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IN A NUTSHELL

Monthly Overview on Political Economy of Agriculture

Export, Starve, Export

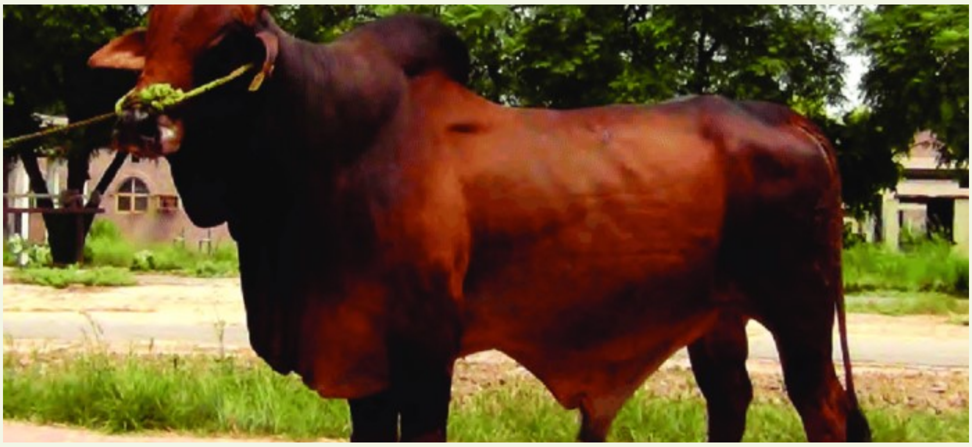
The current fiscal year (FY) has shown a consistent increase in export of raw food products. According to the Pakistan Bureau of Statistics, the food export value has more than doubled to $787.36 million in January, up 105.29 per cent from $383.54m in the same month last year. Food exports grew 57.66 percent in the first seven months of 2023-24 to $4.26 billion from $2.70 billion in the corresponding months of last year. According to the Trade and Development Authority of Pakistan (TDAP), it is expected that export of Pakistani food items projected to cross $7 billion mark by the end of FY 2023-24, reflecting a sharp contrast of about $4 billion annual exports in this sector previously. And the impact is inevitable as domestic consumer prices for food have been increasing, with food inflation at a stunning 27.4 percent in January. High price of basic food items such as wheat flour, rice, sugar, meat, and vegetables has made their access difficult for the common person. Food inflation since October 2023 has been on average, 29 percent.

It is also worth pointing out that, even though Government of Pakistan claimed a bumper wheat crop, it imported 613,147 tons of wheat in January, up 6.67 percent from 447,560 ton over the corresponding month of last year. Similarly, there has been an increase of sugar imports 26.12 percent January FY24 from corresponding month, last year.

Private sector has been importing wheat with federal government's approval, to meet domestic demand as the country was facing a massive shortage of over 2.5 million tons. It is being pointed out the influx of imported wheat, even as harvesting approaches, will end up posing challenges for growers in selling their produce at minimum support prices.

At the moment, for this year, the Punjab government is claiming a good wheat production of 25.6 million metric ton (MMT). However, lessons learned from past years, it is hard to believe government claims, as they do not translate into economical access for the working class. It is important to note that Pakistan's wheat consumption is projected to reach 33 million tons in the next two to three years, which requires urgent planning to meet domestic food security.

After export of food commodities, there is now also interest in exporting livestock and fish items. There has been a ban on export of livestock, but recently the Ministry of Commerce has sought permission for its export to support artificial insemination (AI) in Sri Lanka. According to the ministry, Sri Lanka after research has decreed that the 'Sahiwal cow is one of the best dairy cattle in India and Pakistan, which has the attributes of heat tolerance, high milk production, and resistance to parasites, Sahiwal bulls are expected to contribute significantly to enhancing the genetic qualities of cows. Similarly, amendments have been made in the Pakistan Fish Inspection rules, 1998 that will facilitate the export of fish and fisheries related productes to various foreign markets, including existing and new.



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In a Nutshell is based on "Points to Ponder" part of our monthly publication Haal Ahwal that can be found on our website https://rootsforequity.org/?p=1777

The export policy orientation of the country is clear from the Economic Coordination Committee (ECC) approval of proposals for enhancing value added exports, which included permission to import of wheat and export of wheat flour under Export Facilitation Scheme 2021. A Free Trade Agreement (FTA) between Pakistan and Gulf countries had been ratified last year, and increasing trade with Saudi Arabia was one way of enhancing exports. According to the Chairman of the Saudi Business Forum, Hassan Al Hazawi bilateral trade between the two countries has increased by 35 percent.

It is interesting to note that though a ban on export of both metallic and non-metallic minerals including pink salt in raw form has been improved, it does not cover minerals which will be mined and exported under government to government (G2G) pacts being facilitated under the Special Investment Facilitation Council (SIFC) framework. Although it was not stated which minerals were being exported under the SIFC, most probably they include the gold and copper mining Reko Diq project in Balochistan.

Minting Agriculture

Agricultural production remains the most lucrative sector in Pakistan, and is a center of focus for furthering its productive and profitability. From the 1960s to the present, genetic resources have been a key area of research and with the formation of the World Trade Organization (WTO), its Trade-related Aspects of Intellectual Property Rights (TRIPs) agreement, a source of earning mega profits, as genetically-engineered seeds are protected as intellectual property of giant monopoly agrochemical corporations. US corporations and academics have been facilitating the use of genetic technology in agriculture. Ostensibly, it is all about increasing crop yield and 'feeding the hungry.' Recently, a US Professor Dr Bikram S Gill visiting Pakistan at University of Agriculture Faisalabad, has encouraged young 'breeders' to use emerging technologies. He is the founding Director Wheat Genetics Resource Centre, at the Kansas State University, and researches ancient grains for coming up with modern grain varieties. One has to remember, that first of all these ancient grains have been preserved based on traditional scientific knowledge of many generations of farmers, especially from the global South. Now these ancient varieties genetic material is being used by giant agro-chemical corporations to create new varieties that are protected by intellectual property agreements, such as TRIPs. These varieties are heavily dependent on expensive external inputs such as chemical fertilizers, and other forms of technology all to bought form the corporate sector only to further increase national debt.

A new theme emerging in agricultural production is guarding women's rights. According to Sindh Agriculture University's vice chancellor, information technologies (IT) integration in agriculture would not only enhance productivity but also create new opportunities, especially for women in agri-business and related fields. The vice chancellor believes that use in agricultural products' would increase agricultural exports to global markets and increase the country's GDP. All of this would lead to development of rural women's participation in education, IT, agricultural development and domestic industries in Sindh.

A recent study by Food and Agriculture Organization (FAO) has highlighted the lack of recognition of women farmers in Pakistan. They are generally not considered farmers, unlike males in similar circumstances; farmers are considered to be those who own and till the land. However, women work long hours – 12-18 hours a day, but do not have the means to be independent farmers.

In recent months, there have been news items stressing women agricultural workers' training. According to a news item, the Sindh Community Foundation (SCF) has signed a Letter of Understanding with Directorate of Literacy and Non-Formal Education, Education and Literacy Department Government of Sindh to train 3000 women cotton workers in Matiari and Sanghar districts. This venture will result in increasing literacy of women and help them in fighting for fair wages and decent working conditions.

These developments are positive. But one has to wonder what is driving this concern for women's literacy? On one hand, a literate work force is certainly in a better position to demand for their rights. At the same time, corporations need a literate, trained workforce for a higher quality of work as well as for reading instructions and other functions.

fauji foods

Dream Visions and Road Blocks

While modern technology is constantly being advocated for increasing agricultural productivity, there are many hurdles that do not seem surmountable. A critical issue remains availability of urea, which seems to be caught in a vicious cycle: urea production is dependent on gas as fuel, and ever-increasing price of gas in the market results in its price hikes (even though subsidy is provided to industry). In addition, urea is also imported but even then, there is an acute shortage and black marketing of urea. This year, the industry is already claiming that urea bags will be available for PKR 1,700. Other chemical fertilizers such as potash and phosphorous are also being provided subsidies for cotton crop production. It should be noted that even though gas prices are astronomical, the federal cabinet has further approved a 67% increase in the natural gas tariff with effect from February 1.

While chemical fertilizers are being subsidized, that are major contributors to carbon emissions, the Food and Agriculture Organization (FAO), is pursuing implementation of Sustainable and Regenerative Management of Rice Production in Pakistan. The Global Environment Facility (GEF) has approved $6.9 million for this intervention. The aim is to restore 15,000 hectares of land and improve farming practices on 50,000 hectares, including protected areas, reducing approximately 460,000 tons of greenhouse gas emissions, benefiting nearly 75,000 individuals, almost 50% of whom are women. It is indeed quite puzzling that how will opposite goals of increasing productivity through chemical -intensive agriculture and reducing carbon emissions will work together.

Another major obstacle with grave consequences is Pakistan facing water scarcity for agriculture production on one hand, and on the other the rapid melting of glaciers as a result of global warming. Given the seriousness of the matter. Pakistan has raised this issue at a UN Security Council meeting, 'stressing the crucial importance of upholding the Indus Water Treaty.' Pakistan and India share water resources based on a World Bank brokered agreement in 1960, the Indus Water Treaty. According to a news report, India is seeking greater share of Indus Basin water by modifying the treaty, and it also opposes discussing the issue at international fora. Apparently, that's why India avoided treaty references at UNSC debate. In the past years, India has built dams on the Chenab River, and Pakistan wants to resolve the conflict through arbitration, as per the treaty recommendation. However, India has been objecting to the Article IX of the treaty, which provides a dispute resolution mechanism. In the meanwhile, according to the Caretaker Provincial Agriculture Minister, Punjab, a program had been initiated to transfer tube wells to solar system in the salt affected areas of Punjab.

Loss and Profit

Pakistan's industrial sector is reeling under the constant escalation of gas and power tariffs. IMF's conditionalities know no bounds; the rupee devaluation and then taking away advantages from national industry is whittling its ability to compete on a global scale. Particularly concerned is the textile sector; All Pakistan Textile Mills Association (APTMA) in the past year, and now once again raised concern against high electricity and gas tariffs and their implications on textile industry. It is being stated that if remedial measures are not taken, over 50 percent of industry will be at high risk of shutting down.

At the same time foreign corporations are not necessarily in the same boat. According to Nestle Pakistan Limited (NPL), its sales have increased by 23.4 percent to PKR 200 billion in 2023 from PKR 162.5 billion in 2022. The profit -after-tax (PAT) has also managed to climb, to PKR 16.5 billion from Rs15 billion. Similarly, FrieslandCampina Engro Pakistan Limited, a subsidiary of FrieslandCampina Pakistan, has reported a growth in profitability by 35 percent to PKR 482 billion in 2023. The consolidated PAT increased 43 percent to PKR 66 billion from PKR 46 billion last year. However, due to the remeasurement of thermal energy assets, the consolidated PAT stood at PKR 36 billion.

The Competition Commission of Pakistan (CCP) has approved M/s Fauji Foundation acquisition of Fauji Cereals Business. This increases the sphere of the Fauji Foundation, which had concentrated on production and sale of dairy and allied products previously.

Under the mantel of IMF conditionalities, the caretaker federal cabinet has approved the privatization of the First Women Bank Limited. In addition, a restructuring of Pakistan International Airlines (PIA) was approved based on which a new holding company will be created, a prerequisite for the sale of PIA to the private sector.

In addition, the federal cabinet also approved the deregulation of prices of medicines that were not part of the List of Essential Medicines.

In the wake of debt crises, the panacea offered by international economic and financial organizations is to liberalize trade. In the past year, Sri Lanka like Pakistan has been through a turbulent

economic crisis; according to the World Bank, its economy contracted 3.8% last year. In order to improve its economic situation, Sri Lanka has heightened its focus on trade deals. Thailand and Sri Lanka have signed a Free Trade Agreement, where Sri Lanka hopes it will be able to overcome its financial crisis. Like Pakistan, Sri Lanka has also entered a barter trade agreement with Iran, exporting $20 million worth of tea to Iran to partially repay its $251 million oil debts.

While the prescription is trade and more trade is important to note that the international trade arena is becoming more and more difficult. At the WTO 13th Ministerial Conference, its director general Ms Ngozi Okonjo-Iweala noted that the global economy was fragmenting into separate *blocs,* with wars, tensions and elections having an impact on the trade environment.

It is important to point out that in response to the genocidal attack by Israel on Gaza, Yemen's Ansarullah have blocked ships going to Israeli ports. According to the IMF, the total transit volume - including not only containers - through the Suez Canal had dropped by 37 percent this year through January 16 compared to same period a year earlier.

The Climate Catastrophe Alms and IMF Conditionalities

It been 18 months since the country went through one of its worst floods in history. The 2022 floods impacted 33 million people, caused over 1,700 casualties, displaced over 8 million people, and pushed a further 9 million into extreme poverty. Recent data through a revised Flood Response Plan reports that food shortages in the recent months has pushed more children toward malnutrition, with over 2.1 million children suffering from Acute Malnutrition Analysis, and need urgent treatment. Many institutions and countries have been providing help which include the United Nations Development Program (UNDP), European Union, Germany and Japan.

Even though the help provided is much needed by affected communities, one has to question the mode of production, especially pursued by the rich industrial countries which are the main culprits with respect to historical as well as present high carbon emissions. These unchecked emissions are the main reason for the raging climate emergency, creating havoc on the poorest of the poor. It's quite ironic that the Asian Development Bank has committed more than $10.4 billion for climate finance in 2023 to help developing member countries in Asia and the Pacific region to cut greenhouse gas emissions and adapt to the impacts of a warming planet; this money would have been better spent demanding the rich industrial countries to bring about drastic changes in their production and consumption patterns.

On one hand, 'alms' are handed out to alleviate the suffering of the victims of climate crisis; and on the other hand, same set of decision-makers impose economically crippling conditionalities which do not allow countries to reach a stable economic environment. Case in point is the fact that Pakistan plans to once again go the IMF seeking a fresh loan package amounting to $6 billion. At the same time, the government has requested the World Bank for an extension of the closing date and restructuring of the "Pakistan Raises Revenue (PRR)" project worth $400 million.

The vicious cycle of borrowing is out of control, as the caretaker government has borrowed almost PKR 4 trillion from various banks. According to analysts, the country is facing a poor economic growth, and is unable to pay of the circular debt of the power sector which has reached PKR 5.7 trillion.

So, on one hand, the government borrows recklessly, while the working class is the one which through its blood and sweat remains the main provider of country's earnings: the State Bank of Pakistan (SBP) reports that workers' remittances have increased by 26.2% year on year in January. In dollar amounts, $2.397 billion were received in January against $1.9 billion in the same month of 2023.

Whether it is remittances or export earnings, these have been created by the country's working class including migrant workers, as well as the peasanty. It is deplorable that while they are the wealth makers, their own living conditions continues to suffer from inequity and marginalization.

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