



---

# Dairy

---

## Research Team

**Saniya Tauseef** | Senior Manager Research  
**Mohammad Abdul Rehman Khan** | Supervising Senior Research  
**Haris Azeem** | Associate Research Analyst

© The Pakistan Credit Rating Agency Limited.



Contents	Page.	Contents	Page.
<b>Global</b>		Production	17
Introduction	1	Prices	18
Overview	2	Imports	19
Production	3	Exports	20
Trade	5	Business & Financial Risk	21
Prices	6	Financial Risk   Borrowing Mix	22
<b>Local</b>		SWOT Analysis	23
Introduction	7	Outlook	24
Snapshot	8	Bibliography	25
Dairy Processing	9		
Dairy Farming Overview	11		
Raw Material Requirement	13		
Dairy Farming Types	14		
Milk Production Systems	15		
Supply Chain	16		

## Introduction

- Dairy products encompass foods made from cow, buffalo or camel milk as the primary raw materials. These mainly include milk powder, whey powder, whey protein powder, colostrum powder, sterilized milk, modified milk, fermented milk, various types of cheese, processed cheese, cream, and anhydrous cream.
- Milk is a highly perishable commodity and needs to be processed (pasteurized) soon after it is collected to increase its durability. In terms of volume, liquid milk is the most widely consumed Dairy product across the developing world.
- The range of milk products varies significantly between regions and among countries within the same region, influenced by dietary habits, available milk processing technologies, market demands, and social and cultural norms.
- Per capita consumption of milk and milk products is higher in developed countries. However, the disparity with many developing countries is narrowing. Increasing incomes, population growth, urbanization, and dietary changes are driving the growing demand for milk and milk products in developing countries.
- ~8% of global milk production is traded internationally. Major exporters of Dairy products include New Zealand, European Union, USA and Australia. Meanwhile, imports are spread more widely across countries and the dominant importing regions for all Dairy products are the Middle East and North Africa (MENA), South East Asia and China.





## Global | Overview

- Global milk production faces potential constraints due to unforeseen weather events, which notably affect grazing-based production methods. Climate change heightens the risks of droughts, floods, and disease outbreaks, impacting the Dairy Sector in various ways such as price volatility, milk yield fluctuations, and adjustments in cattle population.
- Seasonal fluctuations in milk production, particularly in grass-based systems, lead to varying international prices, often peaking around the middle of the calendar year, especially for products like butter.
- Environmental regulations are poised to significantly influence the future trajectory of Dairy production. Greenhouse gas emissions from Dairy operations constitute a substantial portion of total emissions in certain countries, such as New Zealand and Ireland. Changes in environmental policies could consequently impact Dairy production, particularly concerning sustainable practices like water management and manure handling. The removal of milk quotas in Apr'15 spurred specialization and restructuring within milk production across the European Union.
- Animal diseases represent a significant threat to milk production, with mastitis being the most prevalent infectious disease among Dairy cattle globally, affecting operations of all scales. Beyond health impacts, mastitis exerts substantial economic losses through reduced milk yield and quality. Advancements in disease awareness, detection, and treatment hold potential to mitigate these losses and potentially boost milk production significantly in the future.
- The relatively high price of milk fat may prompt the substitution of milk fat with vegetable fats (such as fat-filled powders and other Dairy products) for certain applications and markets. This introduces uncertainty regarding the long-term valuation of milk fat versus non-fat milk solids.
- Domestic policy changes also represent a source of uncertainty. In Canada, projections for skim milk powder (SMP) exports are uncertain due to shifts in the domestic Dairy industry following the World Trade Organization's Nairobi Decision, which phases out agricultural export subsidies beyond CY20. In the European Union, the possibility of intervention buying of SMP and butter at fixed prices has had significant market effects in recent years.

## Global | Production

- In CY24, global cow milk production increased to ~554.2mln MT, up 0.58% YoY (SPLY: ~0.59% YoY). This growth was primarily driven by a significant increase in Asia, where milk output rose to ~176.5mln MT (~1.9% YoY) while contributing ~31.8% of the global milk output (SPLY: ~31.4%).
- Country-wise, India and China registered ~2.0% and ~2.45% YoY increase, respectively, in CY24. Cumulatively, these formed ~94.9% of the regional and ~25.9% of global cow milk production during the year.

Production   Cow Milk ('000' MT)							
Sr.	Countries	CY20	CY21	CY22	CY23	CY24	CY25*
1	European Union	145,436	144,833	144,378	144,800	145,550	145,300
2	USA	101,280	102,621	102,702	102,678	102,657	103,433
3	India	93,800	96,000	97,000	99,000	101,000	103,200
4	China	34,400	36,830	39,200	41,970	43,000	43,300
5	Russia	32,010	32,020	32,150	32,300	32,500	32,600
Rest of the World		132,724	169,730	161,787	130,249	129,532	130,642
Total		539,650	545,204	545,067	550,997	554,239	558,475

*Note: Data shows production figures for selected countries, as per USDA classification of major producers. \*Forecast*

## Global | Production

- The total production of Whole Milk Powder (WMP) is estimated to increase ~0.52% YoY in CY24, with CY25 forecast up ~1.8% YoY. However, New Zealand, contributing ~31.8% to WMP production during CY24, is projected to record no YoY change in CY25, indicating potential market adjustments and shifts in export strategy.
- With respect to Non-Fat Dry Milk production, the USA recorded ~10.1% YoY decline in CY24, with CY25 forecast to remain the same as CY24. However, India, with ~3.4% YoY growth in CY24, is expected to record ~1.9% YoY sustained growth in CY25.
- While traditional leaders like the USA and the EU are experiencing some level of stagnation or decline, countries like India and China are expanding their production capabilities. This could be due to increased domestic demand and a stronger focus on Dairy as a dietary staple.

Production   Whole Milk Powder ('000' MT)								Production   Non-Fat Dry Milk ('000' MT)							
Sr.	Countries	CY20	CY21	CY22	CY23	CY24	CY25*	Sr.	Countries	CY20	CY21	CY22	CY23	CY24	CY25*
1	New Zealand	1,570	1,600	1,400	1,400	1,420	1,420	1	European Union	1,590	1,504	1,517	1,500	1,400	1,390
2	China	992	1,010	1,050	1,175	1,170	1,270	2	USA	1,209	1,249	1,189	1,166	1,048	1,048
3	European Union	736	663	616	620	630	580	3	India	660	680	700	730	755	770
4	Brazil	590	594	568	566	590	595	4	New Zealand	362	330	390	390	440	440
5	Argentina	213	234	240	190	180	200	5	Brazil	161	164	157	162	162	165
ROW		505	518	463	481	465	470	ROW		853	853	860	1009	923	941
Total		4,606	4,619	4,337	4,432	4,455	4,535	Total		4,835	4,780	4,813	4,957	4,728	4,754

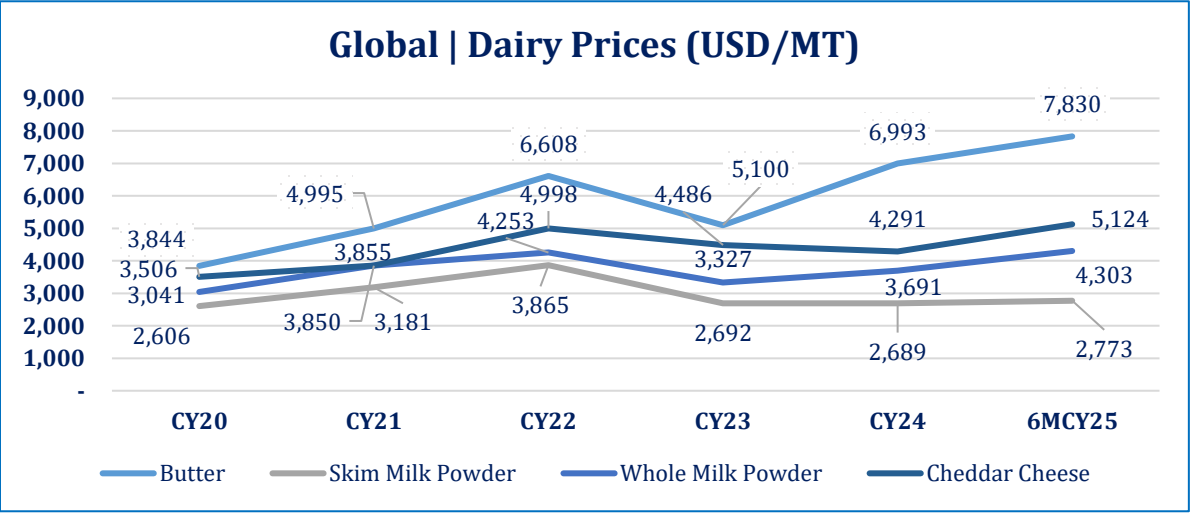
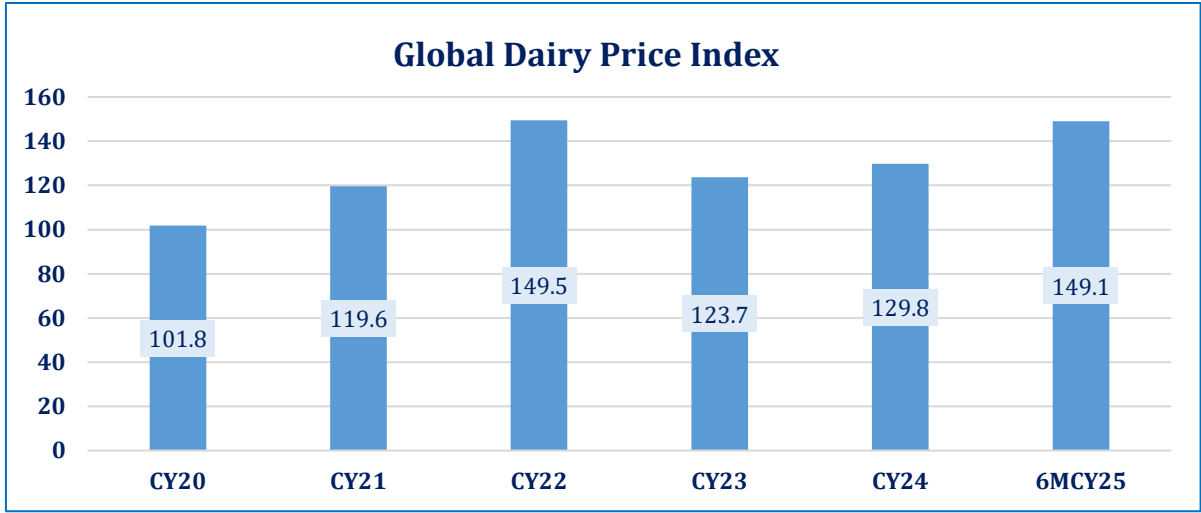
Global | Trade

Global Exports   Milk & Cream (USD mln)							Global Imports   Milk & Cream (USD mln)						
Sr.	Countries	CY20	CY21	CY22	CY23	CY24	Sr.	Countries	CY20	CY21	CY22	CY23	CY24
1	New Zealand	6,413	7,837	7,726	6,803	6,877	1	China	4,639	6,476	6,104	4,542	3,857
2	USA	2,291	2,811	3,453	2,614	2,330	2	Germany	1,862	2,154	2,817	2,611	2,930
3	Germany	2,961	3,210	3,553	3,464	3,301	3	Belgium	1,145	1,311	1,772	1,577	1,630
4	Netherlands	2,210	2,351	2,970	2,861	3,134	4	Italy	1,049	1,016	1,261	1,330	1,340
5	France	1,804	2,007	2,125	1,973	1,062	5	UAE	2743	2,899	3,541	3,235	2,796
Rest of the World		14,390	16,057	17,166	13,423	13,651	Rest of the World		18,770	19,410	22,057	15,248	12,013
Total		30,069	34,273	36,993	31,138	30,355	Total		28,499	31,359	35,263	25,308	24,566

# Dairy

## Global | Prices

- In CY24, the global Dairy price index rose by ~6.0 points YoY, primarily driven by increases in butter and cheese prices, while milk powder prices remained weak. This recovery followed a sharp ~25.8-point decline in CY23, when global milk supply outpaced demand recovery, inflation dampened consumption, and milk powder prices fell. As of 6MCY25, the index shows a strong rebound toward 2022 levels, supported by tight butter supplies, strong demand from Asia, and seasonal supply declines in key exporting regions. Persistent demand and limited exportable stocks (especially from New Zealand and the EU) have significantly elevated butter prices, which continue to support the index despite softness in other Dairy categories.
- In CY24, global dairy index grew to 129.8 (~4.9% YoY) was mainly driven by lower input costs and high global consumption. The index averaged ~149.1 in 6MCY24 (SPLY: ~124.1), up ~25.0 points YoY, on the back of lower skim milk, whole milk powder which were enough to offset increases in butter and cheese prices.
- Going forward, prices of butter and skim milk powder are foreseen to increase slightly in nominal terms during CY25-32, with resumption in input prices. World prices for whole milk powder and cheese are expected to be affected by butter and skim milk powder price trends, in line with the respective content of fat and non-fat solids.

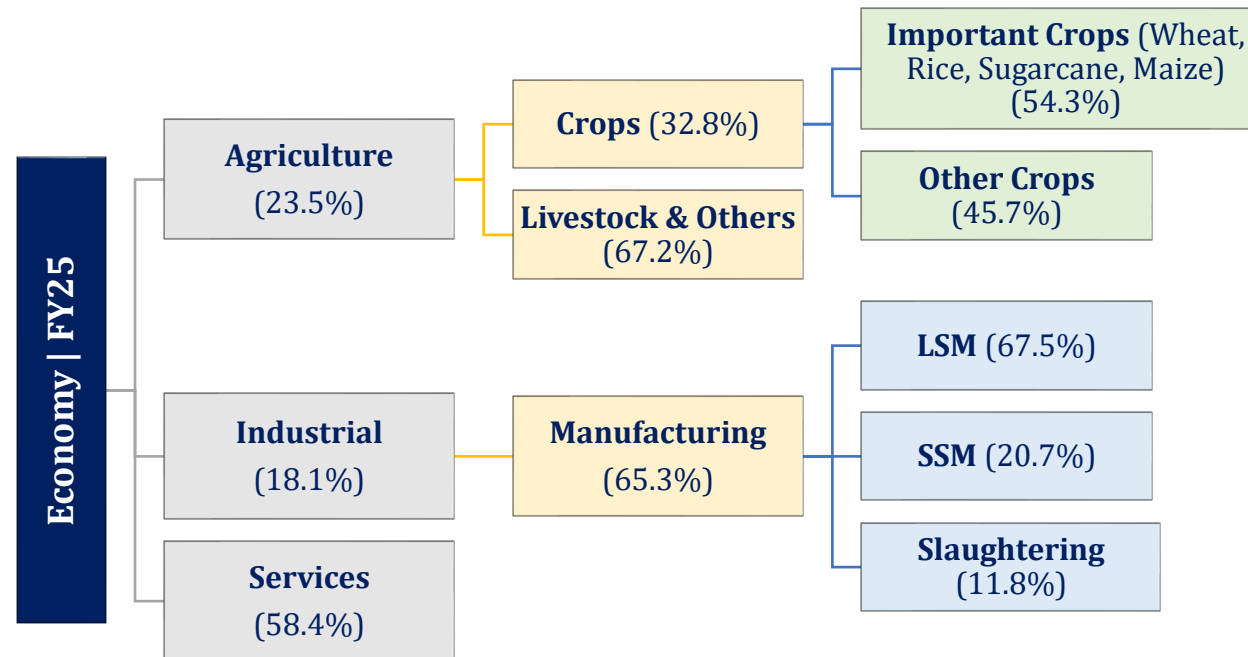




# Dairy

## Local | Introduction

- In FY25, Pakistan's GVA stood at PKR~106.3trn (FY24: PKR~99.6trn), increasing, in real terms, by ~2.7% YoY (FY24: ~2.5% growth). Industrial activities in FY25 held ~18.1% share in the GVA while the manufacturing activities made up ~65.3% of the value addition.
- The Livestock Sector is a significant component of agriculture, contributing ~67.2% to the value addition in agriculture and ~14.4% to the total GVA, during FY25. ~97% of the total milk consumption in the country is attributed to fresh milk, while the remaining ~3% is consumed as processed Ultra High Temperature (UHT) milk.
- Dairy farms are predominantly small-scale, focusing on subsistence or market-oriented farming, with some engaged in peri-urban or commercial-level operations.



Local | Snapshot

- Milk as a staple food is naturally rich in protein, calcium, vitamins, and other vital nutrients. Raw milk holds ~95% market share in Pakistan, whereas packaged milk only accounts for ~5%.
- Furthermore, there is a ~20% loss (~12.4bln liters annually) of milk due to limitations in the supply chain.
- Few challenges facing the local Dairy Sector include low productivity due to inadequate feed quality, prevalent diseases, and restricted access to essential services.
- Despite being one of the world’s largest milk producers and consumers, Pakistan faces a troubling nutrition crisis. In CY24, ~40% of children under the age of 5 suffered from stunting, highlighting the persistent issue of malnutrition.
- The Finance Act FY25, which imposed ~18% GST on packaged milk, has contributed to the rising milk prices, potentially exacerbating the malnutrition challenges in Pakistan
- FrieslandCampina Engro Pakistan, a leading Dairy company, introduced Olpers in 2006 and Tarang tea whitening products in 2007.
- Prema, operated by At-Tahur Ltd since its founding in 2007, offers high-quality pasteurized milk and other Dairy products, sourced from its own modern Dairy farm.

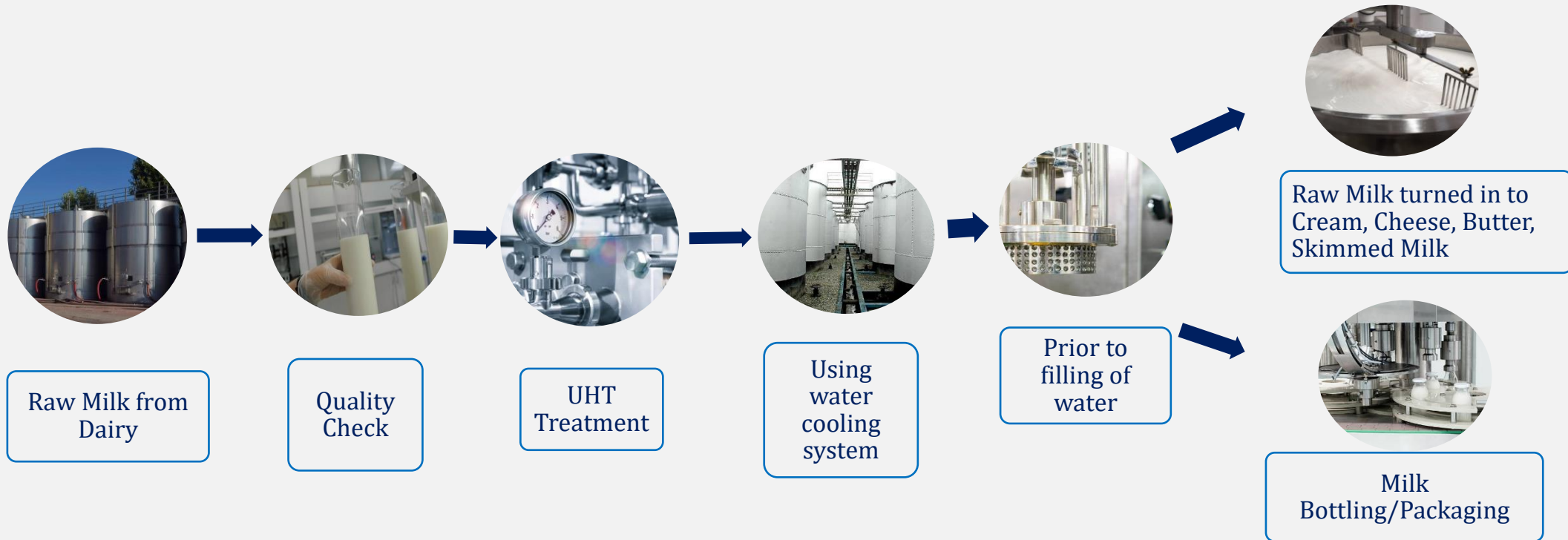
Particulars	Units	FY23	FY24	FY25
Livestock	No. mln	218.6	231.2	237.7
Production   Milk*	000’MT	67,873	70,071	72,343
Imports**	PKR bln	9.3	10.1	11.7
Exports**	PKR bln	1.8	6.1	6.1
Population	No. mln	231.5	235.9	241.5
Association	Pakistan Dairy Association (PDA)			

Note:.. \*9M data. \*\* Imports & Exports classified as Milk, cream, butter milk, & curdled milk as per PBS .

# Dairy

## Local | Dairy Processing

- Milk processing companies use milk as a raw material to formulate different types of milk i.e. pasteurized milk, UHT treated milk, condensed milk, skim milk & milk powder, etc.
- Different value-added products like ghee, khoya, yogurt, ice cream, butter and cheese are also prepared from raw milk. Processed milk market has increased its share in quality conscious consumers. Processed milk has achieved ~4% share in Lahore milk market during the last two decades (FY05-25).



## Local | Dairy Farming Overview

- Dairy production is an all-inclusive activity, related to Dairy animal care, reproduction, feeding and management. It encompasses all aspects and activities related to raising Dairy animals during various phases of life to get maximum productivity in terms of hygienic milk.
- **Animal Health:** The genetic worth of cows must be considered on top priority. Selection of animals with excellent body condition where average daily milk production of ~35 liters or above for cows in first lactation, essentially with no disease history is desirable.
- **Housing:** Good housing leads to good management practices and ultimately optimum production. Generally, housing should be; Pre-engineered building i.e. Tunnel-type, ventilated, comfortable and dry with hygienic environment and designed with the probability of future expansion when required. The housing should facilitate; easy drainage and removal of dung, urine and waste material, apparent (or feels like) temperature not exceeding 27 °C, minimum sun exposure.
- **Milking Hygiene:** Manual milking is common among smallholder farmers. Larger farms use milking machines and automated milking systems for efficiency and hygiene.
- **Nutrition (Feed & Water):** Traditional feed includes crop residues, green fodder, and locally available feedstuffs. Concentrate feed and balanced nutrition supplements are used on commercial farms to increase milk production.
- **Animal Welfare:** A lot of emphasis is on preventive measures and proper disease management practices. Regular vaccination and deworming programs are also carried out.

## Local | Dairy Farming Overview

- Common Dairy breeds in Pakistan include Nili-Ravi, Kundi buffaloes and Red Sindhi cows. Crossbreeding with foreign breeds like Holstein Friesian and Jersey is also practiced to improve milk yield.
- The Environmental Controlled Housing (ECH) system is a new and remarkable revolution in Pakistan's Dairy Sector by creating a self-sufficient temperature and humidity level in Dairy house. Dairy farms use ECH systems to maintain optimal living conditions for livestock, ensuring consistent temperature, humidity, air quality, and lighting.
- The Dairy cows are fed Total Mixed Ration (TMR), which is a high energy and protein rich nutritionally balanced formulated feed. It includes dry matter derived from ~60% roughages and ~40% concentrate containing ~17-18% Crude Protein (CP) and energy to increase animal productivity. This prefeasibility study suggests to offer cows with commercially prepare.
- Ideal locations are rural and peri-urban areas around major cities with abundant water and feed, access to livestock markets, and veterinary services. Major cities like Lahore, Karachi, Multan, Rawalpindi, and Faisalabad are key markets for milk due to high demand.
- Daily milk intake in Lahore and Karachi is ~3mln and ~5mln liters, respectively. The processed milk market has grown, with a ~4% share in Lahore, and the overall milk supply increases by ~4% annually, while demand grows by ~15% annually.



# Dairy

## Local | Dairy Farming Overview

Description	~50 Cows	~75 Cows	~100 Cows
Initial Employment	~6 Individuals	~6 Individuals	~9 Individuals
Employment at year 10	~20 Individuals	~26 Individuals	~35 Individuals
Initial Milk Production Capacity Utilization	~85%	~80%	~80%
Maximum Milk Production Capacity Utilization	~95%	~90%	~90%
Average Milk Production per Cow per Lactation	~11,000-12,000 liters	~11,000-12,000 liters	~11,000 – 12,000 liters
Milk Production in year 1 (at ~80% capacity)	~388,360 liters	~574,875 liters	~766,500 liters
Annual Mortality Rate for Newborn Calves	~5%	~5%	~5%
Annual Mortality rate for Adult Cows	~1%	~1%	~1%

*Note: Data pertains to a Dairy farm with ~50, ~75 & ~100 cows.*

## Local | Raw Material Requirement

Daily Feeding Requirements for One Wet Cow\*

Description	Daily Feed Allowance (Kgs)	Rate (PKR/ Kg)	Feed Cost (PKR/Day)	Milk Days (No.)	Total Cost (PKR/ Cow)
Total Mixed Ration (TMR)	21	63	1,323	305	403,515

Daily Feeding Requirements for One Dry Cow\*

Description	Daily Feed Allowance (Kgs)	Rate (PKR/ Kg)	Feed Cost (PKR/Day)	Dry Days (No.)	Total Cost (PKR/ Cow)
Total Mixed Ration (TMR)	16	51	803	60	48,195

\*One lactation period of cow is estimated to be 305 +- 5 days and dry period is 60 days.

# Dairy

## Local | Dairy Farming Types

Aspect	Small-Scale Dairy Farming	Large-Scale Dairy Farming
Farm Size	~2-10 animals per farm	~50-1,000+ animals per farm
Production System	Traditional methods, often grazing on common lands	Modern, intensive systems with controlled feeding regimes
Breed Types	Local breeds (e.g., Nili-Ravi buffalo, Sahiwal cows)	Exotic breeds (e.g., Holstein Friesian) and crossbreeds
Milk Production	~4-6 liters per cow per day	~15-25 liters per cow per day
Advantages	Low input costs, Resilient local breeds, Provides rural employment	Higher productivity, Better market integration, Economies of scale
Challenges	Low productivity, Limited market access, Lack of resources and training	High input costs, Dependency on technology and imports

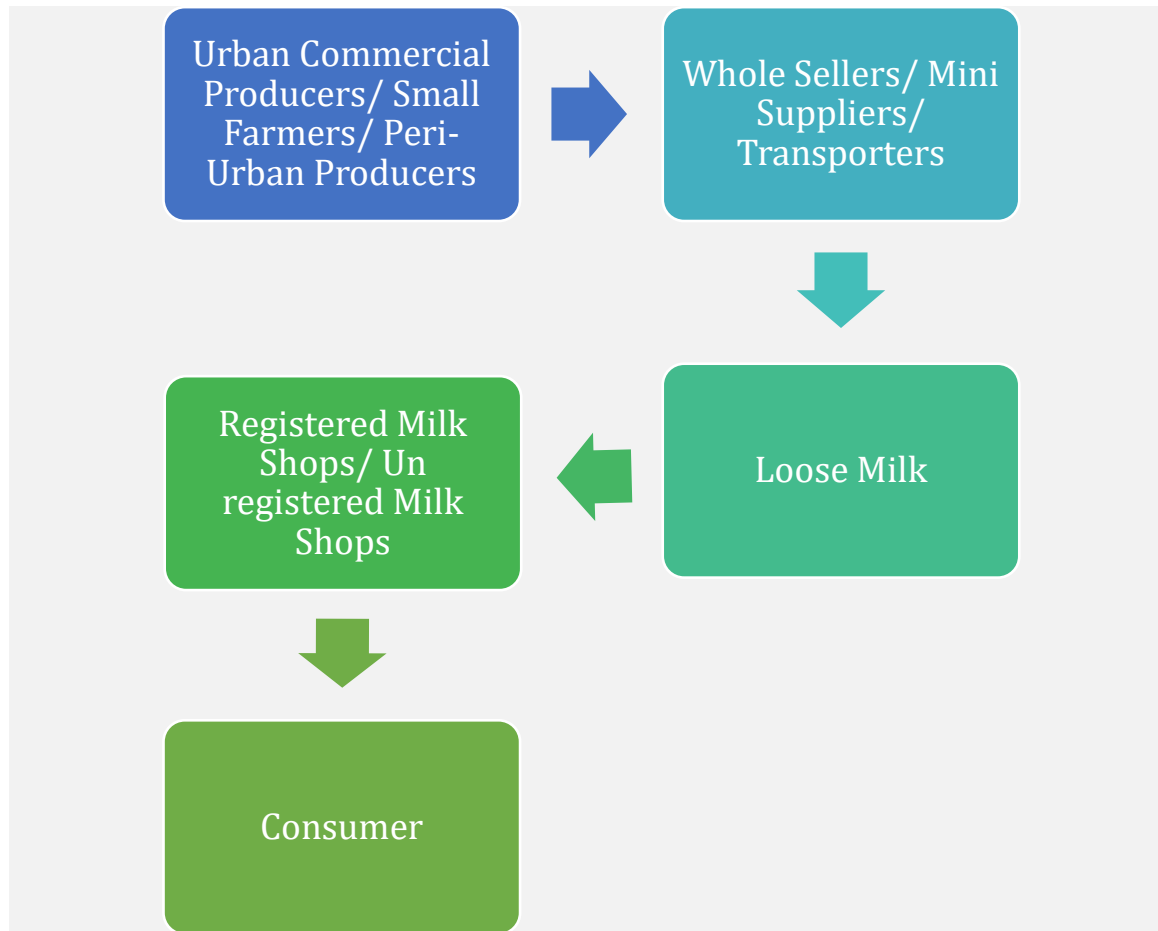
## Local | Milk Production Systems

- **Smallholder subsistence production system:** The smallholder subsistence production system in Pakistan involves farmers who produce milk primarily to meet their family's needs, with limited market access. Typically, these farms have ~3 buffaloes, with an average milk yield of ~3 liters per animal per day. Production relies on noncash resources like family-owned land and labor, and ~70% of smallholder farmers fall into this category.
- **Smallholder market-oriented production system:** The smallholder market-oriented production system is evolving from subsistence farming. Typically, households have ~5–7 animals, including cows and buffaloes, with ~3–4 being lactating. Feeding includes fodder, wheat straw, and seed cake. Over ~70% of the milk is sold directly to retail shops or intermediaries.
- **Rural commercial production system:** Since 2006, Pakistan's Dairy Sector has shifted towards commercial farming, with progressive farmers investing in larger operations. A typical rural commercial Dairy farm has about ~30 animals. The farm sells over ~90% of its milk, with average yields of ~10 liters per animal per day. Milk is marketed through commercial milk collection companies, making this system the second largest contributor to commercial milk collection after large peri-urban farms.
- **Peri-urban production system:** The peri-urban production system involves commercial Dairy farms on the outskirts of major cities. These farms range from small ~20-200 animals to large ~200-2000 animals, averaging ~50 animals per farm. These farms use both family and hired labor, with the latter paid at urban rates, and deliver milk to the market daily. Milk is sold directly to city retail shops after de-creaming, with a focus on selling nearly all the milk produced.
- **Large peri-urban commercial Dairy farms:** These Dairy farms, driven by urbanization over the past two to three decades, focus on maximizing milk production with high-quality feeding and management. These farms, known as corporate or mega farms, use elite breeds like Holstein Friesians and their crosses, producing around ~25 liters of milk per day per animal. They operate with high inputs i.e. advanced feeding, and machinery. Although these farms make up less than ~1% of total Dairy operations in Pakistan, they collectively produce significant volumes of milk, ranging from ~20,000 to ~100,000 liters per day.

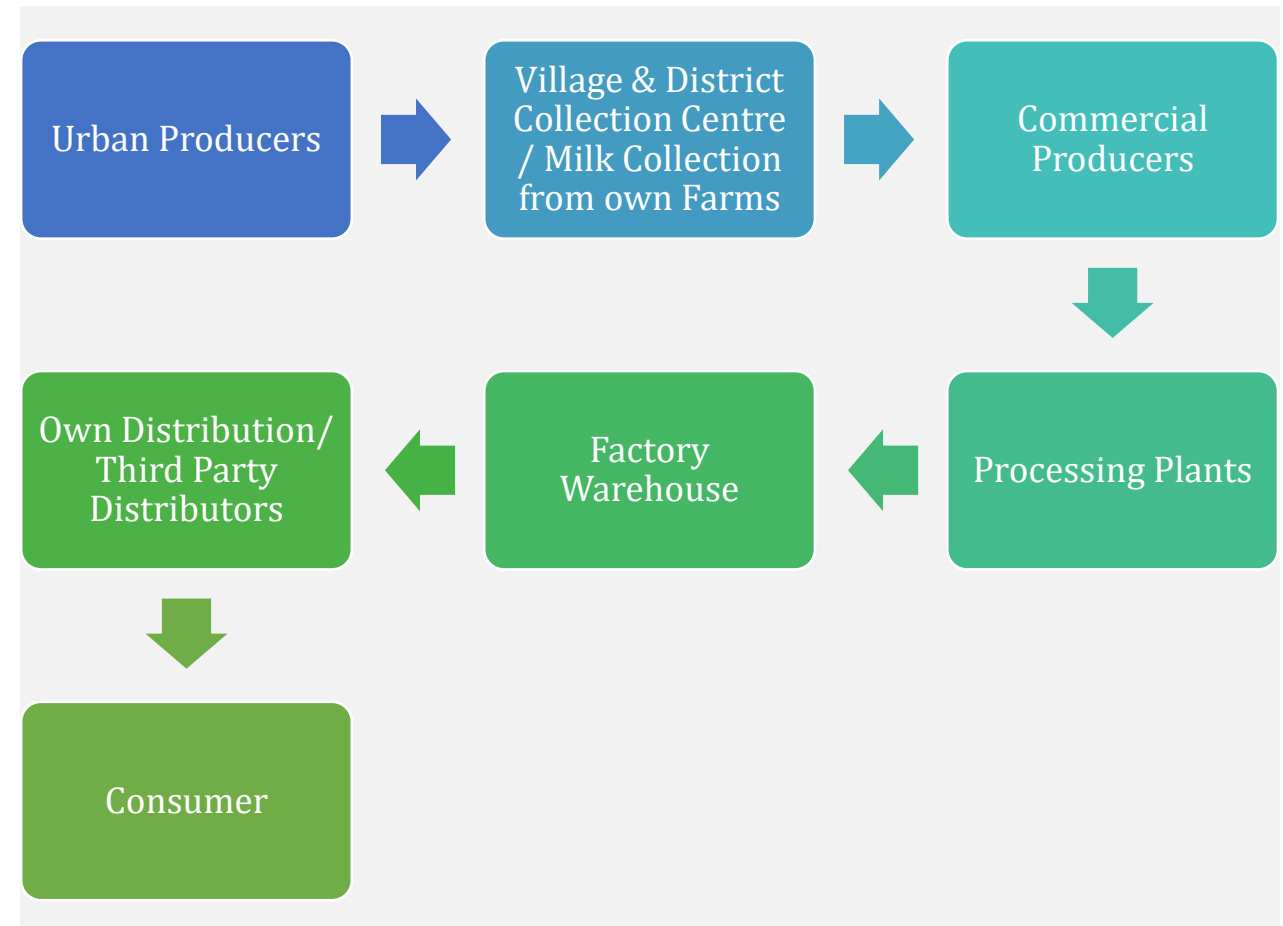
# Dairy

## Local | Supply Chain

### Supply Chain | Loose Milk (Unorganized Segment)



### Supply Chain of Packaged Milk (Organized Segment)



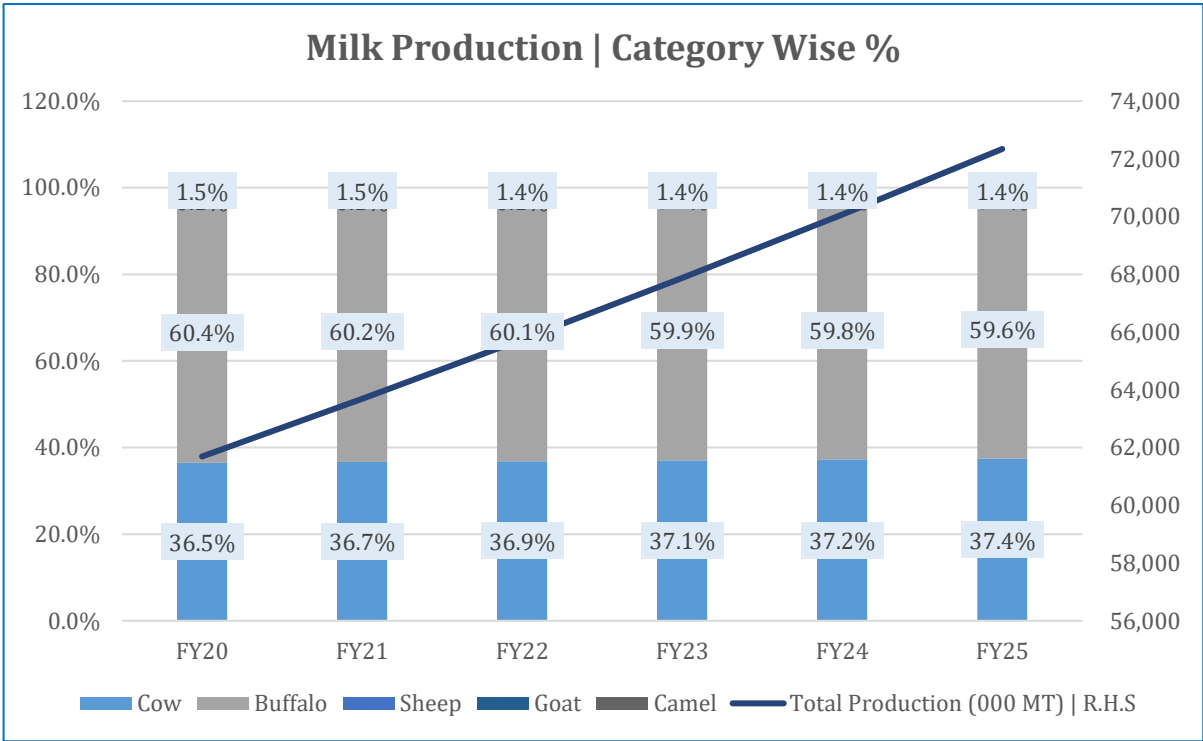


# Dairy

## Local | Production

- During FY23-25, there has been an overall increase in milk production from ~67.9mln MT to ~72.3mln MT (CAGR: ~2.2%). In FY25, the growth is most pronounced in buffalo and cow milk production with a ~3.0% YoY and ~3.8% YoY increase, respectively.
- Cows, buffaloes and goats cumulatively comprised ~98.5% of the total milk produced in FY25 (SPLY: ~98.5%), while recording ~3.7%, ~2.9% and ~2.7% YoY increase, respectively.
- Of the gross milk production, ~80.6% was fit for human consumption in FY25 (SPLY: ~80.5%).

Local   Milk Production ('000' MT)					
Livestock	FY21	FY22	FY23	FY24	FY25
Buffaloes	38,363	39,503	40,678	41,887	43,132
Cows	23,357	24,238	25,151	26,099	27,083
Goats	991	1,018	1,046	1,074	1,103
Camels	932	944	956	956	981
Sheep	41	42	42	42	43
Total	63,684	65,745	67,873	70,071	72,343

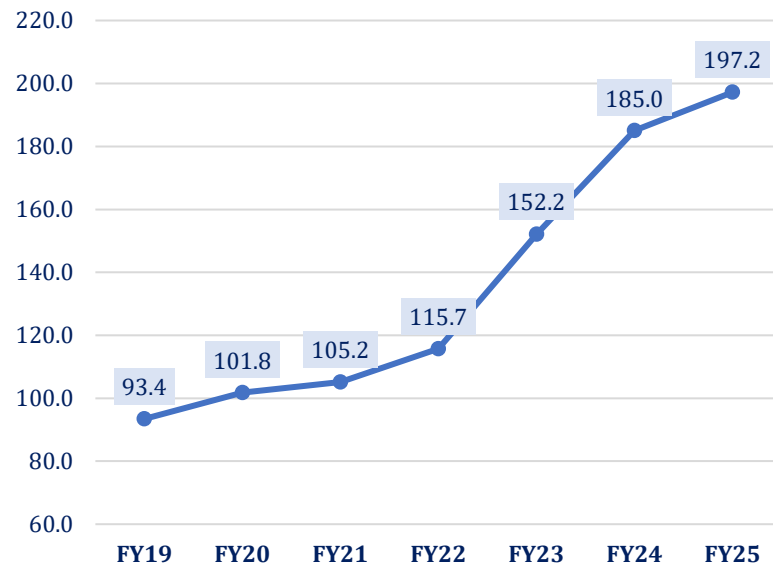


# Dairy

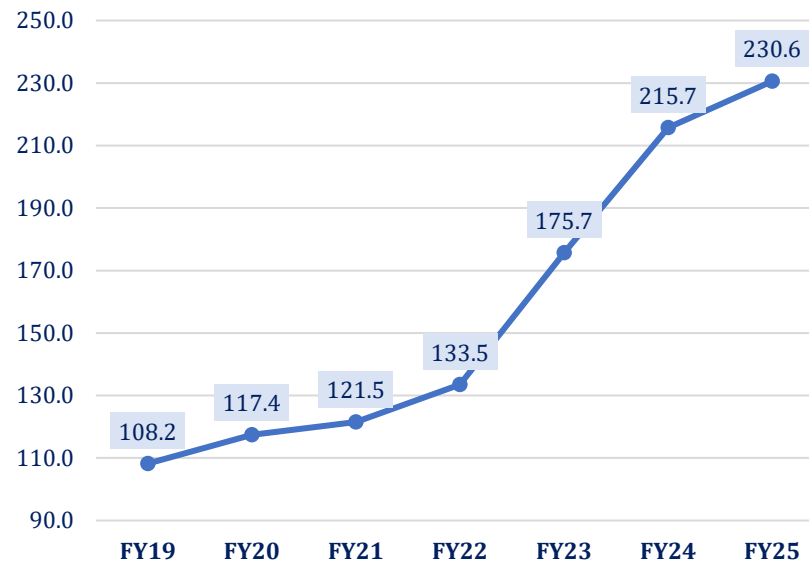
## Local | Prices

- Domestic prices for fresh milk averaged at PKR~185.0/liter in FY24, increasing ~21.6% YoY, in line with overall high inflationary levels. During FY25, prices have further increased ~6.6% YoY, averaging at PKR~197.2/liter.
- Domestic prices for curd averaged at PKR~215.7/Kg in FY24, increasing ~22.8% YoY. In FY25, prices have further increased ~6.9% YoY, averaging at PKR~230.6/Kg.
- Domestic prices for Powdered milk averaged PKR~820.2/390gm in FY24, increasing ~28.0% YoY. In FY25, these have further increased ~26.3% YoY, averaging at PKR~1,036.3/390gm.
- Rising fresh milk prices increase the production costs for curd and powdered milk, prompting producers to raise retail prices to maintain profit margins.

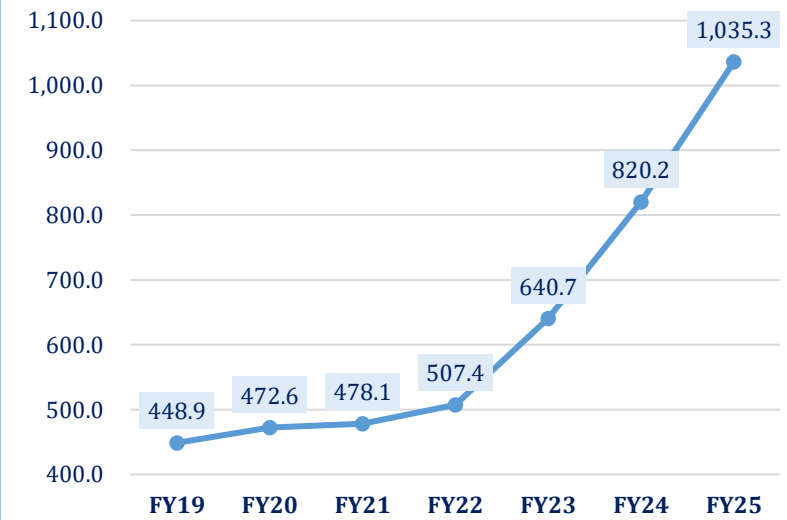
**Fresh Milk Price ( PKR/Ltr)**



**Curd | Price ( PKR/KG)**



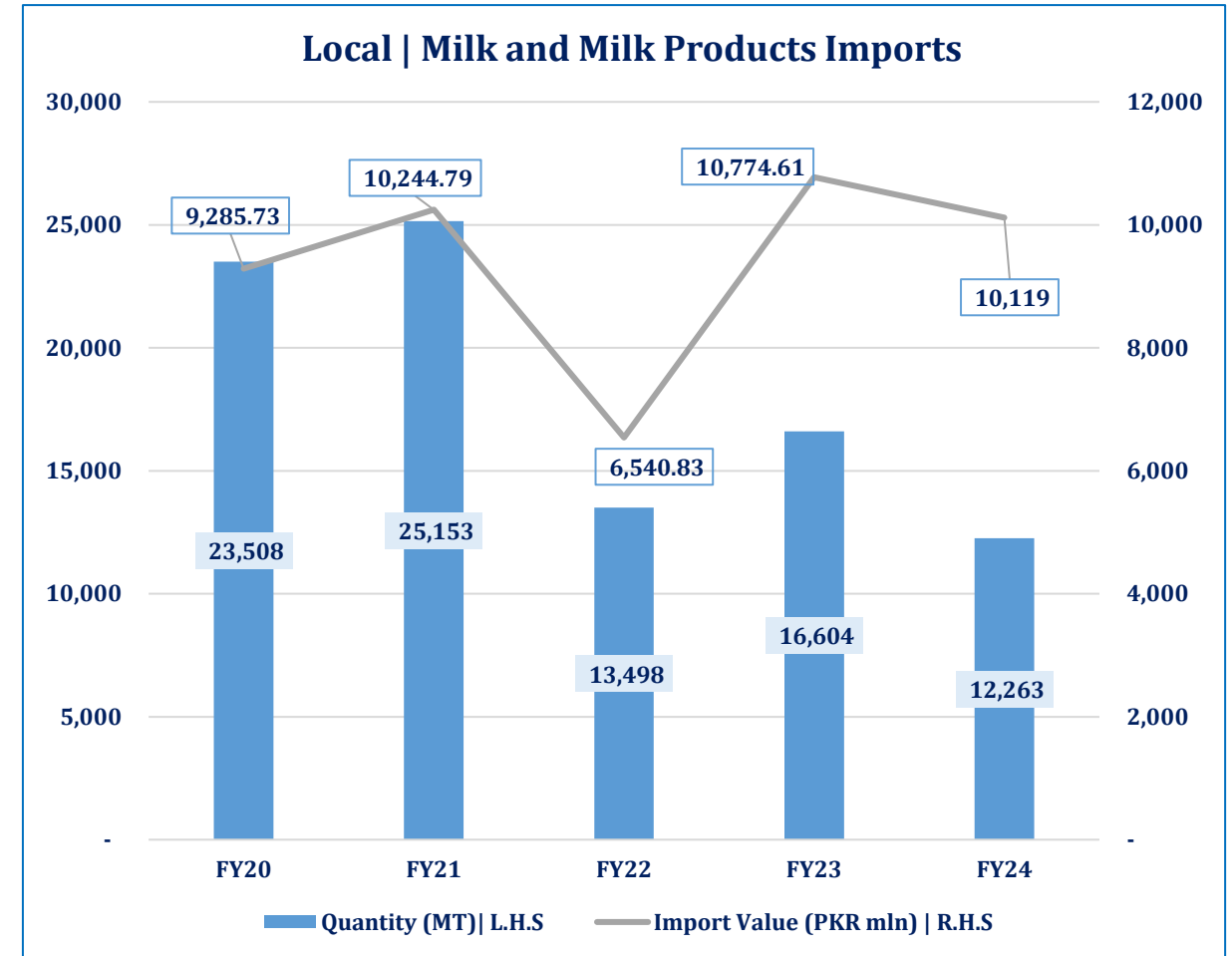
**Powdered Milk | Price ( PKR/390gm bag)**



# Dairy

## Local | Imports

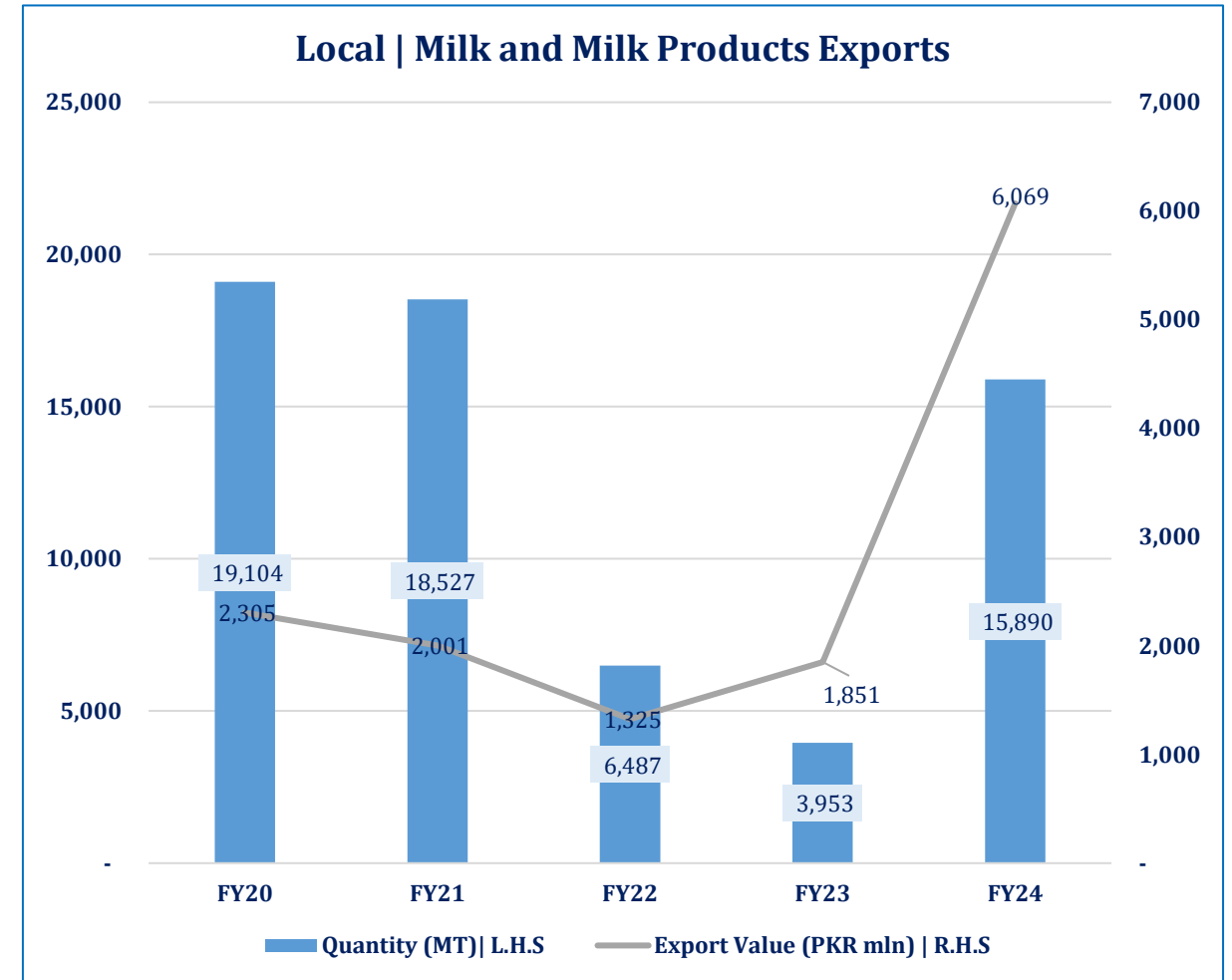
- During FY24, Dairy imports (milk, cream, butter, and curd) were recorded at PKR~10.1bln (FY23: PKR~10.8bln), down ~6.5% YoY. During the year, Dairy imports formed ~0.1% of the country's total import bill. During FY25, Dairy imports (as per SBP Import Payments) were recorded at PKR~11.7bln, up by ~15.8% YoY.
- Despite its status as a major milk producer, Pakistan imports significant amounts of milk to satisfy demand for high-quality and specialized Dairy products not adequately produced locally.
- Low productivity, high feed costs, and inadequate infrastructure necessitate milk imports in Pakistan, often making imported Dairy products more cost-effective due to higher efficiencies abroad.



# Dairy

## Local | Exports

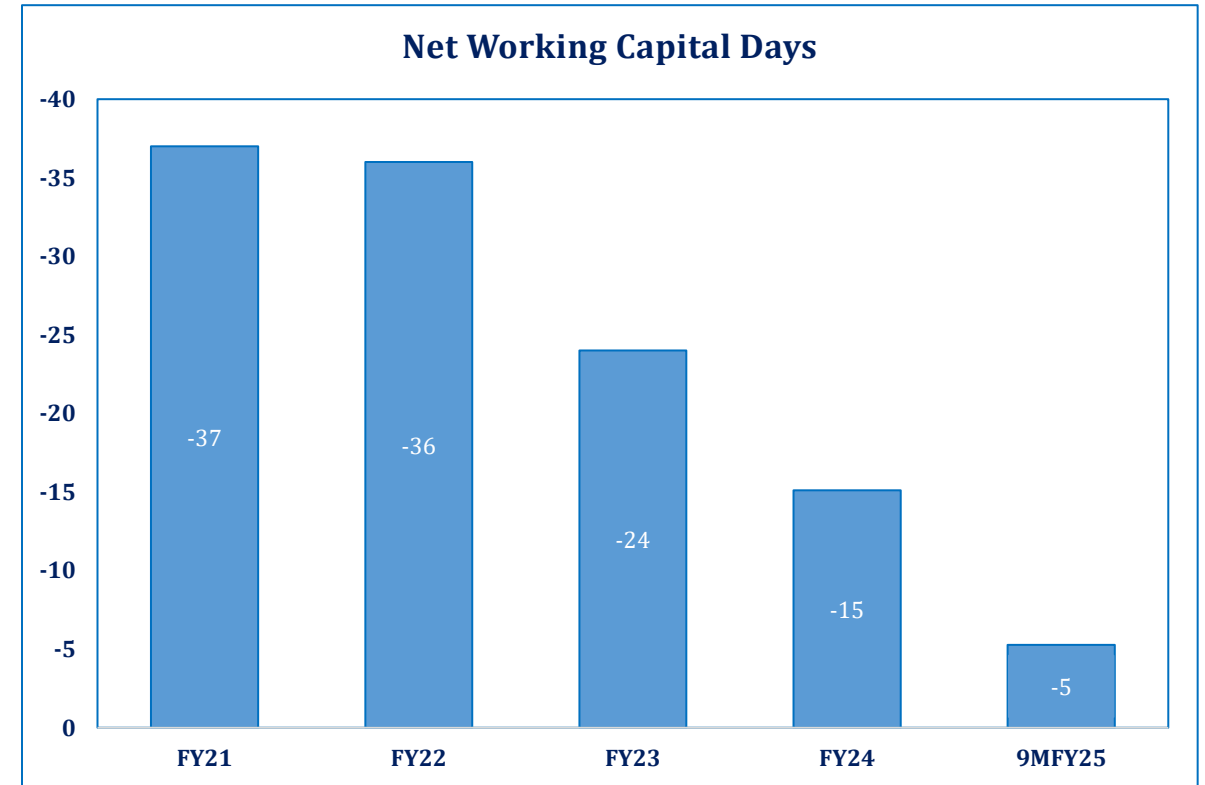
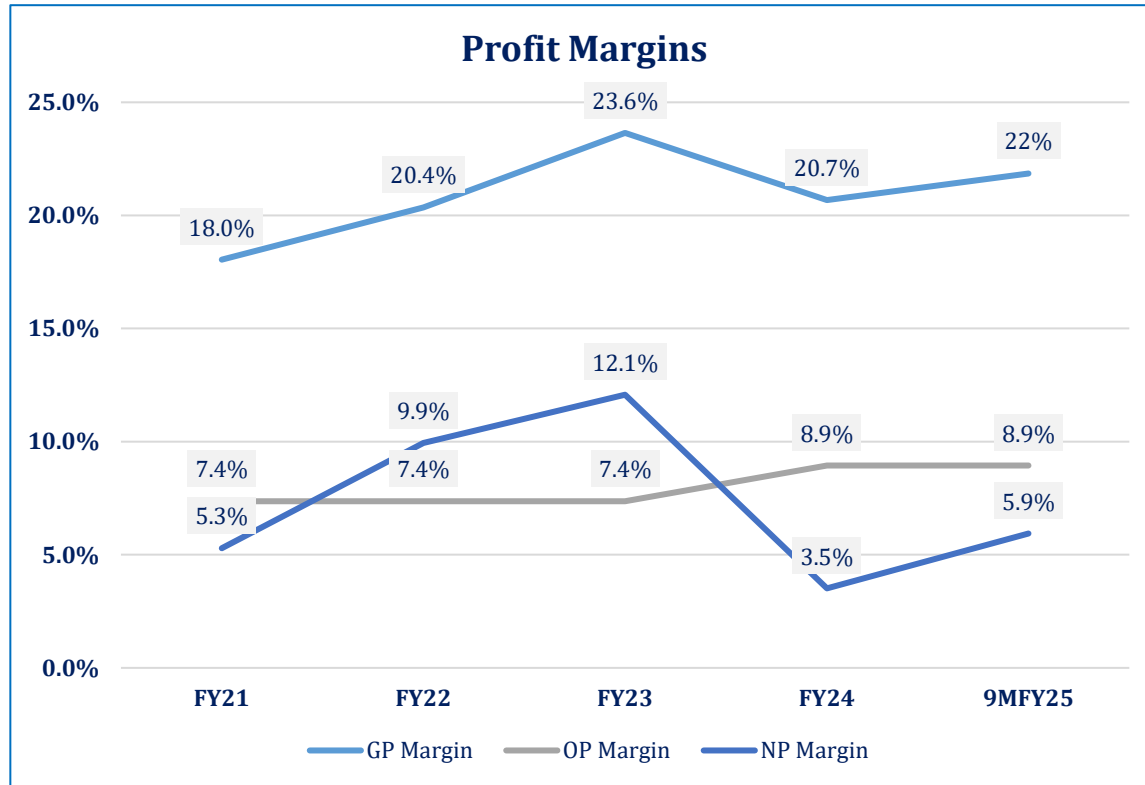
- During FY24, Dairy exports (milk, cream, butter, and curd) were recorded at PKR~6.1bln (FY23: PKR~1.8bln), up ~239% YoY. The exports of Milk, Cream, and Butter in volumetric terms during FY24, improved by ~301.9% YoY to clock in at ~15,890MT (FY23: ~3,953MT). This sharp rise in export volume highlights strong external demand and improved supply chain efficiencies. During FY25, Dairy exports (as per SBP Export Receipts) were recorded at PKR~6.1bln, reflecting no YoY change.
- A significant reason for the drop in milk exports from Pakistan in FY23 is attributed to low productivity and weak supply chain issues within the Dairy Sector.
- Pakistan's Dairy Sector, despite its vast size, remains largely informal and consists predominantly of smallholder farms.
- These farms typically lack access to modern technology and veterinary services, which significantly impacts productivity. This inefficiency in production not only affects domestic supply but also limits the capacity for export due to inconsistent quality and volume.



# Dairy

## Local | Business & Financial Risk

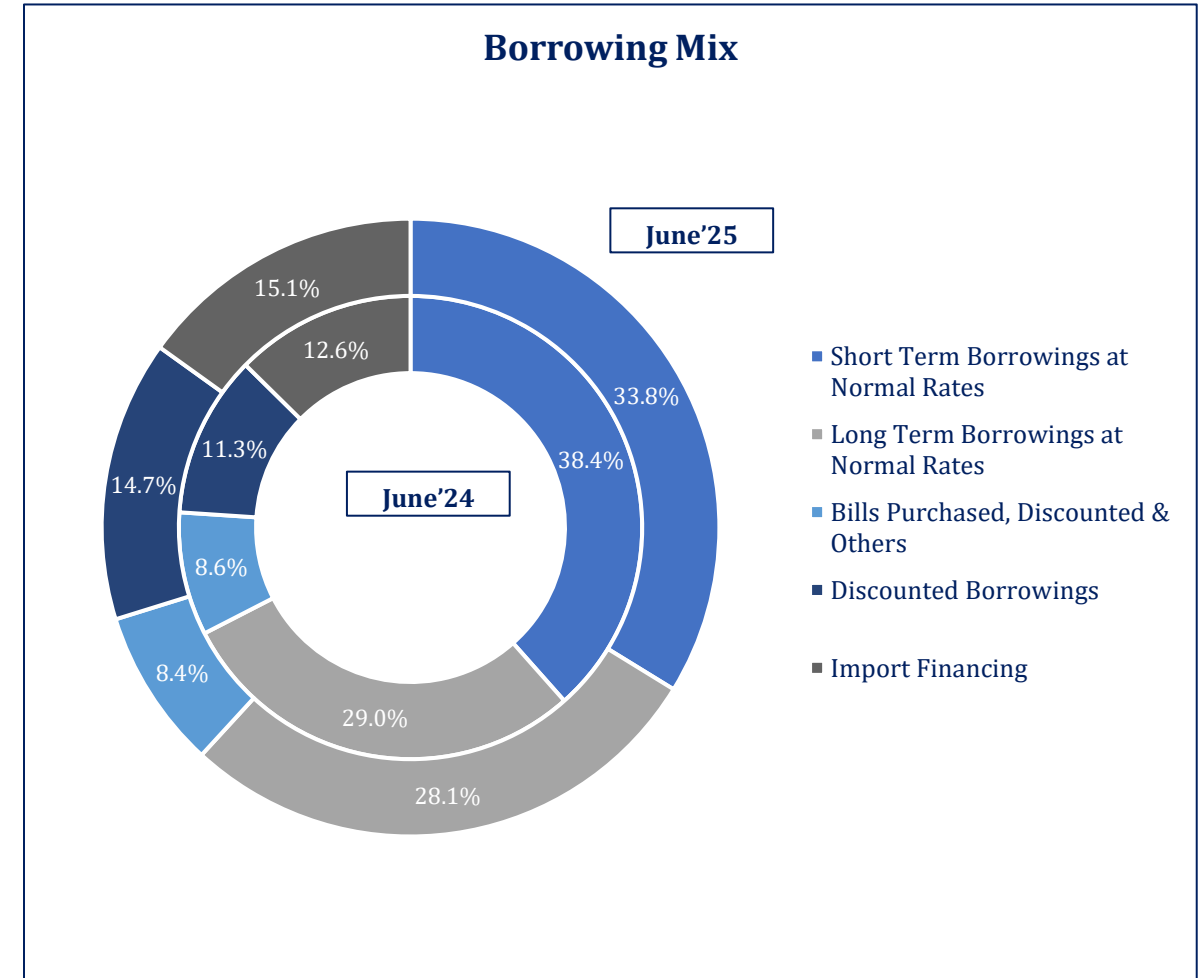
- During 9MFY25, gross margins for the 2 representative sector players improved to ~22%, up from ~20.7% recorded in FY24. Reflecting a positive alignment with the growth in sales revenue,. In contrast, during FY24, despite a revenue increase, gross margins saw a dip due to YoY rise of ~18% in the COGS compared to FY23.
- In 9MFY25, gross margins clocked in at ~22.0%, while net margins improved to ~5.9%, as interest rates have considerably come down. Average operating margin increased to ~8.9% from ~7.4%, attributed to advances in Dairy farming technology, better feed management, and streamlined production processes. Net profit margin for FY24 was reported at ~3.5% (FY23: ~12.1%), driven mainly by high interest rates during the period.





## Financial Risk | Borrowing Mix

- The total borrowings of the Sector as at End-June'25, stood at PKR~34.5bln (End-June'24: PKR~48.6bln), down ~29.01% YoY.
- Long-term borrowings at normal rates as at End-June'25 comprised ~28.1% of the total borrowings (End-June'24: ~29.0%) and stood at PKR~9.7bln (End-June'24: PKR~14.1bln), down ~31.3% YoY.
- Short-term borrowings at normal rates as at End-June'25 that comprised of ~33.8% of the total borrowings (End-June'24: ~38.4%) reducing by ~37.6% YoY to clock in at PKR~11.7bln (End-May'24: PKR~18.7bln).
- Discounted borrowings comprising LTFF and EFS represented ~14.7% of total borrowings and stood at PKR~5.1bln as at End-June'25 (End-May'24: PKR~5.5bln), registering a decline of ~7.7% YoY.
- Import financing held ~15.1% share in total borrowing and stood at PKR~2.9bln (End-June'24: PKR~4.2bln), down by ~30.8% YoY.



# Dairy

## Duty Structure

HS Code	Description	Customs Duty		Additional Customs Duty	Income Tax		Sales Tax		Regulatory Duty
		FY25	FY26	FY26	FY25	FY26	FY25	FY26	FY26
0401.4000	Milk & Cream FAT- 6% to10%	20	20	4	12	12	18	18	-
0402.1000	Milk in Powder FAT- 1.5%	20	20	4	12	12	18	18	20
0402.2100	Milk in Powder FAT- <1.5%	20	20	4	12	12	18	18	20
0402.2900	OTH Milk in Powder FAT- <1.5%	20	20	4	12	12	18	18	20
0402.9100	OTH Milk/Cream Not Solid	20	20	4	12	12	18	18	20
0402.9900	OTH Milk/Cream Not Solid	20	20	4	12	12	18	18	20
0403.9000	Butter Milk, Curdled Milk	20	20	4	12	12	18	18	20
0404.1010	Whey Powder	20	20	4	12	12	18	18	20
0405.1000	Butter	20	20	4	12	12	18	18	20
0405.2000	Dairy Spread	20	20	4	12	12	18	18	20
0405.9000	OTH FAT Oil derived from Milk	20	20	4	12	12	18	18	20
0406.1010	Cheese	20	20	4	12	12	18	18	40
0406.9000	Other Cheese	20	20	4	12	12	18	18	40

# Dairy

## SWOT Analysis

- **High Demand for Dairy products:** Milk, cheese and yogurt are staple items in many diets.
- **Diverse Product Range:** Catering to different consumer preferences and market segments.
- **Employment Opportunities:** From farming and processing to distribution and retail.
- **Technological advancements** improving efficiency and productivity.

- **Disease Outbreaks:** Livestock diseases can severely impact milk production and quality.
- **Economic Instability:** Economic downturns or fluctuations in currency exchange rates can impact profitability for export dependent Dairy farms.
- **Consumer preferences:** Shifts in consumer preferences towards plant-based or alternative milk products can affect traditional Dairy sales.

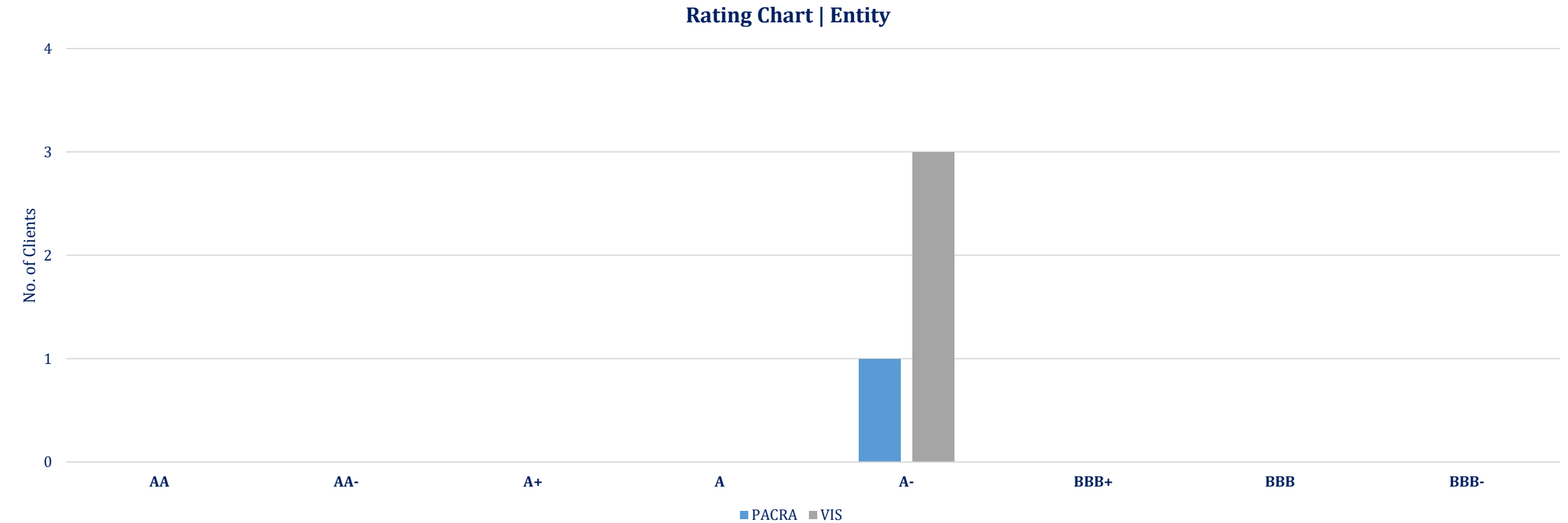


- **High Production Costs:** Cost for feed & equipment can be high.
- **Dependency on climate:** Climate conditions can affect milk production & quality.
- **Market Volatility:** Prices can fluctuate due to changes in supply & demand.
- **Labor Intensive:** Requires significant manual effort for milking, feeding etc.

- **Growing demand in emerging markets:** Rising incomes and changing diets increase demand for Dairy products.
- **Technological Innovation:** Can improve efficiency i.e. precision farming, better disease management and feed formulations.
- **Sustainable Practices:** Adoption of sustainable and environmentally friendly practices can attract environmentally conscious consumers and reduce costs.

## Rating Curve

- PACRA rates 1 entity of the Dairy Sector. Rating bandwidth is A-.



## Outlook: Stable

- In FY25, Pakistan's GDP (nominal) stood at PKR~114trn (FY24: PKR~105trn), increasing, in real terms, by ~2.7% YoY, marginally surpassing the IMF's projection of ~2.6%. This indicates a moderate improvement in economic activity over the previous year. In comparison, FY24 recorded nominal GDP of PKR~105.7trn (FY23: PKR~83.9trn), with real GDP expanding by ~2.4% YoY. Looking ahead, the Government of Pakistan projects a growth of ~4.2% YoY in FY26, underpinned by expected recovery across key economic sectors.
- In Pakistan, ~97% of the Dairy consumption is fresh milk, with the remaining ~3% being UHT processed. Despite Pakistan's status as one of the world's largest milk producers and consumers, the Dairy Sector struggles with low productivity and a ~20% annual loss of milk due to supply chain issues. Additionally, the 18% GST on packaged milk implemented in FY25 exacerbated the country's nutrition challenge, where ~34% of children under five already suffer from stunting.
- In Pakistan, Dairy production systems range from small-holders to large peri-urban commercial farms driven by urban demand, focused on high-yield Dairy breeds for mass milk production. This reflects diverse and evolving dynamics of the Dairy Sector.
- In FY25, Pakistan's gross milk production was recorded at ~72.34mln MT, with significant growth in buffalo and cow milk production, reflecting enhanced demand and improved Dairy farming practices. In FY24-25, domestic prices for fresh milk, curd, and powdered milk in Pakistan increased by ~5.7%, ~4.4% and ~25.1% respectively. This rise reflects broader inflationary trends, attributed to higher production costs, prompting increases in retail prices to sustain profit margins.
- During FY24, Dairy imports (milk, cream, butter, and curd) were recorded at PKR~10.1bln (FY23: PKR~10.8bln), down by ~6.1% YoY. During the year, Dairy imports formed ~0.1% of the country's total import bill. During FY24, Dairy exports (milk, cream, butter, and curd) were recorded at PKR~6.1bln (FY23: PKR~1.8bln). However, volumetric exports of milk, cream, and butter, during FY24, improved by ~301.9% YoY to clock in at ~15,890MT (FY23: ~3,953MT). This sharp rise in export volume highlights strong external demand and improved supply chain efficiencies.
- The Dairy Sector is facing several challenges, including the ongoing impact of floods, which have disrupted production, along with a lack of adequate investment in R&D. Additionally, lower productivity levels are further straining the Sector's growth potential. These factors are expected to continue posing significant risks to the sustainability and future development of the Sector.
- Pakistan's Dairy Sector holds significant transformation potential through sustained investments in infrastructure, technology, and farmer training, complemented by the development of cooperative models and a more integrated Dairy value chain.



## Bibliography

- Pakistan Economic Survey
- Pakistan Bureau of Statistics
- State Bank of Pakistan
- Ministry of Finance
- TDAP
- USDA
- UN Comtrade
- FAO
- SMEDA
- PACRA Database

<b>Research Team</b>	<b>Saniya Tauseef</b> Senior Manager <a href="mailto:saniya.tauseef@pacra.com">saniya.tauseef@pacra.com</a>	<b>Mohammad Abdul Rehman Khan</b> Supervising Senior <a href="mailto:abdulrehman.khan@pacra.com">abdulrehman.khan@pacra.com</a>	<b>Haris Azeem Bhatti</b> Associate Research Analyst <a href="mailto:haris.azeem@pacra.com">haris.azeem@pacra.com</a>
<b>Contact Number: +92 42 35869504</b>			

## DISCLAIMER

PACRA has used due care in the preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. The information in this document may be copied or otherwise reproduced, in whole or in part, provided the source is duly acknowledged. The presentation should not be relied upon as professional advice.