

Agriculture Sector in Pakistan

By ICMA Research and Publications Department

Historical Background

At independence in 1947, Pakistan's economy was primarily agrarian, with agriculture contributing 53% to the national GDP and engaging 65% of the labor force. The sector also accounted for around 99% of exports and nearly 90% of foreign exchange earnings. The agricultural sector produced raw materials for both domestic and international markets.

During the 1950s, the Korean War (1950-53) provided a boost to the agricultural sector. However, an overvalued rupee adversely affected agricultural exports. Agricultural policies underwent some changes, including land reforms, the establishment of the first agricultural university, subsidies for tractors, and efforts to address water scarcity through tube wells and reservoirs like Mangla Dam.

In the 1960s, the 'Green Revolution' brought significant changes to agricultural policy. Land reforms imposed ceilings on individual landholdings, liberal subsidies were offered for tractor imports, and compulsory procurement of farm produce was replaced by voluntary sales. The average annual growth rate during this decade was 5.07 percent.

During the 1970s, the growth rate declined to 2.37%, partially due to the nationalization of key farm product production and distribution. The devaluation of the rupee did not benefit the agricultural sector, which faced export duties and government monopolies. Second and third stages of land reforms were introduced during this period.

In the 1980s, the farm growth rate increased again, with an annual average of 5.4%. Agricultural policies were revised to align domestic farm prices with global rates, and the Agricultural Price Commission was established to help set support prices. Structural adjustments through World Bank programs brought input and output prices in line with global markets.

During the 1990s, growth rates fluctuated between 5.9% and 4.4% as the sector underwent major structural changes. Livestock emerged as a significant subsector, contributing around 1/3rd of the agricultural GDP. Fisheries and forestry also experienced growth. Cotton gained importance, accounting for a substantial share of total earnings, while the share of rice and sugarcane in agricultural production declined.

Role in National Economy

The agricultural sector in Pakistan plays a versatile role in the national economy, with its contribution amounting to 23% to Pakistan's GDP and employing 37.4% of the labor force. This

sector not only ensures the provision of essential food for the expanding population and serves as a critical source of raw materials for diverse industries but also holds considerable significance in terms of foreign exchange earnings.

With a contribution of 24% to the Gross National Product (GNP) and 19% to the Gross Domestic Product (GDP), agriculture is a vital driver of poverty reduction, providing livelihoods for millions and raising living standards, especially in rural areas. Furthermore, the export of agricultural commodities such as rice, cotton, fruits, and vegetables makes a substantial contribution to Pakistan's foreign exchange reserves, aiding in the alleviation of trade deficits. The sector's performance exerts a substantial influence on the overall economic growth and stability of the nation. The government has launched the Special Investment Facilitation Council (SIFC), aiming to exploit the full potential of agriculture and other domains.

Current Status

Pakistan's global standing in production of different crops are given below:

- **Sugarcane:** 5th largest global producer
- **Wheat:** 7th largest producer
- **Rice:** 10th largest producer
- **Cotton:** 5th largest producer
- **Mangoes:** 5th largest global producer
- **Onions:** 6th largest producer

According to the Pakistan Economic Survey 2022-23, the growth rate of the agriculture sector in FY2022-23 stood at 1.55%, compared to 4.27% in the previous year. This decline was primarily due to the massive floods that had a negative impact on Kharif crops. The crop production figures for FY2023 are provided below:

- 1) **Cotton:** 4.91 million bales [Last year: 8.33 million bales] 41% decline
- 2) **Rice:** 7.32 million tonnes [Last year: 9.32 tonnes] - 21.5% decline
- 3) **Sugarcane:** 91.11 million tonnes [Last year: 88.65 million tonnes] - 2.8% increase
- 4) **Maize:** 10.18 million tonnes [Last year: 9.52 million tonnes] - 6.9% increase
- 5) **Wheat:** 27.63 million tonnes [Last year: 26.21 million tonnes] - 5.4% increase
- 6) **Other crops:** 0.23% growth witnessed

SWOT analysis

of Agriculture Sector in Pakistan

Strengths

- Vast agricultural resources
- Contribute 23% to the national GDP
- Provides employment to 37.2% of workforce
- Major contributor to foreign exchange earnings
- Crucial role in providing food security
- Top global producer of wheat, rice, and cotton
- Supplying raw materials for two-thirds of exports
- Diverse climate zones
- Extensive irrigation network

Weaknesses

- Low productivity
- Outdated irrigation system
- Water mismanagement
- Land fragmentation
- Lack of modern farming techniques
- Lack of innovative research
- Lack of access to credit and finances
- Post-harvest losses
- Shortage of pesticides and proper seeds
- Climate vulnerability

Opportunities

- Investment in modern agri-technology
- Investment in agriculture value-chain
- Value-added processing
- Export potential of horticulture
- Investment in agricultural R&D
- Self-sufficiency potential
- Crop diversification
- Use of organic fertilizers
- Private sector engagement
- Construction of warehouses
- Agricultural entrepreneurship

Threats

- Low product of cash crops leading to imports
- Water scarcity
- Rising costs of essential agricultural inputs
- Climate change
- Pest and disease outbreaks
- Policy instability
- Foreign currency issues
- Global market fluctuations
- Border smuggling of agri products
- Lack of land reforms