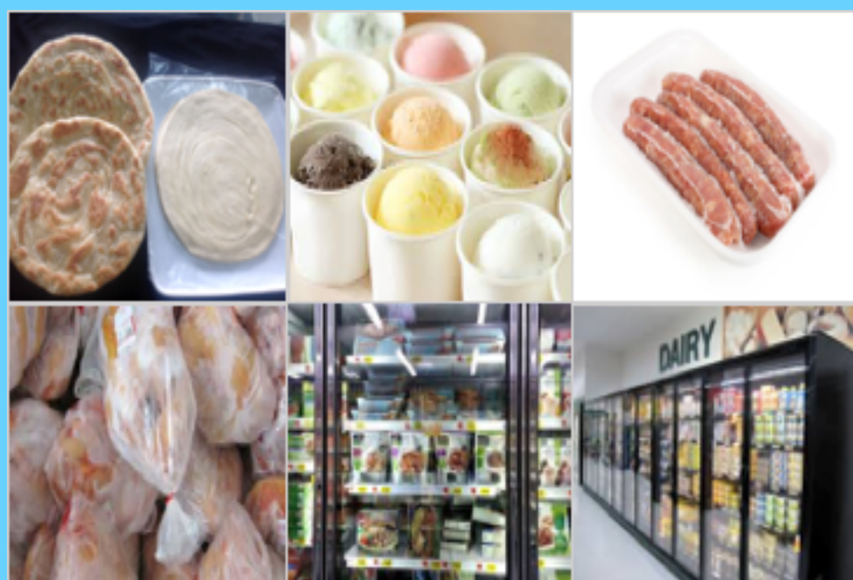
2019

Cluster Profile
Frozen Food (Non - Dairy), Lahore



Turn Potential Into Profit

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1. Description of Cluster

1.1 Introduction

Lahore is the capital city of the province of Punjab, and is the country's second-most populous city after Karachi. Lahore is the one of the most established cities of Pakistan in terms of Industries, education and economic activities. The population is growing and industry is seeing a boom. The food business is growing all over Pakistan especially in Lahore. The district is playing a leading role in food sector.

The frozen food industry in Lahore has seen many changes in the last twenty-five years. It has emerged as a single processing unit to numerous industries across the city. The frozen food industry in Lahore is flourishing very quickly and its products are gaining much popularity. Frozen products have been accepted as popular substitute for the same products cooked at home because of the time saving and long preservation qualities. With the passing time, urban lifestyle has become busier than ever, frozen food became an important part of meals. There are around 100 units of frozen food functioning in Lahore and its suburbs.

1.2 Defining the Products

With the rise in urbanized population and working class, the trend of ready to eat frozen food is increasing among the masses. The major frozen food items present in the in the markets of Lahore are divided into following three categories mainly:

i. **Frozen Raw**
   Includes:
   - Frozen Chicken
   - Frozen Meat
   - Frozen Seafood

ii. **Frozen Ready to Cook**
   Includes:
   - Paratha
   - Nuggets
   - Sausages
   - Wings
   - Croquettes
   - Pizzas
   - Samosa
   - Pattie
   - Cutlets
   - Fillets
   - Kababs
   - Rolls etc.

iii. **Frozen Ready to Eat**
   Includes:
   - All kind of ready to eat Meals.

1.3 Core Cluster Actors

Total number of manufacturing units of frozen food (Including small, medium & large units) is around 100 in Lahore and its surroundings.

Table 1: No of Units, Employees and Production Capacity

Description	Details
Number of Units	Large Units *(The units which have their own meat supply and fresh meat processing unit and make multiple products from Meat, Poultry & Seafood etc.)*: 10 Medium Units *(The units which have only processing facility but do not have their own raw meat supply)*: 20 Small Units *(These units deal in only one product range mostly chicken as they don't have multiple meat processing facility)*: 20 Micro *(These are home based frozen products such as frozen samosas, cutlets, rolls etc. available only at nearby shops)*: 50
Employment Generated	Around 20,000 People
Production Capacity	2,50,000 SKU (Stock Keeping Unit)
Capacity Utilization	85% to 90%

Source: IGC (International Growth Center) Pakistan

1.4 Other Support Actors

The key support actors which provide support services to the frozen food industry mainly including but not limited to raw material suppliers, finishing and packaging service providers.

Table 2: Other Support Actors, Frozen Food Cluster, Lahore

Description	Details
Raw Material Suppliers	There are more than 100 raw material suppliers for raw materials other than Flour and Sugar. Around 150 registered Chicken and Meat (raw material) providers are locally available.
Packaging	More than 8 packaging industries and paper mills are supplying the finishing and packaging materials to all the units. The important suppliers widely manufacturing in this sector are Packages Group, Hussain Can, Pak Packages, Tetra Pak and Danpack etc.
Traders	Trading is done through mostly providing freezers at the general stores and super markets. Approximately around 40,000 freezers

	for frozen food are kept in general stores and supermarkets all over Lahore.
Machinery Suppliers	There are around 60 local machinery manufacturers who are dealing with machinery used in frozen food Industry in Lahore.

1.5 Geographical Location

Geographically the majority of frozen food units in Lahore are located at following areas.

- Raiwind Road
- Multan Road
- Kot Lakhpat Industrial Estate
- Sundar Industrial Estate
- Dharampura

1.6 Major Players

Key players in frozen food cluster, Lahore are as follows:

- **K&N's**
  Multan Road, Lahore.
- **Sabroso**
  Lahore – Sheikhupura Road.
- **Menu Foods**
  Multan Road, Lahore.
- **Big Bird Foods**
  Multan Road, Lahore.
- **Dawn Foods**
  Quaide Azam Industrial Estate, Lahore.

1.7 Current Cluster Scenario

Frozen Food Industry of Lahore has a huge potential. The industry faces numerous problems particularly with power outages and compliance with local and International Food Standards. The larger and some of the medium units have modernized machinery and fully automated plants but many of the medium and almost all of the small units lack modern manufacturing practices. There is a huge demand of frozen food in Lahore because of the increasing population and also the busy life style, not only in Lahore but across Pakistan so these units don't fulfill the demand and are always on the shorter side creating huge potential in this segment.

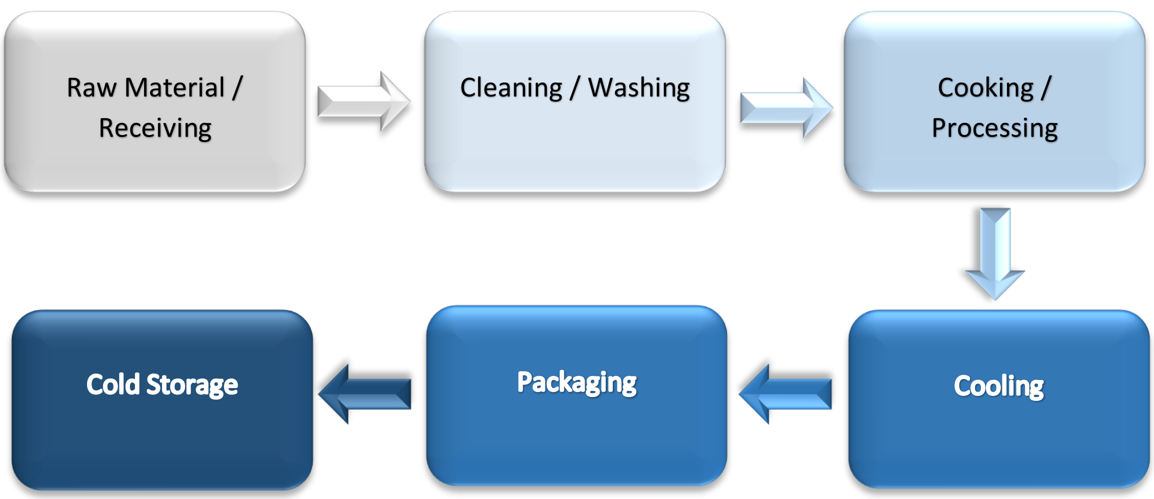
At present, the majority of the industry is dependent upon retailing for the sale of their goods. However, demand for this segment is expected to increase substantially, given strong historical sales and increase in population although some business owners face the threat of decline due to increasing influx of large companies making inroad into the same segment as most of the smaller or micro units are home based.

2. Analysis of Business Operations

2.1 Production Process & Flow

Since the product has a longer shelf life as compared to other perishable items so the production process doesn't face any particular challenges. The main factor in the production process is the time and temperature control. As soon as the product is ready, it is kept in cold storage temperature well below freezing point. In case of ice creams there is a two-step process of freezing involved one is called blast freezing in which the product is immediately frozen to retain its texture and then comes the cold storage where the product is kept well below the freezing temperature in order to further distribute in the market.

Figure 1: Production Process Flow Diagram



2.2 Raw Materials

The raw material widely used in frozen food industry is Meat (Chicken, Beef, Mutton, Fish and Seafood), Vegetables, Flour and Spices etc. These are locally produced and procured and easily and widely available. Meat is procured from slaughterhouses and poultry suppliers. Flour is readily available and vegetables are daily procured from Fruit and Vegetable Markets of Lahore.

The spices and condiments are mostly procured from Akbari Mandi (Spice Market, Lahore). Some of the finishing material such as Bread Crumbs etc. are procured from Supermarkets such as Carrefour and Metro Stores all over Pakistan.

Moreover, packaging material including food grade plastic bags and corrugated boxes are also locally produced and available for procurement in Lahore.

2.3 Technology Status

Majority of the machinery is manufactured and available locally. The big players in the market usually go for the stainless steel plants imported from Italy, as Italy is considered to be the origin of frozen Products. The main machines used mainly are:

- Plate Heat Exchangers
- Mixing tanks
- Ovens
- Dryers
- Freezers
- Cold Water Unit
- Continuous Congealer
- Mixers
- Fillers
- Cutters
- Packaging Machines
- Cold Storage Units.

The locally available machines are very effective and cheap as compared to imported machinery. These machines also comply with quality standards and produce the same amount of quantity in terms of production volumes as compared to the imported ones. Some of the big units are also using the imported machinery from Italy and China but their number is very small as majority are using local manufactured machinery.

2.4 Quality Standards and Assurance

Majorly of the food safety management systems and certifications are adopted by large units. Small and medium units lack in quality control and quality assurance. The Punjab Food Authority (PFA) is playing a major role in monitoring of these units relating to Food Safety and also provides training and licensing for enforcement of certain standards.

Key private organizations involved in certifications are:

- Bureau Veritas
- Moody International
- SGS Pakistan
- Pakistan Systems Registrar

The Government institutions for prescribing and enforcement of local quality standards are:

- Punjab Food Authority (PFA)
- Pakistan Standards and Quality Control Authority (PSQCA)
- Pakistan National Accreditation Council (PNAC)

The International standards associated with frozen food industry are:

- Food Safety Management Systems (FSMS)
- Food Safety System Certification (FSSC)
- Quality Management Systems (QMS)
- Food Safety System Certification (FSSC)
- Hazard Analysis and Critical Control Point (HACCP)
- HALAL Food

2.5 Sales and Market Analysis

2.5.1 Local Market Trade

Majority of the finished goods are for the local markets. The businesses operate in both rural and urban areas of Pakistan with significant presence in commercial and residential vicinity. It is done through conventional methods of branches and direct sales agents without involving any intermediary channel. Independent retailers and wholesalers are still the largest contributors to the segment. Larger units have their own retail outlets. Small and micro units are mostly involved in the direct sales. Advertisement is mostly done by TV commercials by the larger units and Billboards along with their sales and marketing field teams. The smaller ones have no proper mechanism for marketing. The local small shops are very small in size and carry very limited product lines / brands. It is usually located in densely populated urban areas. Each locality may have a number of small shops. There is usually enough space for only one freezer.

2.5.2 International Market

A very small segment is exported to countries like Gulf, USA, UK, Australia and Canada due to the increasing number of Pakistani's residing abroad. The products that are exported mainly comprise of the traditional frozen Pakistani food.

2.6 Business Cycle

The frozen food products demand rises during the religious occasions and the wedding seasons. The segment is also affected by fluctuation in raw materials prices for producing frozen food items. Businesses suffer from general increase in prices which in turn causes reduction in sales. The expired items on the counter of shops are replaced after expiry with the fresh ones. Mostly the goods are provided on credited terms of 30 days to shopkeepers and distributors. Distributors are registered with the units through a security deposit which varies for different units. Since the smaller units are producing in very less quantity so they sell all what they produce on their own retail shops. Larger companies offset the cost for the retailer by not increasing commission but increasing the price of the products so that with a higher turnover rate, the retailer will make more margins. Although the impulse segment accounts for 70% of the sales and the take home segment 30% of the sales, margins are higher in the take home segment.

2.7 Financing

A large number of owners have well stocked raw materials for carrying out smooth business operations in case of material shortage or unusual hike in prices which leads to the problem of tied up working capital. This issue pertains throughout the year as a minimum level of inventory has to be maintained for uninterrupted business operations. The segment has generally limited exposure with respect to financing and banking products. Among the fixed assets, finance need is mainly centered on machinery and equipment for the business.

2.8 Human Resource Management

Due to the labor intensive and manual nature of work, education is not considered as a major factor for business owners. However, they require skilled workers who have the knowledge of handling the meat products and cooking experts for production of frozen food items.

Larger and Medium Units have Production Managers (Food Technologists) and Production Supervisors but smaller and micro units are supervised by the owners or the family members.

3. Institutional Setup

3.1 Support institutions

Pakistan Poultry Association (PPA)	
Address:	Poultry House, 24 Block- R, Johar Town, Lahore
Tel:	(+92) 42 - 35956022 - 23
Email:	ppapunjab@gmail.com
Lahore Chamber of Commerce & Industry (LCCI)	
Address:	11-Shahrah-e-Aiwan-e-Sanat-o-Tijarat, Lahore
Tel:	(+92) 42 111 222 499
Web:	www.lcci.com.pk

3.2 Relevant Associations

Punjab Food Authority (PFA)	
Address:	83-C, New Muslim Town near Naqsha Stop, Lahore
Web:	www.pfa.gop.pk
Tel:	0800-805500
Small & Medium Enterprises Development Authority (SMEDA)	
Address:	4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road, Lahore
Tel:	(+92) 111111 456
Web:	www.smeda.org.pk
College of Tourism and Hospitality Management (COTHM)	
Address:	Efu House, 5-C Main Gulberg II, Ayesha Saddiqa Road, Lahore
Tel:	(+92) +92-42-35870012-13 / +92-42-35875851

Web:	www.cothm.edu.pk
Email:	info@cothm.edu.pk
Pakistan Standards & Quality Control Authority (PSQCA)	
Address:	125-A, Quaid-E-Azam Boulevard, Quaid e Azam Industrial Estate, Lahore
Tel:	(+92) 42 99230617
Web:	http://www.psqca.com.pk

4. Major Issues and Problems

4.1 Financial

The large scale manufacturers of frozen food, do not faces issues regarding finances. The smaller and some of the medium units belonging to this cluster, however, face issues of access to finance. A meat processing plant is highly capital intensive and capital generated through bank loans carry's a very high mark – up rate. The impact of high mark – up rate bears heavily upon the cost of production.

4.2 Marketing

The larger and medium units advertise their products mostly through Tele commercials and advertisements. Apart from this they advertise on billboards etc. The freezers that are placed in Kiryana stores all around the city are also painted in the colors and logos of the company, which are also means of marketing. Still there exists new and unexplored market at local and international level. Lack of modern marketing and branding techniques is an issue restricting the growth and development of this cluster, as there is not any specialized marketing department in these enterprises. The smaller units face the following main issues:

- Lack in Branding and Product Advertisement,
- Non-Participation in National or International Exhibitions,
- Absence of educated, certified and professionally trained /skilled workforce

4.3 Technological

The large and medium units are properly developed but almost all the small and micro units are very poorly established and do not fulfil proper infrastructure and hygiene requirements thus affecting the product quality and pricing. The larger units have modern and automated machinery but almost all the small units lack technological innovation at both ends as the modern technology base equipment is unavailable in the market; also there are no local manufacturers of these advanced technological automated equipment / machinery.

4.4 Human Resource

Smaller and medium units mostly depend upon single person for multiple positions to save cost. There is a lack of knowledge about the importance of technical HR like Food Technologist etc. for adding the value in the production process. Lack of availability of skilled workforce is a constant issue faced by this segment.

5. Investment Opportunities in Cluster

The need for following potential investment opportunities pertains in the Frozen Food Cluster, Lahore identified on the basis of the key strengths of this cluster:

- Technology Innovation
- Local Machinery Manufacturing
- Research and Development Labs
- Franchising
- Organic Food Industry
- Halal Food Processing / Import & Export
- Product Innovation
- Trading (Raw Materials Local / Imported)

The following Pre-feasibility Studies on Frozen Food sector are available on SMEDA website and can be downloaded for further information. These documents can be downloaded from www.smeda.org.pk .

- Canned Food
- Seafood Processing

6. References

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- *Economic Survey of Pakistan, 2010-11*
- *http://www.unilever.pk/Images/Unilever%20Pakistan%20Limited%20annual%20report-2010_tcm96-260483.pdf*
- *http://www.thepoultrysite.com/articles/2137/kns-leads-industry-growth-in-pakistan*