



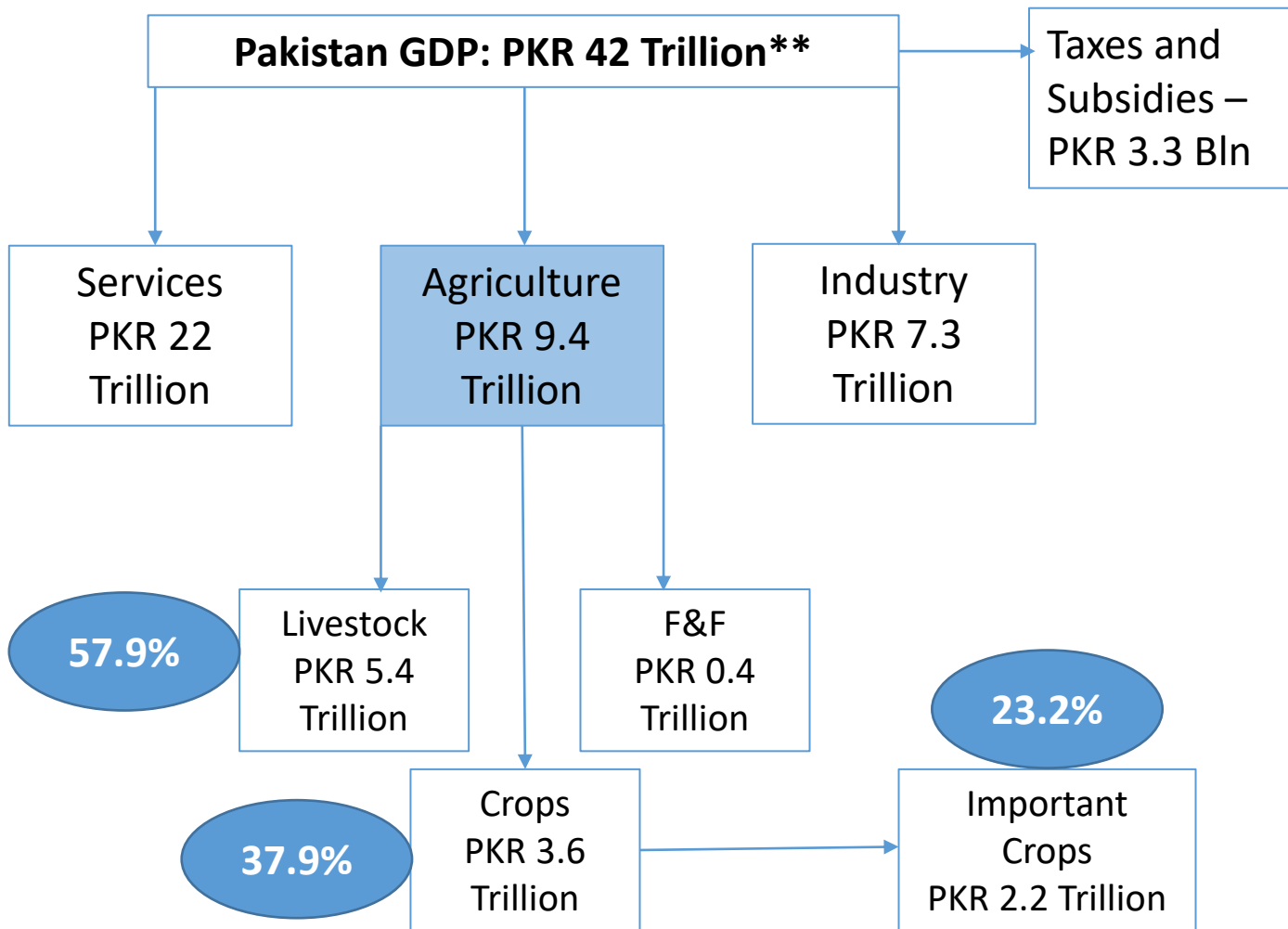
Integrated Structural Reforms for Sustainable Agriculture Growth

Special Committee on Agricultural Products

Date: 29th January 2021



Agriculture Positioning – Game Changer for Pakistan



Labour Force Participation:
38.49%

GDP Contribution: 19.3% (22.6%:
@ MP / PBS)

Rural Population: **63.6%**

Rural Financial Inclusion: **7%***
(10%)

Rural Poverty: **40.2%*****

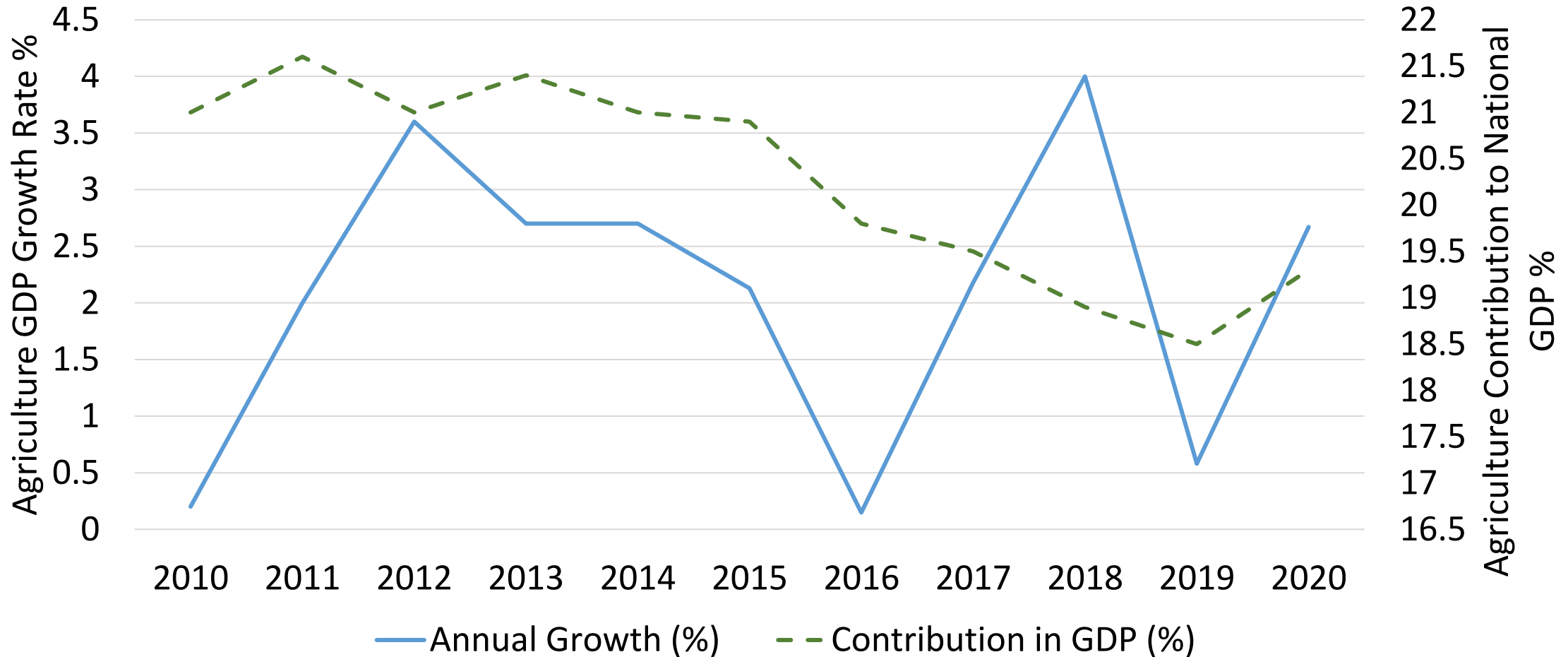
Women Labour Force: **67%** of
employed women

- *World Bank FINDEX 2017
- ** Market Price / Pakistan Bureau of Statistics
- *** 2014-15 Multi-dimensional Poverty Index



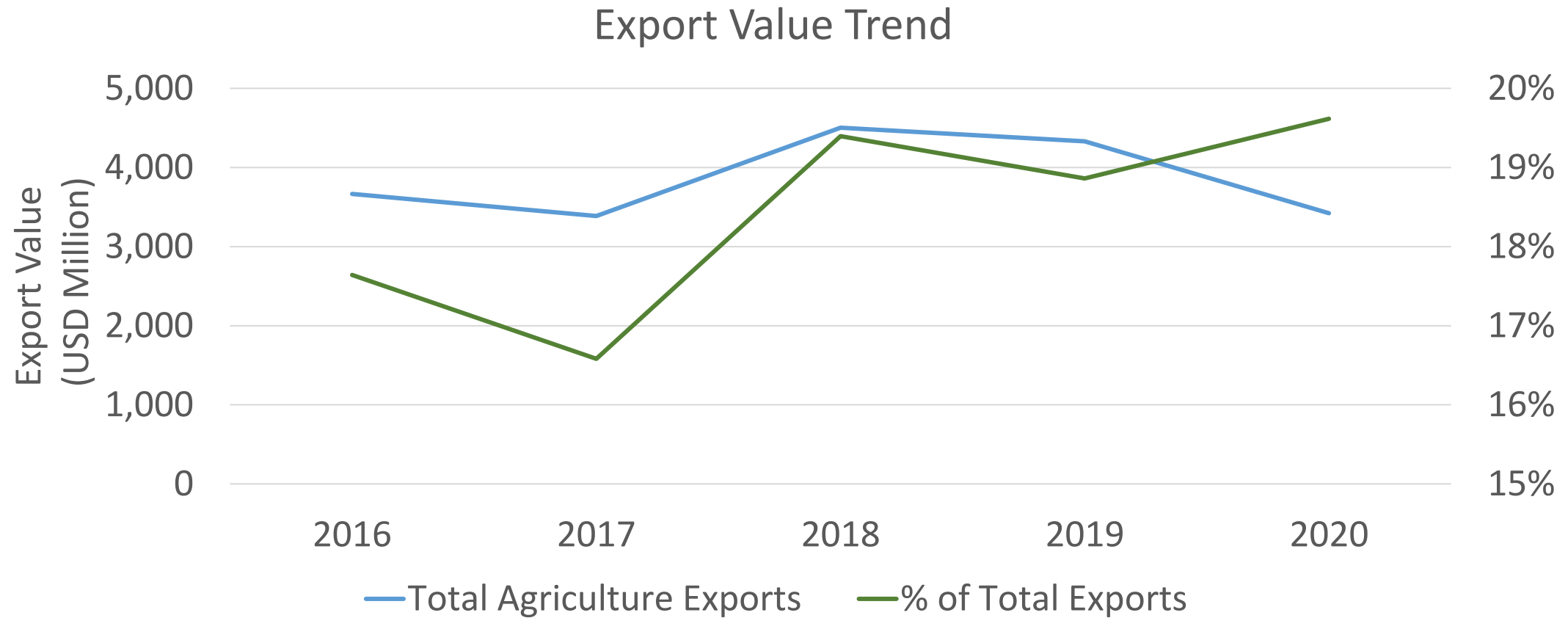
The Challenge: Erratic and Unplanned Growth Strategy

Agriculture Sector Growth



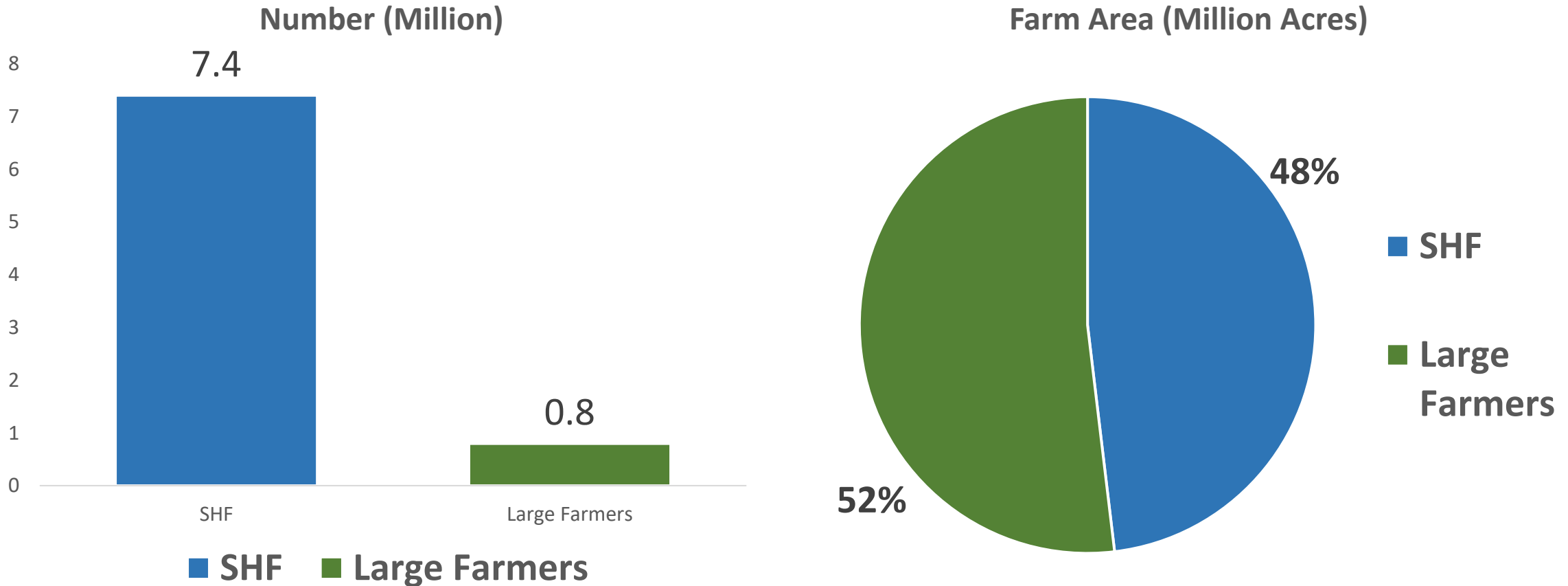


The Challenge: Agriculture Export Value Show a Flat Trend



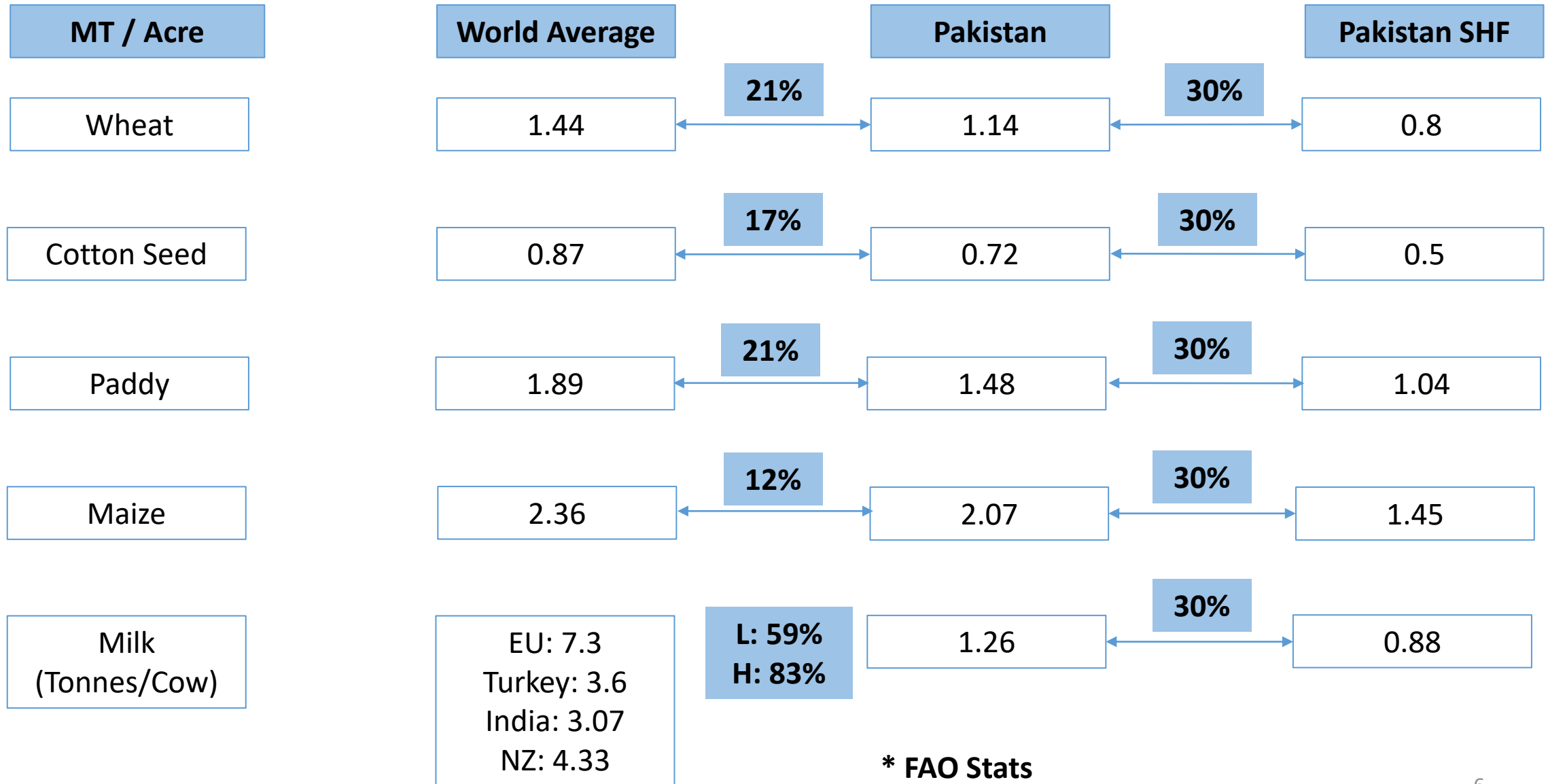
Low Value Added Exports to Low Income Countries
Rice: 47% Fruits: 11% Fish: 9% Vegetables Meat: 7% each

Fragmented Producer Market – 89% SHF / 48% Farm Area



- Most SHF engaged in growing of major crops, milk production and meat
- Livestock and Horticulture main activity in Balochistan, Tharparkar, KP and GB

The Challenge: Low Productivity*





Dysfunctional Structure – Low Yield of SHF

Lack of Economic Incentive for SHF to Invest in High Value Products & Mechanization

Low SHF Income – High Cost of Production, Low Yield and Low Sale Price

High Post-Harvest Losses of 25-40% No farmer capacity for post-harvest management

Limited Access to Agriculture Extension Services & Limited Use of Mechanization Required power of 1.4 HP per acre & Available 0.09 HP per acre

Access to Inputs Insufficient quantity, poor quality and inappropriate timing with low availability of certified seeds (EGS)

Causes of Low SHF Yield

Middlemen (Arthi / Dhodi) Finances 94% of SHF for Input Cost and Household Needs at 75-100% Purchases and Aggregates SHF Produce

Produce Sale

Village Beopari

Farmer

Farmer

Village Beopari

Farmer

Farmer

Farmer

Village Beopari

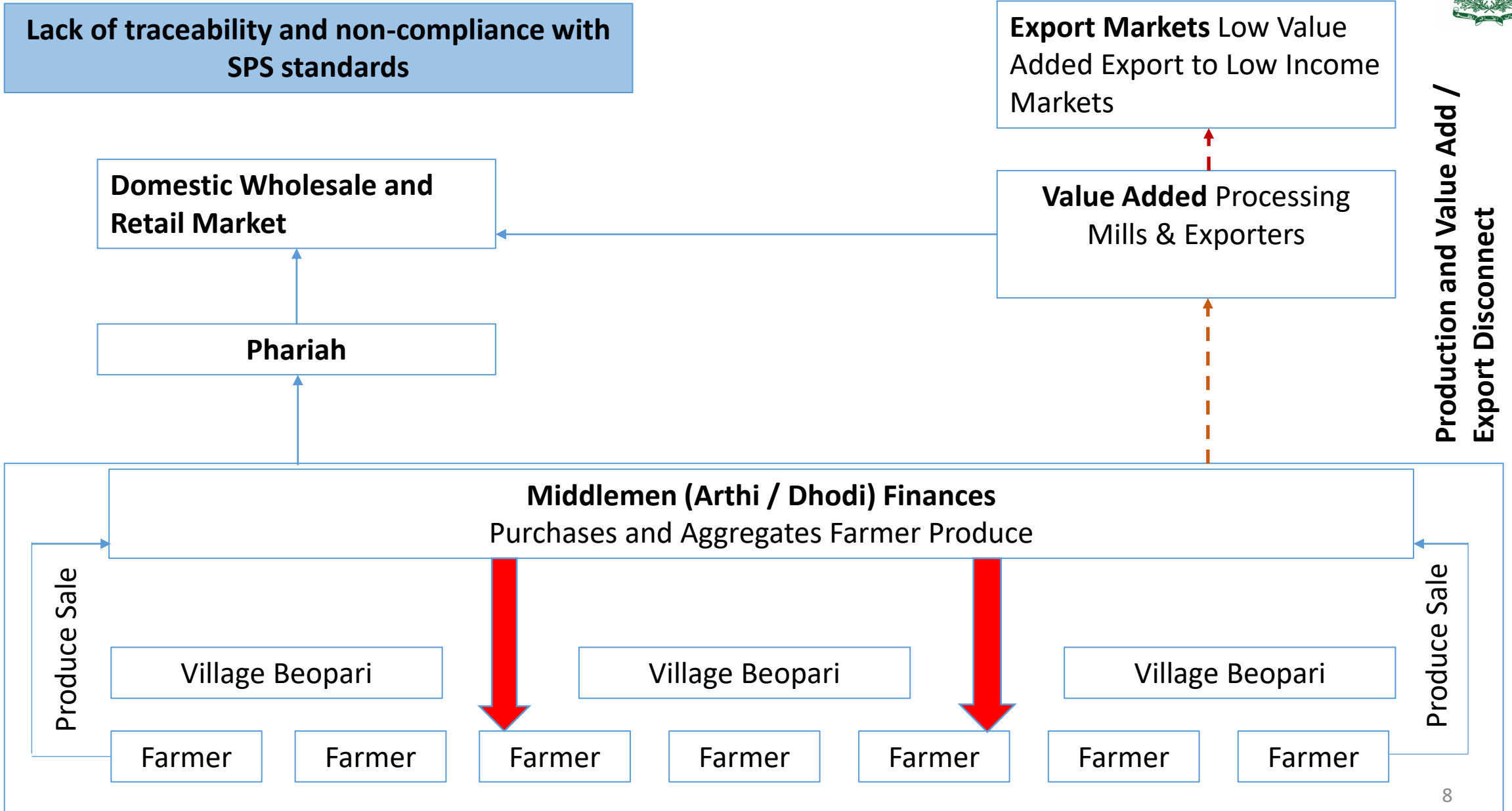
Farmer

Farmer

Produce Sale

Informal Exploitative Contracts

Disjointed Production & Export Markets





Agriculture's Low Level Equilibrium Trap

(Low Productivity, Informality and Rural Poverty)

1. **Low Farmer Bargaining Power with Markets** due to:

- Fragmented farmer market segment
- Lack of funds to purchase inputs

Basis for Arthi Domination

2. **Low Quality and Inadequate Inputs** (Seed, Fertilizer, Pesticides and Equipment) due to:

- Single sales channel of input supply companies with more than 95% sold through dealers / franchisees
- Poor quality enforcement in local mandis
- Low farmer literacy

3. **Low Level of Farmer Education on Modern Farming** due to:

- Low level of effectiveness of government's personal-model of extension services
- Low level of farmer awareness on end product demand

4. **Lack of Farmer Owned Value Addition / Storage Infrastructure** due to:

- Small cultivated farm size
- Lack of funds
- Lack of management and technical capability

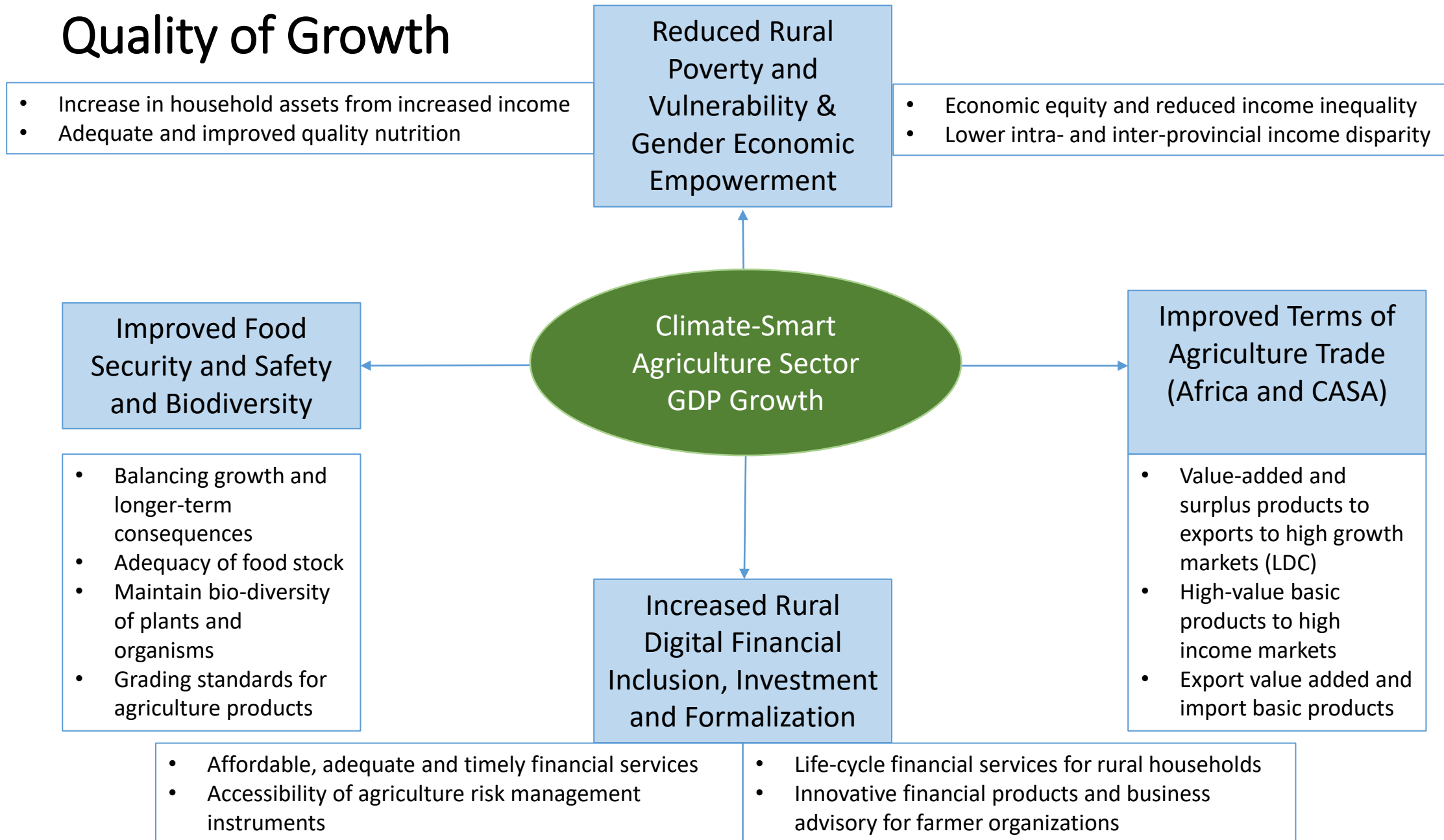


Agriculture Sector Growth Objective

Agriculture growth rate of 7.5% p.a. by FY 2027-28 led and sustained by producer-owned integrated market-based value chains that incentivize producers to continue investing in modern and climate-smart production technologies, expansion of cultivated land area and value added activities



Quality of Growth





Guiding Principles for Reform

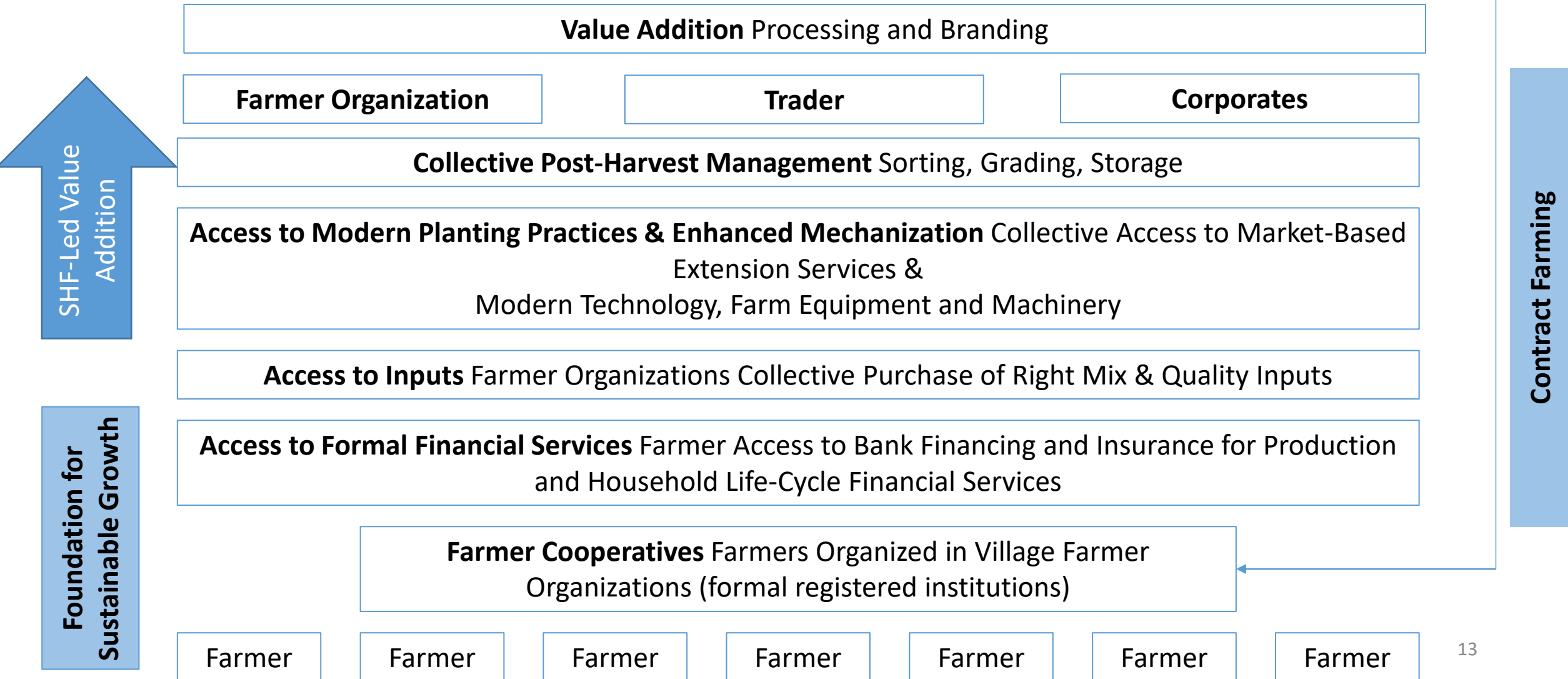
- 1. Public Policy to Create and Shape Inclusive Markets:** Public policy and institutions should not only correct market failures but actively create new markets by socializing risk and reward – acting like a venture capitalist and investing in new space to leverage private investment (contrary to crowding-out theory)
- 2. Public Policy Must Protect and Further Interests of the Underprivileged and Disadvantaged:** The main objective of Pakistan's public policy should be to provide equitable institutional resources and support to the poorest segment of society
- 3. Ecosystem Network Build-Up:** Strategy should focus on multiple value chain components simultaneously to provide a holistic solution to the farmers
- 4. Phased Approach:** The growth strategy is divided into phases prioritizing the immediate gains and building on the existing knowledge and skill set of the producers
- 5. Small Farmer-Centric Growth:** Strategy should address production growth constraints of SHF to generate higher farmer incomes and incentivize farmers to invest in agriculture
- 6. Minimize Disruption in Agriculture Markets:** Sequence the implementation of the reform agenda to minimize the effects of reaction of the beneficiaries of the existing system
- 7. Impact-Driven Patient Capital Investment by GoP:** Gradual rationalization of smart subsidies to be utilized to correct the direction of the markets. Utilization of subsidies as impact-driven patient capital for profitable business models by GoP institutions

End-of-Period Vision

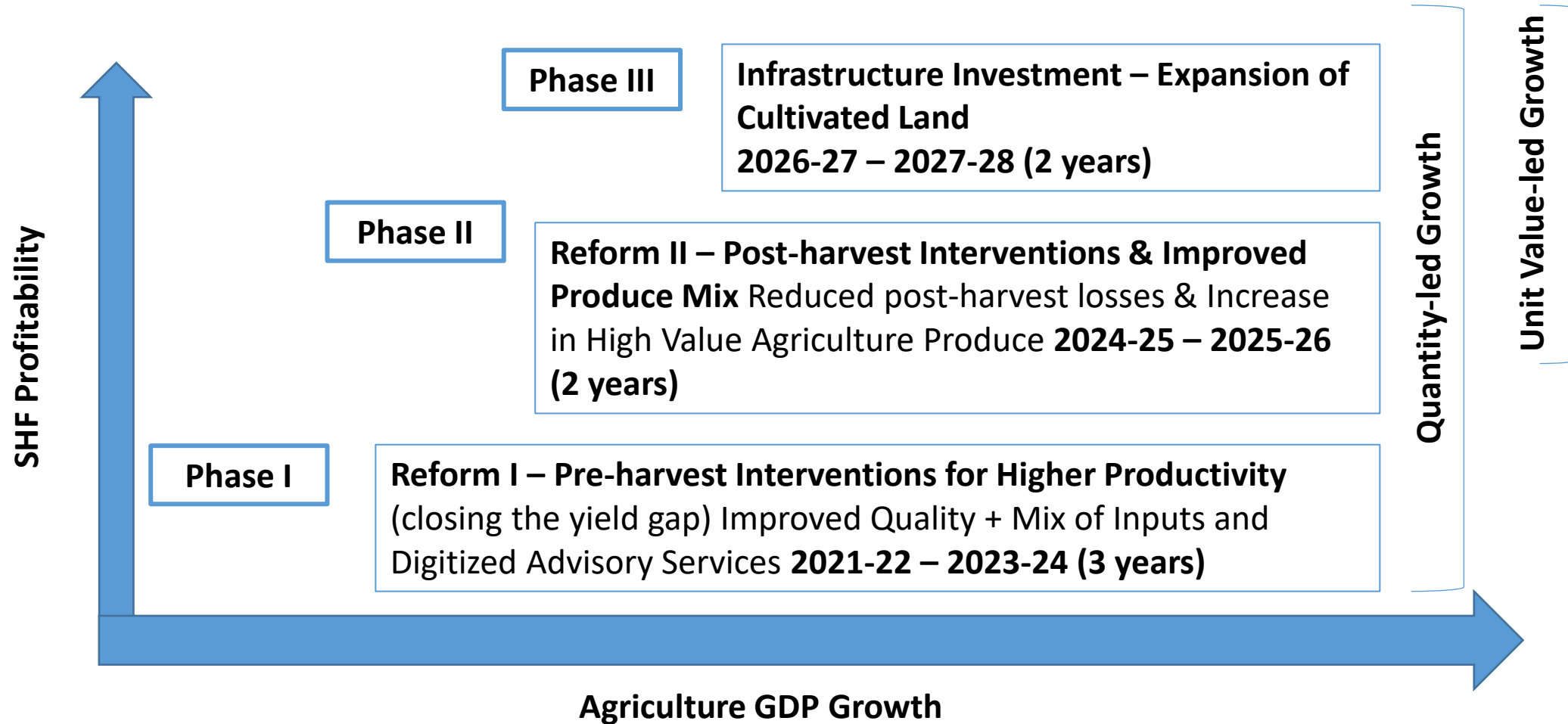


Domestic Market / Import Substitution:
Sale at Optimum Quality-based Pricing

Export Markets: Value Added Export
High Growth & High Income Markets



Proposed Phased Growth Drivers



Policy Reform Instruments



1. Investment-Ready and Independent Farmer Village Organizations (Farmer Aggregation Platform)

- Livestock, Crops and Marine Fisheries across Pakistan

2. Low-Cost Refinance Line of Credit & Credit Enhancement for Digital Production Finance

- Livestock, Crops, Marine and Inland Fisheries for Seasonal Short-Term Finance for Farmers and Contract Farming Companies

3. Agriculture Climate Change Insurance Pool (Farmer Risk Transfer Mechanism) / Satellite-based Crop Reporting

- Crop Weather Index and Livestock Insurance

4. Contract Farming for Smallholder Farmers (Market + Finance + Advisory)

- Dairy and Meat in Balochistan, KP and Tharparkar with Embedded Internal Finance and Advisory

5. Digitization of Demand-Driven Extension Content

- Livestock Rearing and Fattening, Dairy Production, Crops and Oilseeds

6. Digitized Government Purchases

- Digitization of purchases by Punjab and Sindh Food Departments and PASSCO
- Mandate Trading Corporation of Pakistan to purchase cotton and paddy at Minimum Support Price

Policy Reform Instruments



7. Integrated Seed & Breed System and Commercializing PARC

- Integrated **Commercial** Seed System under PARC (Agrotech) including:
 - Genetic Resource Management including landraces
 - Breeding Research & Crop Improvement
 - Seed Multiplication, Marketing and Distribution under National Seed Company (merger of provincial seed corps and PARC's Agrotech Company) – China model
- FSCRD
 - Rationalization of seed varieties
 - Professionalization of management of FSCRD – specific annual targets

8. Global Standards for Agriculture Produce and Disease-free Zones

- Establish product-specific grading standards to shift gradually to international standards
- Implemented in nation-wide agriculture markets

9. Multiple Marketing Options for Farmers (Grading and Storage Infrastructure at the Village Level)

- Enable farmers to reduce post-harvest losses
- Develop an alternate to Mandis for farmers to sell
- Enable farmers to store and sell at the maximum price
- Access to warehouse receipt financing



Policy Instrument Implementation

Investment Ready Farmer Village Organizations (FVO)

Policy Objective	Build a sustainable farmer owned and managed institution as an aggregation platform as a channel to mainstream farmers into the formal economy. Women FVOs for livestock and men FVOs for crops. Special incentives for FVOs including youth engaged in agriculture
Legal and Regulatory Action	<p>LRA 1 – Establish preferred farmer organization models</p> <p>LRA 2 – Law Ministry: Review Cooperative Act 1925</p> <p>LRA 3 – Law Ministry and SECP: Formulate new / revised act and regulations for incorporation and supervision of farmer organizations</p> <p>LRA 4 – FBR: Draft fiscal incentives for farmer organizations</p>
Delivery Institutions and Actions	<p>DIA 1 – NRSP: Institutional assessment, restructuring and capacity enhancement to form farmer organizations on the proposed models</p> <p>DIA 2 – NRSP: Establish digital e-commerce platform for farmer village organizations to purchase agriculture inputs and to collect farmer data including soil test results</p> <p>DIA 3 – NRSP: Incorporate and professionalize farmer organizations</p>
Time-Frame	Preparatory Actions (1-3): 2020-21 – 2021-22 / Phase I Results: 2021-22 – 2023-24
Output	Phase I - 20,000 women and men farmer village organizations across Pakistan / Phase II – Federating FVOs



Policy Instrument Implementation

Farmer Refinance Line and Guarantee for Production Loans (Expand SBP's existing finance schemes for farmers & women)

Policy Objective	Smallholder Farmer access to subsidized digital production / breed nutrition and management loans from banks and microfinance institutions (MFI) and life-cycle financial services. Farmer Village Organizations access common asset financing for value addition activities
Legal and Regulatory Action	<p>LRA 1 – SBP: Expand SBP's refinance line for women to include livestock and men for crops Draft guidelines for farmer digital refinance line and product development Technical Assistance for banks and MFIs – Promote dairy, meat, cotton, wheat, rice, maize, mango, citrus, onion, tomato, potato and oil-seeds (no sugar-cane)</p> <p>LRA 2 – SBP, MoF and Law Ministry: Amend Banking Companies Ordinance to include MFBs</p> <p>LRA 3 – FBR: Fiscal incentives for banks and MFIs on refinance line utilization</p> <p>LRA 4 – Parliament: Promulgate Act to protect ZTBL from outside influence</p>
Delivery Institutions and Actions	<p>DIA 1 – Pakistan Credit Guarantee Company (PCGC): Establish a window for credit guarantee for farmer refinance line</p> <p>DIA 2 – ZTBL: Re-position and revive ZTBL to lead in digital financing and innovative financing products for farmers and farmer village organizations</p> <p>DIA 3 – Banks and MFIs: Provide digital production loans under SBP refinance line</p> <p>DIA 4 – NRSP: Provide banks and MFIs with data of farmers in the registered FVOs</p>

Policy Instrument Implementation

Farmer Refinance Line and Guarantee for Production Loans



Time-Frame

Preparatory Actions (LRA 1 – 4): 2020-21

Phase I Results: 2020-21 – 2023-24

Output

Production loan disbursement of PKR 400 Billion in 3 years through 3.5 Mln unique crop borrowers and 4 Mln unique livestock women borrowers

Common asset financing for farmer village organizations to build grading, storage and processing

ZTBL to generate RoE of 8% by 2024



Policy Instrument Implementation

Climate Change Agriculture Insurance Pool

Policy Objective	Public-Private-Civil Society Partnership to provide standardized sustainable crop, livestock and poultry insurance products to farmers at affordable premiums and declining government subsidy
Legal and Regulatory Action	LRA 1 – Parliament: Draft and promulgate Act for establishment of agriculture insurance pool LRA 2 – SECP: Draft regulations for operation of agriculture insurance pool LRA 3 – NDRMF: Take over disaster risk insurance currently offered by MoF and provides premium subsidy for the agriculture insurance pool products
Delivery Institutions and Actions	DIA 1 – Insurance Companies and Insurance Association of Pakistan, NRSP (on-behalf of farmers): Equity investment and management control of the agriculture insurance pool DIA 2 – Agriculture Insurance Pool designs standard products and underwriting processes DIA 2 – NRSP, Banks and MFIs: Offer agriculture insurance products to its clients
Time-Frame	Macro-level Preparatory Actions (LRA 1 – 3 and DIA1): 2020-21 – 2021-22 Results: 2021-22 – 2023-24
Output	Phase I - Insure 2 Mln crop farmers and 4 Mln women livestock holders

Policy Instrument Implementation

Contract Farming



Policy Objective	<p>To align production and market demand for high value and perishable agriculture produce, enhance farmer bankability and allow Arthis to formalize contracts with farmers</p>
Legal and Regulatory Action	<p>LRA 1 – Research and establish preferred contract farming regulatory and operating models with options for one or all services including markets, finance and advisory</p> <p>LRA 2 – Law Ministry and Parliament: Draft and promulgate the Act for contract farming</p> <p>LRA 3 – SECP: Draft and publish regulations, supervision and enforcement rules for contract farming</p> <p>LRA 4 – Punjab Food Department issues contracts to purchase wheat from small farmers</p> <p>LRA 5 – FBR: Develop mechanism for fiscal incentives for companies adopting contract farming in Balochistan, Southern Punjab, KP, Cholistan and Tharparkar with smallholder</p>
Delivery Institutions and Actions	<p>farmers</p> <p>DIA 1 – NRSP: Facilitate contracting of farmer village organizations with private sector processing companies</p> <p>DIA 2 – Private Sector Companies: Contract farmer village organizations to purchase meat, dairy and horticulture products</p> <p>DIA 3 – Banks and MFIs: Utilize refinance line to finance farmers or buying companies in contracts (internal value chain finance)</p> <p>DIA 4 – Quality Certification Companies: Engaged at the time of delivery of produce</p>

Policy Instrument Implementation

Contract Farming



Time-Frame

Macro-level Preparatory Actions (LRA 1 – 5): 2020-21 – 2021-22
Results: 2021-22 – 2023-24

Output

Phase I – 1,000,000 farmers engaged in contract farming by 2023-24



Policy Instrument Implementation

Digitize Demand-based Extension and Business Advisory

Policy Objective

To enhance effectiveness and efficiency of extension services and to align the content of agriculture extension services to market demand of agriculture produce. Develop and business advisory and financial capability and distribute using the digital channel for extension advisory

Legal and Regulatory Action

LRA 1 – PARC: Consolidate geographic area and produce based advisory content from provincial governments, private sector and PARC affiliates across the country

LRA 2 – PARC: Establish a forum / mechanism for review and updating of content in collaboration with private sector, agriculture universities, experts and international organizations

LRA 3 – PARC: Develop digital channels such as TV, radio and YouTube channels, Interactive Voice Recording (IVR), SMS in local languages, Facebook content

LRA 4 – SBP: Consolidate and develop business advisory and financial capability content

Delivery Institutions and Actions

DIA 1 – Mobile Network Operators (MNO) / PTA: PARC to partner with MNOs for distribution of content using SMS and IVR and introduce special data packages for farmers

DIA 2 – Provincial Extension and NRSP: Train '*champion*' in each FVO on the usage of digital channels and sharing knowledge with FVO members

DIA 3 – NRSP: Load the digital content on NRSP's e-commerce platform mobile application

Policy Instrument Implementation

Digitize Demand-based Extension and Business Advisory



Time-Frame

Macro-level Preparatory Actions (LRA 1 – 4): 2020-21 – 2021-22
Results: 2021-22 – 2023-24

Output

Phase I – Reach 3 Mln farmers engaged by 2023-24



Policy Instrument Implementation

Digitize and Restructure Government Procurement (GoP)

Policy Objective	To provide future market price for wheat, cotton and oilseeds, improve targeting of MSP to smallholder farmers, enhance farmer's bankability and generate data of smallholder farmers. This should continue till the time farmer market options are developed
Legal and Regulatory Action	<p>LRA 1 – Trading Corporation of Pakistan (TCP): Develop process for procurement of lint (phutti) from farmers, rent ginning capacity and storage for cotton bales</p> <p>LRA 2 – Punjab and Sindh Food Departments (P&SFD): Revise the rules of purchase of wheat to prioritize smallholder farmers and extend procurement to larger farmers in case of shortfall in purchases</p> <p>LRA 3 – TCP and P&FSD: To develop dynamic purchase and pricing structure and issue purchase contracts one month before sowing of the respective crops. Contracts to be registered under contract farming regulations</p> <p>LRA 4 – TCP and P&FSD: Digitize procurement and payment process with automated balloting and receipts</p>
Delivery Institutions and Actions	<p>DIA 1 – TCP and P&FSD: Share farmer contracts with banks and MFIs lending to farmers</p> <p>DIA 2 – Banks and MFIs: Extend production loans to farmers against TCP and P&FSD</p> <p>DIA 3 – TCP and P&FSD: Engage quality certification companies to certify the quality of produce delivered by farmers</p>



Policy Instrument Implementation

Digitize and Restructure Government Purchases

Time-Frame

Macro-level Preparatory Actions (LRA 1 – 4): 2020-21 – 2021-22
Results: 2021-22 – 2023-24

Output

Phase I – Procure wheat and cotton from 1 Million smallholder farmers

Policy Instrument Implementation

Integrated Seed Management System (GoP and Private Equity)



Policy Objective	<p>To ensure the right mix of landraces and new germplasm while balancing the rights of farmers and seed companies in line with UN Declaration on the Rights of Peasants and Other People Working in Rural Areas (UNDROP) adopted by UNGA on 17.12.2008</p>
Legal and Regulatory Action	<p>LRA 1 – PARC, FSCRD and API: Review and revise the Seed (Amendment) Act 2015 and Plant Breeders’ Rights Act 2016 and develop the relevant rules</p> <p>LRA 2 – PARC and Agrotech: Develop a commercial business plan to multiply and sell certified seeds to farmers (leveraging the proposed NRSP’s e-commerce platform) – China Model</p> <p>LRA 3 – FSCRD: Rationalize the approved seed varieties, use QR codes and establish digital grievance redress system</p> <p>LRA 4 – PARC: Maintain active research and germplasm unit included import of germplasms</p> <p>LRA 5 – National Seed Council: Mandate the National Seed Council to approve new varieties</p>
Delivery Institutions and Actions	<p>DIA 1 – Agrotech (PARC’s subsidiary): Establish and profitably operate certified seed business including appropriate logistics and retail arrangements to maintain seed quality</p> <p>DIA 2 –</p>

Policy Instrument Implementation Integrated Seed Management System



Time-Frame

Macro-level Preparatory Actions (LRA 1 – 4): 2020-21 – 2021-22
Results: 2021-22 – 2023-24

Output

Phase I – Procure wheat and cotton from 1 Million smallholder farmers



Policy Instrument Implementation

Multiple Produce Marketing Options for Farmers

(Private Sector Investment in Infrastructure)

Policy Objective	To provide farmers with multiple options for sale of produce to maximize farmer profitability and to reduce post-harvest losses. These options include: sale at the time of harvest, store produce at FVO-owned storage, process and sell value added produce
Legal and Regulatory Action	<p>LRA 1 – Provincial Agriculture Departments: Review and revise agriculture product marketing laws and rules and develop digital trading platforms for markets</p> <p>LRA 2 – SECP: Revise storage and collateral management regulations to allow market development</p> <p>LRA 3 – PSQCA: Develop standardized quality grading of agriculture produce including traceability other international market criteria</p> <p>LRA 4 – Provincial Agriculture Departments: Develop a distributed grain storage strategy for bulk and bag storage infrastructure in the agriculture markets</p>
Delivery Institutions and Actions	<p>DIA 1 – NRSP: Capacitate NRSP as a Farmer Seed And Venture Capital Fund to invest in FVO value addition infrastructure and activities & mobilize financing from financial institutions and private sector</p> <p>DIA 2 – SMEDA: Capacitate SMEDA to provide tailored business advisory to FVOs to establish and profitably operate value added functions</p> <p>DIA 3 – Private Sector Engage storage and collateral management companies to build and operate storage facilities in agriculture markets and for FVOs</p>

Policy Instrument Implementation

Multiple Produce Marketing Options for Farmers



Time-Frame

Macro-level Preparatory Actions (LRA 1 – 4): 2020-21 – 2022-23
Results: 2023-24 – 2025-27

Output

Village level storage and Farmers ownership of value addition

Agriculture SME Development



Policy Objective

To build formal SME businesses along the proposed value chain to support FVO-led value chain and GoP's policy reforms in the agriculture sector

Delivery Institutions and Actions

DIA 1 – SMEDA: In collaboration with banks, develop bankable business models and advisory content to promote **youth** to start up of the following businesses: cold chain including storage, *phariah* business, agriculture trading companies, logistic companies (new and upgrade)

DIA 2 – SMEDA: In collaboration with banks, develop bankable business models and advisory content for FVO to set up storage and processing units for the FVO's agriculture produce

DIA 2 – Banks and Financial Institutions: Design tailored financial products and provide financing and SMEDA advisory for start-ups and FVOs

Leveraging GoP Investments in Ehsaas and Kamyab Jawan



Policy Objective	To generate sustainable impact from Ehsaas grants and subsidies under Kamyab Jawan to graduate the poorest of the poor and direct interest subsidies for synergy with the agriculture sector
Delivery Institutions and Actions	<p>DIA 1 – Ehsaas and NRSP: Ensure inclusion of Ehsaas rural area beneficiaries into FVOs</p> <p>DIA 2 – Kamyab Jawan: Develop a special window for agriculture within Kamyab Jawan programme for Agriculture SMEs including start-ups within the proposed value chain and for youth farmers particularly in less developed districts of Pakistan (Balochistan, south Punjab and newly merged districts)</p> <p>DIA 3 – Ehsaas: Provide seed capital in the form of agriculture assets such as goat, buffalo, calf to enable the poorest of the poor women to benefit from the proposed FVO-driven value chain</p> <p>DIA 4 – SMEDA, Ehsaas and Banks: In collaboration with banks, develop bankable business models and business development services programme for Ehsaas beneficiaries and Kamyab Jawan borrowers in the agriculture sector</p> <p>DIA 5 – Banks and Financial Institutions: Design tailored financial products and provide financing to Ehsaas beneficiaries and Kamyab Jawan start-ups in the agriculture sector</p>
Proposed Target	Graduate 1 million Ehsaas beneficiaries by 2027-28 Set-up 100,000 small businesses under Kamyab Jawan programme

Linkage with China Pakistan Economic Corridor



China Pakistan Economic Corridor Agreed Areas of Cooperation in Agriculture

Cooperation in the area of Germplasm Resources

Cooperation in the area of Agriculture Product Processing

Cooperation in the area of Agriculture Technology Extension

Cooperation in Establishment of FMD free zones

Set-Up Centre for Sustainable Control of Plant Pests and Diseases

Proposed Strategy

Integrated Seed System - PARC

Business and Technical Advisory for FVOs to set up downstream value chain initiatives

Digitization of demand-based extension services by PARC

Meat and Dairy value chain development in collaboration with FVOs – Balochistan, South Punjab, KP and NMDs

Integrated pest management for cotton



Special Focus Initiatives



Cotton Production – Pakistan's Comparative Advantage

- Based on Domestic Resource Cost Coefficient (ADB recommendation)
- Pakistan has comparative advantage in production of cotton under both importing ($0.36 < \text{DRC} < 0.46$) and exporting situations ($0.52 < \text{DRC} < 0.68$) – PIDE
- Increasing cotton production is an economic proposition and highly cost effective for import substitution
- In the free trade scenario Pakistan is likely to maintain its competitiveness and gain more in the cotton market
- Khan and Ashiq (2004) use a PAM to conclude that seed cotton production has a strong national comparative advantage.
- To exploit the potential of cotton cultivation to cater to local needs and earn foreign exchange, concerted efforts need to be made to improve the performance of the production and processing sectors.

Cotton Revival Strategy

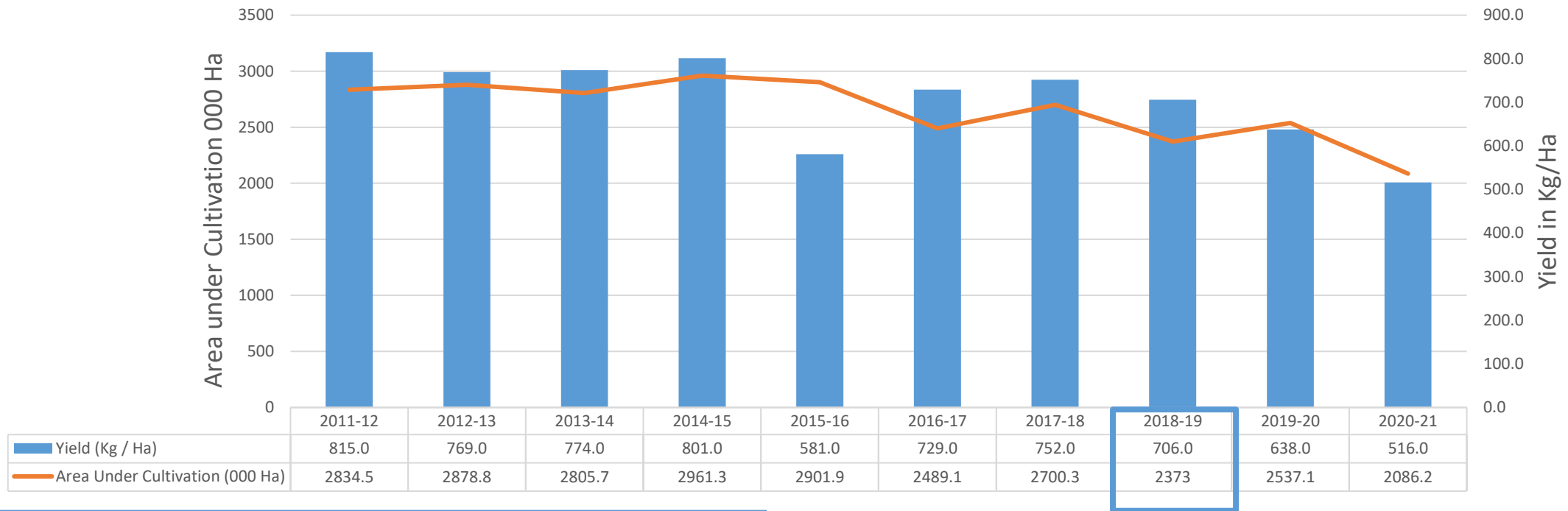
Situation Analysis

Average Yield at Research Stations: 2,000 Kg/Ha

Average Yield of Progressive Farmers: 1,500 Kg/Ha



Yield and Area under Cultivation for Cotton



Global Top 5 Yield – Kg/Ha (2019)

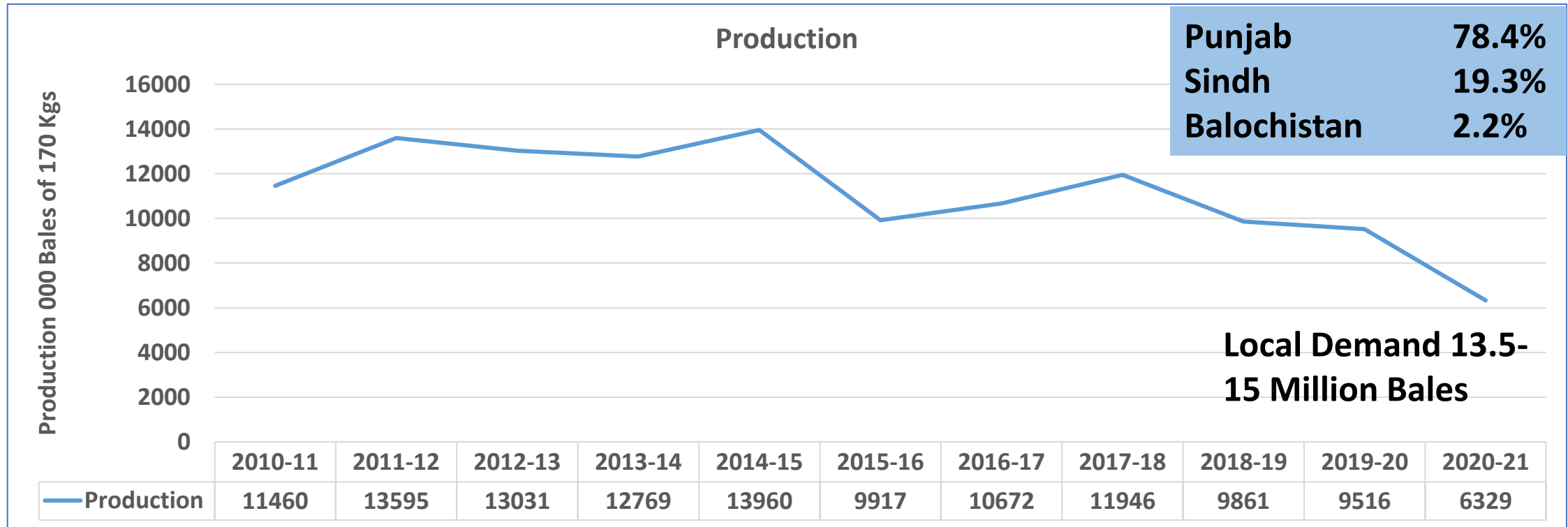
China	4,881
Turkey	4,604
Mexico	4,425
Brazil	4,236
Bangladesh	3,385

Global Ranking of Pakistan (2019)

Area under Cultivation	4 th
Production	5 th
Yield	29 th

Cotton Revival Strategy

Domestic Production and Demand



	2010-11 To 2020-21	2015-16 to 2020-21
Area	-2.28%	-4.1%
Yield	-2.8%	-8.2%
Production	-5.0%	-11.9%

Sindh – 2015-16 to 2020-21
-5.4%
-17.4%
-21.9%



Cotton Revival Strategy

Reasons for Declining Performance

Disincentivized Farmer due to Low Farmer Profitability

Proposed Short-Term Measures – 2 years

1. Lower farmer's cost of production of lint
 - Low-cost refinance line of credit for cotton production to small farmers and not for any other crops in cotton growing areas
 - Develop digital distribution of production technology to rationalize the use of fertilizers and adopt integrated pest management process
 - Undertake on-farm demonstrations in high density cotton growing areas
2. Increase yield of lint
 - Import and distribute heat and pest tolerant varieties of cotton seed (PARC's Agrotech)
 - Train women to pick cotton effectively in cotton growing areas
3. Maximize farmer revenue from lint
 - Announce MSP for lint in line with landed cost of imported cotton with a base price
 - Trading Corporation of Pakistan to purchase lint from farmers at MSP
 - Fiscal incentives (zero-rating) to ginning and spinning mills for contract farming
 - Build village level cotton-bales storage capacity of farmer village organizations and link with collateral management services for warehouse receipt financing

Cotton Revival Strategy

Reasons for Declining Performance



Potential Impact

1. Lower Import of Cotton
2. Slower Growth of Soybean Seed for Meals

Proposed Long-Term Measures

1. Increase cotton cultivated area
 - Expand cotton production in Balochistan and Tharparkar
2. Increase farmer profitability
 - Continue affordable financing for cotton production loans to smallholder farmers
 - Increase outreach of extension services on integrated pest management and production technology to 100% of farmers
 - Increase outreach of village level storage of cotton bales to 100% (subsequently gradually reduce TCP's purchases)
 - Activate futures market in cotton either through PMEX or Cotton Exchange (subsequently remove MSP)
3. Improve cotton seed system
 - Rationalize the approved varieties of seed
 - Under CPEC invest in research system to
 - Identify CLCV tolerant germplasm
 - Widen the narrow genetic base of Pakistan's cotton
 - Use biotechnology to introduce new varieties
 - PARC's Agrotech to establish a benchmark of price and quality by engaging in the last mile distribution

Oil Seed Sector Strategy

Situation Analysis

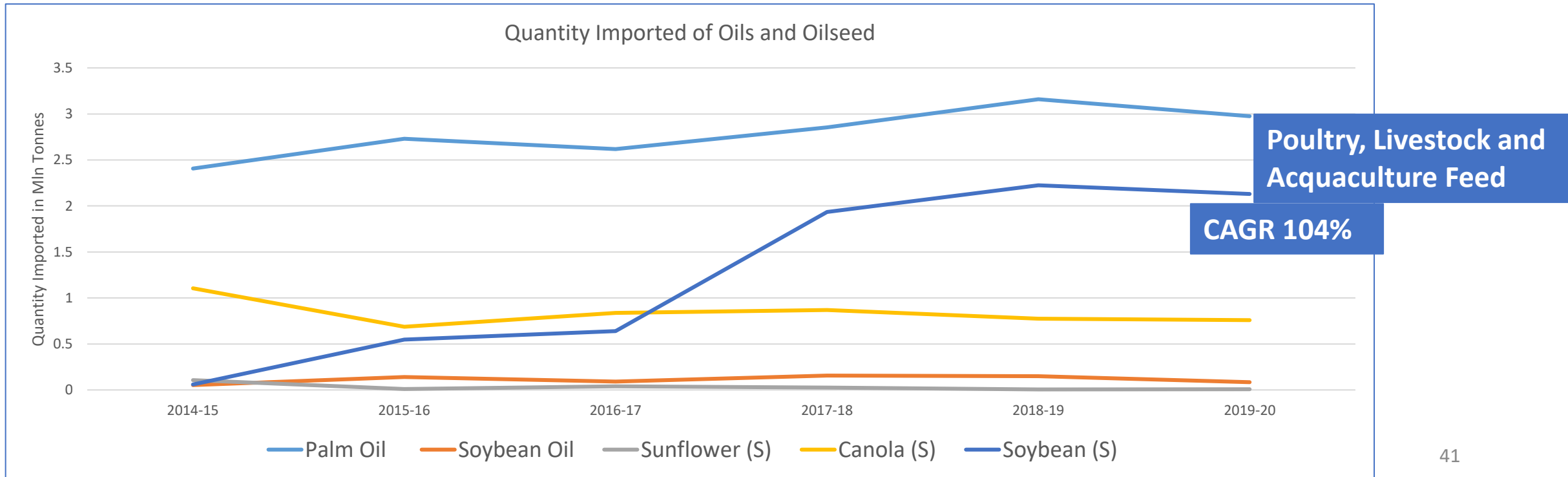


Supply of Oil and Oil Seed for 2019-20	
Imports of Oil	3.07 Mln Tonnes
Imports of Oil Seed	0.69 Mln Tonnes
Local Oil Seed	0.54 Mln Tonnes
Total	4.31 Mln Tonnes

87% of Oil Demand – Import of USD 3 Bln

Palm Oils – USD 1.82

Soybean Seed – USD 0.8 Bln
Rapeseed Canola – 0.3 Bln





Oil Seed Sector Strategy

Proposed Solution – Palm Oil Imports

Palm Oils Imports – No substitute for the low cost affordable oil and Banaspati Ghee

Proposed Solution

1. Increase import duties on Palm Oils to reduce consumption due to price elasticity of edible oil – Health Benefits for the system
2. Reduce Pressure on Current Account: Generate export FCY from Olive Oil exports. Plant Olive seedlings in Balochistan to **Ehsaas and Kamyab Jawan beneficiaries** and provide fiscal incentives for export-oriented olive oil industry in Balochistan



Oil Seed Sector Strategy

Proposed Solution – Soybean Imports

Increasing Soybean Seed Imports – Clashes with cotton and rice in the plains and high value products in KP and Northern Areas

Proposed Solution

1. Immediate – Ban import of genetically modified soybean seed
2. After 3 years of increase in yields of the major crops, vacate land upto 5 mln acres in the plains to plant soybean
3. Increase import duties on soybean seed
4. Announce Minimum Support Price for Soybean Seed
5. Import high yielding non-GM Soybean Seed germplasm
6. Low-cost financing and digital extension services for soybean farmers

Proposed Institutional Re-Positioning



Zarai Taraqati Bank Ltd – Agriculture Technology Company with a Banking License PKR 50 Billion long-term debt financing – Multilateral Development Banks

Lead in innovative digital financing products and services for farmers, FVOs and Kamyab Jawan financing

- Produce-specific digital financing for smallholder farmers & Common asset financing for storage and value addition by FVOs & Start-up business for youth and women under Kamyab Jawan programme
- Aggressive loan recovery on apolitical basis and establish cutting edge technology
- Ring-fence ZTBL from political influence

National Rural Support Programme – Funding from sale of Rice Mill and majority share in NRSP Bank PKR 100 Billion in GoP investment, Private Equity and NRSP Own Resources

Re-structure board and management to execute the following mandate:

- Transform and support the existing 29,000 village organizations to professionally managed profitable FVOs
- Establish a e-commerce platform for FVOs to purchase inputs and sell to buyers
- Set-up and profitably operate a **impact seed and venture capital fund / patient funding** for FVOs

Pakistan Agriculture Research Council – PKR 5 Billion including endowment fund and GoP and Private Equity in Agrotech

- Profitably manage the entire value chain of seed, agriculture implements, DNA certified nurseries under Agrotech
- Develop and update digital content for extension services under a cost-recovery business model
- Best-in-class research on new varieties and landraces in collaboration with the Government of China under CPEC and international organizations



Proposed Institutional Structure

- Set-up Agriculture Development Authority (7-10 year life)
 - Chairman – Prime Minister
 - Executive body with minimum staff located in PM Secretariat
 - Main Objectives:
 - Coordination with Provincial Ministries, MNFSR, SECP, PARC, SBP, MoF, EAD, FBR
 - Single point of contact for donor funding
 - Engage and mobilize private sector to new value chain structure
 - Oversee execution of value chain structure
 - Ensure channeling all donor funding toward strategic priorities
 - Progress Report on quantified performance targets
 - Ensure Agriculture and Livestock Census is conducted on a regular basis (last agriculture census – 2010 and livestock census – 2005)

Funding Estimates



Policy Instruments

7 Year Funding Estimate – PKR

	GoP Funds	Private Sector	Institution	Total
Subsidy on Refinance Line	105 Bln	825 Bln	-	930 Bln
ZTBL Re-Positioning	50 Bln	-	-	50 Bln
FVO Formation	-	-	5 Bln	5 Bln
Agriculture Insurance Pool	10 Bln	20 Bln	-	30 Bln
Digitization of Procurement	0.25 Bln	-	-	0.25 Bln
Digitization of Extension Services	0.5 Bln	-	-	0.5 Bln
TCP Procurement of Cotton	20 Bln	-	-	20 Bln
Value Addition – FVO and Private	30 Bln	70 Bln	10 Bln	100 Bln
Quality Grading Standards	0.1 Bln	-	-	0.1 Bln
Fisheries	13.9 Bln	-	-	13.9 Bln
NOEP	10.2 Bln	-	-	10.2 Bln
Water course Lining	220 Bln	-	-	220 Bln
Investment in AgroTech and Endowment	5 Bln	5 Bln	-	10 Bln
Total	464.95 Bln	920 Bln	15 Bln	1,399.95 Bln



Funding and Impact

Estimated Funding

- Funding Estimate: PKR 1.4 Trillion
 - Private Sector Contribution: 66%
 - Government Funding: 33%
 - Institutional Resources: 1%
- Government Funding of PKR 464.95 Bln:
 - Investment for financial return (7 years): 24% (45%)
 - Investment for economic return: 76% (53%)
- Main GoP Funding items:
 - Water-course lining: PKR 220 Bln
 - Subsidy cost on Refinance Line: PKR 105 Bln

Potential Impact

- Increase in productivity by 50%
- Investment of PKR 1.4 Trillion in Pakistan's rural economy
- Rural Poverty: Increase in income of 75% for 7.5 Mln smallholder farmer families
- Financial Inclusion: 7.5 Mln households included in the formal financial system
- Formalization: PKR 6 Trillion of produce and PKR 800 Bln of inputs (compliance and tax revenue increase)
- Trade: Increased exports to LDCs, CASA and China, lower cotton and soybean imports, increased exports of rice, meat and olive oil
- Food Security: Increase in production of wheat 24%, rice: 39%