Pakistan dairy challenges and opportunities

Environment, Air

Pakistan Dairy Challenges & Opportunities Shamsuddin A. Shaikh agenda Challenges Strategies Opportunities Pakistan Dairy Challenges Quantity, Quality, Price Demand/ Supply Gap S l G - Demand continues to outpace supply - Actual production estimated to be between 20-22 bio Vs 36 bio reported. - Non-commercialized scattered farming NOT geared to achieving fast growth. No where in the world this has worked Pakistan Dairy Challenges Quantity, Quality, Price Poor milk quality Avg. TPC count in Pakistan +3 mio/ml vs. 50, 000 in Middle East which is also requirement for export UHT milk shelf life 3 months (Pakistan) vs. 9 months (Middle East) Role of middle man vis-Ã -vis adulteration Poor quality is major hurdle for export opportunity Processed milk goes through a number of checks versus gwala milk. Above is due to scattered farming and demand much higher then supply Pakistan Dairy Challenges Quantity, Quality, Price Impact on Price Lower avails Vs demand, creating price war Current SMP prices of US $ 2500 C&F Khi reflects milk prices cheaper than what is available in Pakistan Highly volatile local market — only savior in shape of i h f import d t t duty. Collection in Pakistan much more expensive than other countries. Lower avails versus a number of buyers. Pakistan Dairy Challenges Way Forward 3 pronged approach Supply side Infrastructure support Quality approach Yield improvement Economies of Scale Public/Private participation

Pakistan Dairy Challenges Supply Side Barriers Absence of infrastructure & utilities support in milk shed areas Increased culling trend to erode herd base Dairy still part of informal sector Recommendations Prioritize milk shed areas for investment - Utilities access/support - T b welling programmes Tube lli - Electrification - Security issues Encourage dairy breeding farms g y g Set &

enforce financing dairy targets/incentives - Role of financial institutions/ micro-financing Pakistan Dairy Challenges Yield / Quality Improvement Barriers Genetic Deterioration Poor breeding practices resulting in low yield animal Absence of genetic p g pool records Lack of focus on imported cattle breeds Recommendations Establish Independent Agency Funded by Govt.; operated by Industry Govt ; Establish targets & benchmarks Establish bull pool among elite ‘ progressive’ farmers Herd Registration establishing ideal type Availability of Bulls nationwide through ‘ bull stations’ for AI & Rental Encourage import of cattle through subsidy Pakistan Dairy Challenges
Yield / Quality Improvements Barriers Milk Price Varying milk procurement standard Adulteration & lack of recognition of premium for hygiene Ad l i l k f ii f i f h i Recommendations Govt. to establish regulatory framework for milk procurement standard; policed by industry Clear & consistent pricing structure Quality parameters policed by authorities at farm gate Industry to enforce hygiene p y yg premium Pakistan Dairy Challenges
Yield / Quality Improvements Barriers Animal Health Poor standard of vaccines & medicines Prohibitive cost of import Lack of cold chain handling & administration Recommendations Tax free incentive to rural operating businesses i. e. crop i insecticide companies f l i id i for local production of l d i f vaccines & medicine - Import substitution benefits Medicines efficacy regulation regulatory regulation, testing/policing Pakistan Dairy Challenges Economies of Scale Barriers Low presence of Private Sector Dairy Farming Recommendations R d ti Give dairy “ agricultural industry" t t Gi d i “ i lt l i d t " status Establish Govt. incentives/policies supporting dairy farming for private sector Provide incentives to rural based businesses to diversify - Crop

management companies - crop insecticide/ pharma companies - seed companies fodder production vaccines/medicines Arrange financing incentives (ADBP/micro-financing) Pakistan Dairy Opportunities Livestock Population Li t k P l ti (Million Heads) 80 60 40 20 0 33 29. 9 27. 4 58. 3 Pakistan 1 Cattle Buffalo Sheep Goat Camel

Pakistan Dairy Opportunities Total Investment of USD 83 Mio Consumer Dairy D i Business Investment USD 57 Mn Expected growth 2011 USD 100 Mn Consumer Ice I cream Business Investment USD 17 Mn Expected growth E t d th 2011 USD 34 Mn Dairy Farm F Business Investment USD 9 Mn B2B Rice Ri Project Expected Investment USD 35 Mn - - Tarka , butter oil launched - Glorious industrial milk Glorious, powder launched - Tarang — liquid tea whitener introduced - 2nd milk plant at Sahiwal becomes operational - Model dairy farm operational - National distribution attained - 2nd largest milk collection infrastructure deployed ENGRO Foods Limited formed - First plant at Sukkur commissioned - Olper’s first brand launched — UHT milk - Olper’s first brand extension — UHT cream launched - Olwell — Fist value added brand launched — UHT HCLF largest player of UHT industry in Pakistan - Ice — cream project approved - Commercial dairy farm launched 2nd - Ice cream brand OMORE launched successfully - Flavored milk launched successfully - Tarang 125 ml in process - J & N in process - Tea whitening powder in process 2009 2008 2005 2006 2007