Corporate farming— a new road

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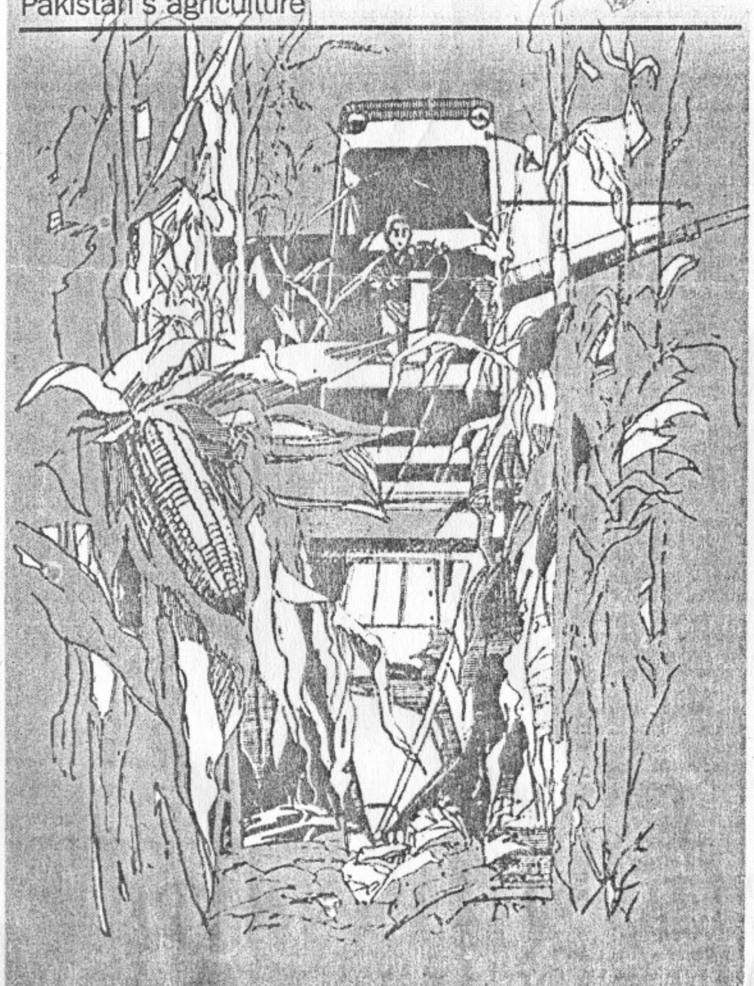

By Dr S. Bari

Whatever happens to agriculture sector is bound to affect not only the country's growth performance but a large segment of the population as well. Like in South Asia, poverty in Pakistan is largely a rural phenomena, and agriculture will have to play a critical role in the fight against poverty. It is because of its central role in reviving economic growth and reducing poverty that the government has identified agriculture as one of the major drivers of growth-oil, gas, SMEs, and information technology are the other drivers of growth.

Agriculture has grown at an average rate of 3.5 per cent per annum since 1991-92 with wild fluctuations-rising 11.7 per cent and falling by 5.3 per cent. Corporate Agriculture Farming is set to translate a revolutionary concept into reality. The federal cabinet has approved the Corporate Agriculture Farming package. The package has exempted duty and sales tax on the import of machinery and equipment for the new farming system. Another vital feature is the provision restricting corporate farming the firms incorporated in Pakistan under the Companies Ordinance 1984.

The basic idea behind Corporate Agriculture Farming is to put the dynamism of the private sector to good use for exploiting the tremendous potential of Pakistan's agriculture. Agriculture sector contributes 24.6 per cent to GDP and 46.8 per cent of labour force is employed in agriculture sector. 49.0 per cent of total value of industrial production comes from agro-based industries, including textile and sugar. Two-thirds of total population lives in rural areas which, directly or indirectly, depends upon agriculture for their sustenance. About 67 per cent of total export earnings are derived from agriculture-based commodities/products. Pakistan has a total geographical area of 79.6m hectares. Of this 9.1m hectares land is culturable waste. Culturable waste is that cultivated farm area which is fit for cultivation but was not cropped. The reasons may be lack of water availability, lack of interest, financial resource constraints to buy proper equipment and inputs for cultivation of crops, remote areas from the villages/cities, etc.

Culturable waste area is almost half of the cultivated area. Development of this area is not only better for investment but also have potential to contribute to increase in agricultural production. About half of the culturable waste area is in the province of. Balochistan. Agriculture had remained held too long as hostage to the early planners' vainglorious economic policies that had been proving increasingly detrimental to our predominantly agrarian economy.

Making a bold departure from the earlier focus on boosting farm yield, the corporatisation plan envisages an all-inclusive effort, encompassing the whole range of agriculture as a multi-pronged business activity. Not merely confined to large-scale mechanised cultivation, it also covers post-harvest activity in all its dimensions, with emphasis on expansion of the too deficient storage facilities in such a way as to help brighten the prospects of value-addition in both cash and food crops, including fruits and vegetables. This should explain the emphasis on setting up silos and cool chains, the glaring lack of which over long decades had continued adding to the predicament of the country's outmoded agriculture in its entirety.

It is, therefore, essential that as corporate farming takes root the government must institute strong incentives for industrialisation in these areas, particularly agro-industry so that the increasing numbers of unemployed get absorbed in new occupations in the vicinity of their homes. This effort would have to include also training programmes for basic industrial skills to be imparted to the rural folk.

Development programme— a much needed hike

Photo

It is high time that only realistic targets are fixed and chased with greater determination

By Ali Hamid Jafary

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The National Economic Council has approved Rs134bn public sector development programme for the next financial year, focusing on the development of water and power, railways, roads and highways. The allocation for education, health and poverty alleviation has been put at 40 percent of the total outlay-a much-needed increase. Out of Rs134bn new PSDP, Rs23.7bn has been kept for water and power, Rs7bn for Railways and Rs15bn for roads and highways.

Public sector development spending has recently shown considerable improvement. However, more is needed on this front. It has to come up to the needs of essential infrastructure, expansion in social services and poverty reduction. It has to go beyond the four percent of the country's gross domestic product. This figure needs to be restored to its traditional level of at least eight percent of the GDP.

The significance of public sector development spending lies not only in its direct contribution to national economy but its size and complexion having a direct bearing on the private sector investment initiatives. The private sector will prefer to venture into those areas where the government has created sufficient and dependable infrastructure. It underscores the need to keep on replenishing old infrastructure and building the new one.

Social sectors need also to be looked after as they too need larger allocations. The rising incidence of poverty has put additional demands on national resources. It is all the more important that development projects are selected with care and implemented without unnecessary delays. As PSDPs are usually dependent on foreign economic assistance, they should be designed to create in the economy sufficient capacity to repay some of the country's debt obligations.

The government's annual income leaves little for development spending in the public sector. This trend has to be arrested as the government should be able to create enough resources to finance its current expenditure and at least part of its development expenditure.

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The process should be enlarged on a sustained basis reaching a stage where PSDP dependence on borrowed funds is totally eliminated.

As for the growth target of 4.5 percent fixed for the next financial year, this should not be difficult to achieve but a determined effort will be necessary to achieve this goal. The agriculture sector has registered 1.4 per cent growth against minus 2.5 per cent of 2000-2001. The manufacturing sector witnessed an increase of 4.4 per cent in 2001-2002 against the revised target of 3.8 per cent. Large-scale manufacturing was 4.4 per cent against the revised target of 3.3 per cent. Had there been no impact of drought, the GDP growth could have reached to 4.3 per cent.

The per capita income grew by 3.2 per cent and inflation remained 2.5 per cent, which was the lowest in three decades. Exports reached to $9bn against the target of $10bn due to cancellation of orders in the aftermath of September 11th events of last year. Export of cotton cloth was 12 per cent, bead wear 26 per cent, towels 17 per cent and readymade garments 23 per cent. There has been a significant improvement in the exports of value-added products. Current account balance was surplus by $2bn due to $1.2bn foreign remittances received till the month of May this year. The final figure of remittances is likely to reach $2.2bn by June 30th this year.

The foreign exchange reserves have reached $5.6bn and would touch $6bn by the end of the current financial year. Foreign debt has been reduced from $38bn to $36bn. However, it is high time that only realistic targets are fixed and chased with greater determination.