

Vice Chancellor's Secretariat

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No.SVC/ 3398

Dated: 06.05.2020

**The Federal Finance Minister**  
Islamic Republic of Pakistan  
Pak Secretariat  
Islamabad

Subject: **Budget Recommendations for Livestock Sector (Poultry, Dairy and Allied Industries)**

**Honorable Sir,**

Pakistan is an agricultural country where this sector contributes about one fifth in the country's GDP and is the backbone of the rural economy as it employs a 42% workforce of the country. Livestock is the largest shareholder in agriculture with an enormous contribution of 58% in the agricultural GDP. It can be appraised from the fact that a rural population of nearly 40-45 million is directly dependent on livestock farming for their livelihoods. Likewise, Poultry is the second largest industry of Pakistan having an investment of more than Rs.700 billion and providing the cheapest protein to masses.

The University of Veterinary & Animal Sciences (UVAS) Lahore has been playing its pivotal role in indicating the required strategies to the policy parlors of the Government. CAPRIL (Center for Applied Policy Research in Livestock) of this university works closely with industry. After extensive consultation with relevant stakeholders of various industries of the Livestock sector, UVAS has come up with the following recommendations for the upcoming Federal Budget 2020-2021.

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### A. DAIRY INDUSTRY RELATED SUGGESTIONS

1. Livestock farming should be treated as Agriculture and hence all facilitation given to the agriculture sector should also be extended to the Livestock farming which should include reduced electricity tariffs, exemption of income tax, waved off, and/or reduced duties & taxes on machinery and raw material, etc.
2. It is recommended that the Government should move the raw milk to the 5<sup>th</sup> schedule of the Sales Tax Act 1990 and continue the zero-rating status for the dairy farming sector. It is further recommended that this zero-rating status should cover all direct and indirect material/ capital goods required in feed production and farm machinery etc.
3. It is recommended that the collection of duties and taxes on the import of raw material/cattle feed/machinery & equipment used for the production of raw milk at the dairy farms should be abolished.
4. To increase procurement of liquid milk from small dairy farmers, customs and regulatory duties on milk powders (PCT Code: 0402.1000) and whey powders (0404.1010) should be significantly raised from the existing 45% to 200%. Moreover, it is recommended that the import of such powders should be immediately banned under the COVID19 situation. It will indirectly reduce the cost of milk production at farms by efficient disposing of milk to milk collecting channels.
5. Effective implementation of artificial insemination of descript animals should be the priority to increase yield per farm animal, which will ultimately increase revenue from dairy farms and reduce the cost of milk production.
6. Milk prices should be de-capped which will enable farmers to get a good farm gate price of their milk produced.
7. Immediate measures should be adopted to make existing skimmed milk plants functional in the country. Moreover, the Government should announce some package to increase the number of such plants. Likewise, the Government should give a relief package for such plants to reduce their cost of production by some subsidies in input costs like electricity, etc. This all will help in the procurement of milk from local farmers on justified prices as well as help to reduce deficiency of milk in a lean period.
8. The Government should ensure the normal functioning of Livestock Mandies at the district level, particularly during Qurbani (Eidul Adha) season. Under COVID 19 situation, some measures should be taken to reduce the impact of COVID 19 on overall volume worth billions of rupees on occasion. It may be by giving some incentive (cash incentive) to farmers bringing their animals to these mandies or participating in this annual business activity.

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## B. POULTRY INDUSTRY RELATED SUGGESTIONS

1. Adequate measures should be taken to reduce the cost of production of processed poultry and its products for local as well as export purposes.
2. All raw material (not locally produced) chemicals, ingredients, and machinery used in food production should be free from all types of import duty/taxes.
3. The materials procured and bills to a poultry enterprise should be sales tax-free.
4. For poultry farms, agricultural (tube wells) tariff of electricity should be applied.
5. The duty drawback of 10-12% should be sanctioned to exporters to make poultry exporters competitive in export markets.
6. The Federal Government should allow at least a 25% freight subsidy on the freight cost (air freight as well as sea freight) incurred on the exports of poultry and its products.
7. The diesel prices should be rationalized to half to petrol prices to facilitate a reduction in the cost of production of agriculture and transportation sectors.
8. Poultry producing units should be included in the classes of an industry that are exempted from the levy of sales tax @16% and withholding tax @10 % on electricity/gas bills.
9. Some measures are urgently needed to create a truly representative body for all kinds of poultry farmers in the form of the Poultry Board. Such a body can safeguard the rights of all levels of Poultry farmers.
10. Under COVID 19, given significantly reduced poultry farming and imminent shortage of poultry meat in the coming months, The Government must introduce a scheme to procure currently available broiler meat from broiler farms at justified prices and store for future months. The Government can negotiate with poultry meat processing plants, which can offer their services to blast freeze and store the meat and ensure its availability till the next year. This will support farmers in the current situation and consumers in the coming future.

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### C. MEAT INDUSTRY RELATED SUGGESTIONS

1. Ban on export of <150kg carcass is highly recommended. This will enhance the output of every single animal being exported, and increase the number of animals available for export and reduce price thereby increasing the meat industry's competitiveness in medium to long term.
2. Registration of feedlot fattening farms with meat processing and exporters association along with Livestock Departments for traceability must be ensured through a system.
3. Rebate on sex semen import for breed development/feedlot fattening farm equipment to cater needs of export markets. Strategy for semen import & utilization needs to be developed to protect local specimens from further pollutants. Without proper infant care, DNA cannot fulfill their genetic potential.
4. The incentive for feedlot farmers, exporters, and processors working together as part of a supply chain on boneless export (frozen or chilled) in the form of subsidy should be introduced.
5. Customs and quarantine assistance through sea shipments should be launched. Such services must be started on holidays as well to ensure compliance with international orders.
6. Credit insurance for exporters should be launched.
7. De-capping of prices of meat and meat products in the local market should be announced and implemented.
8. Enough funds must be reserved for followings:
  - i. Establishment of the cold supply chain (storage areas) at Gwadar and Karachi seaports. It can be done through the Public-Private Partnership model to attract exporters to route their frozen products in good shape and healthy conditions.
  - ii. Policy for the eradication of FMD to be developed on a national and provincial scale to enable export to countries like Indonesia, Russia, China, Brunei, etc. It can be through developing disease-free zones or compartmentalization.
  - iii. Easy loans to meat exporters and large feedlot farmers of over 5000 plus animals holding capacity.
  - iv. Promotion of large scale commercial size feedlot farms similar to commercial dairy farming introduced on Nestle model.
  - v. Disease-free zones identification and implementation policies to produce healthy and disease-free meat products that should be fit for international standards.
9. Beef breed improvement with locally available breeds.
10. Competition among exporters/processors can be developed annually by acknowledging top meat exporters/processors

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11. Progressive meat exporters should be provided with subsidy on taxation/duties etc. as an incentive and motivation for others.
12. Some urgently required measures should be taken to ensure space availability in freighter services for meat export. Moreover, such freighter services must be enhanced significantly under halted airline services under COVID 19 pandemic situations.

It is expected that the above recommendations, if incorporated in the upcoming Federal budget 2020-21, can significantly improve the livestock sector of Pakistan. Submitted for your information and necessary action, please.

A handwritten signature in blue ink, reading 'Nasim Ahmad'.

**Prof. Dr. Nasim Ahmad, S.I.**  
Vice-Chancellor  
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### CC:

1. PS to Prime Minister Pakistan, Pak Secretariat, Islamabad
2. The Governor of Punjab
3. The Chief Minister of Punjab
4. The Minister for Livestock and Dairy Development Department, Punjab
5. The Secretary, Livestock and Dairy Development Department, Punjab
6. All Concerned Offices