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THE present regime, in the budget 2001-2, had termed the agricultural as the most important sector among the four in leading the process of economic growth and development in the country.

The main reason for this special emphasis on agriculture is its central position in the national economy, wherein it contributes 25 per cent to the GDP by absorbing about 44 per cent of the country's workforce and contributes considerably to the export earnings.

The main focus of the public policy for agriculture, this year, lies in mitigating the effects of the prevalent drought. The government considers it as a major cause for the last year's poor performance and overall economic growth slowdown. The policy approach, however, raises some questions: Is drought the major cause of the poor performance or do the budgetary initiatives address the main constraints of growth in enhancing the role of agriculture in the overall economic development?

The main reason behind the poor performance in this sector can be traced in the sectoral composition and key sources of agriculture income, based on crop and non-crop sectors or the major and minor crops. Cotton, sugarcane, wheat, and rice are the major crops, while oil seed, cottonseed, sunflower, canola, pulses, potatoes, onion and chilies are the minor crops. The other sub-sectors of non-crop income are livestock, fishery and forestry.

The agriculture registered a negative growth of 2.6 per cent against 6.1 per cent in the last fiscal. Major crops, which account 40 per cent of the value-added recorded a negative growth of about 10 per cent against a substantial positive growth 15 per cent in the preceding year. The area, the production and the yield of all major crops, this year, registered a decline: cotton 5.5, 4.5 and 2.7 per cent; sugarcane, 4.9, 5.9 and 1.1 per cent; wheat, 3.8, 12.1, and 8.5 per cent; and rice, 5.5, 6.8, and 1.4 per cent, respectively. The other main contributor for minor crops — accounting 17 per cent share in value-added agriculture — registered a slight growth of 1.1 per cent against a negative growth of 9.0 per cent last years, 1999-2000, see graph.

The other sub-sectors noted slight growth, increasing their value-added share to 42.6 per cent from 39.6, with a positive growth of 4.0 per cent against

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culture value-added and 9 per cent of the GDP. The share of the forestry raised marginally, while the fishery dropped slightly playing a dormant role in its income. There is little doubt that drought has affected the agriculture and the national economy. There are, however, also other structural constraints and weaknesses in the sector and public policy for agriculture. As the sector does not have diversified sources of income, its whole performance depends on few major crops. If the production of one crop is good the growth is high and if not, then the not only the sector but the economy too, suffers heavily. The graph shows that if there is growth for major crops in one year, it declines sharply in the following year. For instance, the growth of major crops, last year (1999-2000) was above 15 per cent, mainly due to the bumper wheat and cotton crop. In the following year its growth fell by more than 10 per cent.

The public policy for agriculture has a very narrow base



which mainly focuses on major crops and completely ignores the other potential sub-sectors. Livestock, a single largest contributor in the agriculture and a main source of income for the rural poor is an example of this. This year when the drought wiped out over 200 million livestock, the sector still reflected a growth of nearly 5 per cent against the 2.3 per cent in 1999-2000. Its average growth from 1994-5 to 1999-2000 is 7 per cent. With all its importance and contribution livestock remains a highly ignored, under-developed and under-utilized sector in the

the problem. The allocated amount of Rs86 billion is below the income contribution of only one drought-affected subsector of the agriculture which has provided Rs94 billion.

The price liberalization policy consists of government's support for the major crops; lifting of restrictions on wheat movement, greater role for the private sector, and the role of the Trading Corporation of Pakistan (TCP) as a second buyer in the market. There is little doubt that it is a good initiative of the government to enhance the role of market forces in the agriculture. Nevertheless, it is also government's responsibility to ensure the protection of small farmers for many exploitation through its regulatory role without distorting the market factors.

There are two policy announcements in respect of investments, the introduction of corporate farming and the increase in formal credit for the agriculture. The main focus of the corporate farming is the mechanization of the agriculture at large scale through the duty-free import of machinery and other concession to the large land holdings and other potential investors. Pakistan is a labour-intensive country, rural unemployment and poverty is already high, with the danger that the corporate farming may further strengthen the power of large landholders and the risk of displacement of the peasants.

The other component of investment initiative is the enhancement of formal credit. There is no doubt that lack of credit is a major constraint in agriculture development. The main beneficiaries of this however, are mainly the large landowners, not the small and poor farmers. It is the government's responsibility therefore to ensure that this credit would be only available to the needy and small the farmers. Moreover to improve the accessibility of credit for the poor, the government should increase the coverage of newly established micro credit/Khushhali banking in the remote areas of the country.

The government has announced the establishment of Rs10 billion drought relief fund to mitigate the effects of the

The budgetary measures for agriculture can be broadly divided into the four categories: water conservation policy; price liberalization policy; enhancement in investment; and setting up a drought relief fund.

The water conservation policy is one of the main announcements of the government for agriculture development putting emphasis on the construction of dams with an allocation of Rs86 billion — over the three-year period, improvement in public financing for the installation of new tubewells and influencing the existing cropping pattern from high water crops to less water and commercial crops.

Construction of dams: The main focus and emphasis of the government's policy, however, is on the construction of dams and increasing the storage of water capacity. In the light of the prevailing conditions this announcement may help in meeting the challenge of water scarcity. However, it lacks the environment-friendly direction and the sufficiency of resource allocations. It is the continuity of traditional and environmentally unsustainable approach of increasing the storage capacity through the construction of dams.

It calls for increasing the accessibility and efficiency of water usage at various level and the community participation for better and sustainable management of water at the local level. The amount allocated is very low as compared to the extent of

source of financing. The amount will be disbursed among the provinces on need basis. The establishment of the fund is a good decision of the government. However, its allocation, financing, and procedure for the disbursement have raised some serious concern for its effectiveness. The amount allocated for the fund is inadequate compared to the damage of the drought; the procedure for the disbursement of the fund seems very complicated; and the government has not allocated a single penny from domestic resources for such an important task. The whole financing for this has been made dependent and linked to the foreign funding. **Conclusion** Roman

There is little doubt that the prevailing drought has affected the performance of agriculture, however, this is not the only cause of a negative growth. The other reason is the poor diversification and narrow base of the public policy for agriculture. The amount allocated for various initiatives is meagre and their source of funding is uncertain.

If the government is serious to enhance the role of agriculture to lead the process of economic growth and development in the country, there is a need to introduce diversification and enlarge the base of the sector and the public policy from its narrow focus of major crops to other potential areas, like live stock.