Pakistan is major producers of wheat in the world

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Pakistan agriculture accounted for 20.9% of the Gross Domestic Product (GDP) in 2014-15 and is a source of livelihood of 43.5% of rural population. Increased agricultural production and high crops yield is essential for food security which make the farming systems less vulnerable to climate change.

According to (FAO), Pakistan is one of the ten major producers of wheat in the world. Pakistan is the world's 4th largest producer of cotton crop as well as fruits like mango and dates. In the production of citrus fruit, Pakistan occupies 13th position amongst some 100 citrus producing countries in the world. Pakistan grows enough high quality rice to meet both domestic demand and allow for exports of around one million tonnes per annum. Pakistan uses some 22 million hectares of its total land area of 80 million hectares for crop production. About 18 million hectares or 80% of its cultivated land is irrigated, while the remainder is under arid farming.

Crop Area, Seed Distribution and Fertilizer Offtake

Year	Cropped Area (Million hectares)	Improved Seed dis-tribution (000 Tonnes	Fertilizer Offtake (000 N/T)
2004-05	22.78	218.12	3694.04
2005-06	23.13	226.07	3804.00
2006-07	23.56	218.60	3672.00
2007-08	23.85	264.67	3581.00
2008-09	24.12	314.63	3711.00
2009-10	23.87	312.63	4360.00
2010-11	22.72	331.02	3933.00
2011-12	22.50	346.38	3861.00
2012-13	22.56	327.08	3621.00
2013-14	22.73	359.18	4089.00
2014-15	22.73	446.19	3341.00

Source: i) Pakistan Economic Survey 2014-15.
ii) Pakistan Bureau of statistics

The importance of agriculture in an agrarian country like Pakistan cannot be underscored since after feeding its population, Pakistan exports the surplus quantity of wheat, rice, pulses, fruits and vegetables to friendly countries.

High quality of seeds, superior fertilizers, abundant water supply, sunshine and timely use of pesticides ensure good crops. Of these variables, for maximizing per acre yield of agricultural crops, fertilizer is one of the most essential inputs, along with modern techniques in seed and technology development, which need continuous updating.

According to agriculture experts, intensive cropping leads to the depletion of soil nutrients, hence there is a need to replenish the soil through proper use of fertilizers to increase crop production and meet the food demand of the growing population.

Fertilizer industry needs government's support in providing food security to over 180 million people of Pakistan. Pakistan ranks among top 10 agrarian countries of the world. Some 67% of the country's population, residing in rural areas, is directly or indirectly dependent upon agriculture for their livelihood.

Production of Important Crops (000 Tonnes)

Year	Wheat	Rice	Sugar Cane	Rapeseed and Mustard	Cotton 000 Bales	Tobacco
2004-05	21,612	5,025	47,244	203	14,265	101
2005-06	21,277	5,547	44,666	172	13,019	113
2006-07	23,295	5,438	54,742	212	12,856	103
2007-08	20,959	5,563	63,920	176	11,655	108
2008-09	24,033	6,952	50,045	188	11,819	105
2009-10	23,311	6,883	49,373	151	12,914	119
2010-11	25,214	4,823	55,309	188	11,460	103
2011-12	23,473	6,160	58,397	164	13,595	98
2012-13	24,211	5,536	6,375	205	13,031	108
2013-14	25,979	6,798	67,460	203	12,769	130
2014-15	25,478	7,005	62,652	183	13,983	130

Source: i) Pakistan Economic Survey 2014-15.
ii) Pakistan Bureau of statistics.

This brings to the fore the need for sustained supply of quality fertilizer to the farming community at affordable cost so that Pakistan could increase per acre yield to levels already achieved by many other countries.

This challenge can be met only when fertilizer industry is allowed a level playing field vis-à-vis other sectors and gas distribution is done to all on a judicious and justified basis with focus on the country's future.

Unfortunately, over the years, Pakistan's fertilizer sector has been suffering due to the shortage of gas which is essential raw material for the production of urea fertilizer. Short supply of gas has resulted in idle-capacity, restricting local urea production.

Against an annual local demand for 6.0 million tonnes, Pakistan's fertilizer industry has a cumulative installed capacity of producing 6.9 million tonnes, but due to short supply of gas only 4.0 million tonnes is being produced for the last couple of years.

The country has been meeting the deficit by importing urea fertilizer at high cost. Finalising the first of its three import tenders for urea fertilizer, the state-run Trading Corporation of Pakistan (TCP), on August 17, 2015, awarded a contract for the import of 50,000 tonnes of urea fertilizer to a Chinese company at $294.7 per tonne.

Fertilizer Offtake and Imports of Fertilizers

Year	Ferilizer Offtake (000 N/Tonnes)				Import of Fertilizers (000 N/Tonnes)
	Nitrogeen	Phosphorus	Potash	Total	
2004-05	2,796	864	33	3,694	784
2005-06	2,926	851	27	3,804	1,268
2006-07	2,650	979	43	3,672	796
2007-08	2,925	630	27	3,582	876
2008-09	3,034	651	25	3,710	568
2009-10	3,476	860	24	4,360	1,444
2010-11	3,134	767	32	3,933	645
2011-12	3,207	633	21	3,861	1,177
2012-13	2,853	747	21	3,621	735
2013-14	3,185	881	24	4,089	1148
2014-15	2,521	796	23	3,341	834

Source: i) Pakistan Economic Survey 2014-15.
ii) Pakistan Bureau of statistics
iii) National Fertilizer Development Centre.

The TCP will reportedly close two further tenders for 50,000 tonnes each by the end of August,2015. Earlier, tenders for the import of a further 150,000 tonnes of urea fertilizer were issued in July, 2015.

To bridge fertilizer shortfall, the TCP imported a total of 747,398.95 tonnes of urea fertilizer in the last seven months - December to June, 2015. Farmers estimate that they required at least 2.8 million tonnes of fertilizer in the winter season.

Import of urea fertilizer acted as a heavy drain on the meagre foreign exchange resources of the country. For instance, from 2010-2012 Pakistan spent $1.5 billion on importing 3.4 million tonnes of urea besides paying a subsidy

Production and Export Fruit

000 Tonnes

Year	Production of Important Fruit								Export	
	Citrus	Mango	Apple	Banana	Apricot	Almonds	Grapes	Guava	000 Tonnes	Value (Min. Rs.)
2004-05	1,944	1,671	352	148	205	23	49	571	281	5,408
2005-06	2,458	1,754	351	164	197	23	49	552	455	7,508
2006-07	1,472	1,719	348	151	177	23	47	555	343	6,894
2007-08	2,294	1,754	442	158	240	27	75	539	411	9,085
2008-09	2,132	1,728	441	157	238	26	76	512	469	12,519
2009-10	2,150	1,846	366	155	194	22	65	509	687	20,094
2010-11	1,982	1,889	526	139	190	22	64	547	669	25,017
2011-12	2,147	1,700	599	97	189	21	64	495	737	32,068
2012-13	2,002	1,680	556	116	179	22	64	500	718	38,085
2013-14	2,168	1,659	606	119	178	22	66	496	786	45,471
2014-15	2,168	1,717	606	119	178	22	66	496	601	38,124

Source: i) Pakistan Economic Survey 2014-15.
ii) Pakistan Bureau of statistics.

of around Rs80 billion to the local farming community.

If the fertilizer sector is supplied requisite quantity of gas, the precious foreign exchange, at present being spent on the import of urea fertilizer, could be saved or utilised for launching industrial development projects of vital nature, like those required for meeting the growing energy needs of the country.

While a majority of the industries, except fertilizer sector, burn gas solely as fuel without any value addition, gas remains the basic raw material for producing urea fertilizer, thus adding value to gas.

A higher domestic production of urea could save precious foreign exchange, which would otherwise be spent on importing costly fertilizers. On the other hand, any shortfall in the domestic production of urea brings a sharp decline in the agricultural output, directly hurting the poor farmers and the national economy.

Understandably, most of the agrarian countries around the world give subsidy on inputs to their agricultural sector. However, Pakistan unfortunately is one of the few countries where taxes, like GST and GIDC, are imposed on agricultural inputs.

Pakistan's fertilizer sector contributes to the national economy in multiple ways. For example, it not only provides urea to the agricultural community at affordable prices, it also saves precious foreign exchange on the import of the commodity and substantially contributes to community-beneficial CSR activities.

Pakistan's two leading fertilizer companies FFC (Fauji Fertilizer Company Limited) and Engro alone contribute heavily towards meeting the health and education needs of the deprived segments of the community in addition to coming to the rescue of the people affected by natural calamities, like floods, earthquakes or droughts etc.

Besides, FFC provides free of cost agri-services to help farmers improve their production. These services have played an important role in increasing per acre yields and improving the lot of farmers.

It goes without saying that a transparent, forward looking and mutually beneficial taxation system is essential in business environment. Therefore, any percentage of GIDC proposed to be imposed on a sector should have clear relevance with the amount of gas percentage being promised to that sector for which it is paying this gas infrastructure development tax in future distribution of gas.

It must be remembered that any business would only flourish through transparency and confidence in the government policies. Therefore, the government policies need to protect the interests of all stakeholders.

Transparent and equal distribution of taxes ensured by the government provides a level playing field which is like blood for sustenance and growth of business. The related ministries need to update their policies and even jack-up existing policies to see that farm sector keeps playing its role in providing food security to over 180 million people of Pakistan.

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