

WTO and corporate agri

Dr. Mian Sarfraz Ahmad says that the Pakistan government, by having failed to identify alternatives to insufficient homework to prepare the public and the farming community to face WTO implications

Agriculture
Pakistan

Among 142 nations, Pakistan is a signatory of World Trade Organisation (WTO). The agreement is to be implemented within two years in the farm sector in Pakistan. So far the country government has carried out insufficient homework to prepare the public and farming community to face the WTO implications. The public in general and farmers in particular are unaware in this regard. Specifically, the implications on small farmers are disastrous. The federal cabinet, in a recent decision, has approved corporate agriculture farming (CAF) in the country. In other words, WTO is now on our doorsteps. We have failed to identify alternatives to restructure the farm sector to mitigate the negative impacts. By adopting CAF we are paving way to embrace WTO. There is a big question—what is the future of small farmers that are 81 per cent of our farms under the new dimensions of corporate agriculture as WTO Agreement is implemented in the year 2004-05?

The farm sector plays an important role in Pakistan's national income. Presently, it contributes more than 24 per cent share to the GDP. It employs about half of the rural labour force of the country. Similarly, it is the largest contributor to the foreign exchange earnings. At the same time, the farm sector supplies basic raw material to the industry like textile, sugar, and many others. The farming community is putting all efforts to materialise these achievements. Land and its distribution is detrimental factor in resource ownership, farm incomes, and agricultural decision-making. The distribution of land is categorised into: small, medium and large farmers farms. Among these categories small farmers (5-12.5 acres of land holding) farms

occupies a pivotal position in the farm sector. In addition, there are marginal farms (up to five acres of land holding). In general, for the purpose of analysis in agrarian studies these two categories are grouped under small farmers. According to the recent official statistics there are 5.07 million farms in Pakistan. About 81 per cent farms are grouped under small farmers including marginal farms occupying a land area of about 39 per cent.

There are specific characteristics inherent with small farmers. The Major characteristics are; illiteracy of farming community, family labour based farm operations, large family size, non-availability of personal capital, high farm debt, high consumption share of farm output for home, unplanned enterprise combination, higher degree of risk, lack of storage facilities at farm level, low marketable surplus and deficient markets. Therefore, small farmers producers work under economic stress, social disparities and injustice. Although above characteristics indicate a dark picture of small farmers yet their efforts and contribution to farm output and national economy are commendable. Studies have shown that small farmers practice 30 per cent higher land use and cropping intensities and higher irrigation intensities, grow 28 per cent more acreage of wheat, 118 per cent more acreage of rice, 489 per cent more acreage of maize, 54 per cent more acreage of cotton, 212 per cent more acreage of sugarcane, 66 per cent more acreage of fodder, etc., as compared to large farmers. Small farmers could not prosper and reap the gains whether it was 'green revolution' during sixties or successive land reforms introduced by the Muslim League, Bhutto, and/or Zia. The major beneficiaries have been the large farmers. There is a

big question what is the future of small farmers under the new dimensions of corporate agriculture as WTO agreement is implemented?

The WTO and corporate agriculture In 1947, the General Agreement on Trade and Tariff (GATT) was signed. The purpose was to facilitate international trade between nations. In 1995, GATT was transformed to WTO. In brief, major objectives of WTO are; trade liberalisation, privatisation, increased market access, reduction of domestic support for agriculture and export subsidies, raising the standard of living of people, standardised farm output, free international competitive agriculture trade, multinational corporate foreign investment in farming, and to attain level of full employment, and the Trade-Related Intellectual Property Rights (TRIPs). The salient features of WTO are summarised below:

to act as a forum for continuing negotiations on trade and investment rules

to settle disputes between member countries

increasing free trade through the reduction of tariffs and non-tariff barriers

reducing unfair practices such as export subsidies and dumping

At present, 142 nations including Pakistan have signed the agreement to implement WTO agreement by the year 2004-05. The developing countries were given grace period to make adjustments according to their domestic situation. In this regard, the government has carried out insufficient homework. The public as well as farmers are unaware about CAF and WTO and the resulting implications in farming.

The concept of corporate agriculture is new in our setting. It is the farm production that is contributed by few very large multinational corporations. The input package includes high available technology

(seed, fertilisers, chemicals, heavy farm machinery and equipment) combined with high valued output and by-products, greater investment and credit opportunities, arm processing, storage, and efficient marketing in competitive international markets. In adopting CAF existing structure of agriculture in Pakistan will significantly change. Thus, major structural adjustments are anticipated in this sector. CAF is a major approach that achieves the intended objectives of WTO.

Implications

In Pakistan, WTO Agreement may have adverse impacts on the economy. There are many policy adjustments and infra-structural improvements needed in a limited time. Under the new system, import of agricultural commodities will be affected adversely to start with as subsidies are withdrawn. The government cost would reduce in terms of farm price and income support systems and withdrawal of subsidies. However, prices of agricultural commodities will tend to increase. Some countries with well-developed infrastructure and well-organised markets are able to enjoy more benefits. Unfortunately, such arrangements are poorly developed in Pakistan. Similarly, the package of information technology, studies on investment, policies on competitiveness, and transparent role of government to facilitate agricultural trade as approved in the WTO ministerial meeting held on December 9-13, 1996 at Singapore may not be fully heaped by Pakistan due to lack of facilities in terms of education, technology, and infrastructure. Similarly, WTO will effect negatively to small farmers. Such farms would disappear in the long run due to the process of economic cannibalism. Multinational corporations will enjoy broad-based resources in credit, investment, inputs, big machinery, large land

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ownership, high-valued inputs and outputs, and competitiveness. They will eventually swallow small farms. The existing small farmers would either opt for signing contracts for production for large corporations or serve as paid employees at the mercy of the management of multinational corporations. On the other extreme is the possibility that the small farmers may leave agriculture profession for the rest of their lives and thus migrating to urban areas for earning their livelihood. This will in turn create an extended problem of urbanisation that the country may not bear any more.

The government has a limited time of two years to act upon. The following measures need immediate attention of the government:

1. There is a need of general awareness among the people and the farming community regarding WTO principles and laws and its implications on the economy and the farm sector.

2. Series of seminars should be arranged throughout the country to highlight WTO implications on the farm sector with special reference to small farmers. In this regard the University of Arid Agriculture, Rawalpindi took a pioneer step and organised a seminar in July 2001 followed by another at the University of Agriculture, Faisalabad in October 2001. Two seminars are insufficient for such vital issue. More seminars should be organised in other provinces. Recently, the International Islamic University, Islamabad has completed a short course related to WTO. Moreover, the University of Arid Agriculture has planned to hold a seminar on Intellectual Property Rights (IRPs) and a short course on WTO with special reference to the agriculture during September 2002.

3. Protection of small farmers should be one of the central issues in structural adjustment plan of the

policy. Improvements in the small farmers' economy will eventually pave way to sustainable economic and social development of the country. Micro-business in the fields ornamental/landscape plants, cut flowers, mint and oil extraction units, poultry and fisheries should be planned for small farmers as alternative enterprises.

4. Organised markets with good infrastructure should be developed for local marketing to offer an alternative channel to small farmers as compared to international competitive markets.

5. Waste and barren lands and ranges and pastures are good areas where role of multinationals can contribute in the development of our agriculture.

6. Foreign corporate institutions should be negotiated to invest and develop all such land categories.

7. Another area where multinationals can contribute is livestock, milch animals and milk by-products. The government livestock farms are inefficient. These should be leased out to multinational corporations.

8. The government should offer the multinationals to invest for the development of cultivable wastelands, deserts, and hilly lands. The Northern areas of Pakistan have great potential that is unexploited. The WTO should be offered to make future investment in these areas for development.

9. A well worked out plan should be prepared to absorb the displaced farmers in the rural areas as multinationals pour in our farming. The adjoining big towns should be declared as centres of small industrial units that can offer jobs at local level to farming community. This will ease future anticipated population flow to the cities. ■

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