Adding value to farm products

THE Planning Commission has been recently engaged in appraising a Rs1.7bn project for promoting value-added agricultural growth. According to official sources, a committee is set up to further evaluate the proposed project and will soon make its presentation to the commission. The project has been sponsored by the Ministry of National Food Security and Research, which believes that it has been designed on the experiences already gained by the Pakistan Agricultural Research Council (Parc) through its various research and development initiatives on value-chain in collaboration with international partners, including the International Center for Agricultural Research in the Dry Areas (Icarda) and the Food and Agriculture Organisation (FAO).

The priority areas identified for growth in agribusinesses include all the important agriculture subsectors, especially horticulture and livestock. Fruits and their value-added products will cover mango, date palm, citrus, banana, apricot and cherry, while in the livestock sector, the focus will be on beef production.For mango, the project will cover Multan, Khanewal and Muzaffargarh in Punjab, and Hyderabad, Mirpurkhas and Tando Allahyar in Sindh. The date palm project will be for Khairpur, Sukkur, Turbat and Panjgoor. The citrus project will be under taken in Sargodha and Mandi Bahauddin. The banana project will be in Thatta, Hyderabad, Tando Allahyar, Matiari, Shaheed Benazirabad and Khairpur. The apricot and cherry project will be in Gilgit, Hunza-Nagar, Skardu, Ghizar and Diamer. The beef-production project will be based in Sargodha, Rajanpur, Bahawalpur, Umerkot, Jafferabad and Charsadda.

The project is related to the 'Vision 2025' priority area under "improving competitiveness in industry and trade transforming productive sectors into value-added and globally competitive sectors through facilitation, dynamic productivity growth, transparency, fairness, customer satisfaction, innovative and knowledge-based production mechanism". The director-general of the National Agricultural Centre, Dr Muhammad Azeem, said that the project, which has a holistic economic approach for all these considerations, is expected to return considerable economic gains to the economy, both in the short and long run.

Substantial economic impact is envisaged from the saving of post-harvest losses which are to the tune of 15-45 % for different fruits and vegetables through value-addition and processing (drying, product development), in addition to productivity enhancement, improved shelf life and import-substitution.

Stagnant food exports

Food exports have remained almost stagnant for last five years, with FY15 being no exception. The factors maily responsible for this are ranging from geographical identification of basmati to lack of standardised processing of seafood to low value-adddition keep taking a toll on Pakistan's food exports. Limited foreign markets as in case of meat, inability to create sustainable large export surpluses and delayed decisions on whether to allow exports of wheat and sugar also undermine our food export earnings.

Statistics, food exports fell 1% to $4.251bn in 11 months of FY15 from $4.293bn in a year-ago period. Exports of basmati rice dropped about 23% in terms of value reflecting primarily a volumetric decline of 26%. According to rice exporters domestic prices of paddy remained so high and strong that they could not dare competing with Indian exporters.

Paddy production in the country was sufficiently large and a little bit of planning could have averted a price-hike in local market but larger than required procurement (by Passco) in the name of reserve stocks and smuggling of basmati to Afghanistan also made a dent in exports."

Export of non-basmati varieties of rice rose both in volume and value in FY15, which compensated the decline in exports of basmati.

Exporters say this was in continuation of a trend that set in some years ago, adding that with decrease in basmati exports, many rely on non-basmati varieties to keep their business running. Unlike basmati, local demand for other varieties does not rise dramatically for two reasons. First, urbanisation and change in life style is replacing demand of coarse rice with that of basmati and secondly production of non-basmati varieties has been growing steadily for last few years.

In 11 months of FY15, fruit exports, the biggest in food category after rice, remained unchanged at the year-ago level as shipments saw a 10% decline. This was due to mangoes' shipments return from some European destinations due to presence of fruit fly.

Though these issues have now been taken care of, fall in fruit exports in FY15 keeps the challenge of creating enough exportable fruit surplus alive. Official stats show a modest increase in fruit production in recent years. So, the decline in export volumes can be explained by higher domestic demand of fruits and rising local cost of exportable fruits.

Exports of vegetables grew 8.4% in value in 11 months of FY15 over the same period of FY14. But here again, additional forex earning was far lesser than what it should have been because it came on the back of a huge 24.3% increase in export volumes.

World food prices fall further in June

In continuation of an almost uninterrupted slide since April 2014, led by falling dairy and sugar prices, Global food prices showed a decline in June.

The Food and Agriculture Organisation`s (FAO) food price index, which measures monthly changes for a basl(et of cereals, oilseeds, dairy, meat and sugar, averaged 165.1 points in June, down 1.5 points or 0.9 per cent from May.

June`s reading was the lowest on the index since September 2009

High global production, a strong US dollar and cheaper crude oil have helped cap food prices over the past year and the index has been declining for more than a year, punctuated by a brief stabilization in October.

World cereal production is set to be `good` in 2015, FAO said, forecasting overall output at 2.527bn tonnes, fractionally above a forecast made in May, but still 1.1% below last year`s record harvest.

FAO senior economist Concepcion Calpe said the supply situation was `very comfortable`, but serious financial instability in parts of the world could cause future price movements.

While sugar and milk prices fell sharply in June, cereals and oils prices firmed and meat prices remained stable. Maize crops in Europe and South America are set to be larger than previously expected.

Bad times for mango

PAKISTAN'S horticulture has been badly hit by global warming and extreme weather, and a major casualty this season has been the mango crop in Punjab.

Mango output has also been affected in south Punjab where fruit plants in Rahim Yar Khan, Muzaffargarh and Multan are expected to produce less by 25%, 50 % and 60 % respectively this year.

However, the crop in Sindh is comparatively less affected and only a 10% reduction is likely in its share of 35% in the country's total mango output. In southern Sindh, mango production has not been a viable business over the years due to harsh weather.

Punjab produces 65% of the country's mango, the export target of 0.1m tonnes looks unlikely to be met. The country has so far exported 41,000 tonnes of mangoes to the UAE, Gulf States, Central Asian states, the EU, Australia, US and Canada. Climatic changes have also hit the European horticulture sector in recent years but they have adopted measures to effectively combat climate change effects.

In addition to major crop losses, bad luck awaited Pakistan at another front. A Pakistani mango consignment of 4.5 tonnes was rejected last month in Amsterdam after discovering fruit fly in the fruit, making the first such instance this year.

The EU had already made it clear last year that more than five rejections will mean a complete ban on Pakistani fruit and vegetable imports in the European markets.

The Pakistan Fruit and Vegetable Exporters, Importers and Merchant Association (PFVA) has blamed storms and extremely hot weather for damaging Punjab's mango production in the current season. Was it the result of mere hot weather or heatwave that struck Sindh and Karachi in June has yet to be determined.

Subsidised loans for chilli growers

Sindh government has come up with a support programme to help chilli growers invest in farm inputs. It envisages subsidised loans that will be offered by Habib Bank Ltd at a rate of Rs32,000 per acre, which is what a chilli farmer normally spends on inputs.

The growers would have to pay 6% interest and the Sindh government would bear the difference. The Sindh Enterprises Development Fund (SEDF) of Sindh Board of Investment (SBI) will provide the subsidy. Initially, 2,000 farmers would get this subsidy over a three-year period.

An amount of Rs300m has been earmarked by the provincial government for this purpose. Around 30 farmers are said to have obtained the loans by the third week of June, while more cases are being processed and hope-fully would be finalized soon. The loans vary from Rs0.5m to Rs2m.

It will help them reduce their borrowings from the informal sector. Normally, they had to make do with what is being provided by the `aarthis,` who denied a fair price for their harvest.

A majority of growers cannot approach banks for loans due to complex procedural requirements and prefer to get financing in the shape of inputs from the `aarthis` whenever they need them.

But not many chilli producers are aware of the new facility, as it is the first crop season since the announcement of the subsidy scheme.

Nadir Hussain, a small chilli grower, says he used to pay Rs20,000-22,000 per acre to the middlemen in the market for fertiliser and pesticides etc.

`We also had to sell our crop to them instead in the open market for fear of not getting any loan next year` he adds.

The Pakistan Agriculture Coalition`s (PAC) Shahjehan, who helped create a linkage between growers and HBL through the SEDF, hopes that the number of borrowers will increase by next year. He expects farmers to get to know about the advantages of the scheme when they repay their bank loans.

The SBI`s Mehboobul Haq says subsidised agricultural loans would help end the growers` exploitation at the hands of informal lenders. Besides, buyer platforms are also being set up in Kunri`s main chilli market to help growers. The certification of the crop`s quality and logistical services like shipment would be also ensured through different firms.

The evaluation of produce in the laboratory that is being set up would enable farmers to know the quality of their produce and discover the right price and even premium (if eligible) for their crop. Apart from this, the Small and Medium Enterprise Development Authority is establishing a dehydration plant to process chilli.

The farmers believe that this combination of initiatives is bound to yield positive productivity of red chilli and lead to higher exports of the crop to foreign markets.

Food laws to be amended 'to save businesses'

To simplify the inspection mechanism, Punjab Food Authority Act is being amended, as the government believes if the authority continues to inspect eateries under the existing laws and international hygiene standards, the food business, particularly in Lahore, may be affected adversely.

A draft is being prepared jointly by law department and PFA which is likely to be forwarded to the chief minister for endorsement. The draft will finally be presented in the upcoming session of the Punjab Assembly for approval.

Under the proposed amendments in the existing laws, the PFA officials concerned, including the director general, directors, deputy directors, food safety officers (FSOs) and assistant food safety officers (AFSOs) would regulate the outlets, eateries, restaurants etc under four tailor-made and simplified components prepared keeping in view the local culture and environment.

The four components included staff hygiene (proper hair and nail cutting, head covering and medical fitness certificates), premises cleanliness (general cleanliness in dining hall, open area, offices etc), kitchen cleanliness (proper water and sanitation system, dish-washing, use of insecticides etc) and quality and quantity of food and its ingredients etc.

The amendments would further empower the PFA field teams regarding initiation of legal action against those flouting the food safety rules and regulations.

The amendments would also empower the staff to classify restaurants in A, B, C and D categories, prepare marks sheet (total 100 marks) of the outlets and rate them according to their condition observed at the time of inspection and in the light of lab test report of the food sample, the DG said.

Meat sector poised to grow

The meat processing sector is all set to grow faster after the four-year tax exemption granted for new entrants. The meat processing facilities, which come up by December this year, and obtain 'Halal certificates', will be eligible for this exemption.

Besides the incentive, the improved law and order situation in Sindh, the promises of better power and gas supply in Punjab, rising local and foreign demand for processed meat and stable interest rate environment may help in attracting new companies into this business.

From about $40-90m per-year during 2000-2005, meat exports have grown rapidly and fetched $240m in FY15. Modernization of dairy and meat sector that picked up in mid-2000s is in progress chiefly fuelled by local investment and policy support and recently Al-Shaheer Corporation, a market leader in processed meat retailing and exports has moved to raise capital from the stock market.

This may encourage other companies to go public. Similarly, proposed establishment of Fauji Meat Ltd, a subsidiary of Fauji Fertiliser Bin Qasim Ltd., with its ambitious plans to produce 100 tonnes of meat per day (85 tonnes beef and 15 tonnes mutton), is expected to boost both local sales and exports of processed meat.

In the local market, the sales of processed raw meat and meat products are growing on the back of rising population, urbanisation, change in life-styles, expanding networks of superstores etc.

Executives of meat processing companies say that roadside eateries, motels and eating places that remain open throughout the night are among some of the under-served segments of branded meat. With some marketing effort, branded raw meat products can be introduced there.

As for exports, two key developments have taken place that may facilitate exports of meat and meat products. The proposed Pakistan Halal Authority would make obtaining of Halal certificates easier, thereby cutting expenses of exporters who get such certificates from abroad. Secondly the moves to enhance trade with Central Asian countries would open up new export markets.

The proposed lifting of economic sanctions on Iran has already excited exporters about selling their products there. And, despite the fact that Iran itself has a large market of processed meat, chances for selling ready-to-cook meat products in that country are stated to be bright.

Risk factor in Mango exports

With the end of current mango season, exporters resumed their sales to the European Union and the UK. The exporters had voluntarily stopped operations to the EU soon after the UK Customs intercepted two mango consignments of 4,490kg from Pakistan with live fruit fly larvae on July 14 and 15.

Another shipment, weighing 5,200kg, was intercepted in similar condition in Holland on June 14. Now if two more similar interceptions take place, Pakistan will face a blanket ban on its mango exports, a fate similar to that of India.

The European Commission, through a notification on March 27 last year, banned imports from India and also alerted Pakistan about such an eventuality if safety measures were not taken to ensure pest-free exports in the future. Despite the decline in quantity, exporters earned more than double the amount they got in 2013 because of the stringent quality standards applied by the government for exports to the EU in the 2014 season.

Dr Mubarik Ahmed, Director-General, DPP, said in a statement that as per negotiations with the EU officials the maximum limit of 5 interceptions for mango or any other agricultural commodity will only be for the remaining part of the current season and the count will start from zero next year and there shall be no ban on export from Pakistan. The impression given by him was that there is no harm in running the risk of two more interceptions for the current mango season is nearing its end. But India was subjected to a ban without being given any relaxation in conditions.

The resumption of exports was marked with the dispatch of 10 tons consignment to the UK on July 23. Since the ban on India, exporters have been suffering from fears of losing such a big and lucrative market if they happen to be caught off-guard regarding quality of their exports.

Legal cover for halal meat sector

Government has introduced a much-awaited bill in the National Assembly for setting up an authority to regulate trade in food products strictly within what is permissible by Islamic laws.

To be called Pakistan Halal Authority (PHA), the new body will be the first legal entity at the federal level dealing with the halal sector. The Council of Common Interests had in its meeting on March 18 given approval to its creation. The governments of the provinces, Gilgit Baltistan and Azad Jammu and Kashmir may also opt to adopt the provisions as envisaged in the PHA bill, 2014. The board of governors of PHA shall consist of relevant stakeholders both from the federal and provincial governments, Shariah scholars and chambers of commerce.

An anomalous feature of the project is that the PHA will be run by the federal ministry of science and technology and its minister will be its head. To be precise, the ministry has little know-how of promoting trade that too of halal goods, nor it is much aware of which ingredients in a food product are 'haram' and prohibited by religion and hence requiring its ban.

These tasks can, at best, be performed by the ministries of commerce and religious affairs.

The proposed PHA will take long-term measures to boost Pakistan's share in the global halal trade which is expected to be worth $1.6 TRN by 2018, growing at a compound annual growth rate (CAGR) of about 6.9%, according to a research report by Dubai Chamber of Commerce. Although Pakistan's share is negligible at present, it can become one of the active players in the global meat trade if the PHA acts effectively.

Halal market includes a large variety of food products from raw chicken and beef to processed foods and cold drinks, pharmaceuticals and even toiletries. Indonesia is the biggest halal food market in Asia with Turkey being the second largest.

A major clientele is the Muslim expatriate population which is too particular about consuming halal food. But trade is mainly in the hands of companies based in non-Muslim countries, with none of the Muslim countries being in the top ten. Ironically, the country considered world leader in the halal export market so far has been New Zealand.

There are numerous problems that Pakistani exporters of halal meat face but the major one is meeting the strict safety codes of meat importing countries. There is a lack of capability and technical know-how in processing, storing, transporting and marketing of meat, weak certification system, lack of skills and capacity building programmes for farmers, slaughter men and processors. Meanwhile, the government has done well by giving income tax exemption to investors who install modern meat processing plants.

The proposed Pakistan Halal Authority will set halal standards for government-notified products and processes for adoption by a National Standards Body in accordance with OIC guidelines. The bill also provides a list of halal and non-halal animals. Contravention of the new law will be punishable with imprisonment of up to six months, or with the fine of up to Rs500,000, but not less than Rs50,000, or with both.

The OIC guidelines define method of slaughtering of halal animals. It goes without saying that uniformity and consensus especially among OIC member countries is very important to have one halal standard.

Malaysia, which plays a leading global role in the promotion of halal food products, has its own halal standard and awards recognition to international bodies after these are approved for conducting halal certification work. According to a list issued on July 31, 2015, Malaysia now recognises 73 organisations across the world as halal certification bodies. This includes one organisation from Pakistan, namely, Jamea Markaz Uloom Islamia, Mansoora, Multan Road, Lahore. Will it work under PHA or Malaysia may be difficult for it to decide.

Malaysia has also its own protocol for guidance in preparation of halal meat and poultry productions. It was interesting to observe when recently Punjab Food Authority (PFA) directed franchised fast food outlets in Lahore to strictly ensure the use of halal meat after it received several complaints that meat being imported by the food outlets was obtained through stunning. The PFA directed the butchers and fast food outlets in the city to adopt the Malaysian Protocol for the halal meat and poultry production. ◆