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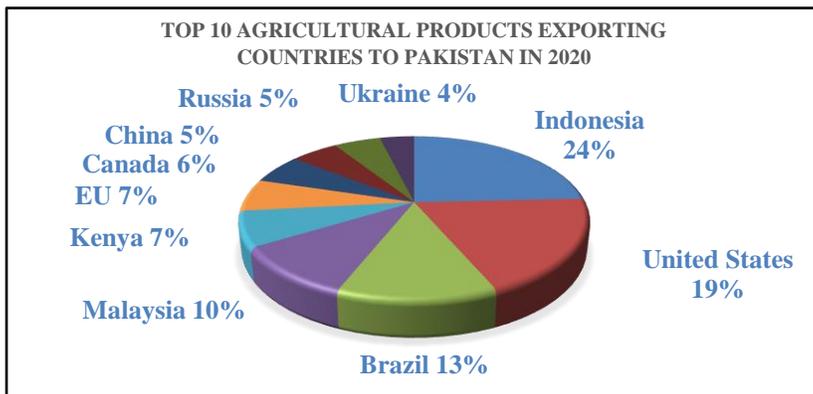
Report Highlights:

Pakistan is the 21st largest export market for U.S. food and agricultural-related products, with U.S. exports surpassing \$1.38 billion in 2020. The top U.S. exports to Pakistan were cotton, soybeans, pulses, tree nuts, dairy products, planting seeds, dairy cattle, and forestry products. Pakistan is a growing consumer market due to its rapid urbanization and a young population. Consumers are shifting away from bulk and raw foods to packaged and processed foods, including ready-to-eat meals, and frozen foods. Covid-19 has had a negative impact on the foodservice industry, and has led to more marketing through on-line platforms. This Exporter Guide provides an overview of the market, trends, and recommendations to U.S. exporters on how to conduct business in Pakistan.

MARKET FACT SHEET: PAKISTAN

Executive Summary: Pakistan is the fifth most populous nation in the world with a population of 215 million. Pakistan’s economy rebounded during local fiscal year 2020/21 (July-June). Overall trade with the United States reached \$6.15 billion through the first nine months of 2021.

Pakistan Agricultural Trade with the United States: Pakistan was the 21st largest export market for U.S. food and agricultural products in 2020. The value of agricultural trade between the United States and Pakistan during 2020 totaled \$1.54 billion. U.S. agricultural exports to Pakistan reached \$1.38 billion, led by cotton (\$787 million), soybeans (\$384 million), consumer-oriented products (\$80 million), pulses (\$40 million), wood products (\$38 million), planting seeds (\$35 million), and dairy cattle (\$4 million).



Food Retail Industry: Pakistan’s retail industry has seen a large number of foreign consumer brands enter the country. E-commerce grocery sales increased in the wake of the COVID-19 outbreak. Pakistanis are generally price sensitive, but wealthy consumers are willing to pay a higher price for premium quality products.

Food Processing Industry: The food and beverage processing industry is the second-largest industry in Pakistan after textiles, accounting for 27 percent of the value-added production and 16 percent of employment in the manufacturing sector. The food processing sector is comprised of the processing of fruits, vegetables, flour, sugar, pulses, grains, frozen and packaged food, edible oil, and dairy products. This industry has huge potential for U.S. bulk and consumer-oriented products exports.

Food Service Industry: The industry is capitalizing on changing lifestyles, a growing, young population, and an increase in the number of working women. U.S. companies dominate the franchise market in Pakistan. Products used by franchise restaurants are generally imported and these international chains will continue to import directly through their agents.

Quick Facts

Top U.S. Agricultural Exports to Pakistan
Cotton, Soybeans, Pulses, Forestry products, Tree nuts, Dairy products, Dairy Cattle, Planting seeds

Top Food Retailers in Pakistan
Imtiaz, Alfatah, Naheed, Agha, Metro, Carrefour, Greenvally

Population/GDP
Population: 215 million (FY20)
GDP: \$294 billion (FY21)
GDP Per Capita: \$1,543 (FY21)
Economic Growth Rate: 3.9% (FY21)

Strengths	Weaknesses
<i>Good reputation of U.S. products perceived as high quality and safe.</i>	<i>Challenges for U.S. suppliers to meet importers’ need for mixed shipments in small quantities.</i>
Opportunities	Threats
<i>Growing potential for imported commodities like soybeans and wood products as they are unavailable domestically.</i>	<i>Non-tariff barriers such as Halal certification and Urdu labeling requirements. The fluctuating value of Pakistani Rupee against the US Dollar.</i>

Data Sources:
Trade Data Monitor, State Bank of Pakistan, Pakistan Bureau of Statistics, Economic Survey of Pakistan, and industry sources

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SECTION 1: MARKET OVERVIEW

Economic Overview: Pakistan is the fifth most populous nation in the world, with a population of 215 million. The economy grew 3.9 percent in FY2021 (July/June). For the first time in many years, the current account recorded a surplus. The trade deficit increased to \$21.3 billion, compared to \$17.6 billion in the corresponding period last year.¹ The inflow of overseas worker remittances grew 29 percent and reached at \$24.2 billion. New government policies are focused on stabilizing the economy, easing requirements for doing business², steadying credit, and attracting more FDI. Covid-19 has not adversely impacted domestic agriculture output. In fact, 2021 was a very good year for the production of Pakistan's most important crops: wheat, rice, sugar, and corn.

During FY2021, the agriculture sector grew by 2.8 percent, due to production increases for wheat (8.1 percent), sugarcane (22 percent), rice (13.6 percent), and maize (7.4 percent). Cotton production declined 22.8 percent in FY 2021 (but is forecast to rebound strongly in FY2022). Meanwhile, the textile sector, which is Pakistan's largest manufacturing sector, continued to perform strongly, growing 5.9 percent in FY2021. The sector is a major buyer of U.S. cotton.

According to U.S. Census Bureau, Pakistan's overall trade with the United States rose to \$6.15 billion through the first nine months of 2021. There are at least 30 U.S. firms involved in Pakistan's food and agriculture sector, primarily in the form of investments, franchising or distributorships. Major U.S. agricultural science companies include Corteva and FMC. The Massey Ferguson Company assembles tractors and sells small-scale farm equipment. U.S.-based companies PepsiCo, Coca-Cola, and Mondelez have food processing operations. Valmont sells irrigation equipment, while U.S. genetics companies are tapping into the growing demand from the dairy sector. Cargill and the U.S. arm of Louis Dreyfus maintain commodity-trading operations. There are about 15 U.S. restaurant franchises operating in Pakistan, helping to provide the impetus for the development of safe and modern food supply chains. Furthermore, Pakistan is now a growing importer of U.S. wood products due to growth in residential construction. U.S. companies have an advantage as U.S. products have a good reputation for high quality.

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

¹[Economic Survey of Pakistan, \(year FY20/21\)](#)

² [Pakistan jumped 28 points in 2020 to 108th position, up from 136th position in 2019, according to The World Bank's "Ease of Doing Business" index.](#)

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

Consumer Demographic Trends and Labor Force: Pakistan is the fifth most populous nation in the world with a population of 215 million in 2020, the ninth largest labor force, and a population growth rate of 1.8 percent. Over 59 percent of the population is 15-59, with 27 percent between 15-29. Pakistan’s middle class is estimated at over 60 million, but incomes deemed middle class are significantly lower than in the United States. Consumers from the Pakistani middle class broadly support both domestically produced and imported foods. The upper-middle-income class is estimated at 17 million, with relatively high per capita income that favors consumer spending.

Advantages and Challenges for U.S. Suppliers

Advantages	Challenges
Pakistan has a large young population that is more focused on consumer items.	Shipments from the United States take longer.
Expatriate community looks for specialty U.S. food products and dine in Western-style restaurant.	U.S. suppliers are often unable to offer specialty products of smaller quantities required by the industry.
Consumers are seeking quality products from both domestic and international suppliers.	Competition from other countries like the United Kingdom, Australia, New Zealand, South Africa, and Europe.
Gradual transformation of the modern retailing in urban centers.	Imported food products are subject to high tariffs, ranging from 25 – 65 percent.
U.S. products are popular for quality, taste, and wholesomeness.	Proximity to other countries provide competitors a comparative advantage.
Eating out culture is popular at upper- and middle-income levels.	Inability of U.S. exporters to meet Pakistan’s Halal certification and Urdu labeling requirements.
Urban population creates demand and welcomes new products as they are open to try novel tastes.	Locally produced snack foods, salad dressings, sauces, jams and other processed foods are relatively inexpensive.
International retailers that market a wide range of imported products in the sector have great influence on purchasing patterns.	Local importers prefer to initiate business deals with small orders.

Franchising has been introduced and the retail food sector is transitioning to a modern structure with a growing number of western-style fast food restaurant chains, bakeries, and coffee shops.

Market penetration for imported products is concentrated in major cities.

SECTION II: EXPORTER BUSINESS TIPS

General Consumer Tastes and Preferences: Pakistani consumers prefer fresh foodstuffs that are readily available in their neighborhoods at affordable prices. Healthy eating is popular among educated consumers and is featured in newspapers, magazines, and television. Fresh foods, fruit juices, fruit concentrated-based beverages, organic foods, sugar-free confectionery, packaged food with higher fiber content, dairy products, and vitamin and calcium-fortified packaged foods and beverages are popular among middle and upper-income consumers. Pakistan is 96 percent Muslim, leaving only four percent of the population to consume pork. Products with meat ingredients must be certified Halal to ensure that the meat is sourced from livestock slaughtered in accordance with the tenets of Islam. Food and ingredients destined for the food service sector must also be certified Halal where appropriate. The import and sale of alcohol are prohibited.

Traditional and modern snack foods, such as confectionaries, pastries, cakes, biscuits, ice cream, or sweet and savory snacks are very popular. Easy to prepare frozen foods and instant noodles are also popular. Local flavors are preferred and local food manufacturers are constantly developing new products using a combination of local and imported flavors. The rise of the urban middle class has increased the acceptance of packaged, convenience, and ready-to-eat food products. Pakistanis are more willing to try new foods while eating out, but tend to prefer traditional fare at home. Chinese, Italian, Thai, Moroccan, and Middle Eastern foods are among the fastest-growing new cuisines in Pakistan.

Finding a Business Partner: The first market entry step is to locate a reliable importer and distributor. Professional distributors and brand managers are interested in expanding their product lines. These importers typically seek exclusive rights to market a particular product or brand. Exporters should meet potential importers and research their business profile carefully through banks and trade associations.

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

Regional Trade Shows and Reverse Trade Missions: U.S. companies should consider participation in regional trade shows to reach potential Pakistani buyers, traders, and distributors. For matchmaking and assistance in finding a potential partner, FAS Islamabad often organizes reverse trade missions to the United States. These trade missions are designed to educate Pakistani buyers about the market situation, product availability, and mechanics of trade with the key companies in the United States.

General points to discuss with importer include:

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

Exporters should consider the following guidelines before selecting a distributor:

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

Ensuring payment is a critical consideration when establishing a relationship with an importer. Until a working relationship is established, exporters may wish to consider requiring an irrevocable letter of credit. Some Pakistani importers are accustomed to operating without credit and may be willing to pay cash prior to shipment. While FAS Islamabad receives few inquiries concerning delinquent Pakistani importers, our office cannot mediate contractual disputes or serve as a collection agent when differences over payment arise.

SECTION III: IMPORT FOOD STANDARDS, REGULATIONS, AND IMPORT PROCEDURES

Pakistan imposes high import duties on most food products. It should be noted that Pakistan has very few trade agreements, the exceptions being agreements with China, Malaysia, and Sri Lanka.

Pakistan's Halal Certification and Urdu Labeling Requirements: On July 1, 2019, Pakistan's Ministry of Commerce (MOC) implemented onerous new requirements stipulated in Statutory Regulatory Order (SRO) 237 for all imported consumer-packaged food and beverage products. Key elements of the SRO include:

- The accreditation authority of the country that validates the Halal Certificate or Halal Certificate issuing authority needs to be a member of either the Standard Metrology Institute for Islamic Countries (SMIIC) or the International Halal Accreditation Forum (IHAF), or else the Halal Certificate unacceptable.
- All consumer food and beverage imports must have 50% of shelf life remaining, from the date of filing Import General Manifest (IGM), and 66% of the shelf life remaining from the date of manufacturing.
- Labeling of nutritional values and usage instructions must be in Urdu and English language.
- All products (case packaging and the contents of the case) must have a halal logo.
- Sticker labels are not permitted.
- Urdu labelling is not required for bulk packaged industrial products.

U.S. manufacturers and exporters are encouraged to work closely with their importers to ensure that their labels meet Pakistan's requirements at the time of import. Other import restrictions include a ban on selling alcohol and U.S. beef imports.

SECTION IV: MARKET SECTOR STRUCTURE AND TRENDS

Food Retail Sector Growth and Trends: Pakistan's modern food retail industry grew substantially in the past ten years. The well-known European supermarkets, Metro and Carrefour in collaboration with Pakistani and regional groups, opened several self-service outlets in Karachi, Lahore, Multan, Sialkot, Faisalabad, and Islamabad. These hypermarkets are typically located on 50,000 to 100,000 square feet to take advantage of scale and create a unique one-stop shopping experience, differentiating them from smaller supermarkets and traditional small retailers. There are also more than one dozen local food retail chains successfully operating in the urban cities of Pakistan. These leading retail chains include Imtiaz, Al-Fatah, Naheed, Agha's, Greenvalley, Chase-up, Shaheen, D-Watson, Save Mart, CSD, and Utility Stores Corporation.

Pakistan's e-commerce sector is relatively small but has grown since the onset of Covid-19. The size of the online grocery market is difficult to determine. To date, Pakistani consumers have been slow to embrace online shopping, due to the relatively high cost of computers, low internet penetration rates, payment issues, and the need for better delivery options. However, during the pandemic, internet retail sales have increased significantly, due to rising demand among urban consumers and the prevalence of mobile phones. While the pandemic spurred progress in online grocery shopping, it was from a low

base. Modern, online grocery retailers still have relatively low market share vis-à-vis traditional retail formats. The government supports the expansion of international retailers through policies facilitating foreign direct investment. U.S. retail companies may wish to begin exploring opportunities in Pakistan's growing food retail sector by identifying relevant partners.

Food Service Sector Growth and Trends: The convenience food service industry is capitalizing on changing lifestyles, an expanding young population, the opening of new malls in urban cities, and an increase in the number of working women. Domestic demand for quick service food is also growing. Most of the major U.S. chains are in Pakistan, although they are concentrated in large urban centers. The franchises operating in Pakistan include KFC, McDonald's, Pizza Hut, Texas Chicken, Domino's, Papa John's, Hardees, Burger King, Subway, TGI Fridays, P.F. Chang's, Dunkin Donuts, Baskin Robbins, IHOP, Coffee Beans & Tea Leaf, and Cinnabon. These chains focus on specialized products to attract consumers in the 15-29 age group. Products used by franchise restaurants are generally imported and large international chains will continue to import directly through their agents. Key imports include frozen potato products, cheese, ice cream, dressings, sauces, whipping cream, bakery ingredients, mixes, and condiments. Covid-19 restrictions have negatively impacted food service sales as restaurants and cafés had to periodically close.

High-end coffee shops offering specialty and flavored coffees also show promising potential. This trend is being promoted both by international and local coffee chains. Coffee shops tend to use various imported coffee ingredients including creamers, honey, flavorings, and roasted coffee. Similarly, the number of high-end bakery outlets is growing in the urban areas of Pakistan. These bakeries tend to use imported ingredients including bakery yeast, dough, flavors, icing, and cocoa in their specialized products to improve quality and taste. In addition, the small frozen fruit and vegetable sector is growing to meet the demands of the restaurant sector.

Food Processing Sector Growth and Trends: Accounting for 27 percent of the value-added production and 16 percent of employment in the manufacturing sector, the food and beverage processing industry is the second largest industry after textiles. The major products undergoing value-added transformation are fruits, vegetables, flour, sugar, pulses, grains, frozen and packaged food, edible oil, and dairy products. Food processors regularly introduce new products using improved technology, innovative packaging, and aggressive marketing. For ingredients that are unavailable in Pakistan, processors turn to imports and typically source through importers specializing in food ingredients. U.S. food ingredient imports include dried fruits and nuts, essential oils, protein isolates, starch, vegetable saps, thickeners, lactose, sugar and sugar syrups, mayonnaise, mixed seasonings, sauces and preparations, yeast, milk powder, baking powders, sweeteners, vinegar, and gelatin and gelatin derivatives.

Although Pakistan is the world's fourth-largest milk producer, there is a growing demand for imported dairy product ingredients. Opportunities exist in milk powder, cheese, butter, yogurt, ice cream, and ghee.

In the fruits and vegetable sector, there are more than 25 processing plants. Most of these are citrus-based owing to extensive local citrus production (e.g. mandarin, kinnow, grapefruit, sweet orange, bitter orange, lime, and lemon) grown in the Punjab, Sindh, KPK, and Baluchistan provinces. Value-added products include jams, jellies, marmalades, squashes, and canned fruits. Pakistan is also a leading producer of mangoes, which are grown in Southern Punjab and Sindh. The major mango processing plants are located in Peshawar, Lahore, and Karachi. Value-added products include jams, jellies, marmalades, squashes, and canned fruits.

Although the consumption of unprocessed meat and seafood remains popular among Pakistani consumers because of its perceived freshness and taste, there is a small, but growing, frozen food sector focusing on processed meat and seafood products, which provides opportunities for U.S. exporters. The increase in demand for frozen foods has been made possible by the increase in malls, supermarkets, hypermarkets, and local manufacturers such as Dawn foods, K&N’s, Season foods, Sabroso, PK foods, and Sufi foods. These companies have made a significant impact in the market with their ready-to-eat frozen food products.

The total demand for edible oil is estimated at three million tons. Pakistan produces 23 percent of its oilseeds domestically, with the remaining 77 percent imported. The vegetable oil is used for vegetable ghee and the cooking oil industry. Vegetable oil processing is one of the largest sectors in Pakistan, with around 160 small- and medium-sized vegetable ghee and cooking oil units spread all across Pakistan.

The beverage processing industry is composed of two broad sectors: (1) juices, squashes, and syrups and (2) carbonated beverages. Both sectors are growing, and major market players include Pepsi, Coca-Cola, Nestle, Mitchells, Shezan, and Maza. Their production units are mostly located in Punjab, specifically the cities of Lahore, Sargodha, and Bahawalpur.

SECTION V: AGRICULTURAL and FOOD IMPORTS

Best Product Prospects

Products Present in the Market with Good Sales Potential

Description BICO	Total Imports CY - 2020 (USD millions)	Imports from U.S. CY – 2020 (USD millions)	Key Constraints	Market Factors
Cotton	1524	787	Price competitiveness with India, Brazil, and Egypt etc.	Local production is inadequate and long staple fiber is required for export-oriented products. Cotton contamination is a big local issue.

Description BICO	Total Imports CY - 2020 (USD millions)	Imports from U.S. CY – 2020 (USD millions)	Key Constraints	Market Factors
Soybeans	825	384	Price competition with Brazil.	Total dependence on imports.
Pulses	451	40	Price competitiveness and freight advantage for countries like Myanmar and India.	Local production is inadequate and domestic consumption is met through imports.
Forestry Products	271	37	Competition from Canada, Europe, Burma, Malaysia, and Russia.	Total dependence on imports.
Tree Nuts	88	35	Competition from Afghanistan and Iran.	Growing seasonal demand, health consciousness, and value additions.
Planting Seeds	100	29	Hybrid corn and vegetable seed is lacking.	High demand of hybrid seeds to achieve high local production.
Dairy Products	223	27	Competition from foreign suppliers like EU, Turkey, New Zealand, Poland, and Malaysia.	Increasing popularity of imported brands and shortage of quality domestic products. Demand is growing for powdered milk for processing.
Dairy Cattle	13	4	Competition from countries like Australia and Holland.	Preference for imported animals for higher productivity and better genetic potential.

Source: TDM/ BICO

VI: POST CONTACTS AND FURTHER INFORMATION

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Attachments:

No Attachments