

# Dairy industry in Pakistan: Bright prospects of milk processing industry

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Livestock is an important sector of agriculture. Its role is pivotal towards rural socio economic development. Nearly 8 million families involved in livestock raising deriving more than 35% income from livestock production activities. It is central to the livelihood of the rural poor in the country. It is a source of cash income, providing a vital and often the only source of income for the rural and most marginal people. It can play an important role in poverty alleviation and foreign exchange earnings for the country.

Livestock contributed approximately 58.6% to the agriculture value added and 11.6% to the overall GDP during 2015-16 compared to 56.4% and 11.7% during the corresponding period last year, respectively. Gross value addition of livestock at constant cost factor of 2005-06 has increased from Rs. 1247 billion (2014-15) to Rs.1292 billion (2015-16), showing an increase of 3.63% over the same period last year.

Livestock of Pakistan include cattle, buffalo, sheep, goat, camels, horses, asses and mules and they produce milk, meat,

wool, hair, bones, fat, blood eggs, hides and skins among which milk and meat are the major products.

Besides production, these animals are also used for draught purposes. As per IFCN (International Farms Comparison Network) Dairy Report 2014, Pakistan is 3<sup>rd</sup> largest milk producing country in the world. Milk is produced by buffalo, cattle, sheep, goat and camel but being major contributor in milk production, cattle and buffalo are considered as major dairy animals.

More than 96% of the milk produced in Pakistan comes from cattle and buffalo. The rest of it is collectively produced by sheep, goat and camel which, most of the time, is not sold as such, rather consumed domestically or mixed with buffalo and cow milk. Estimated current National livestock Population based on National Livestock Census 2006 and Economic Survey of Pakistan 2014-15 are given in Table-1.

**Table-1: Livestock Population  
(Million Nos.)**

Species	2013-14	2014-15	2015-16
Cattle	39.7	41.2	42.8
Buffalo	34.6	35.6	36.6
Sheep	29.1	29.4	29.8
Goat	66.6	68.4	70.3
Camels	1.0	1.0	1.0

Source: Ministry of National Food Security & Research, Govt. of Pakistan.

**Milk Production:** Milk is favourite food in Pakistan and is consumed as fresh, boiled, powdered and in processed form like yogurt, ghee, lassi, butter, cheese, ice cream, sweets and in other confectioneries. The interesting thing regarding the dairy sector of Pakistan is that although it is third largest milk producing country in the world but still its production falls short to meet the national demand. It is not possible to say that Pakistan is deficient in Milk Production. Pakistan is sufficient in milk production but issue is with supply chain as milk is produced in sufficient volume is few pockets of country but its demand is nationwide. So to fulfill the national demand of milk the need is to manage its supply chain to ensure its availability through out the country. Current Milk Production and its availability for human consumption in Pakistan as per Economic Survey of Pakistan 2014-15 are given in Table-2.

In 1980<sup>s</sup>, dairy sector in Pakistan moved towards commercial side and development of rural commercial dairy farms started. A typical rural dairy farm running on commercial basis consisted of about 30 animals of which 70% were females, including some cows. Approximately 40% of these adult females were in milk during most of the

**Table-2: Production of Milk**

(000 Tonnes)

Species	2013-14	2014-15	2015-16
<b>Milk (Gross Production)</b>	<b>50,990</b>	<b>52,632</b>	<b>54,328</b>
Cow	18,027	18,706	19,412
Buffalo	31,252	32,180	33,137
Sheep <sup>2</sup>	38	38	39
Goat	822	845	867
Camel <sup>2</sup>	851	862	873
<b>Milk (Human (Consumption)<sup>3</sup></b>	<b>41,133</b>	<b>42,454</b>	<b>43,818</b>
Cow	14,421	14,965	15,529
Buffalo	25,001	25,744	26,510
Sheep	38	38	39
Goat	822	845	867
Camel	851	862	873

Source: Ministry of National Food Security & Research, Govt. of Pakistan.

year. Fodder crops provided 50% and straws about 35% of the feed requirements and concentrates made the rest of it. More than 90% of the milk produced at the farm was sold.

With growing demand for milk in urban areas rural commercial dairy farming moved toward peri-urban areas. In peri-urban areas there are large and small dairy herds consisting of 20-50 animals with nearly 90% of adult females in production. Male calves are disposed of within first two weeks of birth. These animals are fed chopped green fodder and wheat straw and concentrate mixture with target to sell almost total milk produced

**Import of Milk Powder:** Due to shortage of milk production in the country Pakistan imported powder milk from various countries.

Pakistan imported milk powder increased from 16,322 tonnes worth Rs. 6,057 million in 2013-14 to 29,296 tonnes worth Rs. 10,085 million in 2014-15, thus showing an increase of 66% in terms of value. Pakistan imported milk powder namely from India, New Zealand, US and France, about 60% to 70% of the total imports.

India has remained as the top milk powder exporter to Pakistan in 2014-15. Country-wise imports of milk powder in to Pakistan are given in Table-3.

### Futures prospects

In Federal Budget 2015-16, government withdraw zero rating facility for dairy products including packaged milk



and imposed 10% sales tax on these items. The tax policy regime would increase costs for the milk and dairy processing industry and increase net price of packaged milk. The price of one liter of unprocessed milk increased Rs 10, resulting in a directly proportional increase in the price of processed/packaged milk. This inflation and associated multiplier effect will adversely impact the entire value chain, beginning with the livelihoods of farmers and ending with the consumer. Pakistan is the world's fourth largest milk producer, with an annual output of approximately 44 billion liters. Milk is an essential food for human beings; it provides calcium, key vitamins and iron for the human body. It is the first food that a child nourishes on. Milk and dairy products account for 22% of kitchen expenditure (compared to wheat, which is 12%).

Over the last 10 years, the ratio of urban population in Pakistan has grown by three percentage points and as people move further away from dairy farms, availability and access to fresh, unpackaged milk is significantly impacted.

The increase in urbanisation has also created a more educated and sophisticated segment of consumers, which values safety, hygiene and convenience of processed and packaged milk. From 2006 to 2009 alone, consumption of packaged LDP grew by 8.4% cent per annum compared with demand of unpackaged products, which only grew by 2.1% cent per annum, it said.

Increasing urban population, more educated consumers and an emerging middle class have helped increase the growth of packaged liquid dairy products (LDP) by 19% cent per annum during 1999-2009 in Pakistan. In 2009, LDP consumption reached 18.9 billion litres, keeping Pakistan as the fourth largest LDP consumer in the world after India, China and the United States.

A major challenge faced by the industry is procurement of quality milk at an affordable price. Packaging cost that constitutes approximately 35% of the total cost of the product also increases each year. Power and gas outages pose another challenge to the industry.

### References

1. Ministry of National Food Security & Research, Govt. of Pakistan
2. Pakistan Bureau of Statistics.
3. Pakistan Economic Survey- 2014-15,
4. Trade Development Authority of Pakistan. ♦

**Table 3: Country-wise Import of Milk Powder**  
Quantity: Tonnes  
Value: Rs. Million

Country	2014-15		2013-14	
	Quantity	Value	Quantity	Value
Australia	551	217	50	25
Belgium	1,430	443	25	8
France	4,292	1,393	480	219
Germany	2,166	715	107	36
India	5,483	1,895	4,500	1,402
Ireland	983	403	126	65
New Zealand	3,154	1,303	2,043	1,043
U.S.A	5,197	1,762	6,063	2,280
All others	6,040	1,954	2,928	979
Total	29,296	10,085	16,322	6,057

Source: Pakistan Bureau of Statistics.