



Competition Commission of Pakistan  
Creating a level Playing Field

# Cooking Oil and Ghee Sector in Pakistan: Competition Assessment Study

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**July 2011**

**COMPETITION COMMISSION OF PAKISTAN**

This study assesses level of competition and efficiency in the cooking oil and ghee sector of Pakistan using secondary data and a new survey commissioned by the Competition Commission of Pakistan.

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## List of Acronyms

CAF	Competition Assessment Framework
CCP	Competition Commission of Pakistan
COG	Cooking Oil and Ghee (Industry)
FTA	Free Trade Agreement
MT	Metric Tonnes
MPCEPA	Malaysia-Pakistan Closer Economic Partnership Agreement
MPOC	Malaysian Palm Oil Council
MoP	Margin of Preference
PFL	Pakistan Pure Food Laws
PODB	Pakistan Oilseed Development Board
PSQCA	Pakistan Standard and Quality Control Authority
PVMA	Pakistan Vanaspati Manufacturer's Association
PO	Palm Oil
RBD	Refined, bleached and deodorized
PL	Palm Olien
CDSO	Crude Soya Bean Oil



# Foreword

Soon after its inception in October 2007, the Competition Commission of Pakistan (CCP) initiated a series of competition assessments focusing on important sectors of Pakistan's economy. Studies so far completed include banking, sugar, fertilizer, aviation, power and the automotive industry. CCP's approach is primarily to look at various sectors from a competition standpoint and identify a wide range of competition vulnerabilities, government interventions that may be distorting incentives, information failures and anti-competitive elements within the industry structure. These market studies essentially serve as a diagnostic tool that enables CCP to evaluate as to how competitive the markets are, and work out steps to improve the state of competition in particular sectors.

This study is a competition assessment of the 'Cooking Oil and Ghee' sector - an important segment of the food market. It focuses on a wide range of competition issues including market dominance, entry barriers, the effect of international price fluctuations on the national market and the regulatory mechanism. Primarily, this report has been written for policy makers including both the legislative and the executive branches. It should also be beneficial for those with a particular interest in the sector – investors, academia and students. It may even contain some lessons for market players, for whom a structured understanding of competition as an enabler of business rather than as another law is extremely important for wide-scale prosperity and efficiency.

The Report has been compiled by a team consisting of Mr. Ali Salman and Mr. Shammal Jalil of Development Pool, a Lahore-based consultancy firm. The research was coordinated and supervised by Ms. Kishwar Khan of CCP, with inputs from Mr. Mustafa Mahmood also from the Commission, under the guidance of Mr. Mueen Batlay (Member, CCP). Collection of data for this report required extensive effort. CCP acknowledges the contribution of a sizeable number of market players and their representatives who volunteered to share their opinion, and data, without which this report would not have been possible.

Rahat Kaunain Hassan  
Chairperson  
July 2011

# Executive Summary

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This study is a competition assessment of the 'Cooking Oil and Ghee' sector in Pakistan, focusing on instances of competition vulnerabilities such as the potential abuse of dominance by large players, entry barriers, and regulatory issues. It looks into the value chain and business model of the industry to analyze possible impediments to competition. It explores the role of government in the industry by its regulatory and market based operations. Commissioned by the Competition Commission of Pakistan (CCP), the study proposes recommendations in order to improve competition and efficiency.

The study is based on the "Competition Assessment Framework" (CAF) developed as an operational guide for identifying barriers to competition in developing countries by the Department for International Development, United Kingdom. This framework is a generic tool to assess the degree of competition in a sector, and therefore may not be used in all circumstances with consistency of results. However, it does offer useful sets of indicators to gauge the degree of competition. The analytical framework is structured on the identification of the relevant market, market structure, barriers to entry, role of government policies or institutions, consideration of vested interests, and the signs of anti-competitive behavior by the firms.

To start, an apparent question with regard to this industry is: Why do manufacturers not pass on the full benefits of lower palm oil prices to the consumer? Did they stop making input purchases when international market prices rose? Did the country face any shortage of ghee and oil during the same period? Are there any chances of close coordination among some influential and large manufacturers to create a price hike in the market by controlling their means of production? This study explores the answers to these important questions along with an overall analysis of the dynamics of this crucial industry.

Around 115 units produce vegetable ghee and cooking oil with a cumulative installed capacity of around 2.8 million tones. Actual production against this capacity is around 1.5-1.8 million tones. This makes it a 384 billion rupees (US\$ 4.5 billion) industry. Annual increase in edible oil consumption is about 7.7%, due to population growth and increase in per capita income.

Over the last two decades, import of cooking oil has registered an average annual growth rate of around 15%. Lately, total demand for edible oil was about 3 million tons,

and out of this, less than one million tons was indigenous production while the remaining quantity had to be imported. In 2009-10, Pakistan imported palm oil worth Rs. 106 billion.

The study finds that in 2007-08, the international price of palm oil dropped significantly, by almost 35%. The exchange rate had remained stable at Rs. 60 per US\$ for a number of years, but jumped by 28% in 2007. The aggregate effect on the price of the vegetable ghee should have been negligible, but prices increased by 72% instead. Our study demonstrates that the manufacturers did not fully synchronize their prices with the changes in input prices. In 2006-07, a 90% increase in the price of palm oil was not fully passed on to the consumer, as the output price rose by 40% instead.

Amongst all edible oils and fats, palm oil and soya bean are major import products in Pakistan. Soy bean is considered to be an alternative of palm oil, but is imported in much less quantity than palm oil because of its highly structured import price. This protects palm oil dependent firms, and creates an asymmetry that restricts a level playing field.

Survey figures for the year 2009 suggest that aggregate production levels achieved by Dalda, United (Kashmir), Hamza (Sufi) and Habib, the leading four firms, is almost 10% of the total market, which is significantly below the international benchmark market share of 40%, considered an indicator of oligopolistic conduct. It suggests that the likelihood of oligopolistic behavior in the cooking oil and ghee industry is relatively low.

The study finds that the market position of these four leading firms has been dynamic since the past five years. Our data suggests that in 2005, Dalda had the smallest share while United (Kashmir) led the market. Since 2007, Dalda has established a leadership position, while Habib has experienced a consistent decline. Over these years, Hamza (Sufi) and United (Kashmir) have remained stable in their production levels, keeping production at around 70,000 MT and 40,000 MT respectively. Some of Dalda's gain comes at the cost of Habib, however a considerable gain made by Dalda is on account of the introduction of additional brands by the company that captured subsections of the total market.

The study also finds that excess capacity in the industry provides leverage to firms to control production levels. The average capacity utilization is 44%. The presence of countless unregistered suppliers of vegetable ghee should have created pressure on the registered firms to be more efficient and price sensitive, but this has not happened. As a matter of fact, inefficiency losses should have resulted in the closure of a few units, which also did not take place. Instead, the market has absorbed new players in 2005-06.

The study observes that in a competitive market, firms routinely refer to prices in their advertisements. This is normally not practiced in the advertisement issued by the firms in the cooking oil and ghee sector. This is indicative of a lack of competitive pressure on the firms.

The study recommends the following steps:

- Analysis of the customs duty on palm oil and its likely substitutes, and consequent recommendations to the government pertaining to the levying of uniform duties;
- Analysis of the production schedule and possibilities of import substitution through growing alternative raw materials, including palm oil, within Pakistan;
- Analysis of the role and share of unregistered suppliers from both quality and competition perspectives;
- Encouragement of efficiency in specific firms by pointing out comparative performance benchmarks such as capacity utilization and diversification of input sourcing.

# 1. Introduction

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This study is a competition assessment of the cooking oil and ghee sector in Pakistan, investigating competition issues such as abuse of dominance by large players, cartelization, ease of entry and regulatory barriers, etc. It looks into the value chain and business model of the industry to analyze likely impediments to competition. It explores the role of government in the industry by regulatory and market based operations. Commissioned by the Competition Commission of Pakistan (CCP), the study makes policy recommendations to improve market competition and efficiency.

Recently, fluctuation in the international price of palm oil has generated a debate around retail prices of ghee and cooking oil in Pakistan, which peaked during the rise in international prices, but did not reduce with the lowering of palm oil prices in the international market, as they should have. Conflicting interpretations of this trend by all stakeholders in this business sector led to the need for this study, to analyze the core factors involved in the production of ghee and cooking oil in Pakistan.

As the industry is run solely by the private sector, an obvious question arises out of the recent prevalent trend in the market: How do the manufacturers manage not to pass the benefits of a lower international price of palm oil to the consumers of ghee and cooking oil? Did they stop purchase when prices were increasing in the international market? Did the country face any shortage of ghee and oil during the same period? Were there any chances of coordination among some influential and large manufacturers to create an artificial price hike by limiting production? This study explores the answers to these questions along with an overall analysis of the sector.

The study is based on “Competition Assessment Framework” (CAF) developed as an operational guide for identifying barriers to competition in developing countries by the Department for International Development, United Kingdom. This framework is a generic tool to assess the degree of competition in a sector, and therefore may not be used in all circumstances with consistency of results. However, it does offer useful sets of indicators to gauge the degree of competition. The analytical framework is structured based on the identification of the relevant market, market structure, barriers to entry, the role of government policies or institutions, consideration of vested interests, and signs of anti-competitive behavior by firms. The application of this tool is limited by availability of data, and the current report is not an

exception. However, wherever possible, this problem has been solved by referring to secondary sources of information, observations and anecdotal evidence.

While adhering to CAF, the contents of each section of this report can be classified into desk review, new survey data and conclusions. The insights and recommendations are dealt with at the end of the report. The purpose of this arrangement is to collate the evidence from diverse sources together for meaningful interpretation and practical policy recommendations.

Data has been obtained from both primary and secondary sources. For primary data, a structured questionnaire was administered and sent to a sample of 24 selected manufacturers, which was a good mix in terms of location and capacity. Out of them, 12 firms responded by sending the filled questionnaire, they together constitute around 10% of market share in terms of number of registered manufacturers. Besides questionnaires, multiple visits were made in the wholesale and retail markets of Lahore and Karachi. The office of the association of manufacturers was also visited by the team of Development Pool researchers.

## 2.

# Cooking Oil and Ghee as industry

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Various research efforts and market surveys show that people in Pakistan are becoming more health conscious. Pakistanis are shifting their dietary habits from animal saturated fats (butter) to healthier products such as vegetable saturated fats (ghee) and finally to even healthier products such as vegetable unsaturated fats (canola, sunflower oils). In rural areas and among the poorest parts of Pakistan the consumption of ghee is still relatively higher than in urban areas.

Cooking oil & vegetable ghee industry is a large manufacturing sector in Pakistan. Around 115 units, which are registered members of Pakistan Vanaspati Manufacturers Association, produce vegetable ghee/Cooking oil with an installed capacity of around 2.8 million tones. Actual production against this capacity is around 1.5-1.8 million tones of Vegetable ghee/Cooking oil which comes out to be around 44% of the installed capacity. The gap between annual consumption and production from registered firms is around 1.8 million tons, which is provided by hundreds of unregistered<sup>1</sup> firms. Annual increase in edible oil consumption is about 7.7% due to population growth and increase in per capita income.<sup>2</sup> Currently, it is a 384 billion rupees (US\$ 4.5 billion) industry. The Pakistan edible oils industry has grown tremendously since independence from a production of 4000 tones per day in 1950 to a production of 72500 tones per day in 2007.<sup>3</sup> During the seven years (FY01-FY07), the average annual growth for ghee/edible oil production is about seven percent.

This large scale manufacturing industry has shown a negative trend for the current year of 2009-2010 in the production of vegetable ghee which is mostly used in households in Pakistan; however a slight improvement has been seen in cooking oil manufacturing. This fact has been established in the Economic Survey 2009-10 (July-March) of Pakistan in its item-wise review of the production of selected large scale manufacturing items. The Economic Survey 2009-10 indicates that a -2.49 % change can be seen during the period of (Jul-Mar) 2009-10 as against the same period in 2008-09.<sup>4</sup> This follows the trend of the Group-wise performance of Large Scale Manufacturing, where the highest negative trend has been seen in food group, i.e. -0.5 percent.<sup>5</sup>

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<sup>1</sup> Unregistered implies not registered with the Association. As the number of such units runs into hundreds, it is not possible to determine whether these units are legally registered or not.

<sup>2</sup> Email Response: Mr. Farhat Azim, a leading consultant in the sector

<sup>3</sup> Petrosin. (2004). *Ghee and Cooking Oil Production* Retrieved June 7<sup>th</sup>, 2010 from <http://www.petrosin.com>

<sup>4</sup> Economic Survey 2009-10

<sup>5</sup> Ibid

Cooking Oil and Ghee Sector in Pakistan: Competition Assessment Study

Table : Production of Selected Items of Large Scale Manufacturing

Production of Selected Items of Large Scale Manufacturing							
S. No.	Items	Unit	Weight	(July-March)		%Change (Jul-Mar) 2009-10	% Point Contribution (Jul-Mar) 2009-10
				2008-09	2009-10		
1	Deep Freezers	(000 tonnes)	0.399	93.394	126.635	35.59	0.14
2	Jeep & Cars	(Nos.)	2.534	63.984	87.419	36.63	0.93
3	Refrigerators	(000 tonnes)	0.589	605.347	707.884	16.94	0.10
4	Upper Leather	(000 sq.m.)	1.117	14.698	17.238	17.28	0.19
5	Cement	(000tonnes)	4.141	20.469	22.763	11.21	0.46
6	Liquids/Syrups	(Million Liters)	1.525	52.111	57.401	10.15	0.15
7	Phosphatic fertilizer	(000 N tonnes)	1.885	322.46	367.164	13.86	0.26
8	Tablets	(Million Nos)	2.575	14169.17	15491.38	9.33	0.24
<b>9</b>	<b>Cooking oil</b>	<b>(000 tonnes)</b>	<b>1.319</b>	<b>196.497</b>	<b>210.577</b>	<b>7.17</b>	<b>0.09</b>
10	Cotton (Ginned)	(000 tonnes)	3.368	1508	1595	5.77	0.19
11	Nitrogenous fertilizer	(000 N tonnes)	1.498	1810.237	1869.178	3.26	0.05
12	Cotton Cloth	(Million sq.m.)	7.549	760.888	761.95	0.14	0.01
<b>13</b>	<b>Vegetable Ghee</b>	<b>(000 tonnes)</b>	<b>4.242</b>	<b>798.339</b>	<b>778.493</b>	<b>-2.49</b>	<b>-0.11</b>
14	Cotton Yarn	(Million Kg.)	13.066	2197.876	2159.17	-1.76	-0.23
15	Sugar	(000 tonnes)	4.15	3188.561	3077.866	-3.47	-0.14
16	Tea Blended	(000 tonnes)	0.319	50.135	48.628	-3.01	-0.01
17	Petroleum products	(Million Liters)	5.323	9335.367	8784.245	-5.9	-0.31
18	Cigarettes	(Billion Nos.)	3.055	55.625	49.51	-10.99	-0.34
19	Coke	(000 tonnes)	1.441	329.726	263.361	-20.13	-0.29
20	Pig iron	(000 tonnes)	1.613	640.893	388.668	-39.36	-0.63

Source: Economic Survey 2009-10

The total annual domestic demand of edible oil in the country is around 2.9 million tons. The local production of edible oil is around 1.3 million tons per annum. The rest of the demand is being met through imports. Imported palm oil constitutes around 56-58 % of all oil used for production of edible oil/ghee in Pakistan.<sup>6</sup> The production statistics of vegetable ghee taken from the Economic Survey of Pakistan 2009-10 for the period from 1990-2010 gives an overall picture of growth of this sector.

<sup>6</sup> Retrieved from Ministry of Industries and Production website, [http://202.83.164.26/wps/portal/Moipsi!/ut/p/c0/04\\_SB8K8xLLM9MSSzPy8xBz9CP0os\\_hQN68AZ3dnIwML82BTAYNXTz9jE0NfQwNLE\\_2CbEdFACM6vXU!/](http://202.83.164.26/wps/portal/Moipsi!/ut/p/c0/04_SB8K8xLLM9MSSzPy8xBz9CP0os_hQN68AZ3dnIwML82BTAYNXTz9jE0NfQwNLE_2CbEdFACM6vXU!/)



Table : Production of Vegetable Ghee

Year	Production (000Tonnes)	Growth (%)
1990-91	656	(3.93)
1991-92	639	(2.59)
1992-93	725	13.46
1993-94	671	(7.45)
1994-95	711	5.96
1995-96	733	3.09
1996-97	714	(2.59)
1997-98	719	0.70
1998-99	773	7.95
1999-00	695	(9.65)
2000-01	835	19.59
2001-02	797	7.24
2002-03	772	(6.75)
2003-04	888	15.10
2004-05	1,048	18.04
2005-06	1,152	9.86
2006-07	1,180	2.45
2007-08	1,137	(3.63)
2008-09	1,059	(6.89)
<u>July-March</u>		
2008-09	798	(8.17)
2009-10 P	778	(2.49) July09-March10

**Note:** Figures in parenthesis represent negative growth

**P: Provisional**

*Source: Federal Bureau of Statistics*

Despite various factors being involved in the production of vegetable ghee in Pakistan, it is observed that this industry has shown a negative trend in growth whenever there is political instability and law and order deterioration prevalent in the country. The above table explains the growth trend of this industry, and it is visible that in periods of political stability, the industry has progressed. It is also due to this fact that privatization of this industry has led to considerable support for the growth of this industry. However, the dependence on imported raw material for manufacturing, especially in the case of palm oil with its price linked with international market, unsupportive measures for local production of raw material and heavy taxations applicable to this industry for revenue generation have hampered the growth of this industry.

Figure : Production of Vegetable Ghee

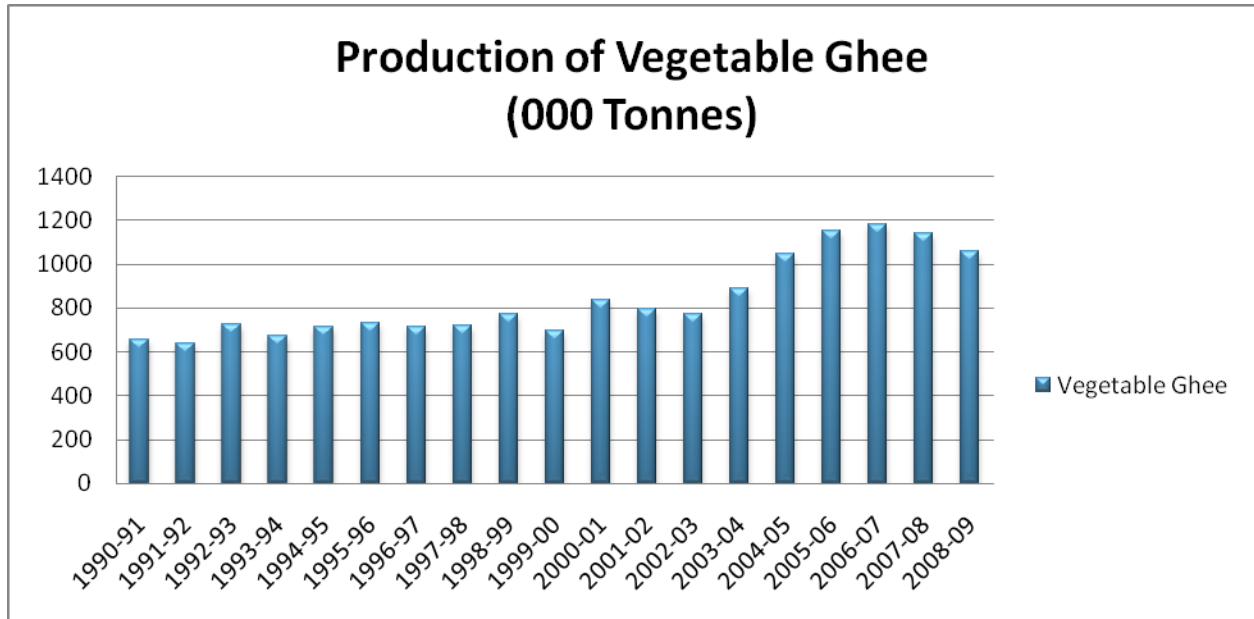
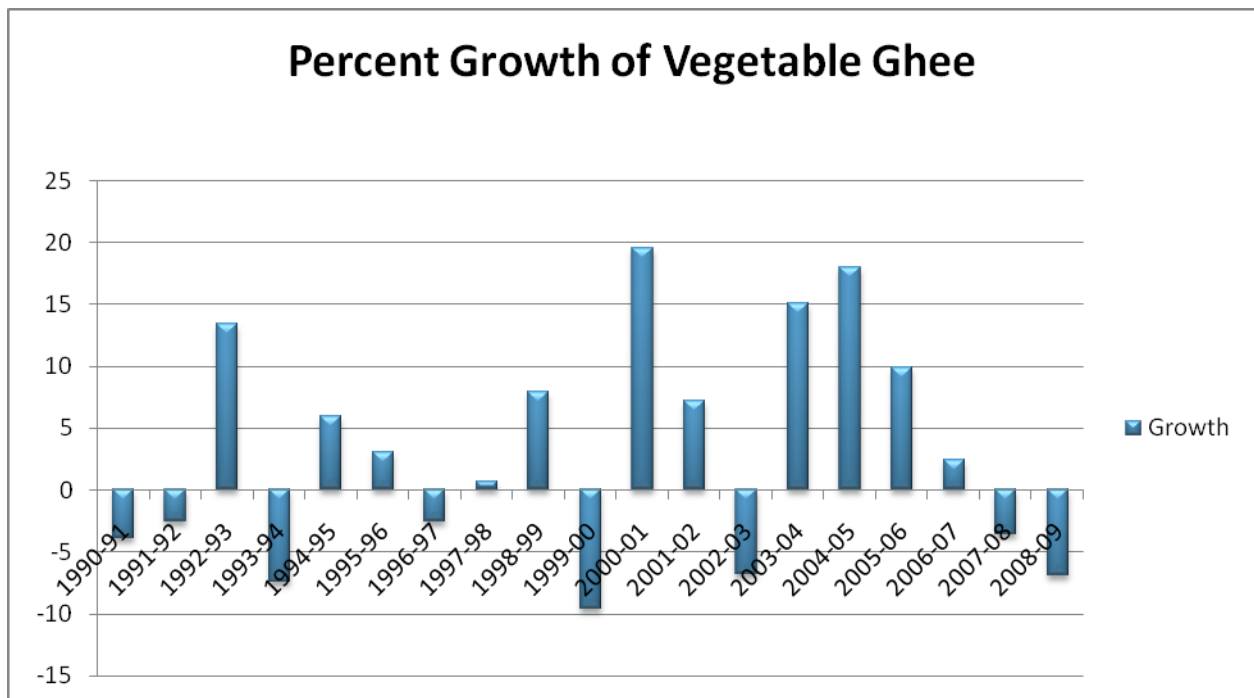


Figure : Growth of Vegetable Ghee



## 3

# Value Chain

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This section provides a discussion about raw materials and process flows along the value chain for cooking oil and ghee. Information contained in the Section will help the reader better understand the dynamics of the market.

### **Raw Material for Banaspati & Cooking Oil<sup>7</sup>**

For the manufacture of ghee (Banaspati) and cooking oil, the raw material required is available through:

1. Local & imported Seeds
2. Import of Palm Oil

**For Ghee (Banaspati), a hydrogenated solid vegetable oil, RBD** palm oil & palm oilien (imported), Cotton seeds oil (local) and rapeseed & mustard oil (local) are used in Pakistan.

**For Cooking and Seasoning Oils** sunflower oil (local and imported), Canola oil (local & imported) and soybean oil (imported) are mostly used in Pakistan.

### **The Import and Local Production of Raw Material**

The major oilseed crops in Pakistan include cottonseed, rapeseed/mustard, sunflower and canola etc. The total availability of edible oil in 2008-09 was 2.821 million tons. Local production of edible oil stood at 684 thousand tons during 2008-09, which is 24 percent of the total availability in the country, while the remaining 76 percent was made available through imports. However, the local production of oilseed crops and import for the year 2009-10 is based on the estimates of a lower demand of 2.707 million ton.

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<sup>7</sup> Banaspati (Vanaspati also) means the product obtained by hydrogenation of edible oil (refined, bleached & deodorized) of vegetable origin or blend of vegetable oils.

Cooking oil means blending of vegetable oils of permissible edible grades of vegetable origin which shall be refined, bleached & deodourized so as to conform to the given standard of quality primarily intended for Cooking and / or frying.

Table : Area and Production of Major Oilseed Crops

Table: Area and Production of Major Oilseed Crops									
Crops	2007-08			2008-09			2009-10 (P)		
	Area	Production		Area	Production		Area	Production	
	000 Acres	Seed (000 Tons)	Oil (000 Tons)	000 Acres	Seed (000 Tons)	Oil (000 Tons)	000 Acres	Seed (000 Tons)	Oil (000 Tons)
Cottonseed	7,547	3,568	428	6,969	3,015	362	7,591	3,240	389
Rapeseed/Mustard	576	172	58	577	188	62	486	160	51
Sunflower	1130	683	264	929	598	227	872	554	211
Canola	402	208	83	172	88	33	142	76	29
<b>Total</b>	<b>9,655</b>	<b>4,631</b>	<b>833</b>	<b>8,647</b>	<b>3,889</b>	<b>684</b>	<b>9,091</b>	<b>4,030</b>	<b>680</b>
P: Provisional					Source: Pakistan Oilseed Development Board				

Since the establishment of PODB in 1995, the annual growth of oilseeds in Pakistan was 2.56 percent, but at present its growth rate is about 5 percent per annum.<sup>8</sup> In 1995, a total of 8,000 acres was under cultivation of Canola seed, but in 2008-09 it is cultivated on more than 172,000 acres across the country. Similarly, sunflower was cultivated on 185,000 acres in 1995, and now it is being cultivated on 929,000 acres, which is a significant achievement. But the decline in production for the last three years, especially of Canola crop which produces almost 40% edible oil, is a serious concern. This also establishes the fact that there is no support mechanism for this crop, and we have to rely on the import of this important oilseed.

Pakistan imports oilseeds mainly from Australia, Canada and Ukraine. In 2009, Pakistan imported 976,083 tonnes of Canola and Sunflower seeds, which is 134% more than the preceding year of 2008. The main reason behind this increase was the variation in International prices of these commodities; lower prices supported the import in bulk quantity of these commodities. Another reason was the low production of oilseed crops, especially the sunflower for the year 2008 and 2009, as compared with year 2007 bumper crops of oilseeds in Pakistan.

Edible oils (palm oil and oilseeds) are sourced into Pakistan through manufacturers and commercial importers. Manufacturers import palm oil directly from Malaysia and Indonesia and also purchase it from commercial importers in the local market as and when required. Similarly, different oilseeds are imported into Pakistan mainly by commercial importers. Cargil Pakistan Holdings (Pvt.) Ltd. claims to be the largest commercial importer of oilseeds and palm oil in

<sup>8</sup> Chairman PODB, Ghulam Idrees: Interview with Business Recorder

Pakistan.<sup>9</sup> Cargill Pakistan is currently active in trading operations in the country. Major business operations revolve around the purchase of palm oil from Malaysia and Indonesia, and its local sale through a distribution network involving strategic arrangements with oil terminals and surveyors.

Some major oil refineries also import Crude Palm Oil (CPO) into Pakistan. Their share in the total import of palm oil is 30%, which is expected to swell further after the duty relief of Rs. 1000/MT on CPO in the current budget 2010-11. There are 9 refineries in Pakistan, with the capacity of 4500 Tons per day, but are under utilized at 40%.<sup>10</sup> These refineries, after importing CPO and processing it, sell RBD palm Oil to Ghee units. According to Malaysian Palm Oil Council (MPOC) sources in Pakistan, the major importers of edible oil in Pakistan are shown in the table below.<sup>11</sup>

Table : List of Major Importers

1	Mapak Edible Oils
2	IFFCO Pakistan Ltd.
3	Cargil Pakistan
4	Faisalabad Oil Refinery
5	Hafeez Iqbal Oil Mills
6	Khadija Edible Oil Refinery
7	The Paracha Textile (Ghee Unit)
8	Tahir Omer Industries
9	Hamza Vegetable Oil Mills
10	Malik Ghee Mills

Table : Oil Seed Imports

Oil Seed Imports on Arrival Basis (tonnes)			
	Jan-Dec 2007	Jan-Dec 2008	Jan-Dec 2009
Rapeseed/Canola	867,867	413,169	673,332
Sunflower Seed	72,156	0	302,751
<b>Total</b>	<b>940,023</b>	<b>413,169</b>	<b>976,083</b>

Source: *Global Oils and Fats Business Magazine*

<sup>9</sup> <http://www.cargill.com/worldwide/pakistan/index.jsp>

<sup>10</sup> Rashid Jan Muhammad, Vice Chairman Pakistan Edible Oil Refiners Association (PEORA) (2009):Q&A with Global Oils and Fats Business Magazine

<sup>11</sup> Mr. Faisal Iqbal, Regional Manager MPOC: interviewed by Shammas Jalil (2010)

Vegetable Ghee is still considered a basis of Pakistani foods. Its consumption is strictly linked to its price and therefore to the price of the imported palm oil, which constitutes the main raw material utilized in ghee production. Nearly 70 percent of domestic demand for vegetable oil is met through imports, 98 percent of which comprised of palm oil.<sup>12</sup> So the industry is heavily dependant on import of Palm Oil and Palm Olien.

In 2009, Pakistan imported 1.79 million tones of edible oils (on arrival basis) compared to 1.55 million tones in 2008. This 15.4 % increase was seen due to more competitive pricing of edible oils in international market and the demand generated by population growth of 1.87%.

Table : Edible Oil Imports on Arrival Basis<sup>13</sup>

<b>Edible Oil Imports on Arrival Basis (tonnes)</b>			
	<b>Jan-Dec 2007</b>	<b>Jan-Dec 2008</b>	<b>Jan-Dec 2009</b>
PL	1,146,349	641,260	556,214
RBD PO	2,299	343,920	733,085
CPO	483,466	546,195	453,926
CDSBO	116,712	20,969	48,346
<b>Total</b>	<b>1,748,826</b>	<b>1,552,344</b>	<b>1,791,571</b>

Source: *Global Oils and Fats Business Magazine*<sup>14</sup>

Pakistan's imports of palm oil and fats have increased by 18% in 2009, which is more aligned with consumption of oils and fats in the country. The country has faced a sharp decline in imports of palm oil products in 2008, due to high international prices, which dramatically rose during first half of 2008.

Pakistan is one of the biggest consumers of palm oil, besides China, India, Japan, Europe and the Middle East countries. Since the evolution of edible oil industry in the country, palm oil has played the role of lifeblood for this sector. Despite the fact that Pakistan is an agricultural country, the demand for palm oil is met through imports. Taste preference, climate, eating habits, logistics, economy and all the other parameters make palm oil the preferred choice for

<sup>12</sup> Joseph M Carroll (2009). Pakistan OILSEEDS AND PRODUCTS ANNUAL: Vegetable Oil and Soybean Meal Imports Forecast at Records. GAIN Report Number: PK9009 Retrieved from [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Commodity%20Report\\_OILSEEDS%20AND%20PRODUCT\\_S%20ANNUAL\\_Islamabad\\_Pakistan\\_6-26-2009.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Commodity%20Report_OILSEEDS%20AND%20PRODUCT_S%20ANNUAL_Islamabad_Pakistan_6-26-2009.pdf)

<sup>13</sup> In Palm Oil , Crude Palm Oil (CPO), Refined Bleached Deodorized Palm Oil (RBD PO) and Palm Olien (PO) are imported

In Soybean, CDSBO means Crude Soy Bean Oil

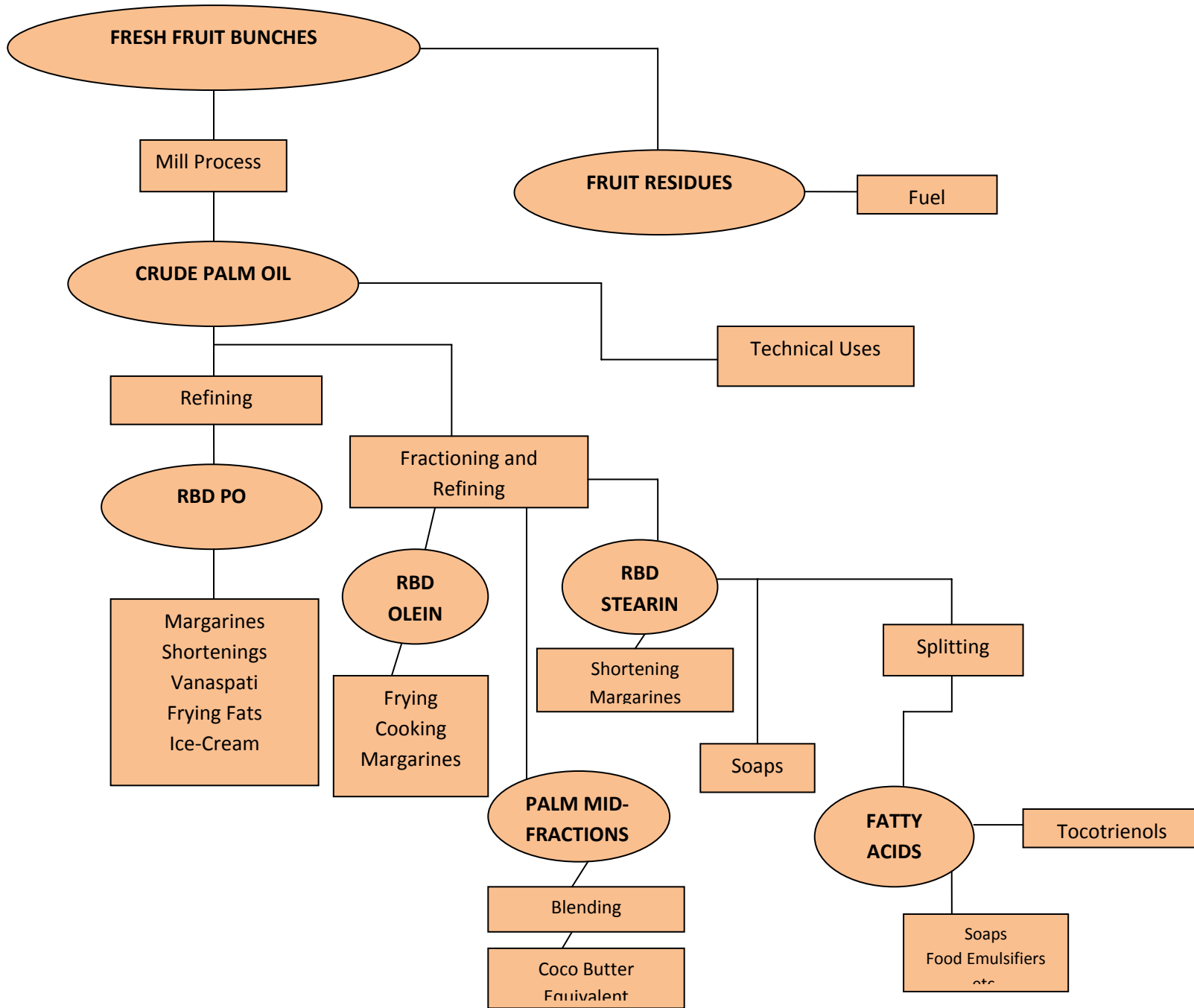
<sup>14</sup> Global Oils and Fats Business Magazine. Retrieved from [http://www.mpoc.org.my/gofbm\\_view.aspx?id=303c1df0-6a15-4eba-9f57-5620fe9a1355](http://www.mpoc.org.my/gofbm_view.aspx?id=303c1df0-6a15-4eba-9f57-5620fe9a1355)

Pakistan. Over the last three decades, the consumption pattern shows that on average almost half of the edible oil consumed in the country comprises of palm oil. Banaspati has not only given cost and logistics advantages to local manufacturers, but has also helped in the overall growth of edible oil industry in Pakistan. Though largely used for edible purposes, palm byproducts have also been used extensively for soap-making in the country.

Palm oil is used in various food products, such as cooking oil, vanaspati, margarines, shortenings, bakery and confectionery, fats, ice cream and chocolate fats. The palm oil is also used in the manufacture of soaps, candles, detergents, lubricants, fuel, caked residue, cosmetics, and other personal care products. Palm oil, like other vegetable oils, contains almost no cholesterol. The process of palm oil production, and its different uses from tree to finished products, are shown in the figure below:

Figure : Palm Oil Process

Palm Oil-Process from Bunches to COG



Pakistan imports three products of palm oil, particularly for the production of cooking oil and ghee. These are Crude Palm Oil, Refined Bleached and Deodorized Palm Oil (RBD PO) & Palm



Olien. These three products are further processed here in mills and refineries under the standards maintained by Pakistan Standard and Quality Control Authority. Pakistan mainly imports palm oil from Malaysia and Indonesia. The import ratio from these countries gives us a tilted picture towards Malaysia, due to its long presence in production and export in international market. Another important factor is a trade treaty between Malaysia and Pakistan know as Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA). Pakistan government is also considering a similar FTA with Indonesia which will initially give a 10% reduction in duty tariff as was done with the Malaysian Government.

### **Import Status-Malaysia, Indonesia & FTAs**

Pakistan imports palm oil from Malaysia and Indonesia. Pakistan's import of palm oil from Malaysia consists of 90% out of total import. Before 2002, Pakistan was importing palm oil from Malaysia only. Then with the emergence of Indonesian market of palm oil, the balance of trade divided into 50/50 between Malaysia and Indonesia. However under MPCEPA signed between Pakistan and Malaysia in November, 2007, Pakistan has reduced the tariffs on seven (7) palm products by a 10% Margin of Preference (MoP) with effect from on January 1, 2008. MPCEPA is Pakistan's first comprehensive agreement on Goods, Services, Investment and Economic Co-operation with any country of the world, besides, being its first such Agreement between the two members of OIC and Malaysia's first such agreement with any of the countries of South Asia. The tariff is to be further reduced by 5% MoP, starting from January 1, 2010, making Malaysia the first choice for Pakistan to import Palm oil and its products, compared to its closest competitors. What makes the Malaysian palm oil more attractive is that it has not only adapted well to the Pakistani taste, but also costs much less than other edible oils, such as soya bean, sun flower and canola from the US.

Table : Imports of Oil from Malaysia and Indonesia

Imports from Malaysia and Indonesia on Arrival Basis (tonnes)						
	2007		2008		2009	
	Malaysia	Indonesia	Malaysia	Indonesia	Malaysia	Indonesia
CPO	268,082 55%	215,384 45%	302,421 55%	243,774 45%	390,929 86%	62,997 14%
RBD PO	2,299 100%	0 0%	307,455 89%	36,465 11%	677,558 92%	55,527 8%
RBD PL	729,856 64%	416,493 36%	510,502 80%	130,758 20%	521,474 94%	34,740 6%
<b>Total</b>	<b>1,000,237</b>	<b>631,877</b>	<b>1,120,378</b>	<b>410,997</b>	<b>1,589,961</b>	<b>153,264</b>

Source: *Global Oils and Fats Business Magazine*

Malaysia now has a 15% advantage over its competitors since January this year, in terms of regulatory duty. So, if an FTA is made with Indonesia which would give it a 10% discount, as market information indicates, Malaysia will still be in the position to have a 5% advantage over its competitor till 2014 under Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA). Last year Pakistan imported 94% of its palm based products from Malaysia, which is evident from then table shown above.

Figure : Imports from Malaysia and Indonesia (CPO)

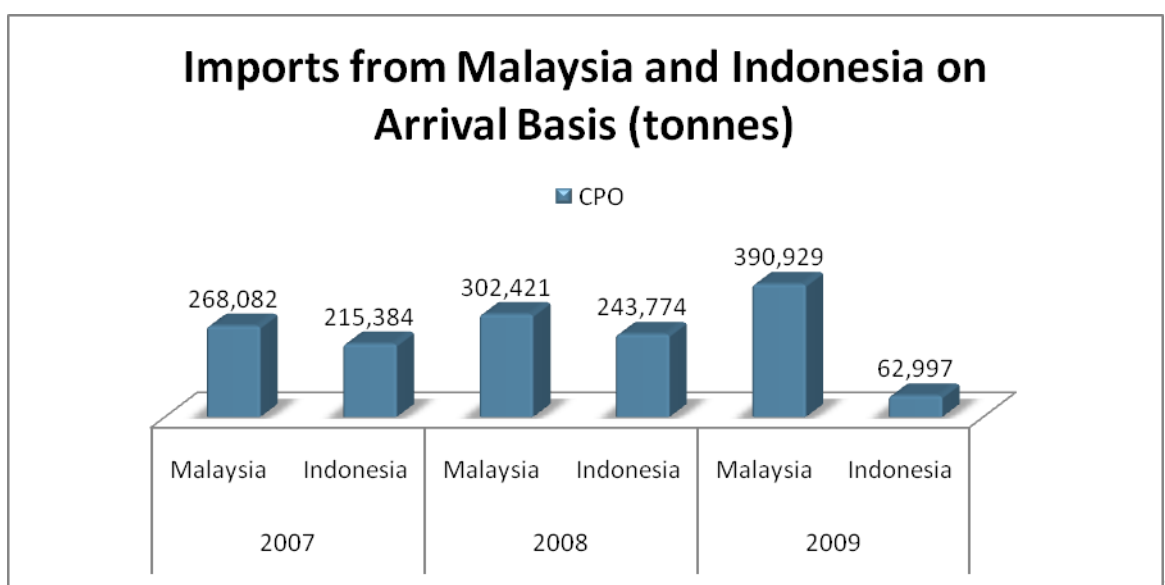


Figure : Import from Malaysia and Indonesia (RBD PO)

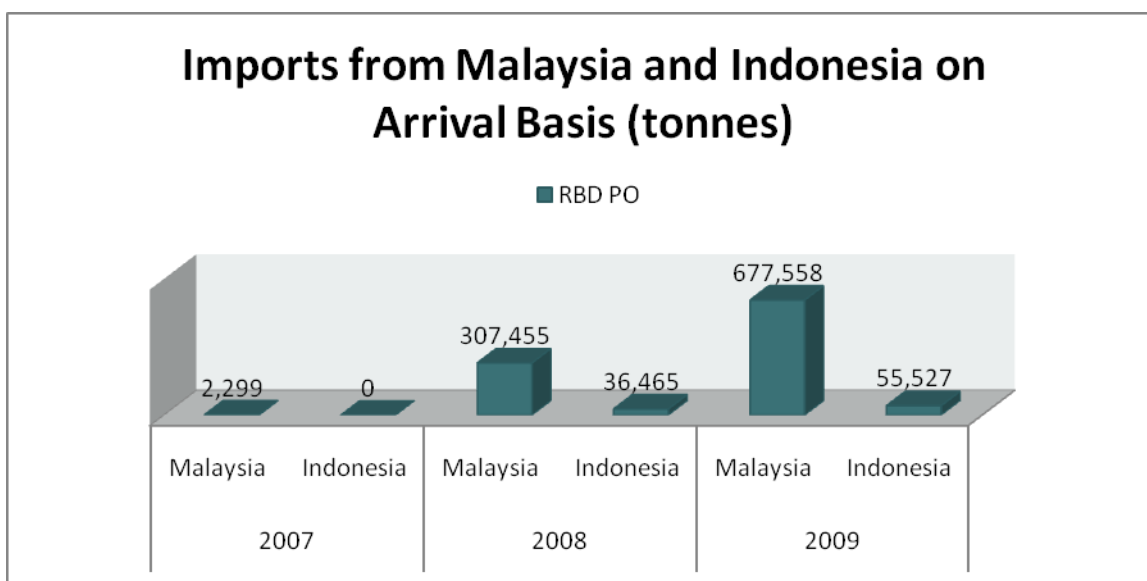
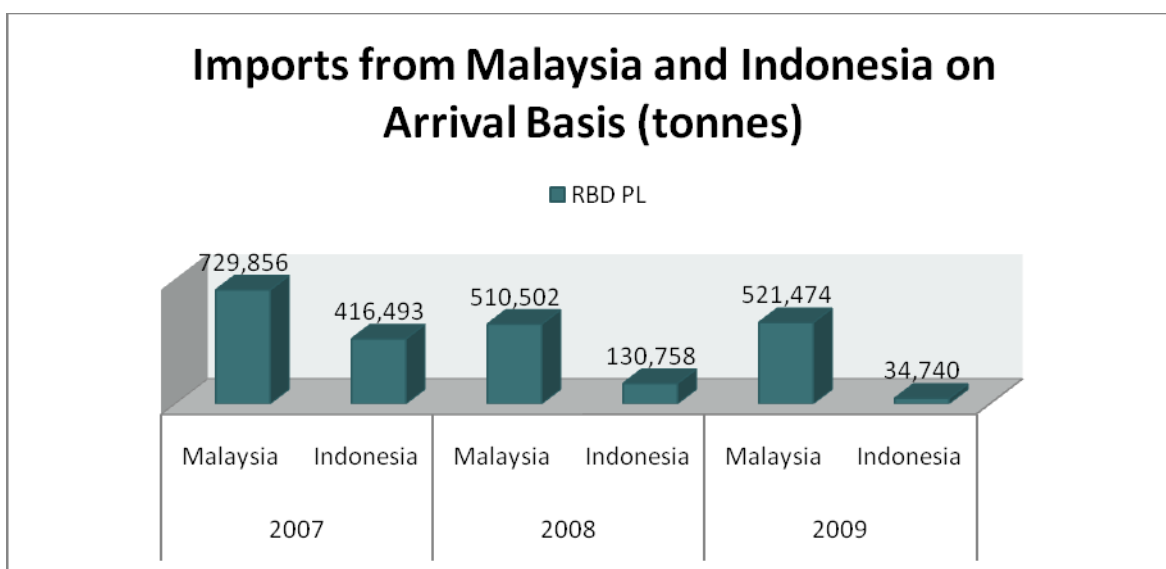


Figure : Imports from Malaysia and Indonesia (RBD PL)



Pakistan is a net importer of oilseeds and edible oils. Domestic production of edible oils is only sufficient to meet 30 percent of total demand. The local production/import ratio has remained steady over the past decade. Domestic oilseed production includes cotton, sunflower seed, and rapeseed, whereas Palm Oil and Palm Olien are imported from Malaysia and Indonesia. There is no support price mechanism for oilseeds and the GOP does not procure oilseeds. Oilseeds are a low priority crop as compared to other crops, like wheat and rice. According to one dealer of oilseeds in Lahore, the country harvested a bumper crop of sunflower last year, but during the

current year Pakistan faces a shortage of sunflower seed due to non-supportive measures from manufacturers and the government.

## Value Chain for Manufacturing

### For Manufacturing of Ghee /Edible oil

There are different types of raw oils, which are further processed for manufacturing vegetable ghee/edible oils. Some of these oils are generally imported from abroad, and some of them are locally made available for consumptions. These oils are indicated below:

- a) **Imported:** Palm oil, Soya bean oil.
- b) **Local:** Cotton seed oil, Rapeseed oil, Sunflower oil

The following main processes are employed in the manufacture of vegetable ghee/edible oil:

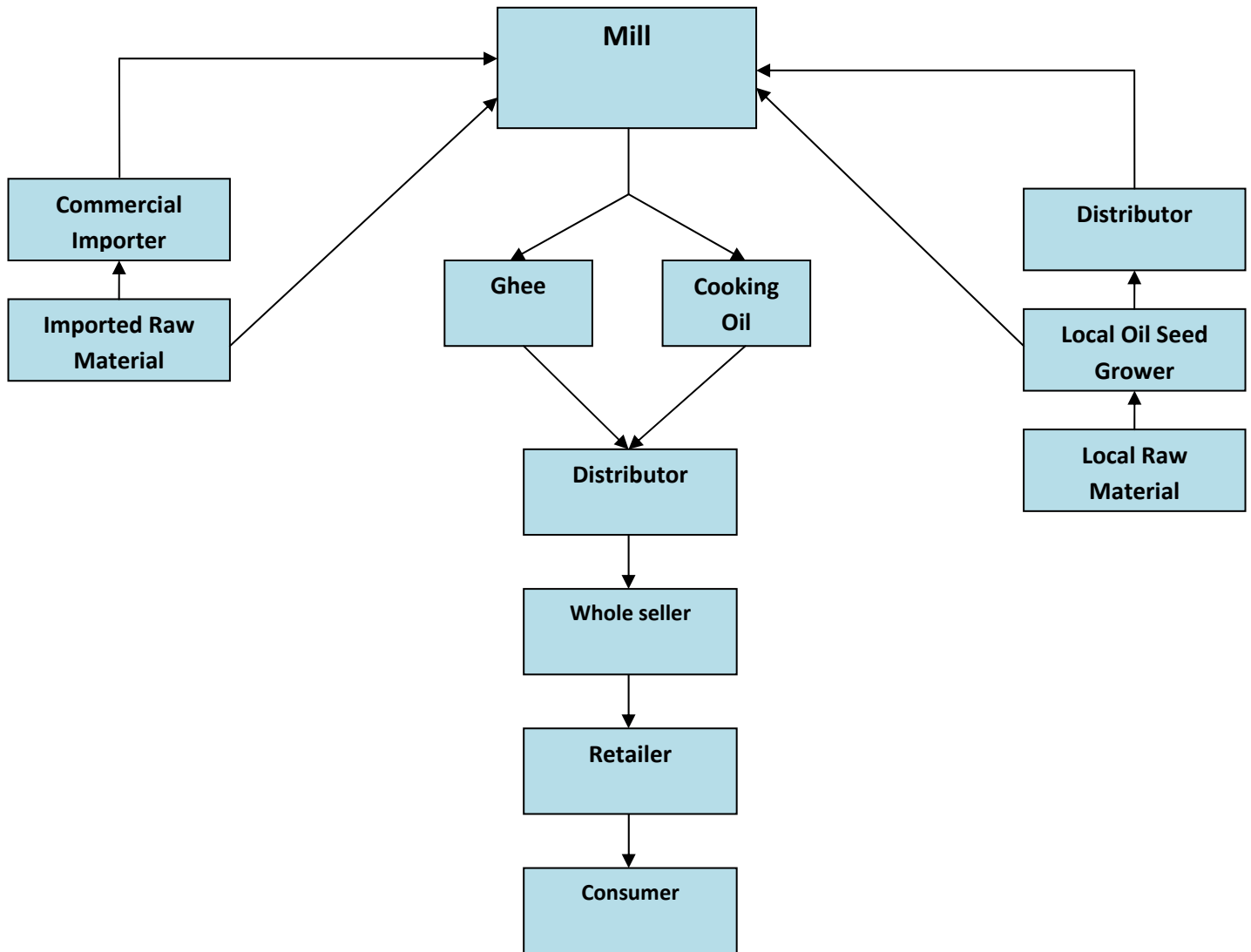


The details of the manufacturing process of ghee involved at each stage have been discussed in Annexure-1

### For Sales of processed Ghee/Edible Oil

The procurement of raw material for the production of cooking oil and ghee is done through different channels. The manufacturer is free to take raw material from grower (oilseed), distributor, commercial importer (oil seed & palm oil), or it can directly import. Similarly, many distribution channels of processed ghee and oil are in operation. The chart below shows how ghee and oil reach the consumer.

Figure : Process of Manufacturing



## Reliance on Imports

Pakistan has been striving hard to reduce its reliance on imported edible oil. Unfortunately, there has been unabated increase in Pakistan's edible oil import, despite best efforts and a marked increase in the local production of edible oils from 0.740 million tons in 2003-04 to 0.833 million tons during 2007-08. But this was a one time gain in production level of edible oils, and soon after that, the production levels began to decrease. (see Table 3). As a result, Pakistan's edible oil import bill (palm oil and soybean oil only) went up from US\$958 million in 2005-06 to more than US\$ 1.7 billion during 2007-08. The hike in the import bill was also due to escalating international prices, decline in domestic edible oil production and smuggling to neighboring countries.

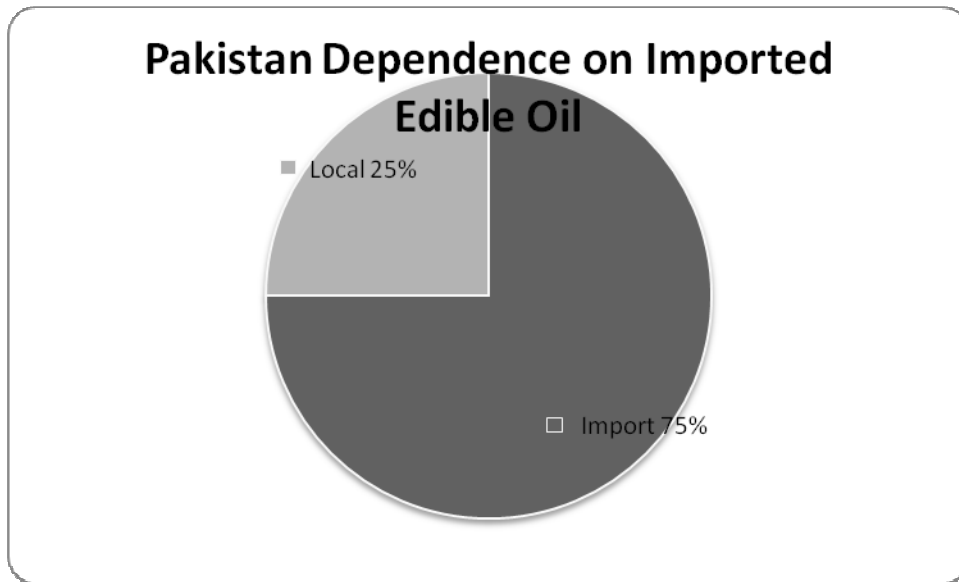
Figure 8 shows that for the year 2009-10, Pakistan's reliance on import of edible oil was 75% to meet the consumption demand of its people, while only 25% of edible oils was locally produced.

Table : Edible Oil Overview

Particulars	Million Tons
<b>Local Production (Oilseeds)</b>	<b>0.680</b>
<b>Imports</b>	<b>2.027</b>
(Composition in tons)	1,704,095
- Palm oil	26,884
- Soybean	297,000
- Oilseeds	
<b>Total Availability</b>	<b>2.707</b>

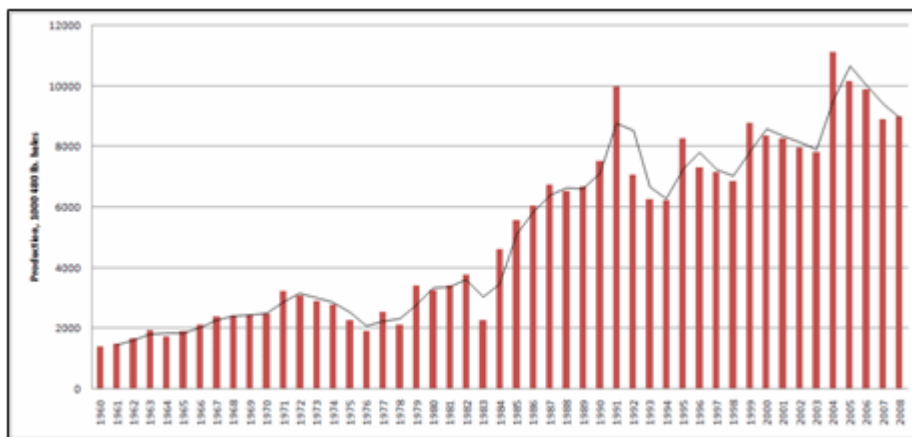
Source: PODB, STATPAK, GAINS

Figure : Dependence on Imports



Pakistan has failed to increase domestic production of edible oil due to dismal cotton production in the country. Pakistan had highest cotton production of 11.138 million bales in 2004; afterwards there remained an overall downward trend of cotton production in the country.<sup>15</sup>

Figure 9: Yearly Cotton Production Trend in Pakistan



Over the last two decades, edible oil import registered an average annual growth rate of around 15%. Share of edible oil import has increased, in the total imports, from 3% in 2000-01

<sup>15</sup> <http://www.fibre2fashion.com/industry-article/15/1495/state-of-cotton-production-in-pakistan1.asp>

to about 5% in 2007-08. Lately, total demand for edible oil was about 3 million tons out of this less than one million tons was indigenous production and remaining quantity had to be imported.

<b>Table : Edible Oils Import Bill</b>	
<b>Period</b>	<b>Cost (Rs. Millions)</b>
<b>2002-2003</b>	34,288
<b>2003-2004</b>	37,917
<b>2004-2005</b>	44,975
<b>2005-2006</b>	44,212
<b>2006-2007</b>	57,996
<b>2007-2008</b>	108,427
<b>2008-2009</b>	116,042
<b>2009-2010(July-May)</b>	106,217

Source: *Economic Survey 2009-10*

The consistent increase in the import bill of edible oil is directly related to the increase in consumption behavior of Pakistanis. Pakistan's population is increasing at a rate of 2.05% per annum and the urbanization rate of 3% (2005-10) supports the increasing pattern of the import bill.<sup>16</sup> Figures taken from a Malaysian Journal<sup>17</sup> on a yearly basis show that oils and fats consumption in Pakistan has registered a 16% increase during the calendar year 2009 and stood at 3.22 million metric tons as against 2.77 million metric tons in the year 2008.

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<sup>16</sup> Pakistan Economic Survey, 2010, Ministry of Finance, Government of Pakistan, available at: [http://www.finance.gov.pk/survey/chapter\\_10/16\\_Population.pdf](http://www.finance.gov.pk/survey/chapter_10/16_Population.pdf).

<sup>17</sup> MPOC Fortune; Vol. 1 2010



Figure : Consumption of Oil and Ghee in Pakistan

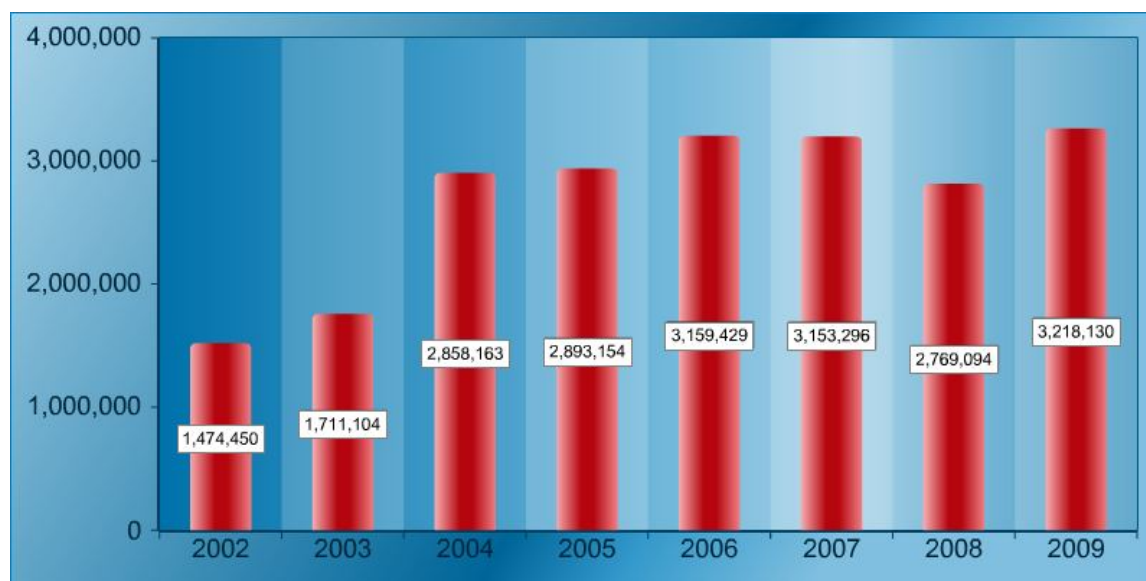


Table : Edible Oil Import

Edible Oil Import		
Period	Cost (Rs. Millions)	%change
2002-2003	34,288	
2003-2004	37,917	10.58%
2004-2005	44,975	18.61%
2005-2006	44,212	-1.69%
2006-2007	57,996	31.17%
2007-2008	108,427	86.95%
2008-2009	116,042	7.02%

Source: *Federal Bureau of Statistics, Government of Pakistan*

## Taxes

Presently the manufacturer of cooking oil and ghee in Pakistan are paying around Rs. 30,000/MT in terms of duties and taxes on the import of edible oil. That means Rs. 30/kg duties and taxes are included in the retail prices of these items. The duties and taxes being paid back in 2003 were Rs. 20,000/MT, besides 15% GST.

The table below gives us a picture of the distribution of different taxes and duties applicable on the import of palm oil in Pakistan, which is not only the largest quantity import in edible oils in Pakistan, but also constitute 95% of all edible oil imports.

If we take \$825/MT as a sample price, which is also close to the average price for the month of July 2010 for RBD palm oil and palm olien, and we also assume an exchange rate of Rs. 85/\$, for 1000 ton of import, the total price on import would be Rs. 95,214 (i.e., Rs. 70,125 plus duties as shown below). The levies on this amount would be as follows:

Table : Taxes on Oil and Ghee

Description of tax	RBD Palm Oil	RBD Palm Olien
Customs Duty/MT	9,180 (under FTA with Malaysia)	7,620 (under FTA with Malaysia)
Special excise duty	1,000	1,000
Sales Tax 17%	13,651	13,651
Income Tax 3%	2,818	2,818
<b>Total*</b>	<b>26,649</b>	<b>25,089</b>
Warehousing Surcharge 0.25% for first 30 days 0.75% after 0.75% after 30 days		

\*Freight charges from Malaysia to Karachi and then onward destination in Pakistan are not included

During interviews and the data collection process, it was observed that the industry is heavily burdened with taxes. The present heavy tariff and taxes on the cooking oil and ghee industry and anomalies within the cooking oil & ghee units, and other irritants present within the vegetable ghee/cooking oil industry and other industries are directly or indirectly related to this sector.

However, in spite of being the second largest contributor to the government exchequer after POL, the cooking oil and ghee industry at present is facing multiple irritants.

In the past, it had been the practice that whenever the prices of imported edible oils rose substantially in the international market, the customs duty was immediately reduced proportionately so as to avoid further burden on the general public. But this has not been practiced by the government to give relief to common people due to its own financial reasons.

## Quality Grades for Banaspati, Cooking oil (local & imported)

### Local Grades & Standards

Pakistan Standard and Quality Control Authority (PSQCA) has established grades for the production of Banaspati and cooking oil in Pakistan. For Banaspati preparation, it states:

***Banaspati*** is defined as the product obtained by hydrogenation of edible oil of vegetable origin,

*or blend of vegetable oils. It contains no flavoring, coloring or any other matter deleterious to health.*

The product is produced from any of the following vegetable oils or a blend thereof:

- I. Refined Cotton Seed Oil
- II. Refined Low Erucic Acid Rapeseed (Canola Oil)
- III. Refined Edible Sesame Seed Oil
- IV. Refined Ground Nut Oil
- V. Refined Soyabean Oil
- VI. Refined Palm Oil (Edible Grade)
- VII. Refined Maize (Corn) Oil
- VIII. Refined Safflower Oil
- IX. Refined Sunflower Oil
- X. Refined Palmolein

**Cooking Oil** – means blending of vegetable oils of permissible edible grades of vegetable origin which are refined, bleached & deodourized so as to conform to the given standard of quality, primarily intended for Cooking and / or frying. It is produced by blending the following edible oils :

- I. Refined Cotton Seed Oil
- II. Refined Ground Nut Oil
- III. Refined Low Erucic Acid- Rape seed (Canola Oil)
- IV. Refined Sesame Seed Oil
- V. Refined Maize (Corn) Oil
- VI. Refined Palmolein
- VII. Refined Soya bean Oil
- VIII. Refined Sunflower Oil
- IX. Refined Safflower Oil

It is free from all harmful substances.

The details about production requirements, sampling, testing, packing & marking of these

products have been explicitly defined in the Pakistan Standard (PS): 221-2003 (R) (I.C.S. No. 67.200) for Banaspati and the Pakistan Standard (PS): 2858-2003 (R) (ICS No. 614:664.34) for Cooking Oil.

### **Imported Edible Oils and Food Laws**

As far as the import of refined edible oil is concerned, it is being done under relevant Food Laws in Pakistan. Food imports are generally regulated by the federal government, and food standards are regulated by the provincial governments. Food standards are maintained in light of Pakistan Pure Food Laws (PFL) of 1963 and are administered by the Provincial Health Departments. The PFL is the basis of the existing trade-related food quality and safety legislative framework. Edible oil is one of the nine categories falling under these regulations.<sup>18</sup>

Since Pakistani consumers have confidence in the quality of foods imported in the manufacturers' packaging, most foods are imported in consumer-ready packaging. Refined vegetable oil is the one exception, and is generally imported in bulk and re-packed locally. A small quantity of 10,000-15,000 MT of Corn and Olive Oil is imported in bottled (glass bottles and tin cans) packing and comes mainly from Spain, Italy and Turkey<sup>19</sup>.

Landed weight and landed quality is the basis of import of edible oil in Pakistan. Bulk vegetable oils are subjected to random testing to ensure fitness for human consumption at the time of arrival.

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<sup>18</sup> FAIRS Country Report Annual 2009: Pakistan, Food and Agricultural Import Regulations and Standards-Narrative, GAIN Report No: PK:9012 Retrieved from [http://gain.fas.usda.gov/recent%20gain%20publications/food%20and%20agricultural%20import%20regulations%20and%20standards%20-%20narrative\\_islamabad\\_pakistan\\_8-13-2009.pdf](http://gain.fas.usda.gov/recent%20gain%20publications/food%20and%20agricultural%20import%20regulations%20and%20standards%20-%20narrative_islamabad_pakistan_8-13-2009.pdf)

<sup>19</sup> Edible Oils in Pakistan: *An overview with a focus on olive oil* 2008.

## 4.

## Macroeconomics of Cooking Oil

Taking the discussion a step further, we will now see the market dynamics in a broader macroeconomic framework. The import of palm oil directly impacts the increase or decrease of the total import bill of Pakistan. As large quantities of these products are imported into Pakistan throughout the year, the exchange rate variations not only affect import of these products, but also have a direct effect on the import bill.

A majority of the respondents of the cooking oil and ghee survey described that palm oil (raw material) contributes 80-85% to the cost of production of ghee and cooking oil. The other cost factors that are important in the production of ghee and cooking oil are utilities, oil losses, manufacturing and administrative overheads and the advertising budget. An important objective of this report is to investigate the unexplained rise in the prices of vegetable ghee in Pakistan, despite a steep decline in the price of imported palm oil, particularly in the year 2007-08. The following table and figure offer a probable explanation.

Table : Price of Imported Palm Oil

Price of Imported Palm Oil from Malaysia					
Period	Price (FOB US\$/TONNE)			Quantity Imported Palm Oil (CPO, RBDPO, PO)	US\$ Exchange Rate
	RBD Palm Oil	RBD Palm Olein	Soybean Oil		
Jan-2005	363.00	376.00	434.82		59
Apr-2005	388.50	401.00	498.62		59.41
Jul-2005	387.50	398.50	546.91		59.76
Oct-2005	400.50	413.00	523.29		59.71
Jan-2006	382.50	389.50	482.97		59.71
Apr-2006	401.50	409.50	518.43		59.97
Jul-2006	420.50	431.00	586.78		60.26
Oct-2006	438.50	447.50	559.71		60.56
Jan-2007	567.00	574.50	635.60		60.89

Cooking Oil and Ghee Sector in Pakistan: Competition Assessment Study

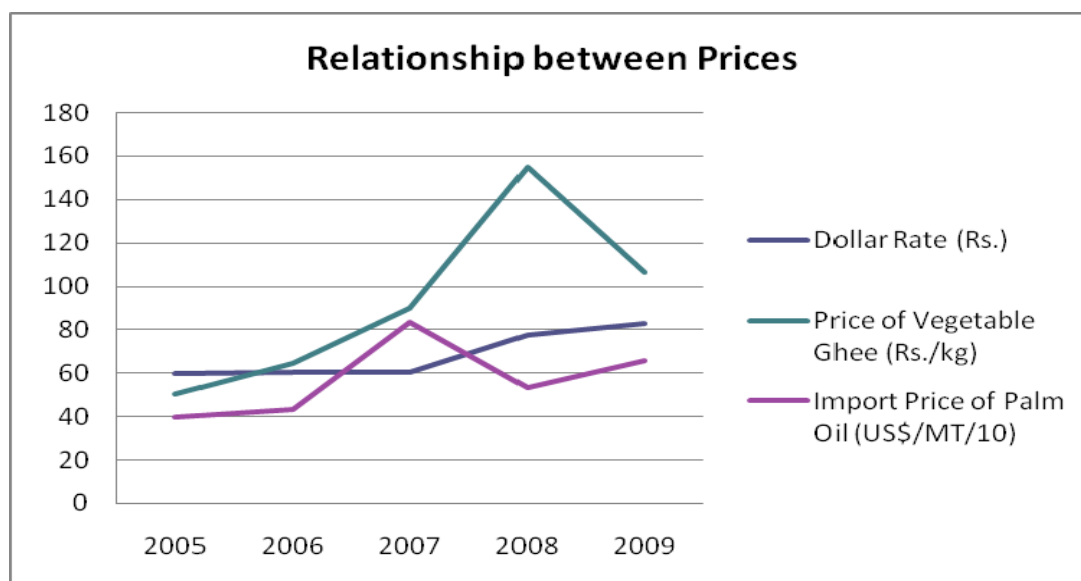
<b>Apr-2007</b>	647.50	676.00	714.11		60.70
<b>Jul-2007</b>	786.50	795.00	819.15		60.52
<b>Oct-2007</b>	833.50	852.50	879.88		60.52
<b>Jan-2008</b>	1030.00	1036.50	1143.05		61.56
<b>Apr-2008</b>	1255.00	1257.00	1292.08	122,619	62.72
<b>Jul-2008</b>	1153.00	1183.00	1372.27		68.1
<b>Oct-2008</b>	537.50	580.00	808.76	131,934	77.71
<b>Jan-2009</b>	574.50	609.00	754.73	160,104	78.81
<b>Apr-2009</b>	678.50	743.50	787.30	170,341	80.48
<b>Jul-2009</b>	622.50	646.00	750.65	96274	80.7
<b>Oct-2009</b>	658.50	676.50	797.62	168,150	82.88
<b>Jan-2010</b>	780.00	787.50	838.22	133,000	84.41
<b>Apr-2010</b>	804.00	811.50	796.51	137,914	84.21

Source: [http://www.mpoc.org.my/Market Statistics And Prices.aspx](http://www.mpoc.org.my/Market_Statistics_And_Prices.aspx),  
<http://www.imf.org/external/np/res/commod/index.asp>

Table : Price Relationships

	<b>Exchange Rate (Rs.=1 USD)</b>	<b>Price of Vegetable Ghee (Rs./kg)</b>	<b>RBD Palm Oil Price (US\$/MT/10)</b>
Sep '05	59.71	50.57	40.05
Sep '06	60.56	64.5	43.85
Sep '07	60.52	90	83.35
Sep '08	77.71	155	53.75
Sep '09	82.88	106.79	65.85
Note: Data on Palm Oil Price corresponds to months of October			

Figure : Relationship between Prices



Source: National Assembly Q&A session, FBS, MPOC

Over 2007-08, the international prices of palm oil dropped significantly, by almost around 35%. In the same period, the dollar exchange rate that had remained stable around Rs. 60 for a number of years, jumped by 28%. Net effect of both these changes on the price of vegetable ghee should have been negligible, but the price increased by 72%. We interpret that at around that time, the manufacturers and importers had started accumulating palm oil stocks, but they did not transfer the benefit of the reduced international prices to the end consumer. In 2008-09, the price of palm oil increased by 22%, dollar appreciated by another 6%, whereas the price of vegetable ghee *dropped* by 31%. This was probably due to a lag affect resulting from a possible accumulation of palm oil stock in the country on the account of previous decline in the prices. As a matter of fact, Table 12 confirms this hypothesis as it showed an increase in the quantity of palm oil by 28%. This possibly created a surplus in the stock of palm oil in the country bringing down the price.

There are fluctuations in the international palm oil prices on account of a variety of reasons, and consumers do not appreciate the corresponding fluctuations in the local cooking oil prices. Therefore, the pricing strategy of the local players may make sense from a business perspective.<sup>20</sup>

<sup>20</sup> 'Healthy Competition for Cooking Oil' available at: <http://www.brecorder.com/news/br-research/1412:healthy-competition-for-cooking-oil-.html>

## Relationship with overall price levels

Table : Association with Inflation

Association with Inflation				
Period	Price of Vegetable Ghee (Loose) % change	RBD Palm Oil % change	Exchange Rate % change	Inflation Rate% (CPI)
Sep-06	27.54	9.48	1.42	8.1
Sep-07	39.53	90	-0.066	9.3
Sep-08	72.22	-35	28.4	25
Sep-09	-31	22	6.65	8.9

The above table relates the percentage change in the prices of vegetable ghee with the percentage changes in the palm oil prices and exchange rates and inflation rates. It shows that the manufacturers did not fully synchronize their prices with the changes in the input prices. In 2006-07, a 90% increase in the price of palm oil was not fully passed on to the consumers, as the output price rose by 40%. However, in 2007-08, a reduction in the price of imported palm oil coincided with an *increase* of the output prices. Finally, in 2008-09, despite an increase in the prices of the input, the price levels of the output came down. Probably, the overall price level, indicated by the inflation rate, can also offer an explanation. It seems that more than anything else, the manufacturers respond to the inflation rate. Thus an increasing price level of the vegetable ghee corresponds to an increasing inflation rate, and vice versa is also true.

During interviews of the survey, the wholesalers were of the view that only the devaluation of the rupee against the dollar had made the import of palm oil more expensive. However, the falling palm oil rate should have nullified the impact of devaluation of the rupee against the dollar in the last three months of 2008. Even the transportation cost had fallen after a sharp cut in petroleum prices. Their general perception on the prices of ghee and cooking oil is that the big and medium sized units had reduced prices during the period of sharp decline in palm oil prices at the international level in late 2008 but it was for a short period, and then the prices of palm oil again started picking up in early 2009, which decreased the substantial price benefit that could have been given to consumers.

During our interviews, traders said that the branded ghee and cooking oil makers had not passed on the full benefit of the falling palm oil rate from July to October 2008 to the consumers. The manufacturers, however, were of the view that they were in the wait and see period, which soon ended with the increase in demand by China and India, and also with the bouncing back of the international palm oil price from \$36-37 to \$46. It seems that there was



no competing pressure on firms, and they could afford not to reduce their prices without any risk of loss in sales. In competitive industries, when the price of an industry-wide critical input is reduced, firms compete with each other to increase market share by decreasing prices. We did not observe any evidence of this conduct during the period under observation.

### **Substitute to Palm Oil**

The dramatic increase of the international palm oil price during the first half of 2008 to levels not seen since 1973, and then the sharp decline in the second half of 2008 could be seen as a not unusual one-off event. But during the second half of 2009, the weak supplies of substitute oils (especially soy bean) and the rising crude oil prices again helped increase palm oil prices .

Among all edible oil and fats, palm oil and soy bean are the major import products in Pakistan. Soy bean proves to be a poor substitute of palm oil due to transportation costs, taste preferences and the customs duty differential, despite little variation in the imported quantities and international prices of the two products. Primary producers of soy bean include USA and some South American countries. The shipment cost and the time needed for shipment make Malaysian palm oil more accessible than soy bean. Also, the customs duty on the import of soy bean is relatively higher than the duty applicable on RBD Palm Oil and Palm Olien, due to the FTA with Malaysia (Current Duty Structure 2009-10 is at Annexure-II).

### **Effect of different seasons on demand**

Another important aspect in this discussion is that the consumption of edible oil and fats increases in the winter season as compared to the summer season. It has been seen that usually in the winter season, the consumption of cooking oil and ghee reaches 200,000MT/month, as compared with 150,000 MT/month in the summer.

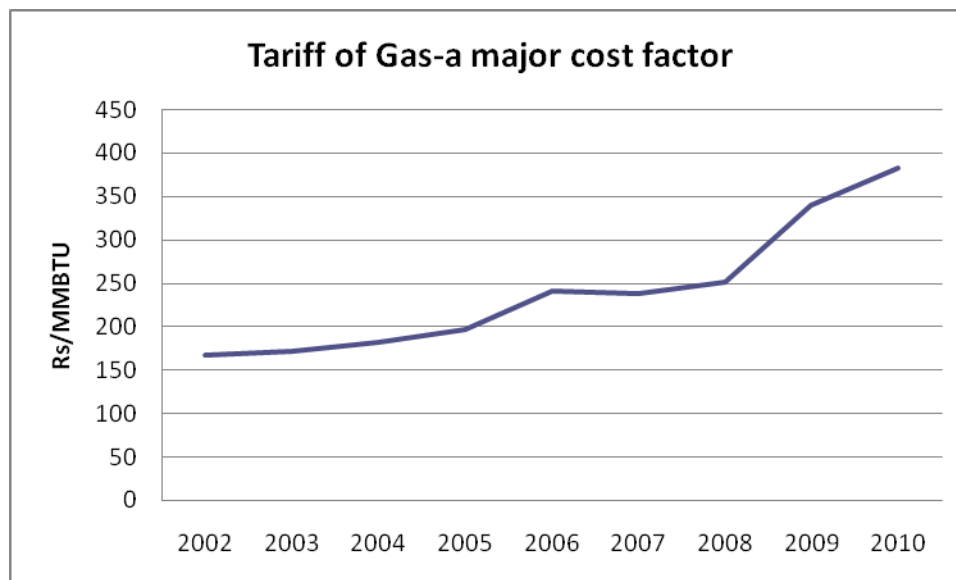
### **Other cost-drivers**

In Pakistan, in spite of decreasing prices of RBD oil in the international markets, the prices in the domestic markets have not decreased due to many reasons associated with the import and production costs of ghee and cooking oil, such as:

- The exchange rate has depreciated 33% between 2007 and 2009.
- Wages of workers have increased from Rs. 4,000 per month in 1998 to Rs. 7,000 in 2009.
- The FED, Sales Tax and the withholding tax that are linked with the international prices of edible oil have also increased proportionately.
- Prices of electricity, natural gas and diesel have increased 33% since 2007. Since 2005, the tariff for gas, a major cost driver, has increased by 94%. (Last 5 years tariff is given in

Annexure-IV)

Figure : Tariff for Gas



Source: Data Collected by Author from SNGPL

Market studies show that the prices of some regional and low-selling brands are sometimes reach extremely low levels. Competitors try to fill this gap through different sales promotions to dealers and whole sellers. This price benefit generally does not pass on to the consumers. Consumers get the benefit of lower prices only when there is a noticeable reduction in the international price of palm oil and palm olien. They may also benefit when sometimes the government makes tax reductions in different tax slabs applicable to the industry.

### Comparative Regional Prices of COG

Due to the cultural consumption pattern and taste preferences, there is a big difference in the price of ghee and oil in the different countries of South Asia. However, an important thing to note is that relative to other countries of the region, ghee and oil prices in Pakistan are almost the same. Afghanistan shows a similar trend as well. This may be due to cultural proximity, however the fact that the raw material as well finished ghee and oil to Afghanistan passes through Pakistan is also an important factor.

The industries established in proximity to the Afghan borders in the northern parts of the country are engaged in the export of manufactured cooking oil and ghee into Afghanistan. It is important to note that this export has never been documented, and it may be due to this reason that oil and ghee exports from the northern parts of the country have a negligible share

in the exports of Pakistan. Some private vendors undertake this activity informally by establishing their own small scale industries.

Table : Comparative Prices in the Region

Comparative Prices in Region							
(Value in Pakistani Rupees)							
Items	Unit	Islamabad	Dhaka	New Delhi	Colombo	Tehran	Kabul
		4/5/2009	5/5/2009	30/04/2009	4/4/2009	28/01/09	29/4/2009
Veg.Ghee (loose)	Kg	130.00	352.11	89.65	278.84	-	104.00
Edible Oil (Dalda) loose	Ltr	140.80	86.85	177.67	345.06	176.65	112.00
Value in Pak Rupees						<i>Source: Ministry of Commerce</i>	
-Not available							

Pakistani edible vegetable ghee/oil producers sell their products at lower prices in Afghanistan (compared to Pakistan), due to a 15% tax exemption when they produce ghee/oil for exports to Afghanistan. Import from Pakistan via Jalalabad and Kandahar amounts to 139,000 MT/year.

### Export of Vegetable Ghee from Pakistan to Afghanistan<sup>21</sup>

Vegetable ghee and cooking oil industry earns valuable foreign exchange for the country from the export of vegetable ghee and cooking oil to Afghanistan. The estimated export volume is 200,000 tons, translating into \$250 million export proceeds. But unfortunately, due to the prevalent situation, the export of vegetable ghee from Pakistan to Afghanistan is declining - due to:

- I. Reduction in sales tax and duty drawback rates of refund claims
- II. Excluding the vegetable ghee and cooking oil by amending the Export Policy Order, 2008 vide SRO 1 (1)/2009 dates 01-01-2009 whereby export of vegetable ghee and cooking oil from Pakistan to Afghanistan from Export Oriented Units via land route has been excluded from the purview of SRO.327(1)/2008 dated 29-03-2008.
- III. Direct import of vegetable ghee and cooking oil by Afghanistan from Malaysia, India, Iran and Dubai at very low rates.

<sup>21</sup> Though quite representative of the overall situation, it should be noted that this section is based on information provided by only one respondent of the survey.

This has adversely affected export of vegetable ghee and cooking oil from Pakistan. Moreover, Malaysian, Indian and Dubai-made imported vegetable ghee and cooking oil, routed through Afghanistan, is also available in Khyber Pakhtunkhwa at very low and cheap rates, which has also reduced the production of vegetable ghee and cooking oil producing units working in the province. Another factor that is seriously discouraging export of vegetable ghee and cooking oil is delaying tactics used by the tax department in sanctioning of sales tax and duty drawback claims. Units pay heavy interest or borrow money, but their own funds are stuck up with the tax and customs department. This makes it very difficult for the investor to run and manage his or her business.

## 5

# Relevant Market and Market Structure

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The CAF suggests that markets have two key dimensions and both are needed for a complete definition. One dimension is the good or service concerned, (the 'product market'). This market includes all products that are close substitutes. The other dimension is the geographic extent within which buyers and sellers can interact to trade the product (the 'geographic market').

The cooking oil and ghee industry of Pakistan is generally classified into three broad segments i.e. premier, middle and popular. There is a wide range of production capacity, price and quality differentials, and popularity concerning the national, regional and local brand names. It is generally believed that substitution across segments does not normally happen, however substitution within a segment is commonplace. On the basis of this product substitution, we make the case that there are three markets that have distinct customer preferences.

The **premier segment** (250,000 MT)<sup>22</sup> players<sup>23</sup> are:

- Dalda
- Habib
- Soy Supreme &
- Imported corn and olive oils

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<sup>22</sup> This information about market segmentation has been obtained from a leading player, but the exact source needs to be kept anonymous.

<sup>23</sup> In this classification, brand names have been referred to, whereas in our general analysis, our unit is the firm, not a brand. A firm can have multiple brands across various segments. Where ever necessary, brand names have been mentioned in parenthesis for clarification.

Figure : Market Segmentation

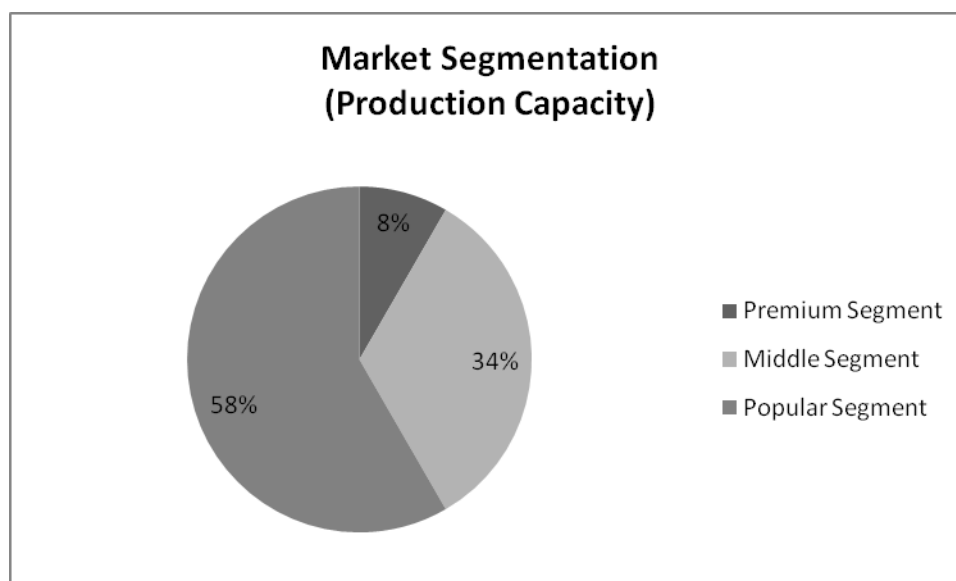


Table : Retail Prices in different segments<sup>24</sup>

Market Segmentation	Oil (5 kg)		Ghee (5 kg)	
	Minimum Price	Maximum Price	Minimum Price	Maximum Price
Premium	675	719	685	719
Middle	610	685	615	650
Popular			500	575

Dalda leads among these, with a market share of 50% in premium segment and a production capacity of over 120,000 MT out of 200,000-250,000 MT. Habib and Soy Supreme, with production capacities below 100,000 MT, have good national brand popularity, while a very low quantity of corn and olive oil (10,000-15,000 MT) is imported into Pakistan.

Then there is a category of the **Middle segment** (1,000,000 MT) players that are:

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<sup>24</sup> Brand-wise cooking oil and Ghee market price is available at Annexure-VI.

- Sufi
- Kisan
- Kashmir
- Manpasand (Dalda)
- Zaiqa
- Sultan
- Handi (Habib)
- Meezan &
- Dastarkhawan

The overall production capacity of these brands is 800,000-1,000,000 MT. These brands account for 30% of the consumption demand of edible oil in the country. The first three brands of this category, Sufi, Kissan and Kashmir, have a varying production capacity between 60-80k MT and lead this category. Sufi and Kissan have better penetration in Lahore, whereas Kashmir has a good market in Faisalabad.<sup>25</sup> Dalda and Habib, though having premier names, also introduced middle category brands such as Manpasand and Handi respectively. This is an instance of competition amongst middle category brands. While the basis of competition across segments is price, the competition within a segment is a function of branding and distribution.

Figure 12 suggests that Dalda leads the market from a production perspective, followed by United (Kashmir), Hamza (Sufi), and Habib. It is also obvious that the most efficient firm for the year 2009 was United (Kashmir), having utilized 98% of its capacity, whereas Hamza(Sufi) utilized only 24% of its capacity.

Firms align their utilization according to demand, and one major reason for under-utilization of the capacity is mushroom growth of small and informal manufacturers that runs into the hundreds.

Market position of these four leading firms has been dynamic over the past five years. The following figure suggests that in 2005, Dalda was in the lowest position, and United (Kashmir) was leading the market. In 2006, Habib was the number one player. Since 2007, Dalda has established its leadership position, while Habib has experienced consistent decline. This gain of

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<sup>25</sup>Views taken during Interviews with Akbari Mandi whole sellers

the leadership position has coincided with a shift of ownership from the Unilever to its employees and Westbury group in 2004-05. Dalda, since then, has aggressively invested in distribution and has also launched a mid-segment brand, Manpasand. Over these years, Hamza (Sufi) and United (Kashmir) have remained stable in their production levels, both remaining around 70,000 MT and 40,000 MT respectively. The gain of Dalda has been made at the cost of Habib, but a reasonable gain of Dalda is exogenous, which means that it has created a new market. In fact, the almost doubling of Dalda's production level can be considered as the key driving factor behind a significant expansion of the premium market segment. It is also confirmed from the fact that the cumulative production level (our indicator of market share) in this segment has been increased by 44%, despite an overall decline of about 9% in last two years. That decline can be explained on account of high inflation in the same time period.

Figure : Firms' Relative Positions over the years

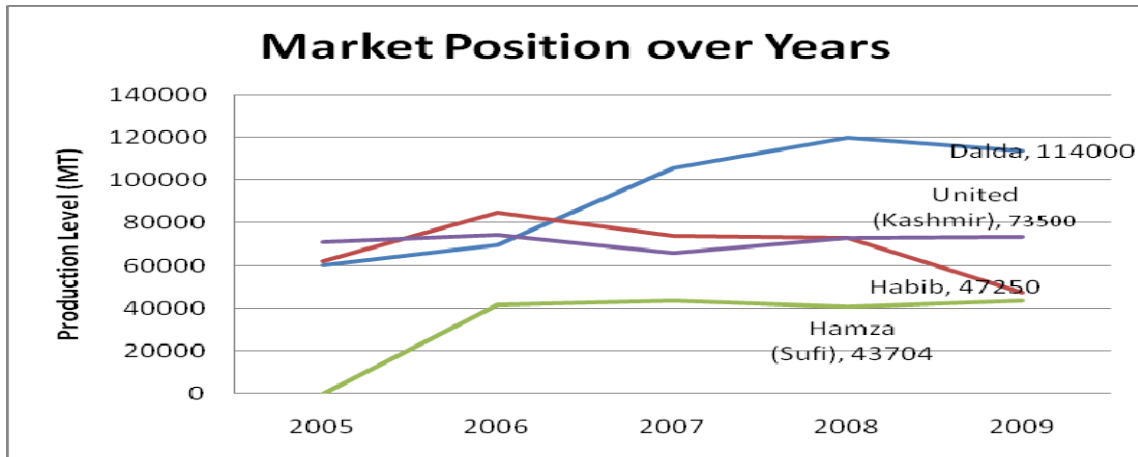
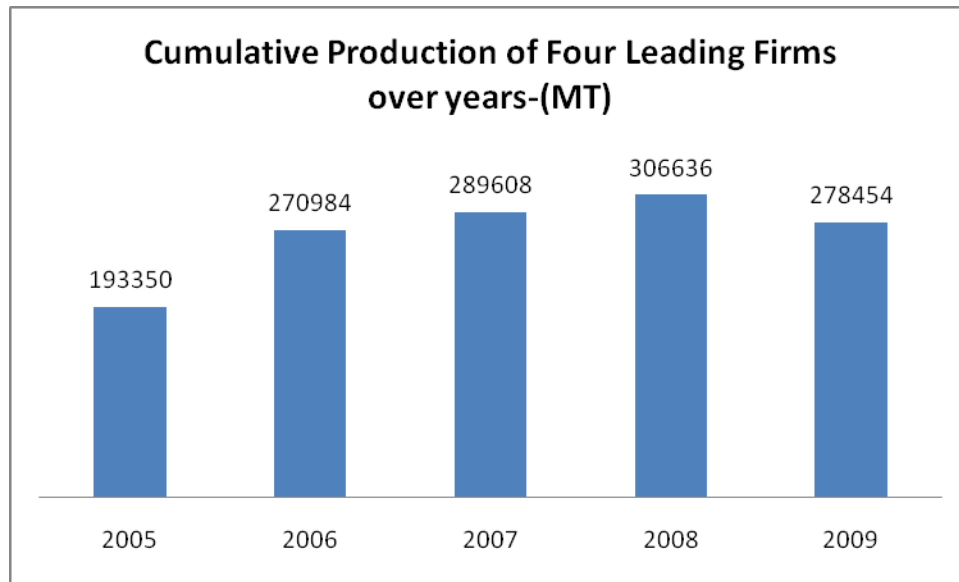




Figure : Aggregate Production of Four Leading Firms



## 6.

# Barriers to Entry and Exit

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A variety of barriers make markets less responsive and sticky – with the result that existing market players maintain their positions without the fear of new competitors coming in, nor do existing ones leave their place for a more efficient player. These barriers may be on account of natural reasons specific to the industry, as well as other regulatory factors. This sections endeavors to explore the cooking oil and the ghee sector with reference to barriers to entry and exit.

### **Natural Barriers**

There is a possibility of creation of a natural barrier if production of palm oil in Pakistan is monopolized or controlled in any way. However, currently there is no sign of creation of such a natural barrier, due to free trade and availability of substitutes. Seventy percent of the firms in our sample import the oil directly. Price related considerations and huge transportation costs are required to import a possible substitute-Soy Bean Oil- hence there is a barrier to switch away from palm oil.

The cost of imported palm oil reflects the most important variable. It is striking to note that Dalda, the market leader, has the lowest dependency on imported raw material, which is significantly below the industry trend. This diversification has hedged Dalda against foreign exchange rate fluctuations, and has possibly contributed towards its sustained leadership. Following table shows comparative positions of responding firms. This shows that market leadership may be a function of a firm's ability to move beyond dependence on a single source.

Table : Cost per unit as % of imported raw material

No	Manufacturer	Contribution of imported raw material in cost per unit
1	A.C.P Oil Mills (Pvt) Ltd.	90%
2	Ahmed Vegetable Oil and Ghee Mills (Pvt) Ltd.	90.21%
3	Chiniot Enterprises (Pvt) Ltd.	76.35%
4	Dalda Foods (Pvt) Ltd.	40%
5	Habib Oil Mills (Pvt) Ltd.	80%
6	Hamza Vegetable Oil Refinery and Ghee Mills (Pvt) Ltd.	N/A
7	Mahboob Industries (Pvt) Ltd.	80%
8	M. H. Oil Mills (Pvt) Ltd.	91%
9	Punjab Oil Mills (Pvt) Ltd.	85%
10	Sadiq Sons Ghee and Oil Mills (Pvt) Ltd.	80% plus
11	United Industries Ltd.	39%
12	Wali Oil Mills Ltd.	N/A

### Capacity Utilization as a Strategic Barrier

Existing firms may create a hurdle for new firms by building and maintaining excess capacity. Thus, whenever a new firm wishes to enter, the existing firm can increase production levels. Excess capacity also provides leverage to firms to control production levels. This seems quite true in the case of COG industry in Pakistan, in which capacity utilization is around 44%.

There are about 150 units of edible oil and oil extraction in Pakistan, involved in extraction and production of various types of cooking oil and ghee. These include ghee/oil manufacturers (115 units) and solvent extraction industry (45 units).<sup>26</sup> Currently, the annual capacity in vegetable ghee & cooking oil industries is around 3 million tons, which remains mostly unutilized. At present, the capacity utilization of ghee/edible oil is about forty four percent (44%). A probable reason for this under-utilization is the existence of unregistered ghee and cooking oil-processing units in the country. But this should have driven more competition for the major players. The fact that the presence of unregistered suppliers does not create such pressure in the operation of the market indicates a lack of competition.

This fact of under utilization has been highlighted in State Bank of Pakistan's third quarterly report for FY 10. The table below shows the estimated capacity utilization in percentage obtained from Pakistan Vanaspati Manufacturers Association (PVMA).<sup>27</sup>

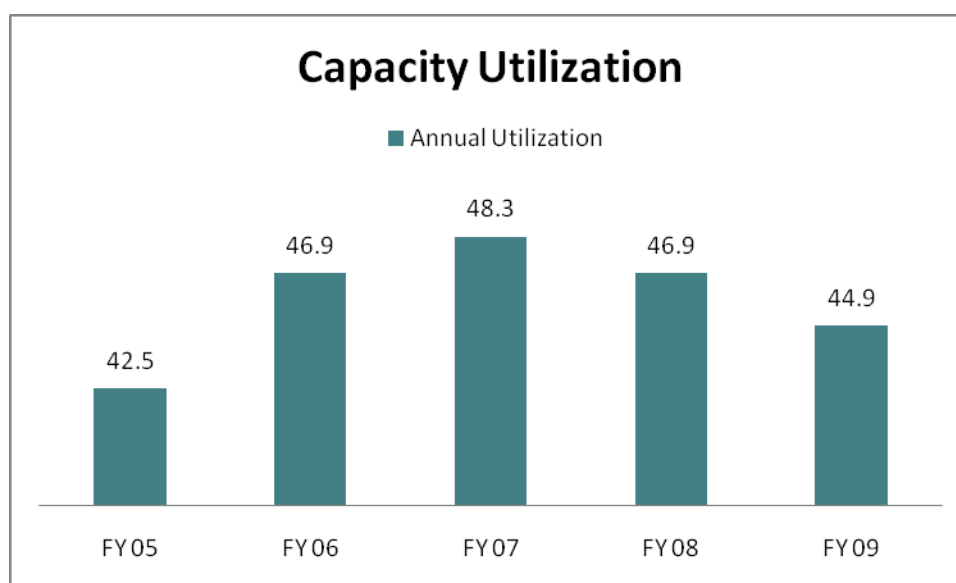
<sup>26</sup> (Edible Oil Sector presentation by Ghulam Idress, National Coordinator Olive program in Pakistan) & PVMA website.

<sup>27</sup> Q3, FY 10 report of SBP.

Table : Capacity Utilization (National Data)

Industry	Annual Utilization					July-March	
	FY 05	FY 06	FY 07	FY 08	FY 09	FY 09	FY 10
<b>Edible Oil &amp; Ghee</b>	42.5	46.9	48.3	46.9	44.9	44.2	44.0

Figure : Annual Utilization (National Data)



The situation of under-utilization of capacity production in China and India is similar to Pakistan. India has a capacity of 36 million ton but utilizes only 40%, whereas China utilizes only 50% of its total capacity production of vegetable oil and ghee.<sup>28</sup> The main reason for this under-utilization is the compound nature of the industry, dominated by small, unregistered and regional players.

The following table indicates the capacity utilization of the responding firms over several years. It shows that the capacity utilization of our sample closely reflects the national figures.

<sup>28</sup> Research Report on China’s Edible Oil Industry by Bharat Book Bureau.

Table : Capacity Utilization over several years of Respondent Firms

No	Manufacturer	Capacity Utilized				
		2005	2006	2007	2008	2009
1	A.C.P Oil Mills (Pvt) Ltd.	82.18%	94.98%	78.02%	82.19%	25.66%
2	Ahmed Vegetable Oil and Ghee Mills (Pvt) Ltd.	58.94%	45.11%	58.39%	53.57%	41.17%
3	Chiniot Enterprises (Pvt) Ltd.	57.25%	67.32%	44.20%	26.47%	38.53%
4	Dalda Foods (Pvt) Ltd.	50%	58%	88%	100%	95%
5	Habib Oil Mills (Pvt) Ltd.	46%	63%	55%	54%	35%
6	Hamza Vegetable Oil Refinery and Ghee Mills (Pvt) Ltd.		23.38%	24.31%	22.77%	24.28%
7	Mahboob Industries (Pvt) Ltd.	40%	45%	60%	65%	65%
8	M. H. Oil Mills (Pvt) Ltd.	73%	84%	84%	117%	61%
9	Punjab Oil Mills (Pvt) Ltd.	83.12%	94.78%	99.82%	96.16%	104.16%
10	Sadiq Sons Ghee and Oil Mills (Pvt) Ltd.	50%	50%	40%	40.50%	40%
11	United Industries Ltd.	95%	99%	88%	97.5 %	98%
12	Wali Oil Mills Ltd.	31.52%	43.07%	26.73%	38.50%	22.41%

### Exit Barriers

Almost all firms in the COG sector remain severely under-utilized in terms of their capacity. It is understandable that a barrier to increase utilization may be the presence of unregistered small players. However, the existence of unregistered and small players, which normally maintain very low administrative costs, should cause at least some firms to close down and exit from the business. It is peculiar that despite huge price fluctuations, not a single registered firm has gone out of business. This suggests that competition is not effective enough to force firms to exit from a business, or perhaps there are exit barriers. The creation of a huge production capacity,

without cognizance of demand, may have become an exit barrier. Continuity of firms also points to another explanation: firms must be meeting their average variable cost.

## 7.

# State Owned Enterprises and the Effect of Privatization

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Currently government has no role in this sector through the existence of either any functional state owned enterprise or through public procurement. Therefore, the sector can be considered free from the problems of distortion normally created by the presence of government.

Prior to 1973, all cooking oil and ghee mills were in the private sector. During this era, the mills collaborated under an umbrella organization known as Pakistan Vanaspati Manufacturer's Association (PVMA). PVMA, together with the government, determined the prices of cooking oil and ghee to be charged and had considerable influence on the import price of oil.<sup>29</sup>

In 1973, the nationalization of the ghee industry was initiated and twenty three ghee and cooking oil units were taken over to be overseen by the provincial government.<sup>30</sup> In 1976, the Federal Government created the Ghee Corporation of Pakistan (GCP) under the Ministry of Industries. The GCP was given responsibility of managing and controlling the nationalized ghee industry.<sup>31</sup>

The demand for denationalization of the Cooking Oil and Ghee Industry gained popularity toward the end of the Zia era when nationalization created frustration among middle level industrialists and businessmen. Zia set up a commission headed by Pakistan Industrial Credit and Investment Corporation (PICIC) Chairman N M Uqaili that resulted in a Ghee denationalization order. However, this Order was never implemented due to great resentment among the bureaucracy, which was heading the nationalized units.<sup>32</sup>

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<sup>29</sup> Shaikh, Abdul H. Evaluating the Operational Performance of manufacturing enterprises: an evaluation framework and application to Pakistani Industry. (Project Evaluation Report). (1985). *Pakistan Development Review*. Retrieved June 7<sup>th</sup>, 2010 from <http://www.highbeam.com/>

<sup>30</sup> Ibid.

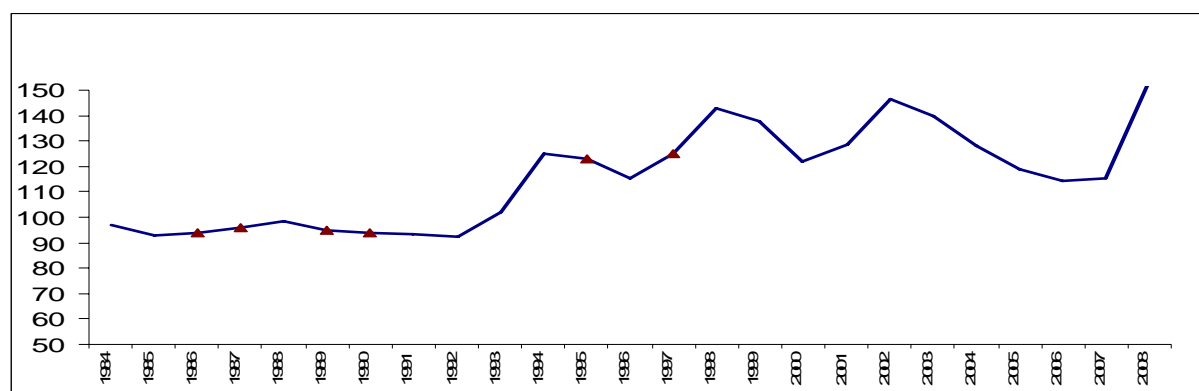
<sup>31</sup> Ibid.

<sup>32</sup> A Brief History of Privatization. Retrieved June 7<sup>th</sup>, 2010 from <http://richpaki.tripod.com>

Soon after coming to power in 1990, the then government declared privatization as its key economic objective.<sup>33</sup> In the early 1990s, the production of ghee was greater than the demand for ghee, as a result of which the government suffered severe losses and decided to privatize the industry.<sup>34</sup> Due to the slow pace of privatization, the Privatization Commission was set up in 1991, after which the process accelerated significantly. From 1991 to 2001, nineteen Ghee mills were privatized. From Jan 2000 to Sep 2005, another five ghee mills were privatized. According to the Privatization Commission, 24 ghee units have been privatized to date<sup>35</sup> and the Ghee Corporation of Pakistan no longer exists (Annex-V).

Privatization in any industry overhauls its incentive structure, and hence the decision making process. Generally, the most significant change is in the pricing strategy. The cooking oil and ghee industry was no exception. Figure 18 and 19 show the trends in real prices of cooking oil and tinned vegetable ghee since 1982. In order to keep the analysis valid for such a long time period, real prices i.e., adjusted for inflation, have been used. All prices are in terms of 2008 rupees. Prices have been extracted from the monthly bulletins of statistics published by the Federal Bureau of Statistics. Inflation adjustment was done using the Consumer Price Index, as calculated in the Economic Survey(s) for the relevant time period.

Figure 16: Real Price (per Ltr) of Dalda Cooking Oil at 2008 prices



Source: Federal Bureau of Statistics, Monthly Statistical Bulletin.<sup>36</sup>

Both the graphs quite clearly display the effect of privatization of the industry on real prices of vegetable ghee and cooking oil. Between 1992, when the privatization effort began, and 1994, the real price of vegetable ghee and cooking oil increased by about 60% and 35% respectively. Overall, the period between 92 and 2002 witnessed fluctuations in prices. Between 2002 and 2007, real prices decreased,

<sup>33</sup> Bokhari, A Syed. History and Evolution of Privatization in Pakistan. (1998). Retrieved June 7<sup>th</sup>, 2010 from [www.policy.hu/](http://www.policy.hu/)

<sup>34</sup> Final Project on Asia Ghee Mills Bahawalpur. Retrieved June 7<sup>th</sup>, 2010 from <http://www.amcy5.com/>

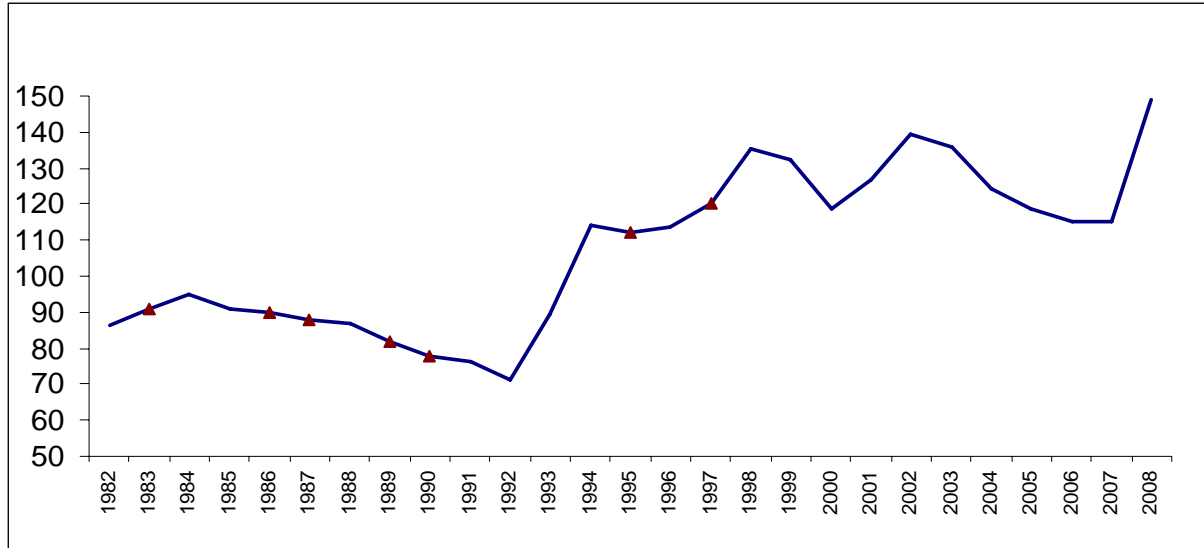
<sup>35</sup> [http://www.privatisation.gov.pk/about/Completed%20Transactions%20\(new\).htm](http://www.privatisation.gov.pk/about/Completed%20Transactions%20(new).htm)

<sup>36</sup> Due to non availability of prices in certain years, prices have been imputed, making careful assumptions.



before they surged again in 2008. The reasons behind the price increase in 2008 have been explained in earlier sections of this study.

Figure 17: Real Price (per kg) of Tinned Vegetable Ghee at 2008 prices<sup>37</sup>



Source: Federal Bureau of Statistics, Monthly Statistical Bulletin.

<sup>37</sup> These are prices adjusted for inflation and are not actual prices at the time

## 8.

# Signs of Anti-competitive behavior

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The structure and behavior of market players depict level of competitiveness in a particular market. This section examines a broad range of such indicators, including concentration ratios, capacity utilization, profit margins and advertising to enhance market share.

### **Sign of Oligopoly: Concentration Ratio-CR4**

According to the Competition Assessment Framework<sup>38</sup>, “a commonly used and reasonably informative way to describe market concentration is to calculate the percentage of market turnover that is accounted for by a small number of the largest firms.” Some competition authorities consider a CR4, i.e. the combined market share of the four leading firms, of 40% or more to suggest an ‘oligopoly’. Such a situation suggests that the number of suppliers is small enough to make coordinated market behavior more likely. In our context, these largest firms are Dalda, United (Kashmir), Hamza (Sufi) and Habib. According to figures provided for the year 2009, the aggregate production levels achieved by these four firms are almost 10% of the total market, significantly below the benchmark of 40%. This suggests that the likelihood of oligopolistic behavior in the cooking oil and ghee industry is very low.

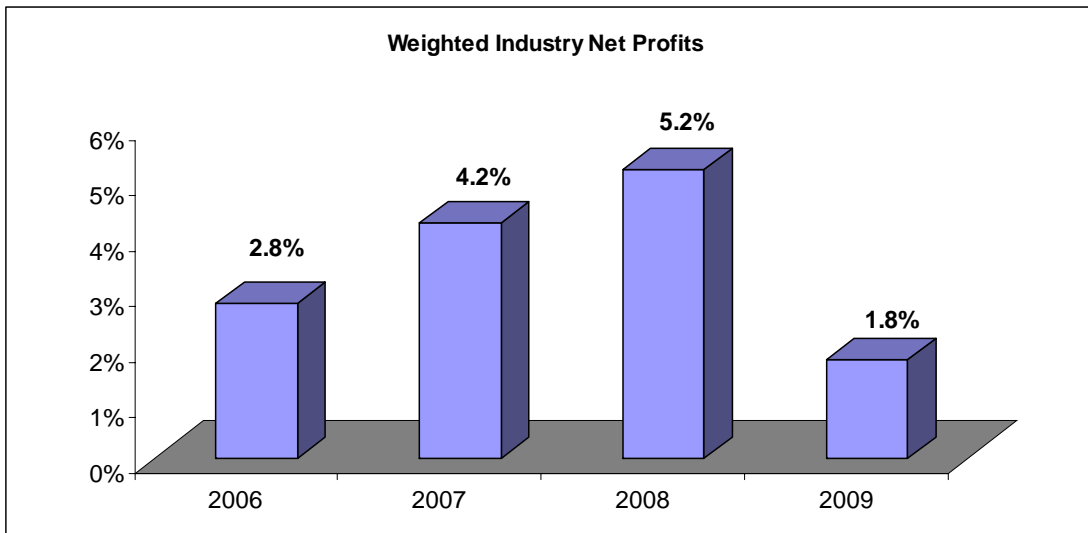
### **Profit Margins**

In competitive markets, high profit margins ultimately attract new suppliers, increasing the overall supply that leads to reduction in both profits and prices. In our sample, we did not observe significant increases in the profit margins over the years; on the other hand they have been quite stable. The spike in the profit margins for the year 2008 closely reflects the price hike as earlier discussed, and likewise the drop in the margins also reflects the drop in the prices.

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<sup>38</sup> Competition Assessment Framework is prepared by the Department for International Development, Government of the United Kingdom as an operational guide for identifying barriers to competition in developing countries.

Figure 18: Industry Net Profit Margins (Weighted based on production shares)



Cooking Oil and Ghee Sector in Pakistan: Competition Assessment Study

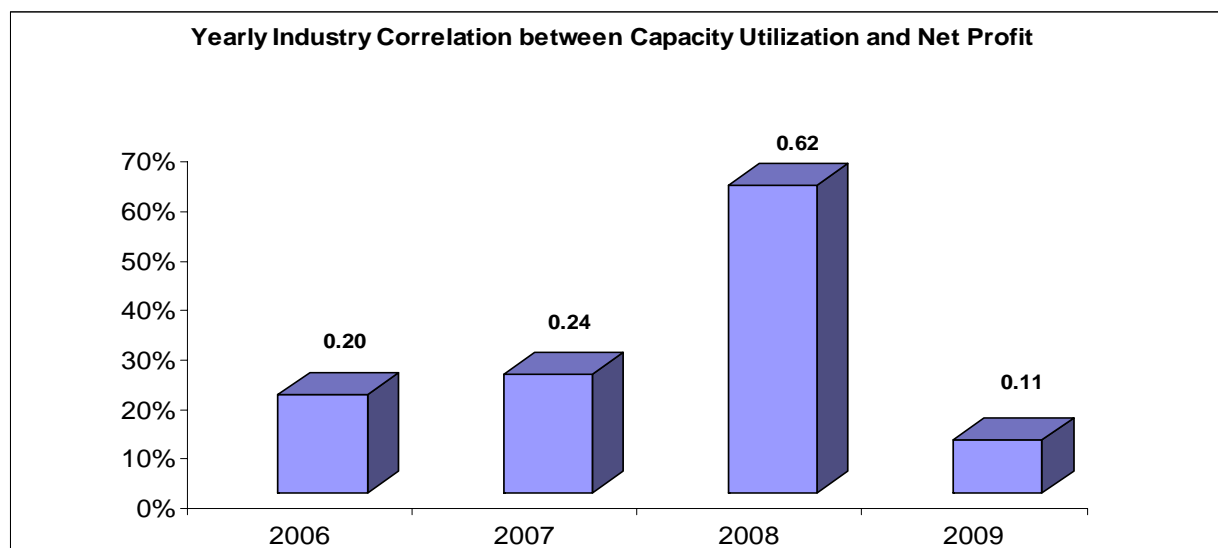
Table : Net Profit Margins of Industry

No	Manufacturer	Brand		2006	2007	2008	2009
		Local	National				
1	A.C.P Oil Mills (Pvt) Ltd.	ACP Gold Big Oil, Dilpasand, Geo, Kohinoor		3.14%	3.11%	6.90%	-15.80%
2	Ahmed Vegetable Oil and Ghee Mills (Pvt) Ltd.		Shahbaz Banaspati and cooking oil, Rite Banaspati and cooking oil	-13.22%	12.96%	53.17%	13.73%
3	Chiniot Enterprises (Pvt) Ltd.	Gul Banaspati Ghee, Gul Cooking Oil	Gul Banaspati Ghee, Gul Cooking Oil	5.65%	0.98%	1.01%	4.26%
4	Dalda Foods (Pvt) Ltd.		Dalda, Manpasand	6.50%	7%	5.50%	-5%
5	Habib Oil Mills (Pvt) Ltd.	Mayar Banaspati, Mayar Cooking Oil, Nayab Cooking Oil	Habib Banaspati, Nayab Banaspati, Handi Banaspati, Super Habib Oil, Habib Cooking Oil, Handi Cooking Oil	-	-	-	-
6	Hamza Vegetable Oil Refinery and Ghee Mills (Pvt) Ltd.	Dost Pakistan	Sufi	2.93%	2.71%	2.77%	2.97%
7	Mahboob Industries (Pvt) Ltd.		Shan Banaspati, Shan cooking oil	-	-	-	-

No	Manufacturer	Local	National	2006	2007	2008	2009
8	M. H. Oil Mills (Pvt) Ltd.	Maaza		0.75%	4.84%	4.50%	-2.22%
9	Punjab Oil Mills (Pvt) Ltd.	Zaiqa & King	Zaiqa	1.35%	1.58%	2.17%	3.68%
10	Sadiq Sons Ghee and Oil Mills (Pvt) Ltd.			1.96%	2.18%	1.33%	1.71%
11	United Industries Ltd.	Kashmir	Kashmir	1.51%	10.01%	7.91%	4.57%
12	Wali Oil Mills Ltd.	Punjab Oil Ghee	Seasons Oil	-	-	-	-

After analyzing capacity utilization and profit margins, a question arises with respect to economies of scale that exist in the industry, which can be estimated by measuring correlation between the profit margins and capacity utilization over years at firm level. Theory would suggest that an increase in the production levels would lead to economies of scale raising overall profitability due to decreasing average costs. The following figure shows yearly correlations between capacity utilization and net profit

Fig 19: Correlation between Capacity Utilization and Profit



There is weak but positive correlation between capacity utilization. The graph shows that in 2008, the year in which the industry made windfall profits, this correlation is the highest.

Overall, these figures suggest only weak signs of economies of scale.

## Advertising

With the notable exception of United Industries (Kashmir) that has reported advertisement expenses to the tune of 65%, all other firms' reported advertisement expenses as a percentage of their operative expenses in the range of 1% to 31%. It is difficult to identify a trend here. Principles of marketing suggest that firms may spend heavily on advertisement to create a positioning barrier for potential new entrants. In this respect, leading brands seem quite aggressive.

Table : Advertisement Expenses of Firms

No	Manufacturer	Brand		Advertisement Budget as % of operations	Sales Promotion Budget as % of operations
		Local	National		
1	A.C.P Oil Mills (Pvt) Ltd.	ACP Gold Big Oil, Dilpasand, Geo Kohinoor		1%	
2	Ahmed Vegetable Oil and Ghee Mills (Pvt) Ltd.		Shahbaz Banaspati and cooking oil, Rite Banaspati and cooking oil	5%	0.16%
3	Chiniot Enterprises (Pvt) Ltd.	Gul Banaspati Ghee, Gul Cooking Oil	Gul Banaspati Ghee, Gul Cooking Oil		
4	Dalda Foods (Pvt) Ltd.		Dalda, Manpasand	2.50%	2.50%
5	Habib Oil Mills (Pvt) Ltd.	Mayar Banaspati, Mayar Cooking Oil, Nayab Cooking Oil	Habib Banaspati, Nayab Banaspati, Handi Banaspati, Super Habib Oil, Habib Cooking Oil, Handi Cooking Oil	18%	1%
6	Hamza Vegetable Oil Refinery and Ghee Mills (Pvt) Ltd.	Dost Pakistan	Sufi	5%	
7	Mahboob Industries (Pvt) Ltd.		Shan Banaspati , Shan cooking oil	6%	4%
8	M. H. Oil Mills (Pvt) Ltd.	Maaza			0
9	Punjab Oil Mills (Pvt) Ltd.	Zaiqa & King	Zaiqa	31%	
10	Sadiq Sons Ghee and Oil Mills (Pvt) Ltd.			0	
11	United Industries Ltd.	Kashmir	Kashmir	65% (with ref. to operating expense in balance sheet)	3%
12	Wali Oil Mills Ltd.	Punjab Oil Ghee	Seasons Oil	4.12%	2.30%

Table : Reference to Price in Ads

Sr. No.	Company	Website Reference	Status
1	Habib Cooking Oil  Habib Banaspati	(1) <a href="http://www.youtube.com/watch?v=OKFdq1vyhSc&amp;feature=related">http://www.youtube.com/watch?v=OKFdq1vyhSc&amp;feature=related</a>  (2) <a href="http://www.youtube.com/watch?v=Ecl_XyZWVL0&amp;feature=related">http://www.youtube.com/watch?v=Ecl_XyZWVL0&amp;feature=related</a>	Without Price
2	Dalda Banaspati Ghee	<a href="http://www.youtube.com/watch?v=JcpFv-K9leg">http://www.youtube.com/watch?v=JcpFv-K9leg</a>	Without Price
3	Seasons Canola	<a href="http://www.youtube.com/watch?v=yaqsA9LIG-k">http://www.youtube.com/watch?v=yaqsA9LIG-k</a>	Without Price
4	Sufi Banaspati	<a href="http://www.youtube.com/watch?v=0mYJJM_rUNc">http://www.youtube.com/watch?v=0mYJJM_rUNc</a>	Without Price
5	Meezan	<a href="http://www.youtube.com/watch?v=CpiVyntGtSI&amp;feature=related">http://www.youtube.com/watch?v=CpiVyntGtSI&amp;feature=related</a>	Without Price
6	Kashmir Banaspati	<a href="http://www.youtube.com/watch?v=KytB-Mjk7Fg">http://www.youtube.com/watch?v=KytB-Mjk7Fg</a>	Without Price

The CAF suggests that in a competitive market, firms normally refer to their prices as a comparative advantage to elicit more market share. If the firms refer to other factors such as quality or branding, then this is considered as an indicator of low competitive pressures. As Table 23 shows, the ads normally aired by leading players of the market do not refer to price in their ads, which may mean that they do not face the threat of market share capture by competitors.

# 9

## Conclusions and Recommendations

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### Conclusions

This Report has presented an overview of the Cooking Oil and Ghee industry in Pakistan focusing on competition and efficiency matters. It has highlighted that despite a thin diffusion of market share across about 100 firms, there are certain instances inviting concern from a competition perspective. It has also argued that the industry is able to thrive, even while maintaining capacity utilization of less than 50%, which points to absence of competitive pressure particularly in the middle market segment. Some of the major findings of this report are given below:

1. In 2007-08, the international prices of palm oil dropped significantly, by almost 35%. The rupee exchange rate remained stable at around Rs. 60 per US\$ for a number of preceding years, and then depreciated by 28%. The aggregate effect on the price of the vegetable ghee should have been negligible, but the price increased by 72%. We interpret that at around that time, manufacturers and importers started accumulating palm oil stocks, but did not transfer the advantage of a reduced price to the end consumer. The import figures confirm our hypothesis. Thus, it is obvious that the firms acted independent of market pressure and influenced market prices. This suggests a lack of competitive pressure in the market.
2. Among all edible oil and fats, palm oil and soy bean are the major import products in Pakistan. Soy bean is considered to be an alternative of palm oil, but is imported in much less quantity than palm oil because of its high structured import price. This creates protection for palm oil dependent firms and asymmetry that results in the lack of a level playing field. However, transportation costs also favor the trend of importing palm oil over soy bean oil.
3. According to figures provided for the year 2009, the aggregate production levels achieved by the top four firms (Dalda, Kashmir, Sufi, Habib) constitute almost 10% of the total market, significantly below the international benchmark of 40% that is considered as an indicator of oligopolistic conduct. It suggests that the likelihood of oligopolistic



behavior in the cooking oil and ghee industry is very low.

4. The market position with regards to the production of the four leading firms has been dynamic over the past five years. Our data suggest that in 2005, Dalda was in the lowest position, and United (Kashmir) led the market. Since 2007, Dalda has taken the lead, while Habib has experienced a consistent decline. Over these years, Hamza (Sufi) and United (Kashmir) have remained stable in their production levels, both remaining around 70,000 MT and 40,000 MT respectively. The gain of Dalda has been made at the cost of Habib. In addition, considerable gain made by Dalda is exogenous; it has created a new market for its brand.
5. Our study demonstrates that the manufacturers did not fully synchronize their prices with the changes in the input prices. In 2006-07, a 90% increase in the price of palm oil was not fully passed on to the consumer, as the output price rose by 40%. on the other hand, in 2007-08, a reduction in the price of imported palm oil resulted into an *increase* of the output prices. It shows that the firms do not face intense competitive pressure; rather they have the capacity to influence prices.
6. Existing firms may create a hurdle for new firms by building and maintaining excess capacity. Thus, whenever a new firm wishes to enter, the existing firm can increase production levels. Excess capacity also provides leverage to firms to control production levels. This seems quite true in the case of the COG industry in Pakistan, in which the average capacity utilization is 44%.
7. The presence of countless unregistered suppliers of vegetable ghee should have created pressure on the registered firms to be more efficient and price sensitive, but this has not happened, which is intriguing. As a matter of fact, losses should have resulted in the closure of a few units, which also did not take place. Instead, the market has absorbed new players in 2005-06.
8. In a competitive market, firms routinely refer to prices in their advertisements. This is normally not practiced in the advertisement issued by the firms in the COG sector. This also indicates a lack of competitive pressure on the firms.

## **Recommendations**

In the context of the findings and analysis presented in the report, we make the following recommendations.

1. Analyze the custom duties on the palm oil and its likely substitutes and accordingly recommend the government to levy uniform duties.
2. Analyze the production schedule and possibilities of the introduction of growing alternative raw materials, including palm oil, within Pakistan;
3. Analyze the role and share of unregistered suppliers from both quality and competition perspectives;
4. Encourage efficiency in specific firms by pointing out comparative performance benchmarks, such as capacity utilization and diversification of input sourcing.

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## Annexure-I

### **Manufacturing Process of Vegetable Ghee/Edible Oil**

There are different types of raw oils, which are further processed for manufacturing vegetable ghee/edible oils.

Some of these oils are generally imported from abroad and some of them are locally made available for consumptions. These oils are indicated below:

- a) Imported Oils: Palm oil, Soya bean oil.
- b) Local Oils: Cotton seed oil, Rapeseed oil, Sunflower oil

The following main processes are employed in the manufacture of vegetable ghee/edible oil:

- i ) Pre-refining
- ii ) Hydrogenation
- iii) Post-refining
- iv) Deodorization
- v) Packing

#### **i) Pre-refining**

The raw oils for use in the manufacturing of vegetable ghee/edible oil are first subjected to pre-refining. The objective underlying this treatment is to remove the objectionable slime, dirt, and free fatty acids and color that are present in the raw oils. Pre-refining consists of alkali neutralization, followed by bleaching. For neutralization, caustic soda is the alkali, which is most widely used. The commonly used batch neutralization process is carried out in vessels specially designed for the purpose, in which raw oil is treated with a solution of caustic soda. The amount and strength of caustic soda used depends on the quality of oil and its contents of free fatty acids. The caustic soda combines with the free fatty acids present in the oil and settles at the bottom of the vessels as soap stock. The soap stock, while settling down, carries with it some of the other impurities present in the oil. The soap stock is then drained off from the vessels, and in most cases, treated in separate wooden vats with Sulphuric acid, producing acid oil. This acid oil, which is a by-product in the neutralization process, is commonly used in soap-making. After removal of the soap stock from the neutralising vessels, the oil, is washed free of soap by hot water.

In some plants, the neutralization step is carried out as a continuous process involving continuous mixing of the oil with metered amount of caustic in a mixer, followed by the separation of oil and soap in a battery of centrifuges. The separated oil is subsequently washed continuously with hot water. The mixture of oil and water is then separated in another set of centrifuges. In the neutralisation process, while the free fatty acids and other impurities are

removed, some loss of neutral oil in the soap stock is unavoidable. This is due to saponification by excess caustic that needs to be used, and by entrainment in soap-stock. This loss of neutral oil varies with the quality of the oil.

The neutralized oil is dried under vacuum and bleached to remove most of the coloring matter present in the oil.

This is done in bleaching vessels by treatment of the oil with activated bleaching earth. In some plants, a common vessel is used for neutralising and bleaching. After bleaching, the oil is filtered over filter presses for removal of bleaching earth.

### **ii) Hydrogenation**

The neutralized bleached oil is then subjected to hydrogenation. During this process, hydrogen is added at the double bonds in the oil molecule, thereby reducing the degree of unsaturation and increasing the melting point of the oil.

The presence of a catalyst is required to carry out this reaction, the catalyst normally used is nickel catalyst. The oil mixed with the necessary amount of nickel catalyst is heated in Autoclaves or hydrogenation vessels and treated with hydrogen. When hydrogenation has proceeded to the necessary extent, the process is stopped. The hydrogenated oil is filtered over filter presses for removal of the nickel catalyst.

### **iii) Post-refining**

There is a slight increase in the free fatty acid content of the oil during the process of hydrogenation. In order to remove these and the traces of nickel, which may be present in the hydrogenated oil, the hydrogenated oil is neutralized and bleached again. The process is called post-refining, and is analogous to the neutralization and bleaching process described under pre-refining. However, the caustic employed is less and more diluted, and the bleaching earth usage is lower. After neutralizing and bleaching, the oil is filtered again for removing the bleaching earth.

### **iv) Deodorization**

The purpose of deodorization is to remove odorous substances from the oil. The post-refined oil is deodorized in vessels specially designed for the purpose by treatment with a current of steam under vacuum, before being emptied from the deodorizer. The various oil components used in Vanaspati are either blended in the required proportion after this final stage of deodorization, or the hardened oils along with the soft (unhardened) oils are blended before the post-refining stage.

### **v) Packing**

The Vanaspati oil blend is enriched with Vitamins A and D, before being packed into containers. Vanaspati is produced either with a granulated texture resembling ghee, or as a smooth grainless product. For the granulated product, the vitaminised oil blend is filled hot (at a temperature of around 50 degree Centigrade) into containers, and the filled containers are cooled gradually in cooling rooms. The grainless product is made by rapid cooling of the blend

(either over chilling rolls or by continuous chilling in closed tubes) before being filled into containers.

Source: *Cost Audit Hand Book of ICMAP*<sup>39</sup>

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<sup>39</sup> <http://www.icmap.com>

## Annexure: II

**Current Duty Structure: 2009-2010**

S. No.	Item	H.S. Code	Import Duty	Duty after FTA Discount
1	Crude Palm Oil	1511.1000	Rs. 9,000/MT	Rs. 7,650/MT
2	RBD Palm Oil	1511.9020	Rs. 10,800/MT	Rs. 9,180/MT
3	RBD Palm Olein	1511.9030	Rs. 9,050/MT	Rs. 7,692.5/MT
4	CD Soybean Oil	1507.1000	Rs. 9,500/MT	
5	Crude Palm Kernel Oil	1513.2100	10%	
6	RBD Palm Kernel Oil	1513.2900	Rs. 9,050/MT	
7	Crude Coconut Oil	1513.1100	Rs. 9,500/MT	
8	RBD Coconut Oil	1513.1900	Rs. 9,050/MT	
9	Crude Sunflower & Safflower Oil	1512.1100	Rs. 15,000/MT	
10	Refined Sunflower, Safflower Oil	1512.1900	Rs. 16,800/MT	
11	Cottonseed Oil	1512.2900	Rs. 15,000/MT	
12	Tallow	1502.0020	10%	
13	Palm Stearin (Oleochemicals)	1511.9010	Rs.8,100/MT	Rs. 7,692/MT
14	Palm Stearin (Toilet Soaps)	3823.1990	Rs.10,800/MT	Rs. 9,180/MT
15	Palm Fatty Acid Distillate	3823.1990	20%	
16	Palm Acid Oil	3823.1921	20%	
17	Palm Kernel Acid Oil	3823.1920	20%	
18	Palm Kernel Fatty Acid Distillate	3823.1990	30%	
19	Canola Oil		Rs. 15,000/MT	
20	Groundnut Oil		Rs. 13,150/MT	
21	Olive Oil		Rs. 5,000/MT	
22	Linseed Oil		Rs. 9,500/MT	
23	Castor Oil		Rs. 9,050/MT	
24	Sesame Oil		Rs. 9,050/MT	

**Additional Taxes:**

<b><i>Federal Excise Duty:</i></b>	16%
<b><i>Withholding Tax:</i></b>	
Imported Oils	3% Minimum
Local Oils	2% Full and Final
<b><i>Special Excise Duty:</i></b>	Rs. 1000 PMT
<b><i>Warehousing Surcharge:</i></b>	0.25% for first 30 Days 0.75% after 30 Days



**Annexure-III**

**Tariff of Sui Gas for Industries including Ghee Industry**

*Source: Data Collected by Author from SNGPL*

<b>W.E.F</b>	<b>MMBTU (Rs)</b>
25/10/2002	168
1/7/2003	172.26
1/7/2004	182.09
2/2/2005	197.11
1/7/2005	208.56
1/1/2006	240.91
1/7/2006	264.87
1/2/2007	238.38
1/1/2008	251.55
1/7/2008	329.54
1/1/2009	339.43
1/7/2009	324.3
1/1/2010	382.37

**Annexure-IV:****Sample Description and Questionnaire**

List of the respondents of the survey that constituted our sample covers major players in the formal sector, and represents slightly more than the registered number of firms in the PVMA which is 94. The questionnaire used is in Annexure-III.

Table : List of Respondents

No	Manufacturer	Brand		Annual Capacity (MT)
		Local	National	
1	A.C.P Oil Mills (Pvt) Ltd.	ACP Gold Big Oil, Dilpasand, Geo Kohinoor		36,000
2	Ahmed Vegetable Oil and Ghee Mills (Pvt) Ltd.		Shahbaz Banaspati and cooking oil, Rite Banaspati and cooking oil	36,000
3	Chiniot Enterprises (Pvt) Ltd.	Gul Banaspati Ghee, Gul Cooking Oil	Gul Banaspati Ghee, Gul Cooking Oil	72,000
4	Dalda Foods (Pvt) Ltd.		Dalda, Manpasand	120,000
5	Habib Oil Mills (Pvt) Ltd.	Mayar Banaspati, Mayar Cooking Oil, Nayab Cooking Oil	Habib Banaspati, Nayab Banaspati, Handi Banaspati, Super Habib Oil, Habib Cooking Oil, Handi Cooking Oil	135,000
6	Hamza Vegetable Oil Refinery and Ghee Mills (Pvt) Ltd.	Dost Pakistan	Sufi	1800,000
7	Mahboob Industries (Pvt) Ltd.		Shan Banaspati , Shan cooking oil	18,000
8	M. H. Oil Mills (Pvt) Ltd.	Maaza		40,000
9	Punjab Oil Mills (Pvt) Ltd.	Zaiqa & King	Zaiqa	25,000
10	Sadiq Sons Ghee and Oil Mills (Pvt) Ltd.			21,600
11	United Industries Ltd.	Kashmir	Kashmir	75,000
12	Wali Oil Mills Ltd.	Punjab Oil Ghee	Seasons Oil	108,000

**Questionnaire**

**Cooking Oil and Ghee Industry**

*The Competition Commission of Pakistan is undertaking a survey to assess the levels of efficiency and competition in the Cooking Oil and Ghee Industry of Pakistan. Your cooperation in this regards will be highly appreciated.*

**Manufacturer**

Name of Producer:			
Address:			
Names of Brand:	National Brand		Local Brand
Contact Numbers:			
E-mail:			
Name of Respondent:			
Cell Number:			

<b>1.Profile</b>					
1.1. What is the Production Capacity (MT) of your mill?	Less than 5000		5000-10000		Greater than 10000
1.2. Any Enhancement in capacity over past five years? How much?	2009	2008	2007	2006	2005

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1.3. What are the products and packaging of each product?	Products			Packaging	
1.4. What is the production capacity utilized? (%age)	2009	2008	2007	2006	2005
1.5. What is the total staff strength?	Labor			Management	
1.6. What factors contribute in the decision making to increase or decrease the production at your mill?	Increase			Decrease	
<b>2. Financials</b>					
2.1. What are the key cost drivers?(Rank them from 1 (most important to 5 (least important)	Cost Driver				
	Rank				
2.2. Contribution of various factors/drivers?	Factors				

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	Percentage						
2.3. What Raw Materials are imported?							
2.4. What is the contribution of imported raw material in cost per unit? (Percentage)							
2.5. What are gross and net profit (before tax) margins?	Gross:	2010	2009	2008	2007	2006	2005
	Net:	2010	2009	2008	2007	2006	2005

<b>3. Legal\Regulations</b>	
3.1. Can you provide any examples of relevant SROs?	
3.2. What tariffs are applicable in the case of direct import?	
3.3. What is the excise duty per MT?	
3.4. What is the rate of sales tax?	
3.5. Which forms of direct taxation are applicable?	

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3.6. What are applicable Quality Licenses/Certificates?					
3.7. What quality licenses/certificates have you obtained?					
<b>4. Symmetry</b>					
4.1. Please name specific challenges and obstacles faced upon entry.	Challenges			Obstacles	
4.2. Please rank preferred source of information for costs of inputs  (1= most preferred, 5=least preferred)	Association	Direct	Competitors	Buyers	Suppliers
4.3. Please rank ongoing business challenges by the order of most important (1) to least important (10).	Government/taxes	Energy	Capital	Interest Risk	
	Infrastructure	HR	Credit Risk	Technology	
	Exchange Rates		Ensured Supply (Imports)		
4.4. What is the origin of Palm Oil/Raw Materials used?					
4.5. Do you import	Directly			Through Importer	

Palm Oil directly or through an importer?		
4.6. Have you explored any alternatives to the imported palm oil?	No	If Yes then
4.7. Have you faced any restrictions (from the government or market) in using alternative raw materials?	No	If Yes then explain

<b>5. Marketing</b>		
5.1. During the last year what is the maximum price discounts you have offered and for how long?	Maximum Price Discount (%age average)	How Long
5.2. Did you start a price discount as your own initiative or after consultation at the industry level?	Own Initiative	After consultation at the industry level
5.3. During the last year, what kinds of sales promotion have you employed?		
5.4. Can you indicate the advertising budget as a % of total expenses?		

<p>5.5. Can you indicate the sales promotion budget as a % of total expenses?</p>	
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<p><b>6. Advocacy/Lobbying</b></p>	
<p>6.1. Do you participate in the trade association meetings?</p>	
<p>6.2. What is the frequency of such meetings?</p>	
<p>6.3. Do you represent your cases before government? Please provide an example.</p>	
<p>6.4. What is the usual nature of the problem that you lobby with the government? Can you recall an instance where such a problem has been solved?</p>	



## Annexure-V

List of Privatized Units

Sr. No	Name of Unit	Sale price Rs. (in Million)	Date of Transfer	Buyer name
1.	Fazal Vegetable Ghee	21.2	Sep-91	Mian Mohammad Shah
2.	Associated Industries	152.0	Feb-92	Mehmooob Abu-er-Rub
3.	Sh Fazal Rehman	64.3	Apr-92	Rose Ghee Mills
4.	Sh Fazal Rehman(addl- 10% shares)	2.3	May-05	Rose Ghee Mills
5.	Kakakhel Industries	55.3	May-92	Mehmooob Abu-er-Rub
6.	United Industries	15.5	May-92	A. Akbar Muggo
7.	Haripur Vegetable Oil	30.1	Jul-92	Malik Naseer & Assoc.
8.	Bara Ghee Mills	27.8	Jul-92	Dawood Khan
9.	Hydari Industries	-	Aug-92	EMG
10.	Chiltan Ghee Mills	42.5	Sep-92	Baluchistan Trading Co.
11.	Wazir Ali Industries	31.9	Dec-92	Treat Corporation
12.	Asaf Industries (Pvt) Limited	11.4	Jan-93	Muzafar Ali Isani
13.	Khyber Vegetable	8.0	Jan-93	Haji A. Majid & Co.
14.	Suraj Vegetable Ghee Industries	10.8	Jan-93	Trade Lines
15.	Crescent Factories Vegetable Ghee Mills	46.0	Jan-93	S. J. Industries
16.	Bengal Vegetable	19.1	Mar-93	EMG

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17.	A & B Oil Industries Limited	28.5	Mar-93	Al-Hashmi Brothers
18.	Dargai Vegetable Ghee Industries	26.2	Nov-97	Gul Cooking Oil Industries
19.	Punjab Veg. Ghee	18.7	May-99	Canal Associates
20.	Burma Oil	20.1	Jan-00	Home Products Intl
21.	E&M Oil Mills	94.0	Jul-02	Star Cotton Corp. Ltd.
22.	Maqbool Oil Company Ltd.	27.6	Jul-02	Madina Enterprises
23.	Kohinoor Oil Mills	80.7	May-04	Iqbal Khan
24.	United Industries Limited	7.7	Sep-05	A. Akbar Muggo
		841.7		

**Source: Privatization Commission Website**

## Annexure-VI

Cooking oil and Ghee market price – October, 2010

<b>METRO Prices of Oils (Rs.)</b>							
<b>Brands</b>	<b>2.5 Ltr (Tin)/Rs</b>	<b>3 Ltr</b>	<b>4.5 Ltr (Tin)/Rs</b>	<b>5 Ltr (Tin)/Rs</b>	<b>5 Ltr (Packet)/Rs</b>	<b>10 Ltr (Bottle)/Rs</b>	<b>16 Ltr (Bottle)/Rs</b>
Sufi Canola				700 (Bottle)	685	1345	
Seasons Canola	342.93		635.43, 620.60 (Bottle)		695.95		2087
Dalda Canola	370		660 (Bottle)		715.02		
Manpasand					610.21		
Habib Cooking Oil	353			685.87	680		
Dalda Cooking Oil				720	709.98		
Golden Sun				650			
Kausar Canola				645.51	675.78 (Bottle)		
Super habib Canola				695.95 (Bottle)			
Sufi Sunflower		425 (Bottle)			685		
Canolive					700		
SunDrop			635.43 (Bottle)				

<b>METRO Prices of Ghee/ Banaspati</b>			
<b>(Rs.)</b>			
<b>Brands</b>	<b>2.5 Ltr (Tin)</b>	<b>5 Ltr (Tin)</b>	<b>5 Ltr (Pouch)</b>
Sufi	360	705	649.60
Dalda	363.33		
Habib	353	685	685
Golden Sun	340	650	615
Seasons	347.97	670.74	642
Kausar		645	
Manpasand	317.71		615

<b>UTILITY STORE</b>		<b>UTILITY STORE</b>		
<b>Prices of Oil</b>		<b>Prices of Ghee</b>		
<b>(Rs.)</b>		<b>(Rs.)</b>		
<b>Brands</b>	<b>1 Kg (Pouch)</b>	<b>5 Kg</b>	<b>1 Kg (Pouch)</b>	<b>5 Kg</b>
Dalda	140	708 (Tin)	140	708 (Tin)
Soya Supreme	133		130	
Golden Sun	125			
Sufi	131	687 (Bottle)		670 (Tin)
Utility	114		114	



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<b>Brands</b>	<b>RETAIL Prices of Oil (Rs)</b>		<b>RETAIL Prices of Ghee (Rs)</b>	
	<b>1 Kg (Pouch)</b>	<b>5 Kg (Tin)</b>	<b>1 Kg (Pouch)</b>	<b>5 Kg (Tin)</b>
Habib	135		135	
Soya Supreme	138		138	
Sufi	143	715	143	715
Dalda	143	715	143	715
Seasons	138		138	
Manpasand	128		128	
Meezan	118		118	