





UAE may invest US\$500m in Pakistan farms

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The National | 8 June 2008

Sarmad Khan

DUBAI -- The Government is considering the purchase of farmland worth US\$500 million (Dh1.8 billion) in Pakistan as part of a strategy to lower food import costs.



The UAE is heavily reliant on food imports and secures about 85 per cent of its supplies from abroad, at an estimated cost of Dh11bn a year. But lately, soaring food prices have contributed significantly to the country's inflation rate.

A source familiar with ongoing bilateral talks on the possible purchase reports that a delegation from the UAE, consisting of representatives from the Ministry of Economy, two government-backed investment firms, co-operatives and private investors, will meet Pakistani officials and private land owners in September to discuss land purchases.

For its part, Pakistan was expecting "a potential investment of \$400m to \$500m in land deals, which could be anywhere between 100,000 acres [40,470 hectares] to 200,000 acres", said the source, who spoke on the condition of anonymity.

He added that the delegation could leave as early as next month, although the timing depended on the political situation in Pakistan.

The delegation hopes to acquire large chunks of land in Pakistan's Punjab and Sindh provinces.

In May, the Financial Times reported that Abraaj Capital, the Dubai-based private equity company that is one of the largest in the Middle East, had been buying up farmland in Pakistan for added food security and to fight inflation.

A Pakistani official told the paper the government had agreed in principle to sell the land to UAE investors, despite the country's own domestic concerns about food supply and prices.

An official told the Times the goal was not to lose "precious" farmland but better use existing land in Pakistan.

Earlier this month the Times also reported that Abu Dhabi has purchased 70,000 acres of land in Khartoum, Sudan, for the same purposes.

Food inflation is one of the emirate's largest economic headaches, and has resulted in sporadic shortages of basic items. As a result, the Ministry of Economy has capped the price on certain basic commodities and plans to build a strategic food reserve of 14 essential items to tackle the shortage.

Co-operative societies have been urged to form partnerships with food producing countries to protect supplies and limit price increases.

Initiatives recommended by the Ministry of Social Affairs included local co-operatives leasing farms from similar organisations in countries such as India and Brazil, a move that could bypass several parties in the chain between farmer and retailer.

Owning direct food sources in countries such as Pakistan has been seen as one way to fight inflation and assure affordable food supplies.

"Moving into the Pakistani market is one of the options. It is on our radar," said a senior official from

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the Emirates Society of Consumer Protection, a division of the Ministry of Economy.

If the talks were successful, UAE investors would be able to buy land and start their own corporate farming ventures, or partner with farmers in Pakistan to cultivate their lands as a joint venture, the source said.

About 44 per cent of Pakistan's population of 160 million is associated with agriculture, which makes up approximately 21 per cent of the country's gross domestic product. The sector has grown by 4.6 per cent since 2006, ahead of China, India and Malaysia.

Farming families in Pakistan traditionally have large land holdings and are eager to partner with Gulf investors.

"We have already received interest from many families in Pakistan to work with the UAE investors," the source said, adding that such partnerships were beneficial for both parties.

"These deals could be structured in so many ways. Our aim is to bring both parties on the table and let them work out how they want to operate," he said.

By acquiring large plots of land in Pakistan, the Government could import food for 20 to 25 per cent less, a Pakistani government official said. Importing directly from growers would also bring down costs, as up to six parties stood between the farmer and retailer, the official said.

Punjab, the largest agriculture producing province in Pakistan, has already set aside 4,046 hectares of prime land for the proposed free zones, while provincial governments in Sindh and Balochistan are also coming up with similar land offers for foreign investors.

However, the path to agricultural investments in Pakistan will not be entirely smooth.

Last month, a senior Pakistani government official said talks between the UAE's Ministry of Economy and Pakistani investment and agricultural officials had slowed.

The UAE wanted "a blanket exemption" from Pakistani export policies, all while Pakistan was willing only to give exemptions in its proposed agricultural free zones.

Still, the broader outlook favours investment. Pakistan is fighting its own food shortages, that have caused rioting in the streets as the price of staples such as rice have increased more than 100 per cent. This has pushed the country to open up its agriculture sector for foreign investors, who it hopes will increase crop yields and introduce mechanised farming.

The government there is expected to announce incentives for agri-investors when it presents its Federal budget at the end of this month.

Sayed Naveed Qamar, Pakistan's minister for investments, in April said that the government was introducing tax exemptions, duty free import of equipment and 100 per cent land ownership in specialised free zones in its agriculture, livestock and dairy sectors to lure investors.

Abu Dhabi Group, the single-largest foreign direct investor in Pakistan, Emirates Investment Group and Abraaj Capital, a Dubai-based investment firm, have all expressed interest in Pakistan's agricultural sector.

From the Gulf, Qatar Livestock has committed \$1bn to corporate farms in Pakistan, while the Saudi Arabian Al Rabie Group said on Sunday that it was planning to expand its investments into Pakistan's agricultural sector.

On Sunday Saudi Arabia's Al Rabie Saudi Foods said it plans to expand its investments into Pakistan to tap the country's agricultural potential.

The "Gulf has long been an important business partner of Pakistan, while

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the Al Rabie brand already enjoys a stronghold in the Saudi market,” said Monther al Harthi, general manager of Al Rabie Saudi Foods.

“The company has embarked in new investment avenues, particularly Pakistan’s agricultural sector.”

Recent statistics from the Saudi company show that Pakistan’s agriculture industry grew at a rate of 4.6 per cent since 2006 – ahead of China, India and Malaysia.

GCC countries are estimated to import up to 90 per cent of Pakistan’s dairy and agricultural produce.

Pakistan is the world’s fifth-largest producer of milk and has the third-largest concentration of milk-producing animals. It also ranks in the top five of the world’s biggest producers of mangoes and dates, Mr Harthi said.

The country also has a “high economic potential” for cultivating crops such as cotton, rice and sugar, which account for up to 70 per cent of Pakistan’s total national exports, he added.

Source: [The National](#)

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