

The Cream **OF THE CROP**

Despite being one of the world's largest milk producers, Pakistan's dairy sector remains largely informal, with small farmers and local vendors accounting for more than 80 percent of the country's total supply.

USMAN ZAHEER

CEO, Fauji Foods





We want to create relationships.

15 percent, but first, they needed to reimagine what a Pakistani dairy company could be.

Building a Culture of Growth

When Zaheer rallied his management team to chart their path forward, the conversation went beyond profit margins. “We asked ourselves, ‘Why do we exist?’ ‘What brings me to work?’” The answer emerged in a powerful purpose statement, “unleashing Pakistan’s promise in everything we touch.”

This vision sparked tangible change. The company launched into the government’s Grassroots Incentivised Dairy Development program, transforming supplier relationships. Rather than simply purchasing milk, Fauji Foods began offering farmers subsidised fertiliser, breed improvement programs, and vaccination support. This initiative proved particularly crucial in addressing Pakistan’s dairy yield challenge, where cattle produce just 14 litres per day compared to global averages of 40-55 litres. “We want to create relationships,” Zaheer emphasises, highlighting how this approach aligns with their parent company’s social hybrid mission.

The cultural shift extended throughout the organisation. Adopting values of excellence, ownership, agility, and accountability, Fauji Foods cultivated a new operational mindset. “We put the bad news on the table, and we deal with it,” Zaheer notes. In Pakistan’s volatile FMCG landscape, this transparent approach has proven invaluable, fostering quick decision-making and problem-solving at every level.

Driving Operational Excellence

The transformation’s backbone lay in bold operational changes. In a sector where energy costs significantly impact production costs, Fauji Foods abandoned traditional coal and HFO power systems. “We moved to biomass for steam generation, sourcing from surrounding green fields,” Zaheer explains. This →



In this market of 250 million consumers, an impressive transformation story has emerged. Fauji Foods, previously struggling with razor-thin margins and growing losses, has managed a turnaround that’s gained industry attention. Leading this shift is CEO Usman Zaheer, whose appointment in 2021 marked the beginning of a pivotal transformation.

When Zaheer stepped in as CEO in 2021, the questions he posed were disarmingly simple yet profound. “Do we know what’s wrong? Can it be fixed? Do we have the capability and culture required to take that path [to profitability]?” he recalls. The answers would shape

a transformation that few thought possible in Pakistan’s fiercely competitive dairy sector.

The initial diagnosis was stark. “The gross margin was too low. COGS was wrong,” Zaheer states bluntly. The company had drifted



We are looking ahead for a long period of sustained growth.

into commoditised segments, particularly tea creamers, where profitability proved elusive. “When there is volume in that segment, there’s no margin. And when there’s margin, there’s no volume,” he explains. This insight sparked one of Fauji Foods’ most pivotal decisions: a complete portfolio restructuring focused on value-added products.

The company’s crown jewel, Nurpur, held untapped potential. Operating since 1966 and acquired by Fauji Foundation in 2015, the brand carried decades of consumer trust. Yet operational inefficiencies had left this heritage asset underleveraged. “We had to make conscious trade-offs,” Zaheer recalls. Within 18 months, his team would push gross margins to



shift created an unexpected ecosystem – ash from the biomass system now serves as fertiliser for local farmers, creating a sustainable cycle of community benefit.

Portfolio restructuring proved equally decisive. Moving away from commoditised segments, Fauji Foods secured strategic external partnerships with global brands. “We’re now the exclusive cheese supplier to McDonald’s and KFC in Pakistan,” Zaheer notes. These relationships, combined with a focus on value-added products, helped increase the company’s margins.

The company’s agile structure enabled this rapid evolution. “We’re a low power distance organisation,” Zaheer states. “The process helps with governance but doesn’t rule us.” This approach allows Fauji Foods to respond swiftly to market changes, making decisions that might take months in larger organisations.

Charting Pakistan’s Dairy Future

Today, Fauji Foods stands at the cusp of greater transformation. Under Zaheer’s leadership, the company has strategically consolidated multiple consumer brands that were previously scat-

tered across different legal entities, executing an ambitious expansion. “We’re getting ready to enter premium segments,” Zaheer reveals, outlining plans that span from breakfast cereals to frozen foods under their OPA brand, already a key supplier to McDonald’s. Beyond Nurpur, the company now manages Dostea and Fauji cereals while overseeing operations for OPA. “We did a brand stretch study that identified which brands had the natural fit to move into pasta, cereals, and desserts,” Zaheer explains. This portfolio consolidation, combined with unified marketing and supply chain operations, positions the company to leverage each brand’s strengths in their respective market segments.



We asked ourselves, ‘Why do we exist?’

But perhaps the biggest opportunity lies in Pakistan’s dairy market itself. “A one percent conversion from loose milk into processed industry represents \$340 million,” Zaheer explains, highlighting the sector’s untapped potential. Today only eight percent of Pakistan’s milk production is currently processed and packaged, compared to 90 percent sold as loose milk. Recent developments, including Punjab’s minimum pasteurisation law and the government’s Livestock Vision 2025, signal increasing support for formal sector growth. As chairman of Pakistan’s Dairy Association, Zaheer sees shifting government perspectives. “Today, the government views this very differently. Their appetite to bring more players into the formal segment is much higher than ever before.”

For Fauji Foods, the path to becoming a 100-billion-rupee company is clearly mapped. “Pakistan is a consumption market,” Zaheer concludes. “If you look at the top 10 corporations, the top four are food companies. We are in the right country, the right business, and looking ahead for a long period of sustained growth.”

As Pakistan’s dairy sector stands at a pivotal

moment with increasing regulatory focus and growing demand for processed products, Fauji Foods’ journey offers a modern solution in a traditional world. The company’s blend of operational excellence, community engagement, and strategic expansion suggests that Pakistan’s dairy sector is ready for its next chapter. For Zaheer, the transformation from a single digit margin business to an industry leader may just be the beginning. 🔄

“Working with Fauji Foods has been incredibly rewarding. Their commitment to innovation and feedback has fostered a strong partnership, enabling us to tailor solutions effectively. Together, we’ve achieved remarkable results that exceed expectations and drive mutual growth.”

AWAIS BIN NASIM,
Managing Director, Tetra Pak Pakistan

**This is not a package.
This is decades of
food expertise.**