Emerging Issues, Challenges and Options in Agribusiness Sector of Pakistan

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Agriculture: Some Basic Facts

- Source of Livelihood for 62% of population
- Over 20% share in GDP
- Employs 45% labor force
- Over 60% of industrial production comes from agro business
- Earns (directly or indirectly) 70% of export revenue
- Provides raw material to industry and also a big market for industrial products

Poor performance of agriculture may have an adverse effect on Pakistan's economy.

Source: Pakistan Economic Survey 2009-10
What is Agribusiness

• Farming engaged in as a large scale Business operations embracing production processing and Distribution of agricultural Products and manufacture of farm machinery, equipment and supplies.
Agribusiness Sector Framework

Farm Supplies

- Feed
- Fertilizer
- Machinery & equipment
- Petroleum
- Transportation
- Seed
- Others

Farming

Processing

- Industrial
  - Supermarket
- Food
- Retail
  - Restaurants
  - Institutions
- Other
## Number & Value of Agro-Based Industries (Million Rs.)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number</th>
<th>Value of production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy Products</td>
<td>10</td>
<td>10877</td>
</tr>
<tr>
<td>Vegetable Ghee</td>
<td>56</td>
<td>43962</td>
</tr>
<tr>
<td>Refined Sugar</td>
<td>62</td>
<td>55585</td>
</tr>
<tr>
<td>Canning of fruits &amp; veg.</td>
<td>10</td>
<td>1516</td>
</tr>
<tr>
<td>Wheat &amp; grain milling</td>
<td>300</td>
<td>27475</td>
</tr>
<tr>
<td>Textile manufacturing</td>
<td>1063</td>
<td>320932</td>
</tr>
<tr>
<td>Leather manufacturing</td>
<td>82</td>
<td>18655</td>
</tr>
<tr>
<td>Fertilizer</td>
<td>9</td>
<td>25925</td>
</tr>
<tr>
<td>Pesticides</td>
<td>15</td>
<td>4102</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2861</strong></td>
<td><strong>720343</strong></td>
</tr>
</tbody>
</table>

Source: Agricultural Statistics of Pakistan, 2008-09
# Value & Share of Agro-Based Industries (Million Rs.)

<table>
<thead>
<tr>
<th>Years</th>
<th>Value of Agro-Based Industrial Production</th>
<th>Value of Total Industrial Production</th>
<th>% Share of Agro-Based Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>224274</td>
<td>374859</td>
<td>59.82</td>
</tr>
<tr>
<td>1995-96</td>
<td>442650</td>
<td>693010</td>
<td>63.87</td>
</tr>
<tr>
<td>2000-01</td>
<td>720343</td>
<td>1145063</td>
<td>62.91</td>
</tr>
</tbody>
</table>

Source: Agricultural Statistics of Pakistan, 2008-09
Main Issues

*Potential under-utilized…*

- Small producers and processors
- Long supply-chains
- Wastages – post-harvest handling losses
- Poor quality
- Lack of appropriate technology
- Poor infrastructure
Main Issues:...........Contd

• Small marketable surplus
• Quality variations
• Low processing ratio (only 2-3% for fruits, vegetables and milk)
• Limited storage capacity (only 5% of total agricultural production)
• Poor access to markets
• Inappropriate packing and packaging
• High prices and shortage of energy (electricity, diesel, gas etc.)
Main Issues: ...........Contd

• Increased demand for low-cost, nutritious, safe, good tasting, conveniently packaged, easily available, consistent products.
• Environmental protection
• Food health and safety.
• Trade barriers (Non-tariff measures)
• Increased competition
• Increased production cost
Challenges

• **Sustainability of agribusinesses to ensure welfare of stakeholders**
  - Recent food crisis in Pakistan (wheat flour, sugar, pulses, rice, milk etc.)
  - Price differentials between national & international markets
  - Market distortions (shortage, hoarding, black marketing etc.)

• **Quality improvement and cost competitiveness**
  - Weak quality control & check system
  - Substandard quality & Shortage of raw material
Challenges…..Contd

• Compliance to increasing international standards
  ▪ Quality standards (ISO 9001 to 9004)
  ▪ Environmental standards (ISO 14000)
  ▪ Labor standards (ISO 17000, SA-8000)
  ▪ Standards for accreditation labs (ISO 17025)
  ▪ Eurepgap
  ▪ HACCP

• Diversification of agro based industries
  ▪ Canning of fruits and vegetables, milk and milk products, foot wears, wood and furniture products, paper and paper products, packaging etc.
Challenges….Cont

• Functional & Institutional Inefficiencies
  ▪ (Inefficient wholesale markets; Absence of future markets & insurance cover)

• Lack of skilled management resulting in inefficiency

• Low Value Addition
Challenges....Contd

• No specific government policy for the promotion and development of agribusinesses

• Lack of modern technology and equipment

• Inadequacy of financial resources especially for small scale agribusinesses

• Lack of infrastructure (poor farm to Market Roads)

• Research and development
Specific Initiatives of the Government

- Agribusiness Development and Diversification Project
- Agribusiness Support Fund
- Livestock and Dairy Development Board
- Punjab Agricultural Marketing Company
- Pakistan Horticulture Development and Export Company
Options

- Regulatory and administrative framework to improve institutional efficiency
- Public private partnership
- Enhance entrepreneurial skills
- Incentives for investment in agribusiness and allied industry (Tax holidays, zoning etc.)
- Human Resource Development
- R & D, catering specific needs of stakeholders
Options….Contd

• Promote culture for value added products
• Allocate more credit for agribusiness enterprises.
• Strengthen market linkages through exhibitions, trade fairs and diplomatic efforts
• Improve agricultural marketing system
• Compliance to national and international standards
Initiatives of IBMS at UAF

• Institution of degrees
  – MBA (Marketing and Agribusiness)
  – B.Sc. (Hons.), Major: Marketing and Agribusiness

• Training of budding entrepreneurs
  – Business Incubation Centre
  – Short training courses

• Linkages
  – University outreach programme
  – Liaison with SMEDA, TDA, PAMCO, PHDEC, ASF and agribusiness enterprises
  – University of Queensland
The Way Forward

Future lies in agribusiness and we should not only try to add value but create value as well.
THANKS