

# ENHANCING LIVESTOCK SECTOR EXPORT COMPETITIVENESS

POLICY RECOMMENDATIONS PAPER

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TRADE RELATED TECHNICAL ASSISTANCE PROGRAMME



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### EXECUTIVE SUMMARY

The socio-economic significance of livestock sector in Pakistan cannot be ignored. On the domestic front, livestock sector is significantly interlinked with dairy sector. Meat and other livestock products are essentially considered to be by-products of dairy operations in Pakistan. Therefore, it is imperative to understand that uplift of the livestock sector is largely dependent on the pace of development undertaken in the dairy sector.

Livestock sector has registered impressive growth on the trade front in the recent past. The major export categories include meat & meat preparations and animal casings. In totality, the overall performance of the sector still remains below par due to several supply side and regulatory constraints. Other factors hindering smooth growth of the livestock sector include limited awareness in the farmers' communities on modern farming practices, lower productivity per capita, limited outreach of governmental resources & development initiatives, lack of integration between livestock value chain & supply chain, and weak farm-to-market linkages. Regulatory framework on trade, food safety & quality, sanitary & health standards, investment, pricing and environment are needs to be strengthened and implemented.

Currently, the exports of livestock from Pakistan are mainly directed towards few selected markets where meat & meat preparations are exported mainly to the Gulf region while animal casings to selective EU markets leaving aside other potential markets in Far East, Africa and Asia. It is derived from research that countries in the Gulf Region are facing shortage of domestic supplies and therefore these markets have relaxed their standards for Pakistani meat products temporarily. In view of the above facts, it is important that not only supply and marketing issues should be addressed rather institutional base should also be strengthened and exporters prepared to meet international health and safety standards for sustaining Pakistan share in the existing markets and gaining market access in the new potential markets.

The study conducted on "Enhancing Export Competitiveness of Livestock and Livestock Products of Pakistan" concludes that in order to enhance competitiveness of the livestock products of Pakistan in the present and potential export markets, it is imperative to take an integrated developmental approach with the dairy sector based on 'One Farm' concept. The authors further recommend that fattening of male animals for slaughtering and processing purposes should be encouraged as profitable business enterprise amongst the dairy farmers and they should be incentivized with economic gains for doing the same.

### MAIN FACTS

Pakistan is blessed with a large population of livestock that is well adapted to the local environment. Livestock breeding has remained hallmark of South Asian society. Historically the livestock sector has remained subsistence sector where small holders have been raising animals for getting meat and milk products mainly for their own consumption and to get cash income through small scale sales. More than eight million rural small and landless farmers raise livestock, making it an ideal sector for attacking rural poverty in the country. Furthermore, as livestock makes up almost 55.1% of the agriculture value added and contributes upto 11.6% of the GDP, the future high growth in agriculture is expected to be led by the livestock sector.

Livestock products are also exported to various international markets. These products besides live animals include edible offal, meat (red meat, fresh, chilled & frozen), meat preparations, bovine, poultry, casings, hides & skins etc. Out of these export products, meat & meat preparations (HS 0201 to 0210 & 1602) are on the top with export value of US\$ 167.27 million in 2011 (average increase of 38.5% per annum) mainly to the Gulf region. The second largest export commodity is animal casings (HS 0504) with export value of US\$ 51.56 million (average annual increase of 40%) exported mainly to the E.U markets.

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There is growing demand for Pakistani meat products in the gulf region which is mainly dominated by *halal* food products and also due to the fact that Pakistan has a protocol agreement with these countries for trade in livestock products. However, growing population, increase in income levels and potential for export of livestock products is putting continuous pressure on the supply side of the livestock sector and requires it to keep pace with the anticipated higher future demand.

Federal and Provincial Governments have taken various initiatives to encourage investment in the livestock sector by providing institutional assistance besides allowing duty free import of high yield animals & high quality semen and setting up Artificial Insemination (AI) plants for increased productivity. There is also a rise in the number of animal farms and meat processing units in the organized sector. However the pace of this growth is not satisfactory. Furthermore, after the devolution through 18<sup>th</sup> amendment, provinces have been assigned greater role for the development of agriculture sector including dairy and livestock.

The fact remains that despite under the present economic conditions where many businesses are facing competitiveness issues, livestock sector still offers greater opportunities to the investors. There is ample opportunity for the existing as well as new businessmen to invest in livestock value chain which can make the sector vibrant and enhance its export potential. Concrete and focused efforts of the federal and provincial governments, private sector, international donor agencies and research organizations etc. are needed to support the sector in attaining desirable goals. This will eventually enhance welfare of producers, consumers and the society in general.

## KEY FINDINGS

The research on assessing trade potential of livestock and livestock products reveals following: -

### *The Livestock Value Chain & Domestic Supply*

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Animals are raised in agricultural lands spread over an area of 263,000 sq. Km. and almost 1/5th of this land is used as pasture land to raise livestock animals.

Animals are raised mainly to procure milk while procurement of meat is considered as a secondary activity which in turn affects supply position of meat and meat products for meeting domestic and export demand.

Since milk is produced as a primary livestock product in Pakistan, breeds for acquiring meat specifically are rarely developed in the country.

Livestock sector also provides precious raw material to the ancillary industry including animal feed, bio gas, detergent, and edible oil etc. besides providing valuable inputs to the leather & leather products industry.

### *Productivity Constraints*

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Productive feed including fodder, concentrate feed, silage and mineral mixtures remains mostly unavailable to the subsistent farmers due to limited knowledge, high cost, and limited accessibility.

Small farmers are unable to make use of modern machinery due to their low economic conditions and high cost of technology leading to issues of hygiene and productivity. Large farmers though use machinery and equipment, yet they are unable to match international production and sanitary standards.

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In the informal sector, the labour is found to be inefficient as mainly the families are involved in raising livestock. Large farmers have better trained work force that result in efficient management of farms and animals with better supply chain.

Limited knowledge of vaccination and affordability costs restrict small farmers from its use though these are provided by the provincial governments on payment basis. Limited use of Artificial Insemination (AI) by the farmers also restricts productivity and growth.

### *Direction of Exports*

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Pakistan export basket for livestock products is mainly dominated by two products including:

- I. Meat & Meat Preparations (HS 0201 to 0210 & 1602) with high average export growth of about 35.5% (period 2009-11) mainly to Gulf Region valuing US\$ 167.27 million (2011). The top importing countries for this category include UAE, Saudi Arabia, Kuwait, Bahrain, Oman and Iran. The sub products in this category include:
  - a. Meat of bovine animals, fresh or chilled (HS Code 0201)
  - b. Meat of bovine animals, frozen ( HS Code 0202)
  - c. Meat of sheep or goats - fresh, chilled or frozen ( HS Code 0204)
  - d. Edible offal of red meat ( HS Code 0206)
  - e. Meat and edible meat offal nes (HS Code 0208)
  - f. Meat and edible meat offal nes ( HS Code 0210)
  - g. Prepared or preserved meat, meat offal or blood, nes ( HS Code 1602)
- II. Animal Casings (HS 0504) being the second major export product of the livestock sector. The value of its exports during 2011 was recorded at US\$ 51.56 million with an average annual increase of 40.3% (period 2009-11), mainly to the European Union. Animal casings mainly include following products:
- III. Guts, Bladders and stomach of animals except fish whole or in pieces ( HS 0504)

Besides the above two products, live animals are also exported mainly to Afghanistan, Iran and U.A.E. The value of exports of live animals was US\$ 19.346 million (2011). However, a large number of live animals are illegally sent to Afghanistan and Iran which put pressure on the domestic and export supply of livestock products.

The main speciality of Pakistan is in export of chilled meat. Pakistan also enjoys geographical advantage due to close proximity with the Gulf States where approximately 12 hours are taken to transport chilled meat from slaughterhouse to the shelves of meat shops in these markets.

Preference on the basis of taste for Pakistani meat products in these markets is yet another comparative edge for Pakistan.

The meat export strategy should go further by preparing for the EU market by reducing costs of production and enhance knowledge of EU import requirements such as traceability requirement besides meeting other standards and following regulations on import of meat products into these markets.

Due to stringent requirement of traceability, Pakistan is unable to export to EU countries, which are major consumer of meat and meat products with annual import value of US\$ 31,262 million in 2011, which is almost 45% of world total import.

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The potential market analysis for export of meat and meat preparation from Pakistan to GCC (6 countries) reflects that Pakistan's existing share in these markets is negligible which can be enhanced by formulation of doable penetration strategy after consultation with stakeholders. The GCC countries are currently not imposing restrictive standards due to their current domestic insufficiency and the low cost of Pakistani live animals and meat imports. However, these standards can be imposed in an unpredictable manner in future which makes the Gulf region an unreliable export market in the long-term.

For short and medium term, Pakistan's must focus on the market penetration of existing trading countries along with development of new potential markets. For market penetration and development, countries of GCC, CIS, ASEAN and OIC must be targeted keeping in view the acceptability of products. To start with, we can focus on Russia, Viet Nam, Egypt, Malaysia, Turkey, Singapore, Indonesia, Philippines and Jordan.

Potential market analysis for export of animal casing from Pakistan to EU (27 countries) reflects that despite directing 87% of animal casing exports to said market, Pakistan has only 1.86% share of EU, which stresses need for penetration into these existing export destination. For short and medium term, Pakistan's potential exports markets for animal casing can be Netherlands, Japan and China.

## KEY RECOMMENDATIONS

The authors extensive research<sup>1</sup> and policy reform proposals received through the Public-Private Dialogue (PPD) from various stakeholders have firmly established the urgent need to organize the 83% small-scale, subsistent farmers as the major stakeholders and to institutionalize their representation in the government policies. Following recommendations have been prepared covering the aspects of value chain & supply chain constraints, trade potential issues, and regulatory reforms in the dairy industry of Pakistan.

### *The Livestock Value Chain & Supply Side Constraints*

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#### *Meat Animal Production – A Secondary Livestock Activity*

The provincial governments urgently need to establish model meat production farms based upon feedlot fattening in the concentrated as well as far flung areas where farm animals are bred.

Cooperative farming system is the only solution to organizing and formalizing the livestock sector. These cooperatives need to be established at the Union Council (UCs, consisting of 5-6 villages) or Divisional levels (consisting of 10 UCs) and therefore can address the basic issues of the small scale farmers through effective provision of livestock services, technology and financial assistance. The successful cooperative movement in the dairy industries of India and Turkey can be modelled for revamping the domestic industry.<sup>2,3</sup>

Government owned livestock farms should not be privatized as they are specifically carrying out research and development (R&D) and are acting as hubs in preserving precious genomes of livestock breeds.<sup>4,5</sup>

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<sup>1</sup> Extensive interviews held with public sector organizations including livestock and dairy departments, dairy producers, dairy processors and the academia

<sup>2</sup> Arid Agriculture University, Rawalpindi; Department of Commerce, Industries and Investment, Government of Punjab; Directorate General (Extension Services), Department of Livestock, Government of Punjab, Lahore University of Management Sciences (LUMS)

<sup>3</sup> Through concerted efforts, even if milk productivity can be increased by 1 litre/ animal only, Pakistan can potentially become the largest milk producer in the world. (Industry estimates)

<sup>5</sup> Arid Agriculture University, Rawalpindi

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Successful implementation of the project for the production of biogas on commercial basis requires ownership and commitment between the public and private sector and for acquiring technological expertise. Provincial and federal governments may seek assistance from the private sector<sup>6</sup> in maximizing impact of the programme and also prepare some model biogas plants that can be used as success stories for the farmers. Again, media campaign and use of technology can be effective means of approaching the target audience. The initiative could be the potential solution to the energy crisis that is badly affecting the country at the moment. Once the value of this resource is realized at the national level, only then its value can be translated to the dairy and livestock farmers.

The biogas and bio slurry production can be successfully implemented in the dairy hubs at least at the household levels. It is estimated that 1 kg dung can produce up to 1 cubic meter biogas. At least 10 animals are required to produce the required level of bio waste which could result in the production of 15 cubic meters a day to run a small household. The estimated cost of production is PKR 60,000-65,000.<sup>7</sup>

To ensure increased level of investment in the meat animal production, it is imperative to build the investment based on the structure of the poultry industry. Currently fattening is not a profitable enterprise due to high cost of production, lack of buying guarantee to the producers and weak farm-to-market linkages. Following the example of the poultry industry, the government should encourage a separation of activities and stakeholders in breeding and rearing (fattening) of calves for sale to slaughterhouses and meat processors through its investment agencies. This would lead to lesser levels of required investment by each stakeholder, therefore lowering the overall cost of production.<sup>8</sup>

### *Training and Awareness Stakeholders*

Efforts are required to be made to enhance outreach through involving opinion leaders and assigning greater responsibilities to the heads of villages and **Panchayats**.<sup>9</sup>

Training programmes for the government functionaries are also required to be conducted. These workers should be chosen from the village communities and after training they should be posted in their own vicinities by assigning targets. A monitoring and evaluation system should be established to oversee the progress and offer rewards and reprisals to the workers. These training programmes can also be conducted with the help of existing government and private sector vocational institutions. This will ensure appropriate and cost effective use of available resources and also build capacity of these training institutions.

Federal Government on the national level can involve certain donor agencies to launch a National Awareness programme through media and other intermediate means (also including local cable networks, cellular service providers<sup>10</sup> etc.) and therefore can assist the provinces in fostering their efforts. The financial constraints can be reduced by involving media, private sector, and donor organizations as media partners.

The government must encourage farmers/ entrepreneurs in the country through its various business support organizations, such as Livestock and Dairy Development Board (LDDDB) and Small & Medium Enterprise Development Authority (SMEDA) to undertake animal farming as a primary source of income besides crop sector. A shift in the mindset has to be created in the farmer community so that

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<sup>6</sup>Most of the private companies in dairy business, especially the milk processing units can be helpful in fostering the progress of the biogas initiative due to the fact that they have large milk collection networks and these companies are connected with a large number of farmers who are providing milk to the collection centers.

<sup>7</sup>Solve Agri Pak (Private) Limited

<sup>8</sup> Pakistan Meat Exporters' Association

Taking an example, the third largest meat exporting company in Pakistan has an average requirement of 1,200 animals per month to ensure meat supplies to its customers in the UAE. If the company undertakes the breeding and fattening activities of these animals as well, it would end up requiring an investment of PKR 20.5 million per month, which would make meat production very unprofitable for the company. Furthermore, the entire cycle comes to about 1.5 years in rearing a calf for slaughtering.

<sup>9</sup> Local system of resolving disputes through involving elders of a village who form a committee for the purpose. These *Panchayats* are headed by *Panch* whose decision is considered final and is followed in letter and spirit by the whole village. The *Panch* can also be approached and used for implementation of various initiatives in the dairy sector.

<sup>10</sup>Awareness through prerecorded advises can be delivered to the residents of rural as well as urban and peri-urban farmers. The assistance of National Database Registration Authority (NADRA) can also be used to identify target audience.

they consider their animals as a potential & valuable investment with financial return rather than a social capital and insurance in times of financial crunch.

Awareness campaigns on development of the livestock sector must primarily be spearheaded by the government rather than merely by the private sector or international agencies since these have their own limitations and capacity constraints when it comes to infrastructure and contacting with target farmers' groups. Government may initiate joint ventures with these organizations and with the media to develop effective outreach themes for attracting the target groups effectively. Awareness campaigns and trainings can be organized with the support of trained extension workers and veterinarians in the proposed dairy hubs at the divisional and union council levels to ensure maximum contact with the farmers.

Currently there are six agriculture universities with a number of campuses are operation in Pakistan<sup>11</sup> that are responsible for providing vocational education on the livestock and dairy development in Pakistan. Considering the fact that there is insufficient human resource on the veterinary side as against the whole livestock and dairy sector, there is an urgent requirement to establish more campuses of these universities with advanced curriculum prepared in line with international standards. The curriculum should also include ample information on the domestic and international regulatory regimes and requirements for development of the livestock & dairy sector especially when these products are considered for exports. These vocational institutions and universities can be established under public-private partnership initiative at the divisional level and preferably these should be affiliated with international universities of repute so as to attach privilege to these institutions. These institutions can also help in establishing research centres for the livestock and dairy sector in Pakistan.

### **Animal Management and Welfare**

#### **a. Breed Preservation and Management**

- There is a general consensus amongst all stakeholders that a national level policy should be adopted to develop breeds especially for meat production. Brazil has emerged as the largest meat exporter in the world through development of meat cattle breeds specifically, such as Gir and Ongole of Indian origin, that first came to the country in 1906.<sup>12</sup> However, the government is recommended to undertake further research in this area that would determine the profitability of businesses involved in fattening of male animals for meat production as opposed to dairy farming only.
- Lack of awareness on breed management is the biggest issue that needs to be tackled at the grass root level to ensure that good bulls are bred through appropriate feed and nutrition to produce healthier and superior off-springs.<sup>13</sup> This strategy needs a long-term and continuous planning and implementation to counter the negative attitudes and lack of responsiveness amongst the local farmers.<sup>14</sup>
- Government projects like the CEDSEB are currently facing financial constraints due to lack of public funds. It is proposed that private sector competition as well as joint ventures with internationally renowned companies should be introduced in the project to ensure its early completion and for the provision of high quality semen doses.<sup>15</sup> This initiative can potentially lead to export of semen doses as there is demand for

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<sup>11</sup>The Universities include (i) KPK Agriculture University, Peshawar (Faculty of Animal Husbandry & Veterinary Sciences), (ii) Lasbela University of Agriculture, Water & Marine Sciences (LUAWMS) at Lasbela (Faculty of Veterinary and Animal Sciences), (iii) University of Agriculture, Faisalabad (UAF) (Institute of Animal Nutrition & Feed Technology), (iv) PirMehar Ali Shah Arid Agriculture University, Rawalpindi (Department of Livestock Production and Management), Sindh, (v) Sindh Agriculture University, Tandojam (Department of Livestock Management), Sindh, (vi) University of Veterinary and Animal Sciences (UVAS), Lahore, Punjab.

<sup>12</sup>Department of Animal Husbandry, Dairying and Fisheries, Government of India, Report on National Commission on Cattle, Chapter VII

<sup>13</sup>Punjab Livestock and Dairy Development Board (PLDDB)

<sup>14</sup>It should be noted that, as discussed above, farming and rearing practices amongst the local farmers are mainly based upon traditional knowledge and experience and therefore a majority of them resist in changing their attitude towards improvement.

<sup>15</sup>Punjab Livestock and Dairy Development Board (PLDDB) and Punjab Board of Investment and Trade (PBIT) would be required to take a proactive role in this aspect.

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indigenous breed in the international markets as per industry and governmental sources.

### b. **Feed and Nutritional Management**

- Currently imported feed prices are quite low as compared to the ones locally produced. According to industry estimates, 1 kg of imported corn feed costs PKR 20 (USD 0.2) as compared to local corn feed at PKR 30 (USD 0.2). This price difference makes a huge impact on the small-scale farmer.<sup>16</sup> Therefore the government should continue its policy of opening up imports of all required types of feed and zero-rate them as much as possible.<sup>17</sup>
- To cater to the large domestic demand of animals feed and fodder and to decrease the price of high quality concentrates produced locally, the government needs to encourage private investment in this industry. There is a high potential to earn profits by the private sector in silage production due to increased efficiency, as even the government is earning profits on its silage production project.<sup>18</sup>
- Spreading awareness among the farmers' community is an important aspect of making them realize the importance of providing nutritional values to the animals in order to get more meat production from them and therefore become commercially & economically better off.<sup>19</sup> The same can be ensured in the dairy hubs through provision of low-cost technology, silage production training and imparting relevant knowledge to the opinion leaders and progressive-minded farmers in the villages.<sup>20</sup>
- The root cause of lack of proper feed and nutrition and water supplies provided by small-scale farmers is their unawareness of its impact on the animal welfare. These can only be overcome through model practises in the dairy hubs. For example, the acceptability of silage production and provision was very low amongst the small-scale farmers. Under the hub concept, fattening of male calves for meat production can be encouraged. Through proper feed and intake of water, the calf has a potential of gaining weight equivalent to 500-900 grams<sup>21</sup> per day, which would prove to be very valuable for the farmer at the time of its sale.
- As value of land is very high, government may lease land on reasonable rates to farmers interested in growing crop for fodder. Based on the huge gap in the demand and supply of feed, there is a very profitable opportunity for competition in the industry.
- A national strategy is required to be adopted where awareness programmes should be launched for the farmers on the importance of food and nutrition according the Total Mixed Ration (TMR) technique.<sup>22</sup>
- Feed production needs to be on scientific basis, considering the supply and demand gaps in the country as well as encouragement of specific types of feed and fodder production that contribute to higher animal and health and productivity.<sup>23</sup>

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<sup>16</sup>According to government estimates, about 25 kg of silage is required to fulfill the daily dietary requirements of 1 mature milch animal.

<sup>17</sup>Small and Medium Enterprises Development Authority (SMEDA)

<sup>18</sup>The cost of production of 1 kg currently stands at PKR 5, while it is being priced at PKR 6.5 (Corn Silage) and PKR 7 (Wheat Silage) to cater to the local farmers, especially when there is a shortage in local fodder production during the winter months. The costs do not include depreciation on the imported machinery and the profits are being reinvested into the project. Source: Punjab Livestock and Dairy Development Board (PLDDB)

<sup>19</sup>Local farmers generally provide low cost wheat straw to their animals which has very low nutritive value and a subsequent negative affect on their productivity levels.(Small and Medium Enterprises Development Authority, SMEDA and Punjab Livestock and Dairy Development Board, PLDDB).

<sup>21</sup>Till the age of 1.25-1.5 years (Punjab Livestock and Dairy Development Board, PLDDB)

<sup>22</sup> TMR ensures that feed quantity should be 3-3.5% of the total animal weight to get maximum productivity.

<sup>23</sup>Food and Biotechnology Research Center, Pakistan Council of Scientific and Industrial Research (PCSIR) Laboratories

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- Balanced rations of feed and fodder may be extended to small-scale farmers on credit basis in the dairy hubs.<sup>24</sup>

### c. *Veterinary Support and Animal Health*

- Disease prevention and control needs to be given primary importance to promote availability of quality animals and meat in the country and to overcome obstacles in their export. The same can be achieved through stringent regulations that would result in the establishment of “Disease-free Zones” within various parts of the country.<sup>25</sup>
- The animal health needs to be linked directly to public health to raise the significance of proper veterinary care and animal welfare. If the concept can be streamlined into the general veterinary policy in the country, the same can be used as an effective marketing tool in trade with the partner countries.
- Government at national and provincial level should activate its available infrastructure. There are a number of animal healthcare hospitals in the country whose effectiveness is far below required levels. Hiring policy for these hospitals and veterinary care centre has to be ensured with preference to the local inhabitants so that their interest in posting at their home stations should be used as a motivational tool to retain them for provision of quality service to the stakeholders.
- The extension workers and veterinary specialists posted at various divisions should be compensated as per their performance. This method would provide monetary incentive to increase their veterinary outreach efforts. It is proposed that a bonus may be rewarded to those officials having the lowest disease incidence rate in their respective hubs.
- Use of resources of local Panchayat and Daira<sup>26</sup> facilities of local village heads can be used while appropriate trained personnel from within the local community can be posted as veterinary attendants under the supervision of the village heads. UC centres under the divisional hub headquarters at union council levels should be established, which can monitor the performance of these medical attendants and also can provide medicines to them. This effort will greatly facilitate healthcare efforts in the farmers’ communities and enhance the outreach to the nooks and corners of the country.
- As suggested above, there is urgent need to form veterinary training institutes and universities<sup>27</sup> in the country to overcome the dearth of trained medical staff in the veterinary field. This requires medium and long term strategy. The government should form veterinary academies in major Tehsils as a first step and afterwards may form colleges and universities to overcome shortage of trained medical professionals. Again, consortium of medium and big farmers as well as international agencies with the local governments would greatly facilitate this effort.

### *Issues in the Meat Processing Industry*

The Pakistan Livestock and Dairy Development Board needs to carry out detailed planning and needs to ensure creation of linkages between the livestock markets, slaughterhouses and the processing facilities for livestock by-products.

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<sup>24</sup>Arid Agriculture University, Rawalpindi

<sup>25</sup>Department of Livestock Research and Development, Government of Khyber Pakhtunkhwa

<sup>26</sup>These are usually formed by the medium and large size farmers in their agricultural lands. These *Dairas* are also used as guest houses for guests coming from outside. Storage of grains and other agriculture implements is also done here. Besides, in almost all *Dairas*, the farmers also house certain animals including cows, bulls, dogs etc.

<sup>27</sup>The University of Veterinary and Animal Sciences is the only university in the country specifically related to livestock husbandry.

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It is better to plan and regulate smaller slaughterhouses at town levels in large cities rather than having one large unit in the suburbs. In case of a huge city like Lahore, small units can be opened in the nine towns as per the administrative setup. This would ensure a convenient supply chain for the meat processors in terms of cost efficiency and overcoming the perishability factor. It would also provide environmental and hygiene benefits as the solid waste can be managed through government facilities in these towns.<sup>28</sup> In Punjab region, this setup would be implemented through the Punjab Agriculture and Meat Company (PAMCO), while similar initiatives may be taken through the livestock departments of other provinces.

The animal casings processors and exporters may also be facilitated by the above mechanism through establishment of small processing facilities in the vicinity of these slaughterhouses on land owned by the public sector. It would provide them with the opportunity to timely process the casings under suitable temperatures and would also help contain the subsequent environmental hazards.<sup>29</sup>

Meat processing zones as well as export meat processing zones should be established near major cities of the country. These zones should be equipped with facilities required by the meat and meat products manufacturing & processing units that are required to comply with international sanitary and phyto-sanitary standards and general standards adopted by existing as well as potential markets.

Government owned livestock farms should not be privatized as they are specifically carrying out research and development (R&D) and are acting as hubs in preserving precious genomes of livestock breeds.<sup>30</sup>

To encourage value-addition in the industry, investors should be provided soft loans to establish processing facilities and should also be offered export refinancing credit schemes to support the international marketing of the meat products.<sup>31</sup>

### *Trade Potential of Livestock*

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#### *Generating Exportable Surplus*

To address investment related issues in the value added livestock export sector, government must position meat production as profitable business and provide facilities to develop this sector in the shape of export meat processing zones, facilitate setting up of modern slaughterhouses after assessing industry's requirements and provide various schemes through the financial sector for a limited period of time.

Although this is a much stressed upon recommendation by the private sector, the provision of freight subsidy to exporters would put a further burden on the limited financial resources of the country. It is therefore recommended that, in the medium and long run, the government needs to encourage competition in the domestic airline industry to bring down freight costs. In the current scenario, with Pakistan International Airlines (PIA), holding a monopoly in the domestic industry, exporters are at a huge loss in terms of international transportation of highly perishable items such as livestock products. The unpredictable and frequent increase in the freight charges by the carrier causes much distress to the exporters of meat products and animals casings.<sup>32</sup>

#### *Standardization, Compliance and Traceability Issues*

To increase competitiveness and export potential of Pakistan's livestock products in the world market, it is essential that the Federal Food Safety, Animal and Plant Health Authority bill may be converted

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<sup>28</sup>All Pakistan Meat Exporters and Processors Association (APMEPA)

<sup>29</sup>Manufacturers and Exporters of Animal Casings

<sup>30</sup>Arid Agriculture University, Rawalpindi

<sup>31</sup>Punjab Board of Investment and Trade (PBIT)

<sup>32</sup>Punjab Board of Investment and Trade (PBIT), Punjab Agriculture and Meat Company (PAMCO), Pakistan Meat Exporters' Association and Exporters of Animal Casings

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into legislation at the earliest. Since the federal food control system will have a positive and speedy impact on the revision of foods laws and regulations in the provinces as well.

The issue of traceability is central to the provision of safe and hygienic livestock products, not only in the international markets but also for the safety of domestic consumers. The dairy hubs would provide a convenient opportunity for the government to launch an action plan including registration of all the animals within the defined region, information on the feed provision, insemination<sup>33</sup> and vaccination and disease occurrence amongst the herd population. The data should be gathered electronically and be saved at the remote server in the hub headquarters and should be accessible via internet for regular updates. Upon receipt of the information the animals may be tagged accordingly.<sup>34</sup>

Setting up disease-free zones<sup>35</sup> within the hubs is a realistic approach by restricting the movement of animals from one hub to another and thereby containing the occurrence of any disease. The principle of regular testing and culling of infected animals must be encouraged amongst farmers in the hubs to safeguard previous livelihoods.

In the short to medium term, awareness amongst domestic consumers regarding traceability of dairy products to strengthen bio-security in the country,<sup>36</sup> should also be addressed through employing the media and social opinion leaders primarily. The subsequent demand for safe and traceable dairy and other food products would create an environment of regulation in the country which would put pressure on the local producers to follow the principle of "One Step Forward, One Step Back Linkages". Through this concept, the exact supplier of any contaminated/ unsafe dairy products and its subsequent consumer would be easily identified and the risk may be contained. This can be achieved through compulsion of required documentation of the food chain by domestic dairy processors and the presentation of such information as and when required.<sup>37</sup> In the medium to long run, Ministry of Commerce should lobby the establishment and existence of disease-free zones within the country in the international markets; once the same have been declared through self-assessment by the government in the proposed hubs. Bilateral agreements and concessions should then be effectively negotiated with regions like the EU to allow importation of Pakistani livestock (other than animal casings) and dairy products.<sup>38</sup>

The issue of traceability of herd animals is central to ensuring promotion and quality of livestock products in international markets such as the EU. The key step is to implement a nation-wide database of registering milch and meat animals through individual animal identification, pedigree information, age, weight, health and disease history etc. and employing the DNA fingerprinting. The animals can then be tagged accordingly.<sup>39</sup>

### ***International Marketing of Livestock Products***

Joint ventures and investment by Pakistani investors in markets such as the United Arab Emirates (UAE) should be encouraged through a proactive role by the Punjab Board of Investment and Trade (PBIT). UAE would be interested in corporate farming of meat animals that would ensure a consistency in supply to cater to its domestic demand.<sup>40</sup>

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<sup>33</sup>Exotic viruses can be transmitted through cross-breeding with imported animals (Pakistan Agricultural Research Council, PARC)

<sup>34</sup>University of Animal and Veterinary Sciences (UVAS)

<sup>35</sup> Livestock and dairy imports into high-end market like the EU are only allowed through countries declared as disease-free zones. (Punjab Livestock and Dairy Development Board, PLDDDB); Department of Commerce, Industries and Investment, Government of Pakistan

<sup>36</sup>Punjab Livestock and Dairy Development Board (PLDDDB)

<sup>37</sup>Under the EU's General Food Law, 2002, traceability has been made compulsory for all food and feed businesses. "It requires that all food and feed operators implement special traceability systems. They must be able to identify where their products have come from and where they are going and to rapidly provide this information to the competent authorities." Documentation requirements include names and addresses of suppliers, and customers in each incidence, nature of the product and the exact date of delivery..

<sup>38</sup>Dairy and livestock producers and processors

<sup>39</sup>Food and Biotechnology Research Center, Pakistan Council of Scientific and Industrial Research (PCSIR) Laboratories

<sup>40</sup>Pakistan Meat Exporters' Association

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There is an urgent need to comply with international quality and safety standards in the meat sector to tap its export potential. Other than this, protocol arrangements with more countries should be entered into on the basis of demand of Pakistani meat products, especially in the global Halal food segment.

The services of TDAP should be fully realized to provide subsidy to meat exporters in order to establish retail meat outlets in the importing countries and should also include provision of rental charges to attain counters in international high-end super markets for direct selling to consumers in these countries.

The government should provide financial assistance on mandatory international health and safety certifications required to be undertaken by the meat exporters, on the same lines as for the textile exporters.

Capacity of the LDDDB should be augmented to cater to the international marketing needs of the sector. This is imperative due to the fact that the organization is very closely associated with the entire system of the industry.

### ***Border Measures***

Governments of Pakistan and its neighbouring countries should enter into bilateral arrangements where they should adopt measures to restrict the smuggling of live animals across international borders. Customs authorities of both sides should be made responsible to restrict any informal movement of live animals from one end to the other end of the two sides of the border.

If it is found that the customs department has limited capability to put enforcement activated, the government may consider establishing a livestock protection agency. Necessary policy and regulatory measures should be taken by the federal government in consultation with the provincial governments. An implementation force should be managed, especially on the interprovincial border areas which should check each consignment of livestock sent from one province to another. This will also ensure unauthorized passage of animal species from one province to another.

Appropriate legal reforms resulting in prohibitive penalties should be enforced where the illegal trade of live animals should be restricted and punitive measures should be defined for those involved in such illegal trade. This will greatly reduce the informal trade since the local police will also be involved and authorized to curb smuggling by providing a third tier of check on the informal trade.

### ***Easing Import Restrictions on Live Animals and Livestock Products***

Pakistan has prohibited import of the live animals including cattle, buffalo, sheep and goats and their meat from a substantial number of countries on account of Bovine Spongiform Encephalopathy (BSE) infection under its Import Policy Order, 2009. These countries include the United Kingdom, Ireland, Belgium, Denmark, Falkland, France, Germany, Italy, Luxembourg, Holland, Spain, Brazil, Czech Republic, Austria, Poland, Slovakia, Slovenia, USA and Alberta Region of Canada.<sup>41</sup> It may however be noted that countries such as the USA and Brazil are leading producers and exporters of cattle and buffaloes and their products, which can be crucial sourcing destinations for the Pakistani livestock and dairy processors in view of the domestic shortage of meat and milch animals.<sup>42</sup> Furthermore, countries such as Belgium, Denmark, Austria and Brazil have been recognized as having “Negligible” BSE risk, while the rest of the countries have been accorded the “Controlled” BSE risk status.<sup>43</sup> Keeping in view the above factors, the government should progress towards opening up import from these countries in a phased manner as per domestic requirements.

### ***Policy and Regulatory Reforms for Livestock Development***

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<sup>41</sup>Import Policy Order, 2009, Section 3 (k)

<sup>42</sup>Small and Medium Enterprises Development Authority (SMEDA), Milk/ Meat Producers/ Processors

<sup>43</sup>World Organization for Animal Health (OIE), Bovine Spongiform Encephalopathy (BSE) Status of Members, According to RESOLUTION No. 16 (80th General Session May 2012)

### **Tax and Tariff Regime**

It is proposed that the government should open trade of live animals and livestock products from the countries prohibited in the Import Policy Order, 2009 to cater to the domestic demand in view of high prices and shortage in supply of animals due to rampant smuggling.

### **Reforms in Pricing Mechanism**

It is proposed that the relevant governments/ authorities should immediately withdraw their support from fixing and controlling the selling price of meat in urban centres. The practice of using private associations as forums to negotiate prices and the consequent 'collusion' created by the government is against the spirit of competition and all such agreements are prohibited under Section 4 of the Competition Act, 2010.<sup>44</sup>

The intention behind price fixing is to mainly keep meat affordable to the local consumers. The same can be achieved in a more effective and sustainable manner through the introduction of open competition in both the informal and formal sectors. The price of meat will reach equilibrium once the demand for quality is driven by consumers and this would also have a subsequent impact on improving the production efficiencies of livestock farmers, producers and processors to effectively compete in the domestic market. The prices of animals on live weight basis should be strictly enforced. Such a pricing mechanism ensures that farmers and livestock producers get the optimum price based upon the animal's actual weight. The live weight includes the weight of body tissues, contents of the alimentary tract and the bladder and the weight of the moisture contained within. The weight of these components is included in the overall weight of the animal, which in turn proves to be very valuable for the producer. Currently, producers are unable to receive premium prices for their animals due to poor marketing structure and the exploitative role of middlemen in the selling of these animals.<sup>45</sup>

### **Revisiting the 18<sup>th</sup> Constitutional Amendment**

It is pertinent to improve the capacity and skills of the agriculture personnel in all provincial departments to develop agriculture and livestock policies. The Ministry of Food Security and Research needs to take a central role in the training for policy development and implementation in coordination with international training organizations.

In the dairy sector, farmers being producers are to be considered as the major stakeholders by the provinces. Therefore, it is imperative to institutionalize their participation in developing policy instruments for the industry. The same can be ensured through the implementation of dairy hubs which would increase representation by the small holders especially and also create a mechanism for inputs and feedback regarding development initiatives starting right from their door steps.<sup>46</sup>

A key element that was central to providing autonomy in the agriculture sector was the implementation of a structure by the provinces for the collection of agricultural income tax from producers. It is about time that the practice be initiated by provinces in view the fact that although the sector, including a major share of the livestock sector constitutes around a quarter of the country's GDP, its contribution to tax revenues remains disappointingly low at around one percent. Provincial legislators need to introduce an effective and serious dialogue in consultation with the relevant stakeholders for implementation of this initiative as it has a high potential to increase the Tax-to-GDP ratio for the country as well as raise much needed funds for development of the sector.<sup>47</sup>

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<sup>44</sup> Section 4(1) prohibits and renders void "all agreements between undertakings, decisions by associations of undertakings and concerted practices which have as their object or effect the prevention, restriction or distortion of competition in trade in any goods or services in the State or in any part of the State". The Act lists some specific types of behaviour which are expressly prohibited. These include "Fixing the purchase or selling price or imposing any other restrictive trading conditions with regard to the sale or distribution of any goods or the provision of any services."

<sup>46</sup> Livestock Farmers and Breeders Association

<sup>47</sup> Varying estimates place the revenue potential from taxing the agricultural income from PKR 40-60 billion to as high as PKR 250-300 billion. Nevertheless, the potential influx of public funds is significant in view of current economic conditions of the

### **Revamping Food Safety Regime**

It is proposed that international accreditation of food testing laboratories should be undertaken at the federal level and capacity building and enhancing of food inspection services be carried out under NAPHIS.

The FPO should be amended in view of the Codex standards to include 400 new food products, including livestock products, in addition to the existing 105 being covered by the legislation.

The food testing laboratories working under the PSQCA and provincial governments should be upgraded to enhance their capacity for microbiological analysis.

Currently there are no laws governing and regulating the sale of meat produced in the unorganized sector in the domestic market. The producers need to be incentivized through the dairy hubs to breed and raise better quality meat animals. The regulations should include a mechanism to ensure enforcement of quality standards with the provision of applying prohibitive penalties (civil and criminal) by the local authorities.<sup>48</sup>

As per EU's Regulation No. 2007/777/EC adopted and enforced on November 29, 2007, Pakistan has been placed in the category of "Undetermined" BSE Risk. The issue finds its basis in the import of 192 non-traceable cows imported from UK 1987. However, as per OIE's provisions, if no case of BSE is reported in 15 years, the case may be automatically resolved in favour of the country in question. This issue needs to be taken up by the relevant organizations such as NAPHIS under the Ministry of Food Security and Research and the Livestock and Dairy Development Board (LDDDB) with the OIE to rectify the BSE status of the country as per its requirements and provisions.

The same would have a positive effect on the promotion and pricing of Pakistani livestock products in the international markets, as well as enhancing the overall image of animal health in the country.<sup>49</sup>

The Pakistan quarantine authorities have strict requirements in place for residue analysis and testing of each export consignment for casings, which implies an increase in overall cost for the animal casing exporters, which may prove to be very expensive for companies sending large consignments. It may be noted here that all exports of animal casings from Pakistan are directed towards the EU and it has exempted non-EU casings exporters such as Pakistan from submitting a specific residue control plan. Keeping the above in view, the quarantine authorities need to take a more balanced approach in ensuring domestic precautions for residue monitoring, while saving exporters from taking on the burden of unnecessary costs.<sup>50</sup>

### **Improving Outreach of Financial Support**

The State Bank of Pakistan should instruct the banking sector to launch facilitation desks at all the branches offering credit schemes for the dairy and livestock sector (mainly covered under agricultural credit). Besides, other branches and banks not offering agricultural credit facilities should also be equipped with proper information so that a maximum number of people are approached and provided information on the agricultural credit schemes offered by certain financial institutions in the public as well as the private sector. Media campaign (electronic and newspapers) can also help in spreading information in the farmers' community. People should be able to know the cost and benefits of availing a financial facility so that no deceptive marketing should be able to deceive them.

Easy and timely access to loans needs to be ensured to small farmers who are mostly illiterate and do not own any guarantees that can be used as collateral. The credit schemes for these farmers should be on the same footing as these are for the medium and large-scale farmers.

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country (Source: Pakistan Institute of Legislative Development and Transparency (PILDAT), Briefing Paper: *Taxing the Agricultural Income in Pakistan*, November 2011)

<sup>48</sup>Khyber Pakhtunkhwa Chamber of Commerce and Industry (KPKCCI)

<sup>49</sup>Manufacturers, Exporters and Importers of Animal Casings

<sup>50</sup>*Ibid*

## INTERVENTION MATRIX FOR POLICY RECOMMENDATIONS ON ENHANCING TRADE OPPORTUNITIES FOR LIVESTOCK AND LIVESTOCK PRODUCTS OF PAKISTAN

Recommendations	Policy Solutions	Specific Interventions	Prioritization Analysis
<b>The Livestock Value Chain and Supply Side Constraints</b>	Breeding and raising of meat animals and fattening to be prioritized as a primary livestock activity	<ul style="list-style-type: none"> <li>• Provincial governments may establish model farms for the purpose of feedlot fattening initially in the geographical locations where livestock is mostly concentrated followed by establishing similar farms in areas where livestock is geographically dispersed.</li> <li>• Government may establish cooperatives in order to organize and formalize the livestock sector. These cooperatives can be established at the Union Council (UCs, consisting of 5-6 villages) or Divisional levels (consisting of 10 UCs) and can be helpful in addressing basic issues of the small farmers through provision of appropriate technology and financial assistance.</li> <li>• Government should not privatize its livestock farms as these are specifically engaged in research and development activities and are also serving as hubs in preserving precious genomes of livestock breeds.</li> <li>• To attract investment in the feedlot fattening, government may introduce incentives similar to those available for the poultry industry.</li> </ul>	<p>Medium and Long Term</p> <p>Medium and Long Term</p> <p>Immediate</p> <p>Short and Medium Term</p>
			<p>Training and Awareness of Stakeholders</p>

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		<p>modules meant for livestock sector development.</p> <ul style="list-style-type: none"> <li>• Federal and provincial governments, considering dearth of trained personnel in the livestock sector, may consider establishing more campuses of the existing veterinary related universities with advanced curriculum prepared in line with international standards. <ul style="list-style-type: none"> <li>○ <i>The curriculum should also include ample information on the domestic and international regulatory regimes and requirements for development of the livestock sector especially when these products are considered for exports.</i></li> <li>○ <i>These vocational institutions and universities can be established under public-private partnership initiative at the divisional level and preferably these should be affiliated with international universities of repute so as to attach privilege to these institutions.</i></li> <li>○ <i>These institutions can also help in establishing research centres for the livestock &amp; dairy sectors in Pakistan.</i></li> </ul> </li> <li>• Provincial government may commence and monitor awareness campaigns and trainings with the support of trained extension workers and veterinarians in the dairy hubs (which can also be used effectively for fattening purposes) at the divisional and union council levels to ensure maximum contact with the farmers.</li> <li>• Provincial governments may establish monitoring and evaluation mechanism to gauge the performance</li> </ul>	<p>Short and Medium Term</p> <p>Short and Medium Term Short Term</p> <p>Medium and Long Term</p> <p>Short and Medium Term</p> <p>Short and Medium Term</p>
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		<p>of extension workers and functionaries.</p> <ul style="list-style-type: none"> <li>• Provincial governments may effectively use opinion leaders in the rural community, especially the heads of villages and <i>panchayat</i> system, to educate farmer community on all initiatives meant for their welfare as well as for the growth of the livestock sector.</li> <li>• Federal Government may involve certain donor agencies to launch a National Awareness Programme through media and other intermediate means (also including local cable networks, cellular service providers etc.) and therefore can assist the provinces in fostering their efforts.</li> <li>• Federal and Provincial Governments may encourage farmers/ entrepreneurs in the country through various business support organizations such as Livestock and Dairy Development Board (LDDDB) and Small &amp; Medium Enterprise Development Authority (SMEDA) to undertake livestock farming as a primary source of income besides crop sector.</li> <li>• Government may initiate joint ventures with these organizations and with the media to develop effective outreach themes for attracting the target groups.</li> </ul>	
	<p>Animal Management &amp; Welfare</p>	<p><b>I. Breed Preservation and Management</b></p> <ul style="list-style-type: none"> <li>• A national level policy needs to be implemented to develop breeds especially for meat production.</li> <li>• Government may carry out research on available and new breeds with high yield and recommend the same to the farmers and also provide all possible assistance in educating on breed development and import where required.</li> <li>• Awareness drive on breed management is required to</li> </ul>	<p>Immediate</p> <p>Short Term</p> <p>Immediate</p> <p>Short and Medium Term</p>

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		<p>be tackled at the grass root level to ensure that good bulls are bred through appropriate feed and nutrition to produce healthier and superior off-springs. This strategy needs a long-term and continuous planning and implementation to counter the negative attitudes and lack of responsiveness of the local farmers.</p> <ul style="list-style-type: none"> <li>• Certain government projects including CEDSEB are currently facing financial constraints due to which their performance and effectiveness has weakened. It is recommended that private sector and donor agencies may be involved in ensuring timely completion of these projects. It is derived from the research and interviews that if this particular project is ensured continuity through appropriate financial assistance, in the medium run, the project can become capable of exporting semen of indigenous breeds in the international markets besides fulfilling local demand.</li> </ul> <p><b>II. Feed and Nutritional Management</b></p> <ul style="list-style-type: none"> <li>• Since the price of imported feed is still lower than the locally produced feed and can be afforded by the farmers in general, the government may continue its policy of opening up imports of all required types of feed and preferably zero-rate them.</li> <li>• Government may encourage private sector to invest in animals feed and fodder which will ensure competition and result in reduction in the price of high quality concentrates especially the silage.</li> <li>• Awareness campaign may be launched by the provincial governments in cooperation with international donor agencies, private sector</li> </ul>	<p>Immediate</p> <p>Short and Medium Term</p> <p>Short Term</p> <p>Medium to Long Term</p> <p>Short and Medium Term</p> <p>Short Term</p> <p>Short and Medium Term</p> <p>Medium and Long Term</p> <p>Short and Medium Term</p>
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		<p>and media on the importance of using high nutritional feed for the meat animals that would lead to desirable levels of fattening.</p> <ul style="list-style-type: none"> <li>• If the government facilitates the idea of forming Dairy Hubs, the above initiative can become more effective when applied in these hubs. Government can provide low-cost technology, silage production training to the farmers and impart relevant knowledge amongst the opinion leaders and progressive-minded farmers in the villages.</li> <li>• Government may lease land on reasonable rates to farmers who are interested in growing crop for fodder and qualify certain set criteria (to be established) to get the land on lease.</li> <li>• Awareness campaign on national level to be launched for the farmers on the importance of food and nutrition according the Total Mixed Ration (TMR) technique.</li> <li>• Ministry of Food Security &amp; Research at federal level may adopt measures to link animal health directly with the public health and project the same to the local farmers and consumers through the support of relevant provincial departments.</li> </ul> <p><b>III. Veterinary Support and Animal Health</b></p> <ul style="list-style-type: none"> <li>• Revamping of existing national and provincial animal healthcare institutions and their human resource through available resources and in cooperation with international donor organizations.</li> <li>• The extension workers and veterinary specialists posted at various divisions should be compensated against their performance. A bonus may be awarded to those officials having lowest disease incidence</li> </ul>	
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		rate in their respective hubs. Monitoring mechanism should be established to evaluate their performance.	
	Issues in the Meat Processing & Animal Casing Industry	<ul style="list-style-type: none"> <li>The Pakistan Livestock and Dairy Development Board may conduct analysis on planning requirements and creating linkages between livestock markets, slaughterhouses and processing facilities of the products produced from livestock to remove bottlenecks in the livestock products value chain.</li> <li>For convenient access to the standardized slaughtering facilities, the government may plan and regulate smaller slaughterhouses at town levels in large cities rather than having one large unit in the suburbs. In big cities like Lahore, small units can be opened in the nine towns as per the administrative setup. This would ensure a convenient supply chain for the meat processors with cost effectiveness and with the ability to overcome issues of perishability. It would also provide environmental and hygiene benefits as the solid waste can be managed through available government facilities in these towns. In Punjab region, this setup can be implemented through the Punjab Agriculture and Meat Company (PAMCO), while similar initiatives can be undertaken through the livestock departments of other provinces.</li> <li>Processors and exporters of animal casings may also be facilitated through the above mechanism and by establishing small processing facilities in the vicinity of these slaughterhouses on land owned by the public sector and to provide them with the opportunity to timely process the casings under suitable temperatures. This would also help contain the subsequent</li> </ul>	<p>Short Term</p> <p>Short and Medium Term</p> <p>Short and Medium Term</p> <p>Medium and Long Term</p> <p>Immediate</p> <p>Short and Medium Term</p>

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		<p>environmental hazards.</p> <ul style="list-style-type: none"> <li>• Meat processing zones as well as export meat processing zones should be established near major cities of the country. These zones should be equipped with facilities required by the meat and meat products manufacturing &amp; processing units that are required to comply with international sanitary and phyto-sanitary standards and general standards applicable in the existing as well as potential markets.</li> <li>• Government owned livestock farms should not be privatized as they are specifically carrying out research and development (R&amp;D) and are also acting as hubs in preserving precious genomes of livestock breeds.</li> <li>• To encourage value-addition in the industry, investors should be provided with soft loans to establish processing facilities and they may also be offered export refinancing credit schemes to support the international marketing of the meat products.</li> </ul>	
<b>Tapping Trade Opportunities for Livestock Sector</b>	Generating Exportable Surplus	<ul style="list-style-type: none"> <li>• To address investment related issues in the value added livestock export sector, government must position meat production as profitable business and provide incentives to the sector by providing common facilities in the export processing zones as well as in the industrial estates.</li> <li>• Government may facilitate the sector by setting up modern slaughterhouses and provide appropriate financial facility on easy terms.</li> <li>• Ministry of Commerce may consider recommendations of the meat sector to provide export freight subsidy to exporters of animal casings.</li> <li>• The government needs to encourage competition in</li> </ul>	<p>Short and Medium Term</p> <p>Medium and Long Term</p> <p>Short Term</p> <p>Medium and Long Term</p>

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		the domestic airline industry to bring down freight costs and improve infrastructure at the airports for handling the shipment effectively.	
	International Marketing of Livestock Products	<ul style="list-style-type: none"> <li>• Joint ventures and investment by Pakistani investors in markets such as the United Arab Emirates (UAE) should be encouraged through a proactive role by the Punjab Board of Investment and Trade (PBIT). UAE would be interested in corporate farming of meat animals that could ensure consistent supply to cater to its domestic demand.</li> <li>• There is an urgent need to comply with international quality and safety standards in the meat sector to tap its export potential. Other than this, protocol arrangements with more countries should be entered into on the basis of demand of Pakistani meat products, especially in the global Halal food segment.</li> <li>• The services of TDAP should be fully realized to provide subsidy to meat exporters in order to establish retail meat outlets in the importing countries and should also include provision of rental charges to attain counters in international high-end super markets for direct selling to consumers in these countries.</li> <li>• Ministry of Commerce may consider provision of financial assistance on mandatory international health and safety certifications required to be undertaken by the meat exporters, on the same lines as for the textile exporters.</li> <li>• Capacity of the LDDB should be augmented to cater to the international marketing needs of the sector. This is imperative due to the fact that the organization is very closely associated with the entire system of the industry.</li> </ul>	<p>Medium Term</p> <p>Short and Medium Term</p> <p>Short Term</p> <p>Short Term</p> <p>Short and Medium Term</p>

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	<p>Standardization, Compliance and Traceability Matters</p>	<ul style="list-style-type: none"> <li>• Conversion of Federal Food Safety, Animal and Plant Health Authority bill into legislation for increasing the competitiveness and export potential of livestock products and to create positive impact on the revision of foods laws and regulations in the provinces.</li> <li>• Creating a provincial and central database on traceability of animals. This would also help in fostering the efforts of provincial and federal governments in registration of all animals within the defined region, information on feed provision, insemination &amp; vaccination, and disease occurrence amongst the herd population. The data should be gathered electronically and saved at the remote server in the Dairy Hub headquarters and made accessible via internet for regular updates. Upon receipt of the information, the animals may be tagged accordingly.</li> <li>• Government may set up disease-free zones within the hubs which may help in restricting the movement of animals from one hub to another and thereby containing the occurrence of any disease.</li> <li>• The practice of regular testing and culling of infected animals must be encouraged amongst farmers in the hubs to safeguard precious livelihoods. This would lead to adoption of required parameters by the producers.</li> <li>• Launching of awareness programmes amongst domestic consumers on traceability of livestock products through involvement of media and social opinion leaders primarily.</li> <li>• Ministry of Commerce may lobby on the establishment and existence of disease-free zones within the</li> </ul>	<p>Short Term</p> <p>Medium and Long Term</p> <p>Medium and Long Term</p> <p>Short Term</p> <p>Short Term</p> <p>Medium and Long Term</p>
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		country in the international markets.	
	Border Measures	<ul style="list-style-type: none"> <li>• Bilateral agreements are required to be concluded between Governments of Pakistan and neighbouring countries on adopting measures on restricting smuggling of live animals across international borders.</li> <li>• Initiating appropriate legal reforms covering prohibitive penalties on illegal trade of live animals. Local police needs to be involved and authorized to curb smuggling by providing a third tier of check on the informal trade.</li> </ul>	<p>Short and Medium Term</p> <p>Short and Medium Term</p>
	Easing Import Restrictions on Live Animals and Livestock Products	<ul style="list-style-type: none"> <li>• Pakistan has prohibited the import of live animals, including cattle, buffalo, sheep and goats and their meat from a number of countries on account of Bovine Spongiform Encephalopathy (BSE) infection under its Import Policy Order, 2009. The government should progress towards opening up import from some countries in a phased manner as per domestic requirements.</li> <li>• <i>These countries include the United Kingdom, Ireland, Belgium, Denmark, Falkland, France, Germany, Italy, Luxembourg, Holland, Spain, Brazil, Czech Republic, Austria, Poland, Slovakia, Slovenia, USA and Alberta Region of Canada.<sup>51</sup> It may however be noted that countries such as the USA and Brazil are leading producers and exporters of cattle and buffaloes and their products, which can be crucial sourcing destinations for the Pakistani livestock and dairy processors in view of the domestic shortage of meat and milch animals. Furthermore, countries such as Belgium, Denmark, Austria and Brazil have been</i></li> </ul>	Short and Medium Term

<sup>51</sup>Import Policy Order, 2009, Section 3 (k)

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		<i>recognized as having “Negligible” BSE risk, while the rest of the countries have been accorded the “Controlled” BSE risk status.</i>	
<b>Policy &amp; Regulatory Framework for Livestock Development</b>	Tax and Tariff Regime	<ul style="list-style-type: none"> <li>It is proposed that the government should open trade of live animals and livestock products from the countries prohibited in the Import Policy Order, 2009 to cater to the domestic demand in view of high prices and shortage in supply of animals due to rampant smuggling.</li> </ul>	Short Term
	Reforms in Pricing Management	<ul style="list-style-type: none"> <li>It is proposed that the relevant governments/ authorities should immediately withdraw their support from fixing and controlling the selling price of meat in urban centres. The practice of using private associations as forums to negotiate prices and the consequent ‘collusion’ created by the government is against the spirit of competition and all such agreements are prohibited under Section 4 of the Competition Act, 2010. The intention behind price fixing is to mainly keep meat affordable to the local consumers. The same can be achieved in a more effective and sustainable manner through facilitating open competition in both the informal and formal sectors. The price of meat will reach equilibrium once the demand for quality is driven by consumers and this would also have a subsequent impact on improving the production efficiencies of livestock farmers, producers and processors to effectively compete in the domestic market.</li> <li>The prices of animals on live weight basis should be strictly enforced. Such a pricing mechanism ensures that farmers and livestock producers get the optimum price based upon the animal’s actual weight.</li> </ul>	Short Term  Short Term
	Revisiting the 18 <sup>th</sup> Constitutional	<ul style="list-style-type: none"> <li>Ministry of Food Security and Research needs to take a central role in training</li> </ul>	Short Term

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	Amendment	<p>officials and professionals involved in policy making in the livestock sector. Coordination with reputable domestic and international institution is required to be established.</p> <ul style="list-style-type: none"> <li>• A key element that was central to providing autonomy in the agriculture sector was implementation of a structure by the provinces for collection of agricultural income tax from the producers. It is about time that this initiative may be implemented as the contribution of the sector to the GDP stands at about 25% while its share in the tax collection is less than 1%. The provincial legislators must consider this fact and initiate an effective dialogue with the relevant stakeholders to increase tax to GDP ratio and increase provincial revenues that can be further used to funds livestock development initiatives.</li> </ul>	Short and Medium Term
	Revamping Food Safety Regime	<ul style="list-style-type: none"> <li>• International accreditation of food testing laboratories should be undertaken at the federal level and capacity building &amp; enhancement of the food inspection services be carried out under NAPHIS.</li> <li>• The food testing laboratories working under the PSQCA and provincial governments should be upgraded to enhance their capacity for microbiological analysis.</li> <li>• Currently there are no laws governing and regulating the sale of meat produced in the unorganized sector in the domestic market. The producers need to be incentivized through the dairy hubs to breed and raise better quality meat animals. The regulations should include a mechanism to ensure enforcement of quality standards with the provision of applying prohibitive penalties (civil and criminal) by the local authorities.</li> <li>• The issue of removing the name of Pakistan from the</li> </ul>	<p>Medium Term</p> <p>Short and Medium Term</p> <p>Medium and Long Term</p> <p>Short and Medium Term</p> <p>Short and Medium Term</p>

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		<p>category of “undetermined BSE Risk countries needs to be taken up by the relevant organizations such as NAPHIS under the Ministry of Food Security and Research and the Livestock and Dairy Development Board (LDDDB) with the OIE to rectify the BSE status of the country as per its requirements and provisions. This would have a positive effect on the promotion and pricing of Pakistani livestock products in the international markets, as well as enhancing the overall image of animal health in the country.</p> <ul style="list-style-type: none"> <li>All exports of animal casings from Pakistan are directed towards the EU which has exempted non-EU casings exporters such as Pakistan from submitting a specific residue control plan. Keeping the above in view, the quarantine authorities need to take a more balanced approach in ensuring domestic precautions for residue monitoring, while saving exporters from taking on the burden of unnecessary costs.</li> </ul>	
	<p>Improving Outreach of Financial Institutions</p>	<ul style="list-style-type: none"> <li>State Bank of Pakistan should instruct the banking sector to launch facilitation desks at all the branches offering credit schemes for the dairy and livestock sector (mainly covered under agricultural credit).</li> <li>Other branches and banks not offering agricultural credit facilities should also be equipped with proper information so that a maximum number of people are approached and provided information on the agricultural credit schemes offered by certain financial institutions in the public as well as the private sector.</li> <li>Media campaign (electronic and newspapers) may also be initiated on creating awareness in the farmers' community on financial</li> </ul>	<p>Short Term</p> <p>Short Term</p> <p>Short Term</p> <p>Medium Term</p>

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		<p>support that is being provided for the livestock sector.</p> <ul style="list-style-type: none"> <li>• Easy and timely access to loans needs to be ensured to small farmers who are mostly illiterate and do not own any guarantees that can be used as collateral. The credit schemes for these farmers should be on the same footing as these are for the medium and large-scale farmers.</li> </ul>	
	Environmental Regulations	<ul style="list-style-type: none"> <li>• As the livestock sector formalizes over a period of time and investors realize the returns on their investments, the government would need to apply some control measures to regulate the number and size of farms to protect the environment.</li> <li>• A quota system based upon the number and size of the farms (at least 50-100 in number) may be adopted, driven through licensing by the district and local governments in the region.</li> <li>• It is recommended that at least a 3 km aerial distance may be enforced in the establishment of adjacent farms to avoid over-crowding of the units in a particular area.</li> </ul>	<p>Short and Medium Term</p> <p>Short and Medium Term</p> <p>Short and Medium Term</p>