The National

UAE investors acquire land in Pakistan for food production

A group including several UAE private and public firms acquires about 16,187 hectares of land in Pakistan.

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ABU DHABI // A group including several UAE private and public firms has acquired about 16,187 hectares of land in Pakistan's Balochistan province for an estimated US$40 million (Dh146.9m) to begin mechanised farming in the area as part of the strategy to lower food import costs. The seven-member delegation comprising representatives of the investment firms has been in Pakistan for the past week and is "shortly" expected to sign a memorandum of understanding with the Balochistan provincial government to enhance investment co-operation between the two parties and to safeguard the UAE's investments in Pakistan, a senior Pakistan government official said today.

The land, acquired in the catchment area of the Mirani Dam, will require a further $20m investment to introduce irrigation and land fertility enhancement technologies, the official said. "Both investors and the Balochistan government have agreed to jointly undertake infrastructure development in the areas surrounding the farmland," the official,who declined to be named, said. He would not reveal which UAE firms had made the investment.

But he said the delegation, which was led by UAE businessman Khadim Abdullah al Dahiri, had already held meetings with Nawab Mohammed Aslam Raeesani, Balochistan's chief minister and is looking at options for further investment in Pakistan's agriculture, livestock and dairy development sectors. The delegation has also held negotiations with Syed Qaim Ali Shah, the chief minister of Sindh province and discussed the option of buying close to 12,140ha in the areas surrounding Shikarpure, Larkana and Sukker, a belt of agricultural land known largely for ample yields of sugar cane, rice, lentils and cotton crops.

"An investment decision has not yet been made in Sindh but the delegation has physically visited the lands and met with individual farmers as well," the official said. A second delegation, comprising representatives of the UAE Ministry of Economy and Ministry of Agriculture as well as up to six senior officials from public and private firms involved in the business of importing food, is also expected to visit Pakistan by the end of this year, according to the official.

The UAE delegation was originally scheduled to leave for Islamabad in the middle of last month to visit farmland in four Pakistani provinces and meet several farming families to explore the possibilities of forming joint ventures. However, political instability and security concerns in the country delayed the departure. Pakistan's capital Islamabad and its North Western Frontier Province (NWFP), which borders Afghanistan, have seen an escalation in violence since Pervez Musharraf stepped down as president in August.

"We are expecting the security situation to ease by the end of the year and that is when we are planning to take the second delegation to NWFP and Punjab," the official said. Syed Naveed Qamar, Pakistan's minister for investments, in April said that the government was introducing tax exemptions, duty free equipment imports and 100 per cent land ownership in specialised free zones in its agriculture, livestock and dairy sectors to lure investors.

Punjab, the largest agriculture-producing province in Pakistan, has already set aside 4,046 hectares of prime land for the proposed agriculture free zones in the country. However, the land allocated for free zones is fragmented into smaller parcels while UAE investors want one or more larger parcels, the official said. To resolve the issue, the Punjab government has identified larger chunks of land in areas surrounding the Mianwali, Sarghoda, Khushab, Jhang and Faisalabad cities.

The UAE's Ministry of Economy and individual investors have been in talks with Pakistan since the beginning of the year to buy land there, however this is the first official visit of investors to Pakistan. The UAE is heavily reliant on food imports with about 85 per cent of its supply imported at an estimated cost of $2.9 billion. Soaring food prices and rising inflation have forced the country to look at other options, such as acquiring produce at source in other countries, to lower its food import costs.

Other UAE public and private firms already have plans to invest in various regions to own cheaper food sources. Al Qudra Holding, the Abu Dhabi-based investment company, in August said it planned to acquire roughly 400,000 hectares of land in the Middle East, East Africa and Far East by the end of the first quarter of next year in a major expansion of its agricultural operations. 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 had said it was planning to expand its investments into Pakistan's agricultural sector. At a recent investment conference in Riyadh, Pakistan received several expressions of interest from Saudi Arabia. Pakistani President Asif Ali Zardari is scheduled to visit the kingdom next month, and according to government officials, investments in agriculture, livestock and dairy sectors is at the top of the agenda.

In early June, a source familiar with the talks said Pakistan was expecting a potential investment of between $400m and $500m in land deals involving up to 80,000 hectares. About 44 per cent of Pakistan's 160 million population is involved in agriculture, which accounts for 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. However, the country is facing an inflation rate of more than 17 per cent with prices of wheat and rice - common staples in Pakistan - more than quadrupling in just over a year resulting in urban rioting.

The country's economic woes are multiplying as it is struggling to meet import bills, while its central bank governor has met International Monetary Fund representatives to negotiate a $4 billion bailout package in order to avoid a balance of payment crisis.
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