Growers concerns over lower paddy prices

In the absence of a policy to support them, paddy growers are forced to sell their produce at very low prices. The beneficiaries of lower prices are the food processing companies, rice millers and the middle men.

Farmers in Sindh have sold non-Basmati varieties of paddy for just Rs725-750 per 40kg during this season to the agents of food processing companies and rice millers. And growers of Basmati varieties both in Sindh and Punjab are getting Rs1000-1050 per 40kg.

Farmers complain that selling paddy at these prices doesn't even cover the farm input costs and if the government does not announce and implement higher support prices they would launch countrywide protest. Pakistan People's Party says it would join such protests if farmers' demand is ignored.

Growers lobby groups want paddy support prices to be fixed at Rs1200 per 40kg for non-Basmati varieties and Rs2000 per 40kg for Basmati varieties.

According to an official of the Ministry of National Food Security and Research. "After the 18th constitutional amendment, agriculture is a provincial matter and same-level support price fixing cannot be expected across all provinces,"

He further added "If political leadership in every province starts demanding fixation of unreasonably higher support prices of certain crops at the federal level instead of fixing a support price ahead of harvesting it will only complicate things."

Unlike wheat and sugarcane, the economics of rice is a bit more complicated. The country produces surplus rice and has been its traditional exporter. Rice exporters and food processing-cum-exporting companies have very close ties with paddy growers.

First is the slow growth in per-acre yield and rapid increase in input cost; second are pre- and post-harvesting losses; third is involvement of the middlemen in value-chain, and fourth is growers' lack of knowledge about the changing agricultural market dynamics.

The issue of increase in input cost can be tackled not only by government interventions.

Boosting per-acre yield is a must to keep the per-acre cost of a crop in check. "I have seen in Japan a mechanical harvester driven by a single man reaping paddy from a large field in less than an hour."

The involvement of the middlemen in agricultural value-chain is an issue that the federal government and the State Bank have recently tried to address. The SBP's latest value-chain financing scheme, when implemented in full, would help growers get a better price for their produce.

Also, the growers' lack of knowledge about agricultural marketing mechanism needs to be tackled.

Options for wheat policy

The interest of analysts and researchers aroused as the country's agrarian economy due to recent increase in the support price of wheat by the PML-N government from Rs1200 to Rs1300.

Wheat being a staple food of the people occupies a central position in framing agricultural support price policy. The crop contributes 13.1% to value added in agriculture and 2.8% to the GDP. It is cultivated on 52.7 % of total cropped area, accounts for 65 % of total food grain production and provides 72% of calories and protein in an average diet.

Though, Pakistan is Asia's third largest wheat producer, it remains a net importer of wheat due to lack of investment, inefficiency and sustained population increase.

Owing to budgetary constraints, it is not practical to fill the total gap between supply and demand through only price support policy; but at the same time, it is also important to consider the distribution of benefits among consumers and producers.

Using the right combination of the policy options i.e. free market, input and import subsidy or price support, the government can meet the required policy objective of benefiting consumers as well as producers. It is necessary for the government to choose an optimal combination of the available alternative policy options.

It is estimated in a research paper that when import and input subsidy are combined, producer's loss decreases continuously with the increase in input subsidy component. The cost to the government is increasing with the increase in input subsidy and the fall in import component. By combining price support and import subsidy option it is estimated that producer's gain increases with the decrease in import subsidy and increases in price support whereas the cost to the government rises continuously.

The net benefit to the society remains negative for all combinations of import subsidy of wheat and price support. Producer's gain and government cost rises as the share of price support increases.

When all the three alternatives i.e., import subsidy, input subsidy, and price support are combined in different proportions the optimal net benefit to the society is observed under a policy where import subsidy and price support is 10% each and input subsidy component is 80%.

Therefore the problem can be handled with the help of a combined policy option by selecting the most desirable combination of the alternative policy options.

Issues in farm mechanization

The pace of balanced and integrated farm mechanization has been slow despite its vital role in modernization of farming and in raising its productivity.

Some of the reasons may include lack of policy direction, low bank lending for agricultural development and poor state of local agricultural machinery manufacturing.

Successive governments have focused on launching and re-launching subsidized tractors' schemes for farm mechanization while solar-powered tube wells and drip irrigation and sprinkler systems have virtually been on the back burner but for some initiatives in recent years.

The tractor schemes have helped mechanization of farming. About 76% farmers now cultivate land with tractors, 20% with tractors and draught animals and only 4% use draught animals alone, official stats reveal.

One of the key factors responsible for keeping agriculture where it is now is the rise in per-acre yield which is low and slow, pre and post-harvest losses are huge and processing, grading and packaging of agricultural produce is wanting on many counts.

A study conducted by the University of Agriculture, Faisalabad, found a few years ago that in large parts of Punjab wheat growers use lesser than recommended number of machines which affects the crop yield. The same can be said about growers of major crops in parts of other provinces as well.

"One important reason for this is that a majority of farmers, particularly with small land holdings, don't know how to prioritize input spending", says a former secretary of Sindh agriculture department. "Banks' low lending for agricultural machinery and unorganized nature of agricultural manufacturing also hinder promotion of farm mechanization."

Agriculturists say that farm mechanization cannot be promoted without developing comprehensive data base—and, of course, a well-integrated policy. Development of a detailed database is crucial to help policymakers understand the current status of farm mechanization and identify the areas where improvement is required.

Per-acre output of food and non-food crops tend to rise with increase in the area under cultivation because of economy of scale in inputs' cost that comes along with it. Better seeds and proper care of crops also boost per-acre yields. But farming machines work wonders.

Farmers, for example, point out that mechanized broadcast seed-sowing gives more even distribution of seeds across the field and leads to higher yields. But they complain that manufacturing of this kind of machinery is almost missing and imports prove costly. They say that instead of just providing subsidy on tractors, provincial governments should give subsidy on a wider range of agricultural machinery.

In the last two fiscal years, Punjab and Sindh have provided 25,000 tractors on subsidized rates to growers which has helped them boost their farm produce to some extent.

Officials also point out that subsidized solar-powered tube wells are being installed at farm fields in many districts of Baluchistan and Punjab which are widening the scope of farm mechanization.

Decline in Banana crop

Owing to the damage caused by frost early this year and the subsequent high velocity winds with rising temperatures, the production of banana in Sindh is expected to decline this season.

The supply situation is keeping prices on the higher side. Some progressive banana growers claim that up to 50% of their estimated output would be hit this year by adverse weather conditions. The crop's arrival in the market touches the peak between September and November, and it starts decreasing in December.

The crop is normally available round the year with varying output figures. However, extreme weather conditions this year delayed the banana crop cycle by one and a half months

An area of 25,920 hectares was brought under banana cultivation in 2013 which produced 100,787 metric tonnes of fruit. The latest crop figures are yet to be compiled.

According to a banana orchard owner in Tando Allahyar, Imdad Ali Nizamani, and the crop price varies between Rs60-100 per 40kg, as recorded by sales from his own orchard spanning over 350 acres. He opined that frost attack was unusually heavy due to extended winter early this year, damaging the fruit badly.

He says an orchard of 350 acres produces enough banana to load 599 trucks with each one carrying 262 maunds of the fruit. With such yields, per acre production works out to almost 500 maunds per acre or 1.81 trucks' load.

Banana orchards are also let out to contractors by landowners. The farmers and contractors are said to be working hard on the next generation of fruit, deriving it from the same plant in coming months.

Farmers, by and large, apply surface irrigation to irrigate their orchards which makes it very difficult to meet water requirements for the entire orchard. Water scarcity is increasing in lower Sindh which compromises the crop productivity. Karmaullah Saand is considering opting drip irrigation to raise per acre productivity.

Challenges for dairy sector

THE Netherlands Food and Consumer Product Safety Authority lifted import restrictions on Pakistan on November 7 after the two countries agreed on a protocol to resume trade of live animals after 11 years.

Currently a majority of farms in Pakistan import Holstein cows from Australia. For meat and dairy business, the imports from that part of the world proved very costly, barely affordable by a few businessmen. Many prefer such cows from the US. The decision by the government to allow imports from 'negligible risk' countries has removed the hurdle in the way of such imports. Pakistani farms plan to import dairy cattle, mostly Holstein Friesian.

The agreement comes at a time when the export of live animals, mostly meant for slaughter, is facing worldwide opposition because of incidents of cruelty during the transportation.

However, the Dutch exports will be different. These are essentially of dairy cattle, which in combination with their expertise and services, aim at enhancing productivity of Pakistan's growing dairy sector. The Netherlands is known for being one of the breeders of the famous Holstein Friesian cow.

Pakistan exports beef and mutton to Saudi Arabia, United Arab Emirates, Kuwait, Qatar and Oman, and also to Vietnam in the Far East while animal casings are exported to selective EU markets. There is also a great demand for live animals in Middle Eastern countries and Afghanistan but it is subject to government policy which keeps changing.

However, in the wake of March 2009 decision by the Economic Coordination Committee of the cabinet to allow export of live animals, Pakistan had exported 275,000 cattle and 232,000 sheep to various countries during 2009-13. Later in a July 30, 2013 meeting, the ECC reversed its decision after being told that the country has suffered huge losses as a result of animal exports which had also pushed up meat prices in the country.

Pakistan, according to a Dutch diplomat, is the third largest milk producing country in the world. About a third of the total milk produced by the rural families flows out to urban consumers and processing industries. According to official statistics, the country produced 50.9m tonnes of milk during 2013-14 compared to 47.8m tonnes during 2011-12. Pakistan, which exported 42,105 tonnes of milk and milk powder in 2013, is also among top 10 exporters.

Countries such as China and Saudi Arabia are increasing investment in domestic dairy farming along with joint ventures with multinationals to meet the challenge. However, it offers a great opportunity to Pakistan's dairy sector to compete and increase its exports to other countries.

Focus on green energy

The agriculture sector is about to benefit immensely from the use of green energy as a slew of solar, wind and biomass power projects are coming up, promising improved farm production and cost efficiency.

Several initiatives including development of 100MW solar power station in Punjab and establishment of wind power corridor in Sindh are in progress. In order to provide a national perspective to these efforts, a renewable energy mapping programme has also begun with the World Bank's support.

The $22.5m five-year Energy Sector Management Assistance Programme will measure Pakistan's potential for solar,

wind and biomass energy, using ground-based data collection, GIS analysis and geo-spatial planning.

Under this programme, a high-precision solar measuring station is being set up at the site of 100MW Quaid-e-Azam Solar park near Bahawalpur, Punjab.

The Chinese company involved in the construction of this solar park has brought in 100MW PV modules.

According to the officials in Punjab, once 100MW of electricity is obtained from this $131m project, the output can be raised ten-folds within a few years. They say that power produced here will help reduce energy woes of not only households but of crop growers and livestock breeders as well.

In addition to this, the Punjab government plans to set up 49 separate smaller solar power plants across the province, of 1-50MW each, with a projected cumulative capacity of 215MW. Relevant officials of the provincial government say project sites have already been selected.

Regaining the lost Mexican market

In spite of rice exports on decline, there are hopeful signs of regaining the Mexican market, which Pakistan lost last year after one of its shipments was found infested with Khapra Beetle larvae.

The talks held between the TDAP officials and a two-member Mexican rice quarantine delegation in the second week of the current month on the prospects of removal of the ban on export of Pakistani rice to Mexico. They also visited various facilities to ensure that processing, quality assurance, storage and packing of rice for export was in place.

Although Pakistan's export to Mexico had been on the rise, it was in the first six months of 2013 that a major breakthrough was attained and the Pakistani rice constituted over 23% of that country's milled rice imports. In June 2013, the Khapra Beetle incident took place involving 3,000 metric tonnes of rice which finally led to an indefinite ban on Pakistan's valued export commodity. Central America also followed suit and banned Pakistani rice.

A similar situation had arisen in 2007 when Russian officials had complained of presence of Khapra beetle pest in some rice shipments of Pakistan. In 1995, Pakistan along with Sri Lanka, India and Thailand were denied access by Mexico to their rice market under WTO's Sanitary and Phytosanitary (SPS) rules. In Pakistan's case, the ban was lifted after President General Pervez Musharraf visited Mexico in 2004. Before the ban, Pakistan's rice export, mainly of basmati, amounted to $273m.

The situation in the rice sector has not been very pleasant At present, Basmati rice is being sold in the international market at $1,300-1,500 per tonne. Pakistani price is $100 to $200 per tonne below the Indian rice.

Under the prevailing situation, it is crucial that exporters try to explore new markets. South America is one of the non-traditional markets for Pakistan. In this region, to name a few, Cuba, Brazil, Chile, Haiti, Puerto Rico and Peru are some of the countries that should be explored. Mexico, which Pakistan is about to regain, is the most important market.

Renewal of range lands

In a seminar on the social value of livestock, hosted by the University of Veterinary and Animal Sciences, Lahore, last week, experts warned that the country's livestock population in general, and over 66 million sheep and goats in particular, might be facing a bleak future if the government does not come up with a rangeland policy and mechanism to implement it effectively.

Over 40% of these small animals depend on the rangelands for fodder, which are now being destroyed by a combination of factors including gross overgrazing, cyclical droughts, expanding population, no system or policy for their

safety or renewal and decreasing water supplies. Pakistan may soon start feeling more pressure on both, supplies and prices, of its choicest meat.

Since most of the lands are rain-fed, most farmers living around these lands have uncertain income from crops; their dependence on livestock for sustained income is thus overwhelming. With no one there take care of these lands, they are also ripped off grass, brushes and shrubs for cooking by those living around them. The situation is especially bad for lands falling on the routes of nomadic tribes in the country.

The problem arises when all people living on and around them and migrating through them have equal right on these lands, but no one is responsible for their health and safety.

Agriculture, where livestock is taken as a sub-sector, is the main beneficiary of these lands, but most of them fall under the provincial forest departments. Experts now want all the stakeholders to sit together and hammer out a policy for these lands with an effective mechanism to implement it.

Some experts also explain some possible contours of the policy, which might include restricting the grazing to certain periods of the year and allowing re-growth of grasses, brushes and shrubs on these lands. During the monsoon, plants rejuvenate. The grazing is, however, an activity that goes on around the year. Restricting grazing is thus necessary. The second plank of the policy could be shifting the responsibilities to the communities for the safety and health of these rangelands where they live. Since they are the major beneficiaries and the losers, they need to play a lead role for maintaining these pastures.

But before initiating any policy with the help of experts, the government needs to collect data on these lands: their ecological and seasonal variations, their current usage and potential, and the number of people and livestock depending on them.

The government needs to restrict grazing during the spring months, when plants are growing and then when their seeds are ripening. Saving production cycles can, to a large extent, save these lands. It can only happen if local farming community takes the responsibility. The government cannot do it administratively.

Quest for food import-substitution

Lower oil and commodity prices are sure to cut the food import bill. But this does not prevent the need for import-substitution for food products, without which food self-sufficiency and sustainable trade surplus cannot be achieved.

The average growth in per-acre yield of some food crops, e.g. wheat, is not fast enough to keep pace with population growth and rising per-capita consumption. The crop output is large enough, though it mostly varies from year to year, productivity per acre and export surpluses need to be improved.

Meanwhile, imports of value-added and branded food products continue to rise in the absence of development of the food industry. Despite efforts, production of minor pulses, on balance, remains erratic and every year the country has to import a few varieties of them. In past few years, larger production of chick peas and black gram has resulted in larger availability of gram pulse.

Though an integrated food imports substitution policy is still missing, some efforts have been made to boost oilseed production; plantation of olive has been promoted in recent years; milk processing companies have increased production of packaged milk and a pilot project of tea plantation in KP has got renewed government support.

Other measures include launching of new crop seeds, increase in support prices and larger farm loans for growers, to facilitate faster growth in per-acre yield of food crops to avoid or cut imports of such items like wheat and sugar. But a sizable chunk of food imports come in the form of value-added, branded food products.

For example, in spite of growth in spices, pickles and juice manufacturing, the domestic markets is flooded with scores of Indian spices, pickles, jam and jelly and juices of US and European brands.

In order to promote import-substitution, facilitating business start-ups in the food processing industry is necessary for a more competitive environment.

Half a dozen milk processing companies are currently doing well locally, and two of them are also engaged in exports. But these firms are mainly part of large business groups. For any import-substitution plan to work, smaller, stand-alone companies must be encouraged to come up with newer brands of packaged dried milk.

A wider avenue for farm exports

Finance Minister Ishaq Dar is taking personal interest in pushing up exports, feeling encouraged after a recent Pakistan-Russia inter-governmental committee meeting where several Russian companies showed interest in trading with Pakistan.

The food and commerce ministries, on his instructions, are now busy in preparing a plan for boosting farm exports to Russia.

He said, "We should properly inform our traders that they can diversify their export destinations, taking advantage of the opportunities for agricultural exports to Russia".

Russian imports of food-related commodities were worth about $39bn in 2013, about $23.5bn of which was in categories affected by the Russian ban on exports primarily to the Western market. From the countries covered by the sanctions, Russia imported $17.2bn worth of food which it will now import from other countries.

Pakistan's current trade with Russia is about $550m which, given the existing potential, can be further enhanced. Pakistani potatoes and citrus fruits are already being exported. There is a big demand in Russia for seafood such as shrimps, prawns and shellfish and also for hard cheese and marbled beef. It may require special expertise to win space in the Russian market.

In September, a 20-member delegation of Pakistan fruit, vegetables exporters Importers and Merchants Association (PFVA) led by Waheed Ahmed visited Russia to explore the prospects of export of fruits and vegetables in the wake of ban on imports of such items from Europe.

They found Russian officials keenly interested in Pakistani commodities and were willing to extend preferential treatment to Pakistani exporters to have a sizable share in Russia's $2bn fruit and vegetable market.

Early this year, Russia and Pakistan signed a protocol for facilitating export of kinnow, rice and potato at a ceremony in the wake of visit of six-member Russian delegation which saw facilities and quality of Pakistani food products in various cities.

Meanwhile, Ishaq Dar has directed the ministries of commerce and national food security to coordinate in identifying exportable food products, keeping in view whether surplus quantities and requisite quarantine arrangements were available.

Depressed commodity prices to impact agricultural growth

High concerns are being raised about agricultural growth prospects during 2015. Three factors are considered mainly in this regard

Poverty (as a majority of farmers are unable to invest in crops), the confusion about the federal and provincial governments' jurisdictions, and climatic changes that make the production cycle uncertain.

In many cases the farmers were not able to recover even cost of production and have lost money on almost all major crops cotton, rice, cane and wheat during 2014;

For cotton growers, the government had to induct the Trading Corporation of Pakistan (TCP) to support market price to some extent. Under these circumstances, the farmers have precious little to invest on next crops that dim prospects for 2015.

The farmers' ability to invest on inputs seems to have been significantly lost. On the other hand, the cost of inputs keeps rising for a number of factors; cartelisation of the market and small players greed to reap windfall every season being prime factors.

The farming community is thus caught between falling income and rising cost of inputs and it could define the prospects of agricultural growth during 2015.

Without any institutional input, decision-making is hijacked by lobbies, which has managed to bring cane prices down for a week or so and made billions of rupees out it; they managed duty-free import of skimmed milk and started manufacturing milk at the cost of farmers. This confusion on mechanism, mandate and decision-making, in all probability, would continue during the next year and test agricultural abilities of the farmers and farming.

To top them all is water scarcity, exacerbated by climatic changes and Pakistan's inability to respond to it through a well thought-out planning and strategy. In a recent report, the State Bank of Pakistan had termed climate change not just a global debate, but a major threat to Pakistan; particularly, when it raises risks for food security.