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Dawn

Oilseeds policy muddle

WHILE the demand for edible oil in the country is rising in step with the increase in population and rapid urbanization, the domestic production of oilseeds is declining because of the failure of the government to tackle problems and obstacles affecting the cultivation of oilseed crops. Latest reports show that the cultivation of canola and sunflower has drastically fallen from half a million acres in 1998-99 to 150,000 acres during the current year. This has happened when local production of oilseeds takes care of only 32 per cent (much of which is the byproduct of cotton) of the national requirements of 1.9 million tonnes a year. Thus, as much as 68 per cent of the demand for edible oil has to be met through imports (mainly palm oil and soyabean oil) from abroad. Being the second most important single item on the import list, huge foreign exchange is spent on its import.

The policy regarding oilseed production has been erratic, with more attention being paid to local production when international prices are high and indifferent when these prices fall. Three years ago when the import bill had risen to $ 913 million, there was a sort of emergency and urgent measures were sought to be taken to raise production. Procurement prices were fixed and purchasing centres set up. But soon international prices fell and the import bill came down to $ 500 million causing relaxation in promotional efforts. For the last 18 months, support prices have not been fixed and no proper arrangement made for purchasing the crops, with the result that many farmers, having sustained losses, have switched over to the cultivation of other crops.

There is some confusion about the policy in respect of oilseed crops, emanating, it seems, from a lack of congruence between different other related policies. For instance, fiscal policy aims at maximizing revenue generation, in whatever way possible. Higher imports, whatever the items, serve the objective by yielding higher revenues but, at the same time, put a strain on balance of payments. The objective of increasing oilseeds production has been linked with higher import of oil as the operations of the Pakistan Oil Development Board (PODB) are financed through a cess on the import of edible oil. The more the imports, the higher the revenues for the PODB and vice versa. The functionaries of the board are aware of the fact that if they succeed in raising production and lessening imports, the revenues of the board would decline, confronting them with a situation of financial stringency. This may be having a dampening effect on their efforts to promote oilseed production. What is needed is a clear-cut approach requiring interrelated sectoral policies and objectives to be brought into greater harmony.

First of all, the efforts of the PODB should be delinked from the volume of imports. The board should have a budget of its own, quite independent of the cess revenues which would fall as efforts of the PODB succeed and local production of oilseeds rises. Second, since the cultivation of oilseed crops would initially be small and scattered all over the country, support price needs to be fixed and purchases by official agencies and private traders fully ensured. These purchasing centres should be located as close to the areas of cultivation as possible. Import duties on edible oil should be fixed keeping in view support prices so that farmers get a fair return. The IMF insistence on abandoning the policy of support price may, for the time being, be ignored. A comprehensive edible oil policy covering both import and local production needs to be adopted as early as possible to reduce dependence on foreign sources of oilseeds.