

Investment Division & Board of Investment
- Media Section -

PRESS RELEASE

SUBJECT: PAKISTAN FARM SECTOR EYES MAJOR SHARE OF GCC'S \$200B FOOD IMPORTS

(3 May 2008 – Dubai, UAE), Pakistan's agriculture sector has the potential to cater to the food requirements of the GCC region, which spends over \$200 billion on farm imports.

Huma Fakhar, an adviser to the Government of Bahrain on Bahrain-US free trade agreement, said Arab nations are suffering from declining farm exports and rapid growth in population, leading to an increase in their imports of food products.

Talking to Khaleej Times on the sidelines of Middle East Pakistan Agriculture and Dairy Investment Forum in Dubai, she said the Gulf alone imports 90 per cent of its food requirements from the West and other countries.

"This dependency will have serious repercussions on food security in Gulf and Arab states and will negatively affect regional stability," she said.

The Arab countries' farm import bill is of more than \$200 billion (Dh734 billion). The figures show that demand for food in Arab world grew by around four per cent between 2002 and 2006. However, production rose by only 2.6 per cent, leading to an increase in imports to meet domestic consumption. The shortage persists despite an expansion in the cultivated areas in some Arab countries, she said.

"This gap has affected most types of farm products, mainly cereal, rice, sugar, wheat, cooking oil, chicken, meat and dairy. If we note most of these products are in abundance in Pakistan. These widening gaps and its serious implications on the Gulf and the Arab countries as a whole, are prompting us here in the Gulf to find food production baskets."

"I understand Pakistan is not just regionally very cost effective in agriculture and dairy but is globally in the top 10 in producing several agricultural products," she added.

Over \$3b investment commitments

Regarding investment commitments from the GCC investors in Pakistan's agriculture, livestock and dairy sectors, she termed the forum a success.

"Major groups from GCC in general and the UAE in particular are willing to avail the opportunity and commit significant investment in Pakistan's agriculture sector for the first time" she said.

She said Abu Dhabi Group will be setting up sugar mills and looking at investment opportunities in agriculture and dairy sectors. Abraaj Capital will invest in dairy farming and value-added dairy products from its \$250 million fund for Pakistan. Emirates Investment Group also expressed interest in dairy sector.

Middle East Food Fund

Moreover, MAP Services Group in partnership with Gulf Partners has set up Middle East Food Fund (MFF) that will make investment in Pakistan, Egypt and Georgia to produce food and its allied products for Gulf region.

She further revealed that Qatar Livestock Company is investing \$1 billion in corporate farms in Pakistan. Al Rabie Group of Saudi Arabia has shown interest in sourcing tomato paste, citrus pulp and packed bean from Pakistan. Also, DFID of United Kingdom has granted a

£25 million project for dairy and agriculture infrastructure investment in the province of Punjab.

From domestic side, Engro Chemicals will be investing \$1.6 billion in agriculture during next three years while Zarai Taraqati Bank will disburse Rs23 million to dairy farmers under a micro finance scheme.

UAE groups' investment

Belal Pasha, Commercial Attache at Pakistan Embassy in the UAE, said five to 10 major UAE groups will explore Pakistan's agriculture sector by making significant investment in corporate farming, livestock and dairy sectors. However, he didn't name any group.

In reply to a question, he said Pakistan could get significant share of GCC farm imports worth \$200 billion if sizeable investment is made in its agriculture sector.

"Pakistan has adequate land for cultivation and it's per acre yields of major crops are still below world's average. We need massive investment in agriculture to boost productivity that would help reduce food insecurity in the Gulf by increasing their exports to the region."

Rice delegation due next week

In reply to another question, he said Pakistan has fixed Minimum Export Price (MEP) for various varieties of rice.

"The government has fixed MEP for different rice varieties including \$1,500 per tonne for Super Basmati, \$1,300 per tonne for Basmati, \$750 per tonne for Irri-6 and \$1,000 per tonne for Irri-9 (long grain)," he said.

He further revealed that a delegation from Pakistan will soon visit UAE to discuss issues hampering rice trade between the two countries.

"A delegation from Rice Exporters Association of Pakistan will arrive in second week of this month to meet officials of the UAE Ministry of Economy," he said. The delegation will specifically discuss price cap fixed by the UAE government on Pakistani rice.

Win-Win situation

According to the participants of the forum, agriculture and dairy will be a win-win situation for both regions as Pakistan has some of the highest returns in the sector and GCC imports 90 per cent of its agri-dairy needs.

Also, high commodity prices internationally have encouraged Gulf and Middle East investors to look towards investments in the food sector which has substantially high returns. The forum opens up doors for regional economies that are struggling with rising food inflation to ensure their food security in days to come.

The experts say GCC has surplus liquidity to invest in developing economies. Most GCC foreign investment is directed towards Asian economies and Pakistan has received substantial share of GCC investments in financial services, telecom and real estate. It would be the first time the country would attract investment in its agriculture sector.

Huma Fakhar, who is also managing partner of MAP Group, said Pakistan is the world largest producer of orange varieties. It is also the fifth largest producer of milk having the world third largest herd of animals (approximately 50 million dairy animals). It ranks in the top five producers of the world in mangoes and dates.

Additionally, the potential in crops like cotton, rice and sugar has earned directly or indirectly more than 70 per cent of total national exports, inclusive of bi-products and processed value chain. The new political government has announced that agriculture and dairy sector development are amongst top economic priorities for which a strong policy support is in existence.