capitalize on the unique and distinctive fresh fruit and vegetables that each province produces.

Lastly, a better integration of upstream agricultural activities in the supply chain is a powerful tool to alleviate poverty in rural areas, providing the rural poor with higher income opportunities.

Market focus and strategies

- Build links between food processors and agricultural value chains and support farmer groups planning production according to buyers' requirements. This could be achieved through the progressive introduction of contract farming arrangements, including the development of standard operating procedures, to ensure a consistent supply of quality inputs for the food processing industry (see PoA Activities 1.2.2, 1.2.3 and 1.2.4).

- Improve post-harvest management practices and technologies to reduce losses and improve the quality of primary agricultural products. This would imply strengthening the agricultural sector's technical capacity to supply raw agricultural products to food processors with sufficient quality and quantity (covered under the Fruits and Vegetables Sector Strategy).

Required investments

- Engage massively in cold chain logistics and management to reduce post-harvest loss in the agricultural sector and improve the quality of raw agricultural material available to processing units. A targeted investment promotion campaign should be elaborated to attract foreign companies to develop integrated cold chain systems, in particular establishing and/or upgrading cold storage warehouses and increasing the offerings of integrated cold chain solutions for exporters (including reefer trucks and cargoes). Improving the connectivity between rural areas and agro-industrial centres/urban centres should be central in the investment decision processes (see PoA Activity 3.1.3).
- Large-scale investments in upstream agricultural activities should be encouraged to bring additional land under cultivation of appropriate new varieties for processing and eventually achieve the volumes that processing companies demand. In particular, Pakistan must focus on increasing the production, quality and value addition of the following fruits and vegetables: citrus, bananas, dates, mangoes, tomatoes and potatoes (see PoA Activity 1.3.2).

- Establishing collection points and certified storage centres and warehouses in rural areas would also improve food aggregation, therefore creating a more substantial and consistent supply to meet food manufacturers' demand. Establishing such facilities would also reduce pressure on farmers to quickly dispose of fresh produce to the marketplace during the harvest season, at low prices (covered under the Fruits and Vegetables Sector Strategy).

ORIENTATION 2 (MEDIUM TERM): IMPROVE THE COMPLIANCE OF LOCALLY PROCESSED FOOD PRODUCTS WITH FOOD SAFETY REQUIREMENTS AND SPS MEASURES IMPOSED BY IMPORTING COUNTRIES TO UNLOCK THE SECTOR'S EXPORT POTENTIAL

As demographic and income trends lead to increased demand for convenience foods, consumers are becoming much more conscious of the origin of produce and food safety, and consequently more sensitive to product ingredients labelling and increasingly demanding in terms of assurances of quality and product safety. Due to these trends influencing the manufacture and distribution of food products, food safety compliance has never been more important and translates into heightened attention by authorities to ensure producers of food and beverage products comply with the highest quality and food safety standards.

Every country has different domestic food safety standards, laws and requirements concerning food safety, 'from farm to fork', with which domestic and international food manufacturers alike must comply to in order to sell food products in any given country. Around the world, the majority of laws about food safety are based on two concepts, namely Good Manufacturing Practice (GMP), providing quality assurance guidelines for the production of food, and HACCP, a systemic, risk-based approach preventing the contamination of food in production, packaging and distribution environments.

In addition to complying with the compulsory food safety laws and requirements of the target export market, a number of privately owned international organizations also provide comprehensive guidelines and associated certification programmes auditing food manufacturers on the basis of food safety and hygiene and with which food suppliers could be required to comply. Often building on the ISO 22000 standard setting out the requirements for a food safety management system, these include International Featured Standard (IFS) food standards, Brand Reputation through Compliance of Global Standards (BRCGS), formerly British Retail Consortium, and GlobalG.A.P. These standards support global market leaders in the food industry, ensuring that food quality and safety standards are met in a way that transcends borders. Individual firm standards could also apply in some cases (e.g. Tesco's Nature's Choice or Carrefour's Filières Qualité).

Finally, in response to the recent development in the processed food industry worldwide and in order to respond to consumers' expectations and increasing

sensitivity to product ingredients and labelling, governments around the globe are introducing compulsory food safety measures standardized labelling rules for food and beverage packaging.

Against this backdrop, food processors and manufacturers must establish or update processes to ensure compliance with regulatory standards if they are to penetrate highly demanding markets such as the European Union, the United States and some of the most advanced Asian economies such as Japan, the Republic of Korea and the Republic of Singapore.

Market focus and strategies

- Provide better access to accredited food testing laboratories, allowing manufacturers to comply with food safety requirements. Upgraded existing public quality assessment services would allow for reduced delays in obtaining the required certifications, at lower costs (see PoA Activity 2.3.2).
- Facilitate food processors' compliance with food safety and quality management systems by supporting the adoption of quality and food safety standards and assurance systems in the food processing industry. In order to do so, schemes for manufacturers willing to adhere and comply with internationally recognized certification programmes and standards could be established, including GMP, GlobalG.A.P., HACCP, ISO 9001 and ISO 22000 (see PoA Activity 2.3.3).
- Conduct awareness-raising campaigns on the value of implementing quality food safety systems, in particular for SMEs operating in the sector.
- Reinforce the market intelligence function to provide the industry with up-to-date information about export quality requirements in priority markets, including food safety and animal and plant health measures, but also looking at voluntary certification programmes that could provide a competitive edge to food manufacturers and exporters in Pakistan (see PoA Activity 3.3.1).

Required investments

- Improving quality infrastructure and enforcing quality compliance are key to support private sector development and strengthen export competitiveness. In particular, Pakistan should increase the capacity of local laboratories to carry out required testing and certification on potentially hazardous substances in

food products through the procurement of modern laboratory equipment. State-of-the-art testing facilities would allow for reduced time and costs associated with testing and certification for processors (see PoA Activity 2.3.2).

- **Substantive investments are required to upgrade food processing units throughout the country.** Only by acquiring modern food processing technologies can the industry significantly achieve efficiencies and economies of scale for exporting and meeting international quality standards. A national scheme to support private food processors upgrading their productive structures could be established in this regard (see PoA Activities 2.1.1 and 2.1.4).
- **Engage funds for the development of uniform national standards for processed food and packaging.** These standards must be elaborated in line with regional and international benchmarks and must be made compulsory for food products manufacturers operating in Pakistan. In addition to improving Pakistani citizens' access to safe and wholesome food of the highest standards, enforcing such quality and food safety requirements will stimulate the production of high-value processed food products of superior quality. As a result, domestic manufacturers would be better equipped to venture into more sophisticated export markets (see PoA Activity 2.3.1).

ORIENTATION 3 (MEDIUM TO LONG TERM): DEVELOP NEW INNOVATIVE PROCESSED FOOD PRODUCTS ADAPTED TO INTERNATIONAL CONSUMERS' PREFERENCES

While the presence of Pakistan's processed food and beverages industry in international markets remains limited both in terms of products and market destinations, considerable scope exists for growth and innovation, as the demand for packaged food in various forms is on the rise in both local and international markets.

Considering the high dependence of the sector's export earnings on a limited number of countries, securing new markets and establishing strong trade relationships with an increased number of international buyers will be crucial for operators to reduce their vulnerability to external economic shocks affecting these economies. The expanding consumption of convenience processed food items worldwide offers ample opportunity for market diversification, including in higher-end European and North American markets, provided that market requirements are complied with.

Market focus and strategies

- **In the short term, shelf-stable products with a long shelf life requiring simple ambient storage and needing only minimal transformation present the most promising export opportunities.** This is due not only to the fact that the industry remains at an early stage of development and sophistication, but also to the insufficient development of distribution channels and road infrastructure, and the underdeveloped state of cold chain logistics and management. Product development should also primarily capitalize on the wide variety of unique primary commodities available in the country, primarily through the processing of its top exported horticultural commodities, including citrus, mango and potato. Such products include prepared or preserved fruit and vegetables, jams, fruit purées and pastes, dried fruits, fruit concentrates, potato starch and potato chips.
- **Domestically manufactured food products that have proven competitive on the domestic market should also be supported to expand or venture into export activities, building on the expertise gained.** Such products include cooking fats and oils (i.e. vanaspati and ghee), confectionery, cakes and biscuits, and pasta.
- **In the medium to long term, strengthened supply chains with improved raw agricultural material more adapted to food processors' needs will allow Pakistan to explore value-addition opportunities.** In particular, the industry should focus on expanding its product offering, building on the development of new fruit and vegetable varieties that are more suited for the food processing industry and adapted to international preferences. Such products could include olive oil, soybean-based products, corn-based products, tomato-based sauces, canned fruits and vegetables and organic processed foods.

Required investments

- **Significant investment in research and innovation is required to move up the global value chain and develop more sophisticated, higher-value-added food products (PoA Activity 2.1.1).** Through public-private partnership mechanisms, investment in the development of a national horticulture value chain development (research) centre is also required to stimulate the development of raw agricultural material with characteristics suitable for processing (to be covered under the Fruits and Vegetables Sector Strategy).
- **Encourage large-scale investments in upstream agricultural production** through the leasing of unused land at reduced costs to bring additional land under



©shutterstock

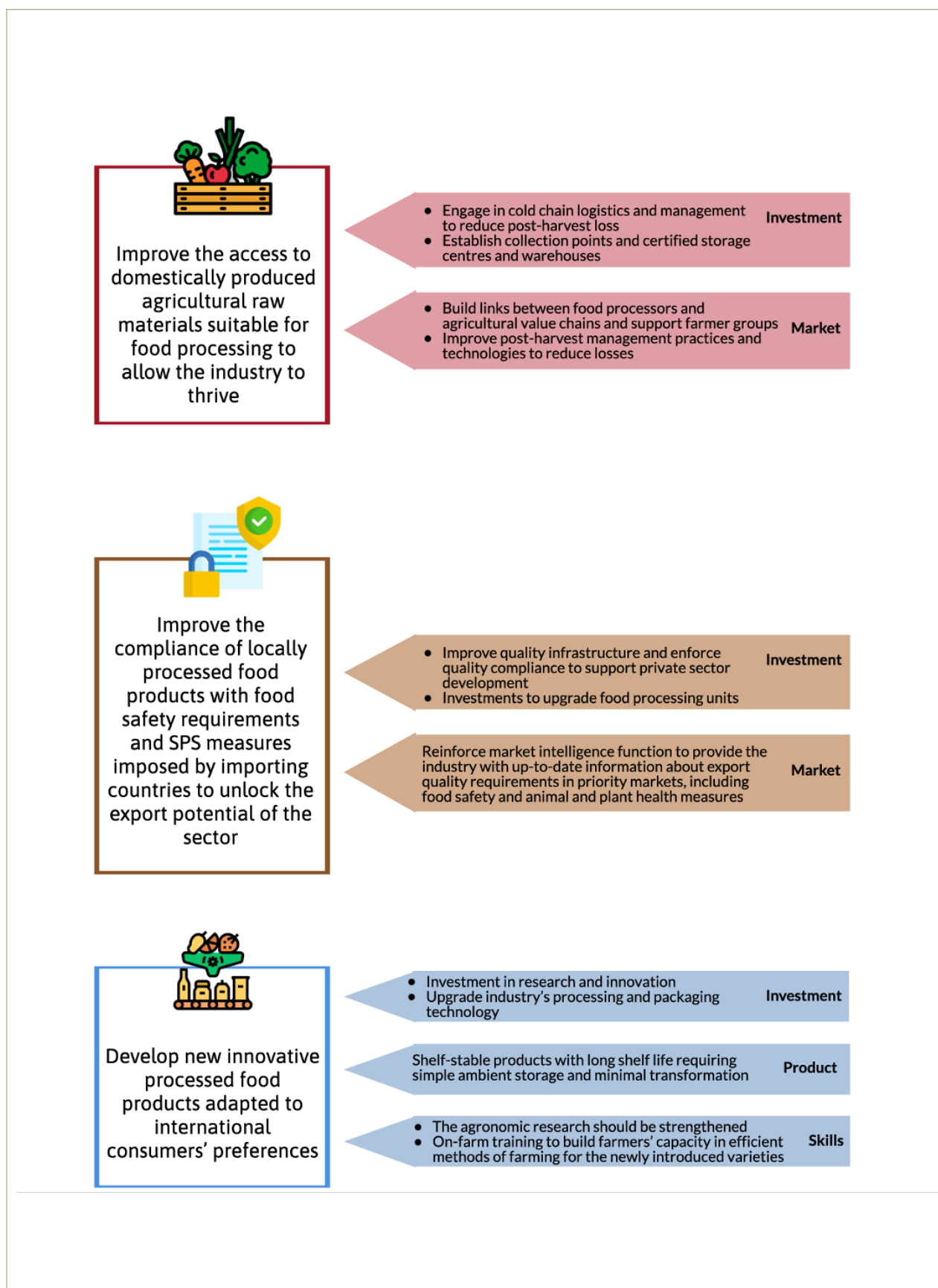
cultivation of appropriate new varieties for processing (PoA Activity 1.3.2).

- **Upgrading the industry's processing and packaging technology** is a prerequisite to achieve higher economies of scale and spur product development (see PoA Activities 2.1.1 and 2.1.3).
- **Establishing adequate distribution channels**, including cold chain logistics and management, especially for perishable goods, is another key success factor to improve market access, reduce transportation costs and gain market shares internationally (see PoA Activities 3.1.3 and 3.1.4).

Required skills

- **Agronomic research should be strengthened** to develop and introduce new high-yielding and climate-resilient fruit and vegetable varieties that are more adapted to the food processing industry's needs (to be covered under the Fruits and Vegetables Sector Strategy).
- **On-farm training is required to build farmers' capacity in efficient methods of farming for the newly introduced varieties**, focusing on how to meet specific import country requirements (see PoA Activity 1.1.1). Model farms would serve the purpose of implementing the vocational training programmes on GlobalG.A.P. and exemplifying efficient farming methods for industry grade agricultural produce (see PoA Activity 1.3.3).
- **Reinforce the market intelligence function** to provide the industry with critical up-to-date market information about consumer preferences in key export markets, allowing domestic food manufacturers and exporters to rapidly adapt to a constantly evolving demand and conquer new market segments (see PoA Activities 3.2.1 and 3.3.1).

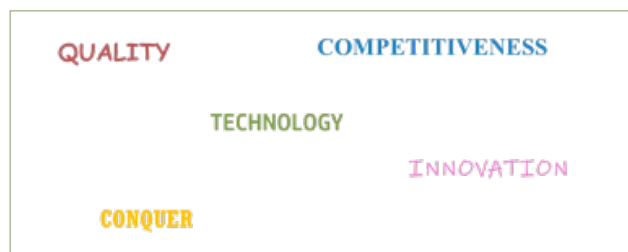
Figure 17: Key drivers of change



Source: ITC.

The strategic framework

THE VISION



In the context of Pakistan's Strategic Trade Policy Framework's (STPF) broader vision for 'Pakistan to become a dynamic and efficient domestic market as

well as a globally competitive export-driven economy', its processed food and vegetables industry offers an important opportunity for increased value-added manufactured product exports and diversification of exports.

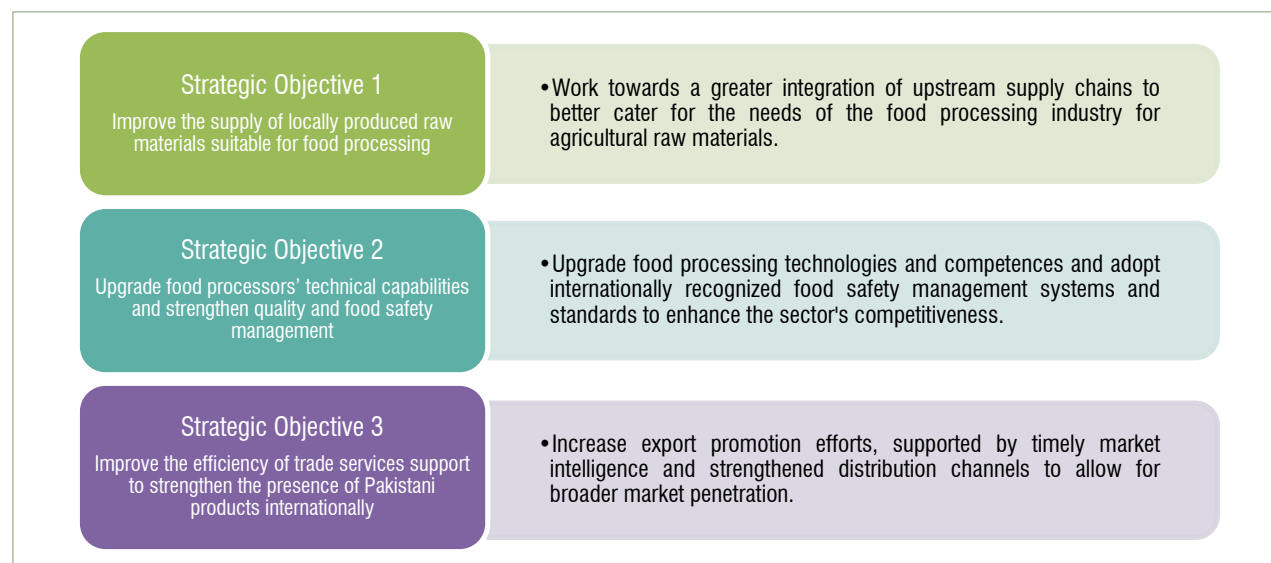
Based on a number of key ideas and driving concepts that the sector's stakeholders identified as crucial to guide progress and change in the sector, the following delineates this strategy's proposed vision and strategic approach to develop the processed food and beverages sector. The vision statement was agreed on by all stakeholders attending the online consultations held in September 2021.

“ A competitive processed food and beverages industry, driven by quality and technological innovation. ”

plementation, a number of strategic objectives have been defined to pursue the key value chain transformations required to unlock the industry's potential. A transformed value chain will be characterized by strengthening the sector's productive capacities, in

agricultural inputs, encouraging operators' compliance with international quality and food safety standards, and supporting product diversification and market development.

THE STRATEGIC OBJECTIVES



The pan of action (PoA) responds to the vision by addressing the sector's constraints and leveraging opportunities in a comprehensive manner through a robust, actionable and realistic set of activities. The

PoA is structured around the above-mentioned strategic objectives, agreed with all sector stakeholders, and constitutes the heart of this strategy.

IMPLEMENTATION FRAMEWORK

The objective of the Processed Food and Beverages Export Strategy for Pakistan is to create an enabling environment for the industry to realize its potential and benefit the country's image by achieving 'A *competitive processed food and beverages industry, driven by quality and technological innovation*'. Achieving this ambitious objective will depend on the industry's ability to implement the activities defined in this strategy. To structure sector development, it is recommended that the following interventions be implemented with priority:

- *Activities 1.1.1 and 1.1.2:* Through agronomic research, identify new varieties of agricultural raw materials with characteristics and physical properties that meet the requirements of the food processing industry, and for which there is significant international demand. The dissemination of the innovations emanating from the research trials and work for the farming communities should also be ensured.
- *Activity 2.1.1:* Introduce R&D and balancing, modernizing and replacement (BMR) incentives to help food processors upgrade their facilities and stimulate innovation in the sector.
- *Activity 2.2.1:* In collaboration with food processors, design technical training programmes and curricula on food science and technology for food technologists and technicians, also covering food engineering, food packaging and labelling.
- *Activity 3.3.2:* Conduct a food processing industry baseline survey to provide quantitative information on the sector's current situation (number and size of enterprises, production, exported value and demand for primary agricultural commodities).

MANAGING FOR RESULTS

It is the translation of priorities into implementable projects that will contribute to achieving the substantial increase in export competitiveness and export earnings envisaged under the strategy. These will be driven by reforming the regulatory framework, optimizing institutional support to exporters and strengthening private

sector capacities to respond to market opportunities and challenges. Allocation of human, financial and technical resources is required to efficiently coordinate, implement and monitor overall implementation.

Successful execution of activities will depend on stakeholders' abilities to plan and coordinate actions in a tactical manner. Diverse activities must be synchronized across public and private sector institutions to create sustainable results, and it is therefore necessary to foster an adequate environment and create an appropriate framework for the strategy's successful implementation.

Key to achieving the targets will be coordination of activities, monitoring progress and mobilizing resources for implementation. To that effect, industry representatives recommended that a public-private sector specific council for the processed food and beverages industry be rapidly established, operationalized and empowered. The sector specific council is to be responsible for overall coordination, provision of policy guidance and the monitoring of industry development along the strategic orientation.

PROCESSED FOOD AND BEVERAGES SECTOR SPECIFIC COUNCIL

It is recommended that the processed food and beverages sector specific council be rapidly established by the Minister of MoC and effectively organized by the TDAP and MoC to support the industry with the capacity to steer its development strategically. The sector specific council is to be facilitated by a secretariat coordinated by the TDAP, supported and advised by the Pakistan Association of Food Industries (PAFI).

Industry representatives recommend that the processed food and beverages sector specific council be composed of the following members:

- Ministry of Commerce (MoC);
- Trade Development Authority of Pakistan (TDAP);
- Provincial food authority (in particular, Punjab and Sindh);
- Pakistan Halal Authority;

- Pakistan Council of Scientific and Industrial Research (PCSIR), Ministry of Science and Technology (MST);
- Pakistan Standards & Quality Control Authority (PSQCA), MST;
- Small and Medium Enterprises Development Authority (SMEDA);
- All Pakistan Fruit & Vegetable Exporters, Importers & Merchants Association (PFVA);
- Pakistan Association of Food Industries (PAFI);
- Federation of Pakistan Chambers of Commerce & Industry (FPCCI);
- University of Agriculture Faisalabad (UAF);
- Institute of Food Science, Bahauddin Zakariya University, Multan;
- Department of Food Science and Technology, University of Karachi.

It is recommended that the sector specific council be empowered to meet quarterly and to implement the following functions:

- Create a shared understanding of key market challenges and opportunities facing the sector;
- Set goals and targets that, if achieved, will strengthen the sector's competitive position and enhance Pakistan's overall capacity to meet markets' changing demands;
- Propose key policy changes to be undertaken and promote these policy changes among national decision makers;
- Support the coordination, implementation and monitoring of activities in the sector by the government, private sector, institutions or international organizations to ensure alignment to goals and targets, as required to contribute to resource identification and alignment.

As part of the Strategic Trade Policy Framework (STPF) design process, it has been recommended that an *inter-ministerial and multi-industry private sector* council be organized and structured to address overall challenges and opportunities to Pakistan's trade performance. It is recommended that chairs of the sector specific council be members of the council to consult on key trade thematic areas ranging from policy to regulations and trade negotiations.

KEY SUCCESS FACTORS FOR EFFECTIVE IMPLEMENTATION

The presence of the sector specific council to oversee the strategy's implementation is a key success factor, but it is not sufficient to effectively fulfil its assigned functions.

Private sector support and participation in implementation

The private sector clearly expressed its willingness to contribute, directly or in partnership with public institutions, to the strategy's implementation. Their implementation efforts can range from providing business intelligence to institutions to contributing to project design, promotion and branding, and policy advocacy, etc. In brief, the private sector's practical knowledge of business operations is essential to ensuring that the strategy remains aligned to market trends and opportunities.

Proactive networking and communication

The key implementing institutions detailed in the PoA need to be informed of the strategy's content and the implications for their 2022–26 programming. This networking and communication is essential to build further ownership and provide institutions with the opportunity to confirm the activities they can implement in the short to long term. It will be important for the TDAP, MoC and members of the sector specific council to reach out to relevant institutions nationally to create awareness and support for the development of the processed food and beverages industry.

Resources for implementation

The sector specific council, in collaboration with the TDAP and the Secretariat at MoC, will need to leverage additional support for efficient implementation. Effective planning and resource mobilization is indispensable in supporting strategy implementation. Resource mobilization should be carefully planned and organized.

As the processed food and beverages industry is a priority sector strategy of the STPF, the Government of Pakistan should define annual budget allocations and supports to drive the industry's growth. This commitment will demonstrate clear engagement towards strengthening the sector and will encourage private partners to support development. In addition to national budget support, resource identification will require the BOI to effectively target foreign investors in line with the strategy's priorities, such as the attraction of more commercial farmers. Investment flows to Pakistan should also be considered as a valuable driver of strategy implementation and overall industry development.

The various implementation modalities detailed will determine the success of the strategy's implementation. However, high-level support from the government, in collaboration with strong championship by the private sector, will be the real driver of successful strategy implementation.

The PoA is structured along the three strategic objectives and associated operational objectives. For each objective, the PoA outlines detailed activities and their implementation modalities, which include:

- Priority level: Priority 1 being the highest and 3 the lowest.
- Period: The desired time-frame of the activity.
- Reform or project: Defines whether the activity entails a legal action.
- Targets: Quantifiable targets that allow completion monitoring of the activity during the implementation stage.
- Leading implementing partners: One single accountable lead institution per activity. (The institution can also have a technical role or can solely have an oversight and coordination role.)
- Supporting implementing partners: Any institution that should be involved at any stage of the activity's implementation.





PLAN OF ACTION (2023–2027)

Strategic objectives	Operational objectives	Activity	Priority (1 = Highest)	Period					Reform or project	Targets	Leading implementing partners	Supporting implementing partners
				2023	2024	2025	2026	2027				
1. Improve the supply of locally produced agricultural raw materials suitable for food processing	1.1. Introduce new agricultural raw materials to be grown for industrial use	1.1.1. Through agronomic research, identify new varieties of agricultural raw materials with characteristics and physical properties that meet the food processing industry's requirements, and for which there is significant international demand. Specify areas where these crops can be cultivated, based on agronomic characteristics <i>Link with Activity 1.2.2. of the Fruits and Vegetables Strategy's PoA.</i>	1						Project	3 new varieties of agricultural raw material for processing introduced per year	PCSIR	<ul style="list-style-type: none"> Research institutes Ayub Agricultural Research Institute, Faisalabad
		1.1.2. Ensure the dissemination of the innovations emanating from the research trials and work to enable farming communities to improve their knowledge on new varieties.	1						Project	<ul style="list-style-type: none"> Booklet with information on new varieties published Seminar or in field sessions held 	Provincial agriculture departments	
		1.2.1. Introduce an income/sales tax rebate for exports of food products using locally produced ingredients (exclusively or in large proportion) to encourage local sourcing of agricultural inputs.	1						Reform	<ul style="list-style-type: none"> Statutory regulatory orders (SROs) issued with predetermined percentage of rebate for exports of food products using local ingredients 	FBR	<ul style="list-style-type: none"> MoC
	1.2. Support the integration of the upstream agricultural activities in the food processing supply chain	1.2.2. Develop and implement guidelines and standard operating procedures (SOPs) for crop-specific contract farming practices in line with Islamic financial principles, including the development of standardized written contracts. 1.2.3. Develop and enforce legal instruments and mechanisms to enable the enforcement of implementation of 'Islamic' contract farming agreements between food processors and farmers, including compliance mechanism in case of breach by either party. 1.2.4. Encourage the implementation of implementation of 'Islamic' contract farming arrangements through pilot initiatives involving domestic or international food processors and domestic suppliers providing a given commodity in quantities and at quality standards determined in advance.	3 3 2						Project Reform Project	<ul style="list-style-type: none"> SOPs developed and implemented Legal instruments and mechanisms developed and enforced. At least 10 pilot initiatives launched each year 	Agriculture marketing department/wing MNFSR MNFSR	<ul style="list-style-type: none"> Provincial agri extensions Board of Investment (BOI) MoC

Strategic objectives	Operational objectives	Activity	Priority (1 = Highest)	Period					Reform or project	Targets	Leading implementing partners	Supporting implementing partners
				2023	2024	2025	2026	2027				
1. Improve the supply of locally produced agricultural raw materials suitable for food processing	1.3. Stimulate the production of primary agricultural products for the processing industry	1.3.1. Sensitize on the economic benefits and orient farming communities towards cultivating high-value-added primary agricultural products suited for industrial processing. Awareness about the health and safety standards should also be created among the farmers producing for the processed food industries.	2						Project	<ul style="list-style-type: none"> 2 seminars held each year to sensitize farmers At least 1000 farmers trained each year 	Agriculture marketing department/wing	
		1.3.2. Encourage large-scale investments in upstream agricultural production through the leasing of unused land at reduced costs to bring additional land under cultivation of appropriate new varieties for processing. <i>Link with Activity 1.4.5 of the Fruits and Vegetables Strategy's PoA.</i>	2						Reform	<ul style="list-style-type: none"> 500-1000 acres of land leased out At least 2 large-scale investment projects initiated per year 	BOI	<ul style="list-style-type: none"> MNFSR Provincial governments
		1.3.3. Establish model farms for fruit and vegetable varieties destined for the food processing industry, exemplifying efficient methods of farming for industry grade agricultural produce. Model farms will also promote new production techniques such as the use of hydroponics and vertical farming in a controlled environment. <i>Link with Activity 1.1.2 of the Fruits and Vegetables Strategy's PoA.</i>	1						Project	<ul style="list-style-type: none"> 20 model farms established per year 	Provincial agriculture departments	<ul style="list-style-type: none"> Centre for Agriculture and Bioscience International (CABI)
2. Upgrade food processors' technical capabilities and strengthen quality and food safety management	2.1. Upgrade Pakistan's food processing technologies and facilities	2.1.1. Introduce R&D and balancing, modernizing and replacement (BMR) incentives to help food processors upgrade their facilities and stimulate innovation in the sector. Incentives could take the form of partial grants, tax offsetting schemes or credit guarantees.	1						Reform	<ul style="list-style-type: none"> R&D and BMR incentive schemes introduced At least 5 facilities upgraded each year 	State Bank of Pakistan	<ul style="list-style-type: none"> FBR, Ministry of Finance MoC Board of Investment (BOI)
		2.1.2. Reduce or eliminate import tariffs on intermediate inputs and capital goods (machinery) for food processors to ease access to imported equipment, including spare parts, chemicals and packaging materials.	2						Reform	<ul style="list-style-type: none"> Import tariff on a list of intermediate inputs reduced or eliminated. 	MoC	<ul style="list-style-type: none"> FBR
		2.1.3. Establish common fully fledged, small-scale food processing facilities as demonstration pilots for strategic crops with value-addition potential to encourage local industry development. Potential products to include, but not limited to, banana chips and processed dates products. Pilots to provide modern technology and infrastructure, similar to Agro Food Processing Facilities (AFP) in Multan.	3						Project	<ul style="list-style-type: none"> At least 5 pilot projects executed in each province. 	Small and Medium Enterprises Development Authority (SMEDA)	<ul style="list-style-type: none"> Private sector associations All Pakistan Fruit & Vegetable Exporters, Importers & Merchants Association (PFVA) Provincial food authorities and Provincial governments

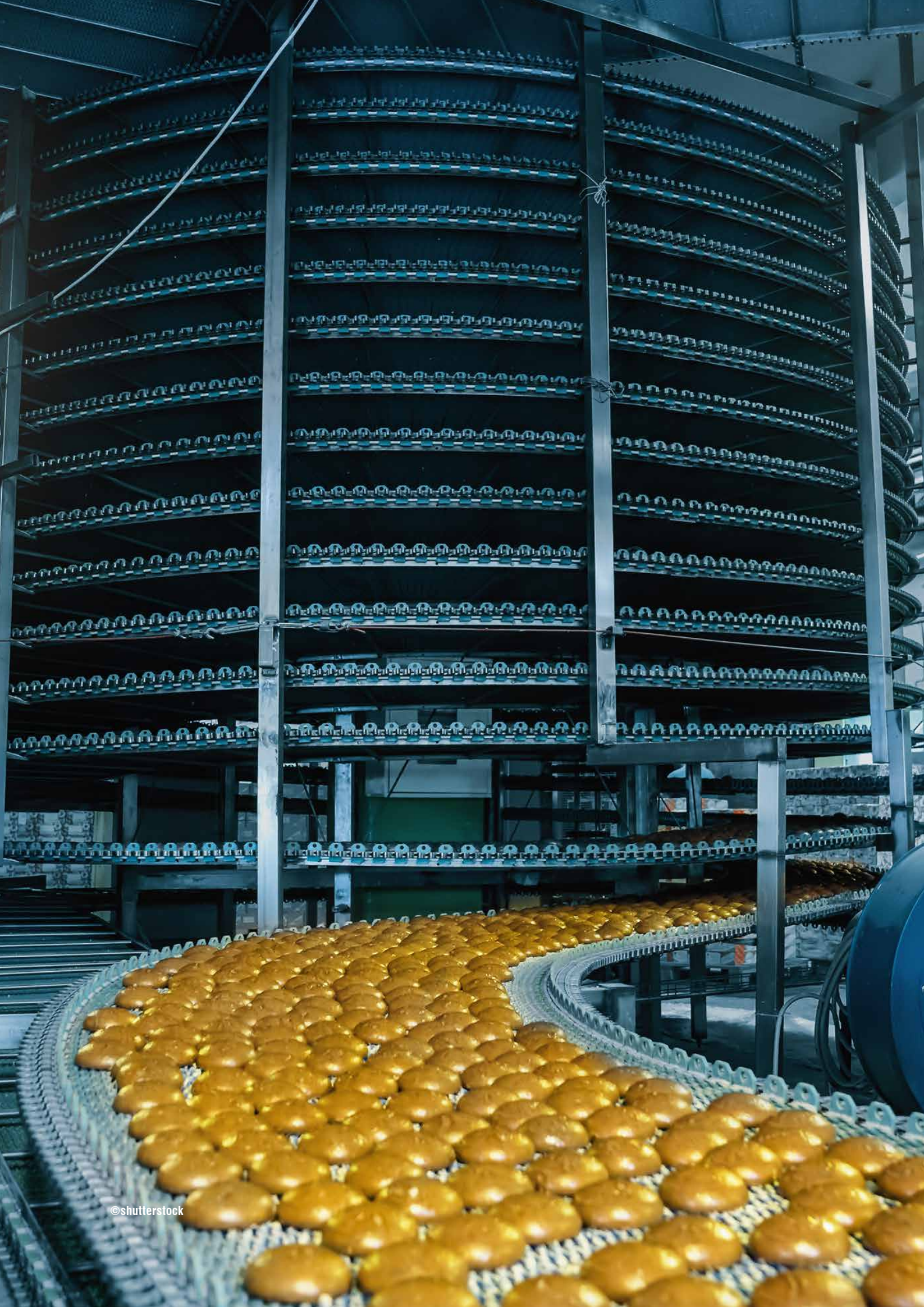
Strategic objectives	Operational objectives	Activity	Priority (1 = Highest)	Period					Reform or project	Targets	Leading implementing partners	Supporting implementing partners
				2023	2024	2025	2026	2027				
2. Upgrade food processors' technical capabilities and strengthen quality and food safety management	2.1. Upgrade Pakistan's food processing technologies and facilities	2.1.4. Create and enhance existing special economic zones (in particular, the ones proposed under the China–Pakistan Economic Corridor – CPEC), using public–private partnerships where possible, to allow food processors to access basic industrial infrastructure and inputs.	2						Project	<ul style="list-style-type: none"> Special economic zones created or upgraded with basic infrastructure for food processors. 	BOI	<ul style="list-style-type: none"> MNFSR Ministry of Industries and Production
		2.1.5. Introduce tax incentives/concessions to encourage international firms to set up manufacturing units for processing food and beverages products in Pakistan.	2						Reform	<ul style="list-style-type: none"> Incentive scheme established At least 4 FDI projects approved in the sector each year 	BOI	<ul style="list-style-type: none"> FBR
	2.2. Enhance the knowledge and technical skills of food processors	2.2.1. In collaboration with food processors, design technical training and research programmes and curricula on food science and technology for food technologists and technicians, also covering food engineering, food packaging and labelling.	1						Project	<ul style="list-style-type: none"> 10 training sessions conducted per year At least 200 trainees pass each year. 	Agriculture marketing departments	<ul style="list-style-type: none"> Agriculture universities and institutes Private sector associations Provincial food authorities
		2.2.2. Develop short online and/or in-person technical and vocational education and training (TVET) courses based on an industry skills gap assessment.	2						Project	<ul style="list-style-type: none"> Skill gap assessment carried out Based on the assessment, short TVET courses developed. At least 250 trainees pass the course(s) each year. 	Technical Educational and Vocational Training Authority (TEVTA)	<ul style="list-style-type: none"> Private sector associations Provincial food authorities
		2.2.3. Conduct training programmes in business and managerial skills, in particular covering the following topics: business management, innovation management, financial management, marketing strategy, human resources planning and development.	1						Project	<ul style="list-style-type: none"> Courses in business and managerial skills introduced At least 250 trainees pass the course each year. 	National Vocational & Technical Training Commission (NAVTC)	<ul style="list-style-type: none"> MNFSR Provincial food authorities
		2.2.4. Establish entrepreneurship-building programmes for young graduates, providing them with credit and other support facilities to set up their own processed food units. Introduce/establish entrepreneurship-building courses in agricultural and agro-processing activities, supported with internships for young graduates, providing them with credit and other support facilities to set up their own processed food units.	2						Project	<ul style="list-style-type: none"> Entrepreneurship building programme established At least 500 graduates benefitting from the programme each year 	TEVTA	<ul style="list-style-type: none"> Private sector associations MoC Universities e.g., NED, LUMS, IBA, UET

Strategic objectives	Operational objectives	Activity	Priority (1 = Highest)	Period					Reform or project	Targets	Leading implementing partners	Supporting implementing partners
				2023	2024	2025	2026	2027				
2. Upgrade food processors' technical capabilities and strengthen quality and food safety management	2.3. Strengthen enterprises' capacity to comply with international market access requirements	2.3.1. Develop uniform national standards for processed food. Standards to be developed in line with regional and international benchmarks and include proper descriptions of application methods.	1						Reform	<ul style="list-style-type: none"> At least 5 critical uniform standards introduced 	PSQCA	<ul style="list-style-type: none"> MNFSR
		2.3.2. Upgrade PCSIR laboratory facilities carrying out testing and certification of food products and potentially hazardous substances. <i>Link with Activity 2.2.1 of the Fruits and Vegetables Strategy's PoA.</i>	1						Project	<ul style="list-style-type: none"> At least 2 labs in Provinces with higher sector concentration, and at least 1 lab in Provinces with lower sector representation. upgraded At least 50% of staff trained 	PCSIR	<ul style="list-style-type: none"> Provincial food authorities
		2.3.3. Set up a support programme providing technical assistance to businesses to adopt quality and food safety standards and assurance systems, including GMP, HACCP, ISO 9001 and ISO 22000.	1						Project	<ul style="list-style-type: none"> Yearly programme providing technical assistance set up At least 100 companies supported each year 	Provincial food authorities	
		2.3.4. Streamline and simplify administrative procedures for issuing export health certification (including inspection requirements). Make the information related to quality and food safety requirements and procedures easily accessible online for exporters.	2						Reform	<ul style="list-style-type: none"> Administrative procedures for issuing export health certification simplified. 	MNFSR	<ul style="list-style-type: none"> Animal Quarantine Department (AQD) Department of Plant Protection (DPP) PCSIR Customs Anti Narcotics Force (ANF) Pakistan Civil Aviation Authority (PCAA)

Strategic objectives	Operational objectives	Activity	Priority (1 = Highest)	Period					Reform or project	Targets	Leading implementing partners	Supporting implementing partners
				2023	2024	2025	2026	2027				
3. Improve the efficiency of trade support services to strengthen the presence of Pakistani products internationally	3.1. Improve the efficiency and availability of transport and logistics services	3.1.1. Develop and enforce shipping policy setting up rules of business for shipping lines to avoid hidden charges, including: <ul style="list-style-type: none"> Regulations for transshipment charges; Amendment of bill of lading after sailing; Impose a single exchange rate determined by the State Bank of Pakistan (SBP) for all shipping lines. <i>Link with Activity 1.1.9. of the Logistics' Strategy's PoA</i> 	2						Reform	<ul style="list-style-type: none"> Rules of business for shipping lines amended 	Ministry of Maritime Affairs	<ul style="list-style-type: none"> Pakistan Customs (FBR)
		3.1.2. Enhance the capacity of Pakistan National Shipping Corporation to cater for the needs of processed food exports. Similarly, Pakistan International Airlines' capacity to be enhanced either on rental/lease basis or permanently. <i>Link with Activity 3.1.1 of the Fruits and Vegetables Strategy's PoA.</i>	2						Project	<ul style="list-style-type: none"> Number of shipments facing delays on this account reduced by 50% by 2024 	Ministry of Maritime Affairs	<ul style="list-style-type: none"> Pakistan Civil Aviation Authority (PCAA) PIA
		3.1.3. Establish/upgrade government warehouses and cold storage facilities at major border points to store perishables, in line with international practices. <i>Link with Activity 3.1.2 of the Fruits and Vegetables Strategy's PoA.</i> <i>Link with Activity 3.1.1 of the Logistics Strategy's PoA.</i>	2						Project	<ul style="list-style-type: none"> All cargo handling facilities and cold storage facilities at ports and seaport modernized by 2025 	Ministry of Maritime Affairs	<ul style="list-style-type: none"> Pakistan Agricultural Storage & Services Corporation (PASSCO) Pakistan Civil Aviation Authority (PCAA)
		3.1.4. Develop effective and sustainable cold chain systems for refrigerated foodstuffs through establishing or upgrading cold storage warehouses and increase the offerings of integrated cold chain solutions for exporters (including reefer trucks and cargoes). Implementers shall favour green energy sources such as solar and wind power when developing cold chain systems. <i>Link with Activity 3.1.1 of the Logistics Strategy's PoA.</i>	3						Project	<ul style="list-style-type: none"> At least 10 warehouses established/upgraded in private sector 	Provincial governments	<ul style="list-style-type: none"> PASSCO Trade bodies/associations Pakistan Civil Aviation Authority (PCAA) Ministry of Maritime Affairs

Strategic objectives	Operational objectives	Activity	Priority (1 = Highest)	Period					Reform or project	Targets	Leading implementing partners	Supporting implementing partners
				2023	2024	2025	2026	2027				
3. Improve the efficiency of trade support services to strengthen the presence of Pakistani products internationally	3.2. Encourage coordinated export promotion efforts	3.2.1. Intensify export promotion activities through commercial counsellors/TDAP export promotion bureau abroad: <ul style="list-style-type: none"> • Organization of trade fairs showcasing Pakistani products in key export markets, including but not limited to China, Japan, Turkey, Russia and South East Asian market; • Facilitate the organization of business-to-business (B2B) matching events with international prospects; • Provision of market intelligence to Pakistani processed food exporters and potential exporters. 	1						Project	<ul style="list-style-type: none"> • Market promotion activity defined in the major markets. • At least 2 trade fairs held per market. 	TDAP	<ul style="list-style-type: none"> • Provincial agriculture departments • Trade missions
		3.2.2. Introduce a duty drawback scheme for the food processing sector with simplified process and transparent procedures, through digitalization (similar to the duty drawback on local taxes and levies (DLTL) claim for non-textile exports. ¹¹	3						Reform	<ul style="list-style-type: none"> • Duty drawbacks scheme introduced 	MoC	<ul style="list-style-type: none"> • FBR
	3.3. Ensure access to timely market information and improve the industry's institutional knowledge	3.3.1. Create an online market access database for processed food products providing information about the demand and import conditions in other countries and priority markets (i.e. consumer preferences, duties and taxes, food safety requirements, animal and plant health measures and customs clearance procedures, etc.).	1						Project	<ul style="list-style-type: none"> • Database created 	TDAP	<ul style="list-style-type: none"> • MNFSR • Pakistan Bureau of Statistics
		3.3.2. Conduct a food processing industry baseline survey to provide quantitative information on the sector's current situation (number and size of enterprises, production, exported value and demand for primary agricultural commodities, etc.).	1						Project	<ul style="list-style-type: none"> • Food processing industry survey conducted 	MNFSR	<ul style="list-style-type: none"> • Provincial agriculture departments

11. – This DLTL scheme expired 30 June 2021. In August 2021, MoC released PKR 6 billion under DLTL schemes: PKR 5.6 billion for the textile sector and PKR 400 million for the non-textile sector.



ANNEXES

Annex I:

List of participants in the public-private consultation

Name	Title	Organization
Abdul Rahim	Senior Manager International Business	Hilal Foods Pvt Ltd
Afshan Uroos	Assistant manager	TDAP
Aurangzeb Jahangir	Assistant manager	TDAP
Ayaz Ahmed Soomro	Assistant director	Agri & Food Division, Standards Development Centre – PSQCA
Bilal Ahmed	Manager International Sales and Marketing	Shangrila Foods (Private) Limited
Bilal Tata	CEO	Tata Best Foods Ltd
Omer Mukhtar Tarar	Senior scientific officer	PCSIR Karachi
Farzana Noshab	Economist	Asian Development Bank
Ghulam Mustafa Sipra	Quality, Safety & Environment Manager	Coca-Cola
Ghulam Paracha	Experimental officer	Food Technology Centre, Peshawar Laboratories Complex of Pakistan
Iftikhar Ahmad	General Manager Operations	Gateway International
Ijlal Malik	Regional business coordinator, Lahore	Small and Medium Enterprises Development Authority (SMEDA)
Imtiaz Mubarak	Personal assistant	TDAP
Jaffer Dada	Senior Manager Supply Chain	Young's Pvt Ltd
Khushbakht Asif	Assistant director	TDAP
Kinza Afsar	Associate director	TDAP
Laeq Ahmed Gill	Head of quality	Shangrila Foods (Private) Limited
Muhammad Arshad Farooq	National coordinator (horticulture)	Pakistan Agricultural Research Council
Muhammad Asadullah	Manager, export	Ismail Industries Ltd
Muhammad Asghar	Director	Madadgaar Pvt Limited
Muhammad Asif Rana	Assistant director	PSQCA
Muhammad Mohsin Yaqoob	Manager, export	Zaiqa Food Industries
Muhammad Sajid Arif	Director	Milan Foods
Muhammad Umar Omerson	Founder member/spokesperson	Pakistan Food Association
Ramzan Meraj	Export planning officer	Nestle Pakistan Limited
Saad Zahid	Manager Commercial Strategy	Coca-Cola
Saif Khan	Export executive	Quick Food Industries (MonSalwa)
Sajid Iqbal	CEO	Green Circle
Shahid Masood	Senior scientific officer	PCSIR Laboratories Complex Lahore
Sumair Ahmad	Research associate	Ministry of Commerce
Syed Ali	Marketing executive	Quick Food industries (MonSalwa)
Waheed Ahmed	Patron in Chief	All Pakistan Fruit & Vegetable Exporters, Importers & Merchants Association
Waheed Zafar	Director	Naurus Pvt Ltd
Zia-ul Hasan	Member in charge	Pakistan Agricultural Research Council

REFERENCES

Euromonitor International (2021). Passport – Packaged Food in Pakistan.

FAO (2021). FAOSTAT. Available from www.fao.org/faostat/en/.

International Trade Centre (2015). Traceability in food and agricultural products. Bulletin No. 91/2015. Geneva. Available from https://www.intracen.org/uploadedFiles/intracenorg/Content/Exporters/Exporting_Better/Quality_Management/Redesign/EQM%20Bulletin%2091-2015_Traceability_FINAL%2014Oct15_web.pdf.

International Trade Centre, International Institute for Sustainable Development and Research Institute of Organic Agriculture (2019). The State of Sustainable Markets 2019: Statistics and Emerging Trends. Sales No. E.19.III.T.5. Available from <https://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Sustainable%20markets%202019%20web.pdf>.

International Trade Centre (2020). Invisible barriers to trade. Pakistan: Business perspectives. ITC, Geneva.

International Trade Centre (2021). Export Potential Map. Available from <https://exportpotential.intracen.org>.

International Trade Centre (2021). Trade Map. Available from <http://www.trademap.org>.

Ministry of Finance, Government of Pakistan (2021). Pakistan Economic Survey 2020–21.

Pakistan Business Council (2020). Understanding the Bottlenecks and Opportunities in Value-Added Exports of Fruits and Vegetables. Available from: <https://www.pbc.org.pk/wp-content/uploads/PBC-Horticulture-Sector-Study-Report.pdf>.

World Bank (2020). Modernizing Trade in Pakistan: A Policy Roadmap.

The designations employed and the presentation of material in this document do not imply the expression of any opinion whatsoever on the part of the International Trade Centre concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.



With technical support from ITC



International
Trade
Centre



GOVERNMENT OF PAKISTAN
MINISTRY OF COMMERCE



MINISTRY OF NATIONAL
FOOD SECURITY & RESEARCH



This document has been produced
with the financial support
of the Foreign, Commonwealth
& Development Office