

Increase in fertilizer prices squeeze profit margins of farmers

The series of good crops and strong commodity prices in the past has changed the fortune of the farming community in the last few years. But the domestic agricultural sector has gone through a number of market changes, the most important being the sharp increase in fertilizer prices (urea in particular), along with inflationary pressure and damage caused to the crops by heavy rains and floods.

As fertilizer cost constitutes 30% to 40% of the total farm, increase in fertilizer prices has not done well to the prosperity of the farming community.

As a result, wheat production in Kharif season 2013 was reported at 23.3 million tons, which represented a decline of 4.9% and missed the target of 25 million tonnes for the year. As local demand exceeded domestic production. Going forward, the wheat production target for 2014 has been set at 25.5 million tonnes, which may be missed unless the farm economics improve. According to current estimates, 2014 production could amount to 24 million tonnes —short of the target by 1.5 million tonnes.

Asian Development Bank to spend USD 1 million on Basmati rice

Basmati rice is famous for its aroma, long grain, better cooking and eating quality. It is a leading foreign exchange earner of Pakistan, which captures more than two-thirds of the world's basmati production.

The Asian Development Bank (ADB) will assist the Punjab government with a project to overcoming the major problems affecting the province's basmati rice in order to regain and sustain its world competitiveness and improve foreign exchange earnings. The major challenges include high production costs and declining yield of current basmati varieties making its cultivation a less profitable venture to Punjab rice farmers. ADB will spend \$1 million on the technical assistance, which will focus on measures that meet the criteria of achieving tangible results within two to three year

Pakistan earned about \$1 billion from basmati exports of 1.5 million tonnes in 2012. Basmati is grown mainly in Punjab province, and in fiscal year 2012, 65 per



cent of Punjab's total rice area, or 1.1 million hectare, was devoted to basmati with a production of about two million tonnes. However, the country's competitive edge in the basmati world market has been eroding in the recent years because of productivity and quality constraints. ADB hopes that the project impact would lead to higher incomes of basmati rice farmers in Punjab and higher export earnings from this commodity. The technical assistance will help improve basmati seed varieties, farming and post-harvest practices, and service capabilities.

Shortage of pesticides

Farmers are facing shortage of quality pesticides as these products are not freely available in the market. The supply pressure is constant; prices are increasing due to shortage with uncertainty regarding their effectiveness.

According to the pesticides manufacturers, government policies are creating an environment, where it is difficult for them to manufacture these pesticides. The current general sales tax (GST) regime, has led to the loss of business, which is going to non-professionals hand and therefore government is losing their control.

According to the Pakistan Bureau of Statistics, pesticides imports dropped by a staggering 35% between 2010 and 2012. Experts and importers claim that the trend will continue in 2013. As duties grow on import of raw chemicals, it will encourage people to evade import duties.

Fertilizer prices and shortage of pesticides squeeze profit margins of farmers.



Some of these companies, already import pesticides in the name of other (thinly taxed) products, ranging between 6 to 7% duties against 17% on patented pesticides. This difference of 10% is huge if taken in the market price perspective.

The business is slipping into the hands of those who neither are interested in quality assurance mechanism nor are they answerable to the market. It discourages local manufacturing and on the other hand, there is no quality control on input imports and subsequent products manufactured from those imported materials.

Threat to Punjab crops from floods

Overflowing river torrents and heavy rains have left water standing over a million acres, spread across 25 districts of Punjab. The most affected area so far is the rice (basmati) belt that falls along five torrents feeding Ravi and Chenab. Another challenge is the rivers closer to border areas from where the rain waters enters Pakistan's territory. Farmers fear around 25% losses in production whereas officials put it at 10%.

However, the immediate loss is seen in vegetables, grown in the areas hit by floods and rains. Vegetables logistics have suffered while being transported to the markets. These factors pushed the prices up in major cities of the province and have been keeping supplies significantly low.

The main issue is that while the tributaries have been flowing for millennia, and have fixed routes both for normal flows and even floods, their flows are measured for years and their pattern is known. However, little planning has been done to channelize them safely into their rivers. Rather, over the years, people have

started sowing crops; have built houses and even factories choking their routes and forcing them to flow far and beyond their natural paths, causing damage along the way. These torrents generate different kinds of common and individual planning and execution problems. The most common of them are social attitudes and realities. Threatened by poverty, people grab every inch of land for agriculture, residential and even commercial uses.

According to director Flood Forecasting Division, Raiz Khan, "Unless, they are cleared, no planning would work and clearing them comes at a huge social and political cost.

Within a narrow radius of 50 to 60 miles, these torrents hit irrigation infrastructure that makes it hard to create spaces for their flow. However, it does not mean that engineering solutions are not possible, but only that they need integrated planning, and building a huge and parallel infrastructure to route them safely, he concluded.

Sugarcane growers of lower Sindh face many challenges

In recent years, sugarcane cultivation has declined in lower Sindh areas, although according to official figures, overall land cultivation area has increased. So far cultivation had been hit by water-shortage in command area of Kotri barrage through its three off-taking canals, feeding areas of Tando Mohammad Khan, Badin and Thatta districts. The issue of discarded varieties has also taken a heavy toll on growers, who believe that the government banned a few varieties at the insistence of sugar mill owners in the last few years.

In the past few years, growers have started cultivating wheat and sunflower or wheat and paddy instead of sugarcane which is a highly prized delta crop.

Cane growers say they feel more rewarded getting 30 maunds per acre of wheat crop and 70 to 80 maunds per acre of



paddy (hybrid seed) provided they apply proper inputs like DAP fertilizer and urea instead of going for sugarcane cultivation only to end-up in controversies with millers. They also argue that they can sell their wheat and paddy crops in open market, but not sugarcane.

According to the agricultural department figures, final achievement of sugarcane sowing was recorded at 189,698 hectares against the targeted sowing of 269,000 hectares in 2011-12.

In comparison, in 2012-13, sugarcane was sown on 253,694 hectares which was closer to its sowing target of 269,000 hectares. Likewise, around 14,849,337 tonnes of sugarcane crop was crushed in 2012-13 as compared to 13,040,215 tonnes of the crop in 2011-12, according to figures available with Sindh cane commission officer.

During the last two to three years sugar mills, located in Badin and Tando Mohammad Khan districts had discarded a few cane varieties that gave lower yields. Farmers were later told by the government to discard those varieties within three years time, and promised that millers will buy the varieties during the said period. However, growers complain the millers did not honor this commitment and refused to purchase the varieties.



Overflowing river torrents and heavy rains have left water standing over major food crops.

Annual fish production in lower Sindh

According to a handbook of fisheries statistics of Pakistan, total annual fish production was recorded at 531,523 metric tonnes in 2012 out of which inland fish (sweet water fish) and marine fish production were 192,750 metric tonnes and 338,773 metric tonnes respectively. The 40% of the fishing community is engaged in inland fisheries, while 60% is dependent on marine fishing. Hundreds of small fishing villages spread approximately over an area of 350 kilometers, covering 17 creeks on the Sindh coast.

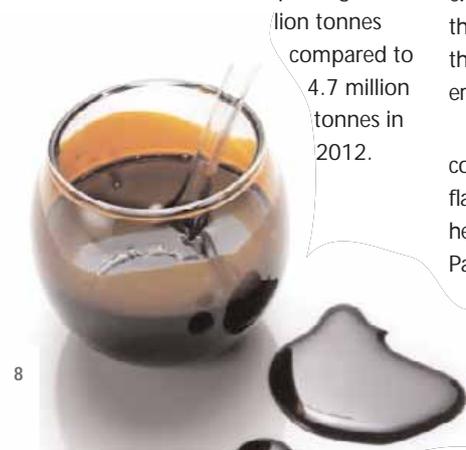
Fishermen living in the Indus Delta region are prone to natural disasters. The community, particularly, the coastal population in Badin and Thatta districts are deprived of basic amenities like education, health and sanitation or road infrastructure. The community is also plagued by middlemen, who buy their catch for cheaper rates.

The major canals are also dependant on water releases, which decide the fate of various types of fish depending on water levels. According to director general Sindh Fisheries Department they have provided floating jetties at different locations coupled with establishment of reverse osmosis plants for the community so that they handle their catch easily.

Pakistan shows an increase in export of Molasses and related products

According to latest statistics the sugarcane production has increased from 58 million tons to 62 million tonnes, showing an increase of 7% in 2013 compared to 5% in 2012. It is estimated that this will lead to an increase in sugar output sur-

passing 5 million tonnes compared to 4.7 million tonnes in 2012.



Similarly the production of molasses has increased to 2.224 million tonnes in 2012 compared to 2.034 million in 2011 and is expected to reach 2.5 million tonnes in 2013. This increased production of molasses have lead to an increase in exports from 55000 tonnes to 224000 tonnes, which have resulted in foreign exchange of \$27.8 million in FY2013 compared to \$6.4 million. In 2014, export is expected to reach 300,000 tonnes.

The main buyers for molasses are countries like China, Saudi Arabia, Turkey, USA, UK, France and The Netherland. The reason for the exports of molasses being centered in these regions is that this kind of molasses is used for developing food grade alcohol. Thus, raw molasses earn a low per unit price around \$130 to \$150 per tonne.

In order to meet the increasing demand some of the sugar mills have started producing their own electricity and have provided around 15MW of electricity to Multan Electric Power Company.

This increase in production is due to an increasing demand of molasses converted alcohol in paints, varnishes, cosmetics and pharmaceutical industries. It is also being used by oil refineries for making ethanol.

Climate change setting new farming patterns

Pakistan is facing unpredictable changes in weather with consequences on farming patterns. These changes include hotter summers, early cold spell, irregular monsoons, unexpected or untimely rainfall and growing frequency and intensity of floods.

According to a senior Pakistani meteorologist, Dr Azmat Hayat Khan, the cause of extremely devastating floods in 2010 lay in the shifting of the monsoon pattern from the eastern part of the country to the western part by some 100 kilometers.

This year the rainfall in all parts of the country has been unusually heavy, causing flash floods. If nature maintains this pattern, he predicted, southern Punjab, Khyber Pakhtunkhwa and southern Pakistan would



be twice as vulnerable to serious flooding in the next 30 to 35 years. Charsadda, Nowshera, Attock, and Swat are the new vulnerable areas, among others in the western and southern Pakistan. One may note that instead of Kashmir and northern areas, semi-arid regions of Punjab and Khyber Pakhtunkhwa are now receiving more rainfall.

To save agriculture which is the country's mainstay, farmers are now being advised by experts to revise their crop calendar and start sowing cotton two months earlier so that the crop is picked before the monsoon hits. Rice growers, on the other hand, should go for delayed planting. There is need to introduce new varieties of wheat, rice and sugarcane which mature faster and survive heavy downpour and prolonged drought which are likely to continue for the next 30 to 35 years.

An estimate by a farmers' NGO, though unconfirmed, reckons the loss of standing crops of cotton, rice, sugarcane, livestock and infrastructure at Rs 200 billion caused by this year's monsoon rains and floods. It says that the floods have hit hard the standing crop of cotton on an area of 140,000 acres, rice on an area of 60,000 acres, sugarcane on an area of 30,000 acres and those of vegetables and fodders on an area of 25,000 acres of land.

Besides, the country has lost or wasted sweet and fresh water worth \$6 billion in the last four months due to absence of water reservoirs and storages. The wasted water was seen enough to irrigate an area of 13 million acres. This year's calamity has strongly revived the need for constructing a number of dams in the country to store the water for irrigation and drinking purposes.

Pakistan imports wheat from Russia

Around five millers had initially imported around 33,000 tonnes of Russian wheat, out of around 300,000 tonnes, which is due in October this year to fill the demand and supply gap. However, very little quantity has been lifted by the mills as Russian wheat has reached the port. The millers had also revised the price of imported wheat to Rs 3500 per 100 kgs bag after its arrival into the country from their earlier estimate of Rs 3200-3250 per 100 kg bag.

Chairman Ansar Jawed from Pakistan Flour Mills Association (Sindh Zone) explained that these flour mills had quoted low rates for Russian wheat with a hope that the government would remove 5% withholding tax on import. Although withholding tax remained the same, the rupee value went down against the dollar, which made the imported wheat costlier.

In the open market, he said locally produced wheat was selling between Rs 3560 and Rs 3570, which had risen to over Rs 3600 a few days back.

The Sindh government had also fixed the issue price of wheat at Rs 3450 per 100 kg bag, which the millers said would cost around Rs 3500 after adding the transportation cost. The millers may start getting locally produced wheat from the Sindh Food Department from Sept 1.

Mr. Ansar also claimed that the quality of imported wheat is almost equal to locally produced wheat and can be termed as premium in terms of percentage of moisture and dry/wet gluten.



Australia: New export destination for Pakistani mango

Australia is now included in latest export destination for Pakistani mango, albeit with certain conditions. Australia has officially conveyed to Islamabad that they can export mango to its market if the fruit is treated with hot water to kill fruit fly. It has also approved a facility in Karachi for the Hot Water Treatment process.

This achievement should give exporters, technology and practices some boost, at least psychologically. It also opens another window for the fruit, export of which has been stuck around 100,000 tonnes.

The Australian market offers some unique advantages to Pakistan. To begin with, it is an off-season market. It is winter in the southern hemisphere when mango harvested here in high summer. Off-season fruits naturally bring more money than the seasonal ones. This factor alone can bring huge financial gain for exporters.

It is also a high-end market, offering USD 5 or USD 6 per kg to its local mango. In case of Pakistan, it can go up to USD 7-8 per kg, for factors like being off-season and taste. Thirdly, if Pakistan can sustain this market, the fruit would automatically qualify for many other markets because of much relaxed quarantine laws.

The Australian window has been opened through a tedious journey undertaken under the Agriculture Sector Linkage Programme (ASLP), which has been steered by the Australians who took



initiative and involved a wide range of stakeholders (government agencies, private sector, researchers, farmers and academia) to update and to train them in post-harvest management of mango.

Pakistan needs to enact Pak-GAP, replicating international GlobalGap (quality standards) for domestic production and supply chain. It should create local versions of all international certification on pre- and post-harvest management of horticulture sector. Unless, it ensures quality right from the field and sustain it through the supply chain up to the consumers' tables, it would not be able to claim any substantial share in the world market. This is what is precisely required now instead of taking up cases country by country and pest by pest.

Rice sowing in Sindh on increase due to improved water discharge

Rice sowing in Sindh is in full swing with improved water discharges making it possible to cultivate around 52% of the targeted 645,000 hectares. Officials believe this year's sowing target will be achieved and therefore, atleast 85% to 90% of sowing is quite achievable.

Growers are using different hybrid seed varieties like Shandar, Kainat, Nayab, Pukhraj and Subdasi. Irri-6 and DR-92 give similar quantum of per acre yield provided these are shown on time with adequate water flows.

On average farmers can get 50 maunds per acre yield from DR92 and Irri-6 if they are cultivated on time. However, complaints about the lack of water availability in areas of Kotri barrage's command area (where early sowing of paddy crop takes place) have begun to filter. One of the main reasons for this is mismanagement of water within provincial irrigation department. Even those who were able to get water in early May for timely preparation of nurseries are now compelled to re-sow crop due to lack of water supplies needed at the time of transplantation.

According to irrigation officials main canals that are feeding rice growing area are unable to draw more due to heavy silt.

Another reason is illegal outlets on the canals, identified by a team of Indus River System Authority on a recent visit to Sindh and Baluchistan. Officials believe that if these outlets are removed, water availability in canal system can be improved significantly.

Increase in corn exports from Pakistan

Increased maize harvest in the last marketing year has helped local food companies raise production of corn flour, corn flakes and similar products, as well as increase in export earnings.

In 2012-13, maize production totaled 4.63 million tonnes, 7% higher than a year earlier. Around 300,000 tonnes or so, was also exported to a number of countries including Indonesia, Malaysia, Viet Nam, Singapore, Sri Lanka, China and Hong Kong.

So far this year the total foreign exchange earnings from these countries were no less than \$120 million. Overall estimated forex earnings should be around \$150 million if exports to Bangladesh, India, Oman, Qatar, UAE, Japan, South Korea, Belgium, Germany, Tanzania and Yemen are also considered.

According to Suparco and provincial agriculture departments, maize production in 2013-14 will be high. Spring maize, the harvesting of which is nearly over now, is expected to produce about 2.6 million tonnes. If the autumn maize (sowing of which will start in late July and in early August) produces 2.4 million tonnes, the total crop size will be 5 million tonnes.

The Indonesia, Malaysia, Vietnam, Singapore, Sri Lanka, China and Hong Kong are likely to remain the main markets due to growing consumption of corn and corn-based products.

Food companies like Rafhan Maize and Mitchells claims that, they have long been exporting maize products to a number of countries adding that in 2012-13, their export volumes have increased, and in particular canned sweet corn is growing and competing in key markets.

According to a latest USDA report, corn production in 2013-14 is expected to increase 12% to 959.84 million tonnes and exports are likely to rise 16% to 103.85 million tonnes. This projected increase in global output and exports means Pakistani exporters will have to work harder for achieving a sustainable growth rate in export earnings.

Exporters say that one way of ensuring it is to focus on exports of traditional premium quality maize to European countries that have lately grown reluctant to imports of genetically modified corn supplies from the US. The other way is to move faster from exports of maize grains to value-added products

Sindh rice millers await loans from commercial banks

The Government of Sindh's scheme for subsidized loans with partial credit guarantees for rice millers has yet to take a start. The loan scheme was initiated by the Sindh Board of Investment (SBI) in collaboration with rice millers association last year. Under this scheme, the Sindh government had to provide 30% credit guarantee (Rs300 million) through Sindh Investment Board (SBI) to the State Bank of Pakistan.

Each miller was supposed to get loan up to Rs 10 million from commercial banks after meeting all required conditions relating to bank loan. Around 100 mills were to avail this facility initially and their number was to increase gradually.

However, commercial banks are not willing to process application. The main reason they give is that they doing business for earning profit and were not running a welfare body. Sindh-Baluchistan Rice Millers Association Chairman Arif Mahesar holds SBP responsible for it, as its the central bank's job to ensure lending by commercial banks.

Also the loan procedure requires a lot of documentation which makes it quite cumbersome.

According to millers, replacement of machinery can go a long way as a major value addition initiative. They expect to add around 200,000 tonnes of quality rice in production. A tonne of rice is sold for \$380 to \$390 in international market and with value addition the price could be increased to \$460 per ton.

However, outdated machinery contributes to 15% milling or post-harvest loss during rice processing. This results in increased percentage of broken rice remains, which is around 270,000 tonnes out of the total crop. Broken rice is sold for lesser rates as compare to finished rice. The losses directly affect rice growers too, as they do not get actual rate for their crop.

Rice exports decline due to quarantine measure by Mexican Customs

Pakistan's rice export trade suffered another setback last month when Mexican customs officials quarantined 3,000 metric tonnes of its rice after discovering the Khapra beetle in shipping containers.

The Khapra beetle is a destructive pest of grain products and seeds and is considered one of the 100 worst invasive species in the world. Mexico will not want to risk introduction of this highly destructive pest, as it can cause damage to local crops

The rice exporters' bodies of the country immediately calls the Mexican move a part of propaganda by American-Mexican lobbies to drive out Pakistani commodity from the region because it is \$100 per tonne cheaper than the US rice.

Islamabad's intervention was requested for release of 150 containers berthed at Mexican ports and more than 780 rice containers, which were in transit to Mexico. The containers are believed to be worth millions of dollars.

During the last four years, the country has lost considerable share in traditional buyers of its basmati rice. These include the UAE, Iran and UK. Even rice exports



to China are also facing stiff competition from Vietnam whose grain is ahead in respect of price and quality.

The recent cut in Vietnam's prices has hurt Pakistan's rice exports. While more and more importers from China are turning to cheaper rice from Vietnam.

Growers have reduced the sowing area during the last five years. They cultivated rice crop in an area of 2.31 million hectares in the outgoing fiscal year 2012-13 against 2.96 million hectares in 2008-09, thus showing a decline of around 22%

In fact, the country loses about two lakh acres of basmati area every year and no one in the government takes notice of this development.

During the last five years, country's rice production has declined by about 20% to 5.54 million tonnes. As a result the whole 2012-13 fiscal year, rice exports went down to \$1.84 billion from \$2.08 billion in the previous fiscal year.

Due to lower production, the price of the commodity has increased significantly in the local market leading to an increase in export prices.

The only hope for Pakistani traders to come out of their current difficulties now is based on a rise in domestic prices of rice in India, their main competitor, which, as a effect, will raise their export prices and create a fair competitive environment for Pakistan.

Rise in Sindh farm output

In the last cropping season, Sindh witnessed a rise in output of both major and minor crops due to expansion in areas under cultivation, use of better seeds, increased investment in farm inputs and qualitative crop care by growers.

Some improvements was also seen in sugar, rice and sunflower.

Officials of agricultural department say that uptrend in outputs is maintained and production of some key crops, like cotton, is restored to the high levels they had hit a couple of years ago.

In the cropping year of 2012-13, the cotton output rose 27% to 3.405 million bales from 2.681 million bales in 2011-



12. It is reach the targeted level of four million bales.

Sugar production in Sindh soared 38% to 14.909 million tonnes in 2012-13 from 10.788 million tonnes in 2011-12, according to the latest statistics of agricultural department.

One important factor, which has boosted sugarcane output, apart from the increase in its support price and area under cultivation, is the effect of soil enrichment after two consecutive floods in 2010 and in 2011.

Soil enrichment fattened sugar stalks and led to increased production in terms of weight. Moreover, a new technique of cane growing was applied that involves pruning of stalk sprouts at early stages of maturity to disallow the joining of stalks alongside that affects their thickness.

Wheat output of 2012-13 is yet to be compiled. However, provisional data show a slight increase to 3.850 million tonnes from 3.761 million tonnes a year ago.

Maize output almost doubled to 2,922 tonnes from 1,581 tonnes in 2010.

One of the reasons behind this growth is that a few private companies have introduced hybrid seeds of maize grain and encouraged growers to use it for getting a better yield.

Due to lower margins on oilseeds the growers are now interested in farming other minor crops such as chillies and tomatoes. Chillies output in Sindh shot up to 104,000 tonnes in 2012 from only about 7000 tonnes in 2011.

Similarly, production of tomatoes shot up to 141,000 tonnes in 2011-12 from about 115,000 tonnes in 2010-11 as per the data compiled by provincial agricultural department. ♦

