

## Investment activity ahead of Eid-ul-Azha

With Eid-ul-Azha just two months away, businesses and individuals are investing in a broad range of activities to get handsome returns during the festival. The most rewarding of all activities is the bulk booking of sacrificial animals. But alongside run a lot of other trades like contracts being finalized for transportation of animals, dried and green fodders, and iron melting for making knives, hatchets, wooden blocks, mats and meat-carrying traditional baskets used by butchers. Time and money is also being spent in large-scale production of conventional conveyor grill (kebab dani) and grill rods (seekh). Advance deals were being made even for supply of coal lumps that are used during Eid-ul-Azha in barbecues.

feeding animals till the eve of Eid-ul-Azha.

“These classes of landlords many of whom are also owners of animal farm houses make deals for advance sale of animals with investors of urban areas.”

Smuggling of live animals from India into Sindh and Punjab continues off and on. But during Eid-ul-Azha powerful people manage to bring in a large number of smuggled animals into the markets.

“Last year, one of my friends had earned Rs2.8m by selling 70 cows and bulls smuggled from India, each of which earned him a net profit of Rs40,000,” recalls a Karachi-based seasonal animal trader. “The animals were smuggled into Punjab through Wagah border and kept at a religious seminary in suburbs of Islamabad.”

## Potato traders' tenacity

Despite its best efforts, the government has failed to break the three-month old resistance of traders and hoarders to get the price of potato to its normal level. In fact, they have been tenacious enough to further raise the prices during the month of Ramadan.

The Economic Coordination Committee of the Cabinet (ECC), in its meeting, had allowed duty-free import of 200,000 tons of potatoes from India under the belief that the entry of cheaper Indian potatoes will compel the hoarders to bring their stored commodity into the open market and sell it at Rs30 per kg. But the measure has failed to produce the desired effect. Driven by the same illusion, the ECC, in a meeting, conceded on duty-free import of another 100,000 tons of potatoes when the new crop is expected.

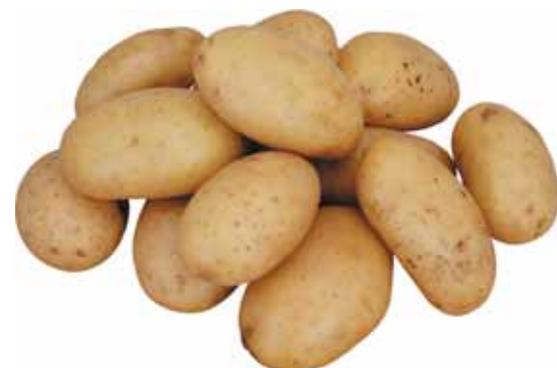
The government hopes that its new measure will restore sanity in the potato business. The frequent warnings by the finance minister to take punitive action against the hoarders if they persisted in charging high prices were not heeded. The ministry never took any action against any trader. It is sold at Rs80 per kg, particularly in posh urban areas. The ECC on the recommendation of the minister for national food security and

research decided to impose 25% regulatory duty on the export of potato. The Federal Board of Revenue (FBR) is now gathering data about regulatory duty collected on the export of potatoes during that period. In this regard, the FBR has asked all Model Customs Collect orates to provide information about quantity, export value and the amount of duty collected.

According to Indian media, so far the potato exporters from the state of Punjab were selling their produce to Pakistani importers at Rs 21 to 22.50 per kg. But it will be available at higher prices as the union government has fixed the minimum export price (MEP) at \$450 tons or Rs27 per kg. An Amritsar exporter thinks he could sell his potato even at a higher price than the MEP for the local price in Pakistan is still much higher.

The reason could be the significant demand from other countries. Likewise, Pakistan, for instance, has removed the duty on potato to be imported and is seeking 200,000 tons. Another is Bangladesh from which the countries exporters of potato had a poor crop in the last Rabi season due to adverse weather conditions and crop disease. As the demand has picked up, so has the price. In the past two months, prices have risen by 20-25% in the international market, making exports viable.

Pakistani officials tend to blame traders, profiteers and hoarders for creating the artificial potato crisis while Indians attribute the higher prices to shortage and the need for imports by Pakistan to poor crop, production losses due to bad weather and crop disease. The prevailing Pakistani viewpoint is that there is no shortage of potato as such although frost had destroyed considerable quantities. But after taking into account the frost losses, there does exist sufficient quantity



Inquiries made at half a dozen leading chains of religious seminars show that their managers have either struck deals for bulk purchase of sacrificial animals or are in the process of doing so. “We’re bringing cows and bulls from Bahawalpur and Sibbi and goats from Jacobabad and Rajanpur. Deals worth Rs50m have already been finalized,” said by the administrator of a large North Nazimabad-based religious school.

Droughts in some parts of Sindh and Punjab also forced many farmers to dispose of some of their goats and cattle ‘to be able to feed the remaining ones.’

Such animals are normally bought well before Eid-ul-Azha by big landlords in areas that are not hit by drought and where they have facilities for keeping and

of the commodity to meet the population's needs.

According to official figures, the total production of potatoes had decreased to 2.895m tons in 2013-14 from 3.785m tons in 2012-13 due to the decline in area under cultivation by 10.71%. Then, there was shortage of sufficient potato seed at the time of sowing which caused decrease in cultivation area and hence in production. The total annual domestic requirement of potatoes is 2.662m tons while about 80,207 tons of potatoes were exported during January- March period this year.

### Strong winds damage Kharif crops

Strong dusty winds, coupled with delayed irrigation water supply in lower Sindh, have hit major kharif crops, including paddy, phutti and sugarcane, at the pre-maturing stage. The region close to the coastal area normally gets such high velocity winds, but this season is said to have been somewhat unusual for the crops.

Among the three crops, paddy sowing was first delayed by a month due to late canal water supplies. However, water is now being released downstream from the Kotri barrage, and the requirements of 14 canals of the three barrages are being met.

Farmers estimate that 10-20% of the losses would eventually be recorded mainly in paddy and phutti crops. Growers normally start preparing paddy nurseries with the availability of minimum water in canals and watercourses, depending on seasonal irrigation water supply by the provincial irrigation department.

However, water was unavailable in the Kotri barrage command area for a month during early kharif season. Around 700,000 to 800,000 acres are used for paddy in this area. Paddy cultivation is, however, increasing in the exclusive cotton zone.

Coastal winds first hit the flowering of cotton in lower Sindh, damaging boll in cotton plants. Owing to some flower-dropping, growers are now awaiting the



second flowering, which usually takes another 20-25 days

The average paddy output of coarse variety in Sindh is 42 maunds per acre. If two maunds of paddy are lost in every acre due to winds, it would lead to substantial losses. However, this is the initial stage of the crop and harvesting is still 90 days away, and nobody knows what would be the weather conditions. The rough market price of rice is Rs2, 500 per maunds, so the overall financial losses from the crop are going to be Rs3.5bn.

This will be the loss around 1.5 maunds of phutti per acre due to losses at the first flowering stage owing to the strong winds. By mentioning that the losses are estimated at Rs4.5bn for lower Sindh, at a minimum price of Rs3, 000 per maunds.

According to the director general of agriculture research Dr. Atta Soomro, the wind velocity would affect 10% of the crop, but the farmers can prepare the nurseries again. On further note he mentioned that growers don't go for wind breakers, which could protect their farms against such strong winds.

### Tackling food crop diseases

Preventing key food crops from diseases has emerged as a big challenge for policymakers, as the country struggles to improve their yields to meet growing domestic demand and to create exportable surplus.

All major food crops i.e. wheat, rice and sugarcane are continually attacked by specific diseases frustrating plans to obtain the required increase in their per-hectare output.

Similarly, PCSIR (Pakistan Council of Scientific and Industrial Research) and

other federal and provincial institutions are engaged in experiments to determine the resistance level of food crops against various diseases and pest attacks. This helps in directing the course of disease-control programs.

"Making wheat crop resistant to leaf rust and yellow rust has always been a challenge for us," says a senior official of Pakistan Agricultural Research Council, adding that his organization has so far developed over 100 wheat varieties resistant to twin diseases. Screening of wheat cultivars against Karnal Bunt, a fungal disease, was successfully undertaken two years ago and 80 plus wheat lines, including 10 commercial varieties, were found free of KB.

According to officials of Sindh agriculture department, wheat crop diseases have been handled effectively in past few years across Pakistan including Sindh. This also reflects in an increase the national average per-hectare yield, up from a little over 2550kg in 2009-10 to around 2800kg in 2013-14.

An official of Sindh Agriculture department told that solar energy treatment has particularly helped in checking loose smut, a disease in which the ears of wheat plants contain black powder of smut spores instead of grains. Planting of wheat seeds dried in the sunlight after soaking them in water saves the crop from black smut.

Prevalence of bacterial blight in rice crop has been raging in both Punjab and Sindh and several field surveys have established that in some districts the entire rice crop is affected by the disease. Whereas in other districts at least one-fourth of the crop is affected by it. Bacterial blight causes wilting of seedlings and yellowing and drying of leaves. Since overuse of nitrogen promotes this disease, officials of provincial agriculture departments say they warn paddy farmers to use balanced amounts of fertilizer to prevent it. Proper drainage of paddy fields particularly in times of floods, removal of weeds from nurseries beds, keeping fallow fields dry enough to suppress bacteria producing agents are some other ways that are being adopted to fight bacterial blight.

An official of Ministry of National Food Security and Research admits that, negligence by farmers or scant coordination between them and field officials of provincial agriculture departments make it difficult to effectively check this disease.

### Who will benefit from animal imports?

Pakistan lifted a 13-year-old ban on the import of live animals from the countries affected by Bovine Spongiform Encephalopathy, commonly known as the 'mad cow disease'. The ban was imposed to protect livestock from the risk of contracting the disease.



The countries worst hit by the mad cow disease, have, surprisingly, been the highly developed states of the West. The disease started with death of a cow on a farm in England 1984, but it took two years to officially identify the disease. In an effort to control it, millions of animals were culled.

Now the Western countries want Pakistan to open its doors for their animals presumably fully recovered from the deadly disease. In fact, they had for long been pressurizing Pakistan to withdraw the curbs on their export.

The US officials, being too eager to sell their cattle to Pakistan, raised the issue even during a recent Pakistan-US Trade Investment Framework Agreement meeting. Senior officials of other concerned countries had also approached the commerce ministry for an early decision in this regard.

Pakistan has been allowed the import from only those countries which have been declared as having 'negligible risk' by the World Organization for Animal

Health and its Office of International Epizootics (OIE) which is a Paris-based inter-governmental organization. The OIE has currently classified countries into three categories: negligible BSE risk, controlled BSE risk and undetermined BSE risk countries. The OIE updates the risk status on a regular basis.

The matter between the commerce and other related ministries, which was agreed that ban on: (i) import of feeds containing meat, bone meal and greaves, etc., derived from BSE infected cattle shall remain; (ii) import of live animals from BSE-infected countries shall continue in general. However, imports from countries which have been declared as "negligible BSE risk" by OIE shall be allowed; (iii) animals from only such herds shall be allowed for import where no incidence of BSE has been reported for the last 11 years, and certified by the veterinary authority of the exporting country. The ministry of food security will make efforts to conduct a BSE risk assessment in Pakistan and apply to OIE for declaring Pakistan a "BSE negligible risk country".

### Pakistan buys wheat for Sept-Nov shipment

Pakistani flour millers bought around 100,000 tons of wheat from the Black Sea region this week, while importers in Bangladesh booked 50,000 tons.

Traders said that, importers in Pakistan paid \$269.50 a ton, including cost and freight, for two cargoes of Black Sea wheat with 11.5% protein. One cargo is scheduled to be shipped in October and the other is for arrival between October 15 and November 15, 2014.



Buyers in Bangladesh paid \$255 a ton for 50,000 tons of wheat with 10.5% protein. It is due for shipment in the second half of September.

"Bangladesh is keen on buying some high-protein wheat as well for October shipment," said one Singapore-based trader.

### Centre retrieves seed business from provinces

The government has decided to make the seed business a federal subject, and has, for the purpose, reintroduced a bill in the National Assembly originally tabled four years ago but never taken up.

The bill titled Seed Amendment Bill 2014, and introduced by the minister for national food security and research which, aims at amending the Seed Act 1976 to provide an enhanced role to the private sector in the development of seed industry which, was already playing a stronger and more vibrant role.



Shifting seed-related matters and business back to the center is a development of great significance. The creation of the ministry of national food security and research to replace the defunct ministry of agriculture, food and livestock has affected decision-making of the provinces in certain agricultural matters.

The new bill, after it becomes law, would allow the private sector to produce basic seed for its multiplication and certification, and also set up accredited seed testing laboratories.

However, the minister assured that the government would provide a level-playing field to both the public and the private sector. As it looks, the government intends to open up the Pakistani seed market to foreign seed companies with a view to modernize the country's seed

industry under pressure of multilateral bodies. But multinationals may be reluctant to deal with each province separately and would prefer to have liaison with the federal government only.

The government or the bureaucracy at the behest of big landowners resisted their passage for more than four years for they knew that these laws, when passed and implemented, will act as a harbinger to industrial agriculture in the country and weaken their hold over the existing farming system which they profit from. It is stated that the old methods of farming, are no more in sync with the modern-day needs and stagnate crop production.

However, the main loser will be the subsistence or small farmer because the commercial seed system would, as a corollary, undermine the grower's seed system.

Pakistan's seed market is dominated by non-professional companies selling seeds having low germination and impure genetics. As a result, the use of certified seeds in crops has been as low as 15-20% and most of the seeds come from the farmers' saved stock.

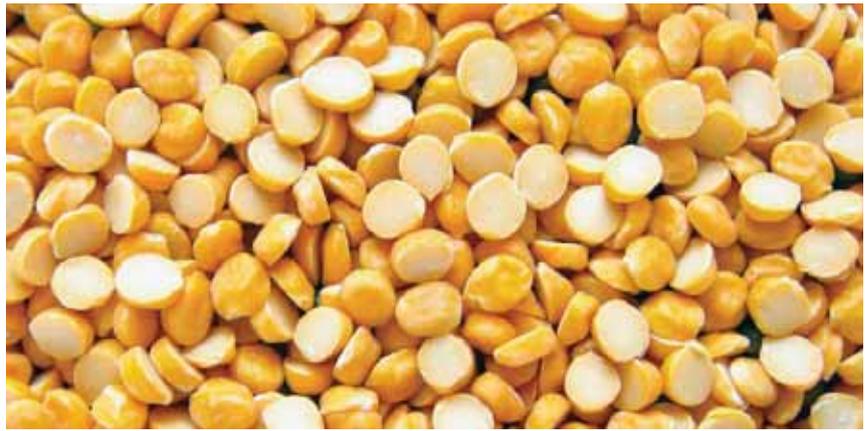
Quality seed plays an instrumental role in raising farm output. Their availability is essential to achieve production targets. However, the fact remains that agriculture is able to feed most of the population because the farmers have saved and recycled seeds of various crops and protected their purity.

### Commercialization of crops

The State Bank of Pakistan maintained that minor crops suffered a 3.5% decline during the reported time, hobbling agricultural growth to 2.1% against the targeted 2.9%.

The minor crops, according to it, had shown a growth of 6.5% in the previous year, but went down by 3.5%, a cumulative loss of around 10% within a span of one year. If pulses production, normally considered part of a poor man's diet, can go down so steeply in a year, there is hardly any way to save the poor from malnutrition.

On the other hand, the report also shows slow growth of livestock. This has



been disapproved by government which claims that it had been stubbornly showing around 3% growth in the sector.

Farmers are switching over to major crops. Which grew up by 3.7%, while minor crops declined by 3.5%. All subsidies, which had mainly been supporting minor crops, have been withdrawn over the years.

After realizing Punjab has very limited options when it comes to pulses and vegetables. Both are no more its crops because of two factors, firstly market forces are promoting other competitive crops and eating into areas of pulses and vegetables, and erratic weather is hugely affecting production.

All subsidies which normally sustained the minor crops have been withdrawn. On top of that, every input is now taxed heavily. With the cost of production going steeply up, farmers are left to withstand market forces as well as cartelization, which the government cannot control. This situation, even in case of competitive crops like cotton, is getting out of the farmers' hands. And crops like pulses never had a chance in such a competitive environment.

As agriculture grows, farmers are switching over to major crops. According to the State Bank report, major crops grew by 3.7%, while minor crops declined.

The second factor that has hit these crops is weather. All these crops, or at least most of them, fall in barrani (rain-fed) areas of Punjab. During the last few years, climate has turned unpredictable. It rains when not required and it does not when needed.

Gram and Moong, having the same sowing season and area, fell victim to the vagaries of the weather last year. It did not rain last October and a long dry spell followed, ruining both crops and farmers in those areas. If the weather turns favorable, Pakistan reaps over 750,000 tons of grams. If it does not, production falls to 220,000 tons, a difference of nearly 400%.

The national government needs to realize that its new policy environment, coupled with the climate effect, does not leave much space for minor crops like pulses. They need to be planned and promoted for social reasons, rather than allowed to fall victim to commercialization. Pakistan agriculture statistics show huge areas falling in the category of 100% cropping intensity. It shows that farmers simply do not sow if the crop does not stand a chance of getting better returns. The government needs to create space for crops that have as much social as economic value.

### Growing fruit exports

According to Pakistan Bureau of Statistics, exports of fruits are growing fast. Over the last three years, their foreign sales grew at an average annual rate of around 17% from \$292m in FY11 to over \$438m in FY14.





And much of this increase came through higher per unit prices as volumes of exports rose by less than 3% year from 723,300 tons in FY11 to 786,200 tons in FY14,.

What is even more encouraging is that fruit exports are becoming diversified: Exports of citrus fruits, mango and apples now account for about 60% of the total fruit export earnings, down from about 70% a couple of years ago, exporters say. They point out that exports of bananas, cherries, guavas, papayas, pear, peach, plum, melons strawberries and watermelons have increased and efforts to promote exports of such non-traditional fruits like litchi have started yielding results. A Karachi based exporter says that, Litchi production in Khanewal, Punjab has been growing steadily and part of it is also being sent abroad.

Pakistani fruits are now being exported not only to the traditional markets like Afghanistan, Iran, America, Canada and European and Middle Eastern countries but also to Bangladesh, Sri Lanka, China and South East Asian and North African market Exporters expect to earn half a billion dollars through foreign sales during this fiscal year, pinning their hopes on. Resolution of fruit flies issue in case of mango, rising exports of other fruits and, improved fruit processing and grading that fetches higher per-unit value.

Exporters however complain that TDAP officials and other relevant agencies do not keep them updated about specific changes in quality and quarantine standards of importing countries. They also complain of corrupt practices of cus-

toms officials, which enables a couple of business-hoppers to export sub-standard fruits at cheap rates and frustrates efforts of genuine exporters to remain competitive in quality and pricing.

A senior official of Pakistan Council of Scientific and Industrial Research says PCSIR is willing to help fruit producers. "We can develop specific pesticides that they need, help them have Ethylene Chambers for ripening of fruits and show them how to increase yields of various fruits with the use of plant tissue culture."

### Exclusive food security

A recent report by the US Department of Agriculture's and Economic Research Service lays bare Pakistan's food and, by extension, nutrition realities. It claims that out of 84 countries it surveyed, Pakistanis spend 47.7% of their incomes, and the highest, on food. The Americans spend 6.6% and even the Indians next door only 25.20%. With basic survival hogging half of income, the quality of rest of life

(health and education) is not hard to imagine.

The report is more a part of serial warnings given periodically by the national and international institutions to Pakistani policymakers. Four national health and nutritional surveys so far, latest being in 2011, by the Planning Commission of Pakistan, have also drawn the same conclusions.

This situation worsened over the decades, starting with commercialization of agriculture after the so-called Green Revolution. Since then, food products became costlier, and the phenomenon has been universal. Since 2008, it has also witnessed two global spikes that drove millions more down the poverty line.

The country is facing a food crisis, where half of the population is food insecure. Its current per capita income, calculated at 186m people, stands at \$3,149 per annum.

The government also needs to find ways to introduce urban agriculture, especially horticulture produce so that fruits and vegetables supplies could improve in the cities. The Kitchen Gardening of the Punjab was a success in rural areas, but failed to make dent in cities because there was no trained staff. The agriculture departments are mandated and equipped to work in rural areas.

All these steps need to form parts of holistic approach to improve availability of vegetables and fruits that have rich nutritional value. ♦

