



CHIEF MINISTER'S OFFICE
BOARD OF INVESTMENT & TRADE
GOVERNMENT OF BALUCHISTAN



CORPORATE FARMING

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1 MARKET OVERVIEW

The agriculture sector is of vital social, political, and economic importance for Pakistan. On the economic side, it contributes 21 percent of the GDP and employs 44 percent of the labor force. A host of economic activities in the services and industrial sector are also based on the contribution of agriculture. However, the country needs to catch up

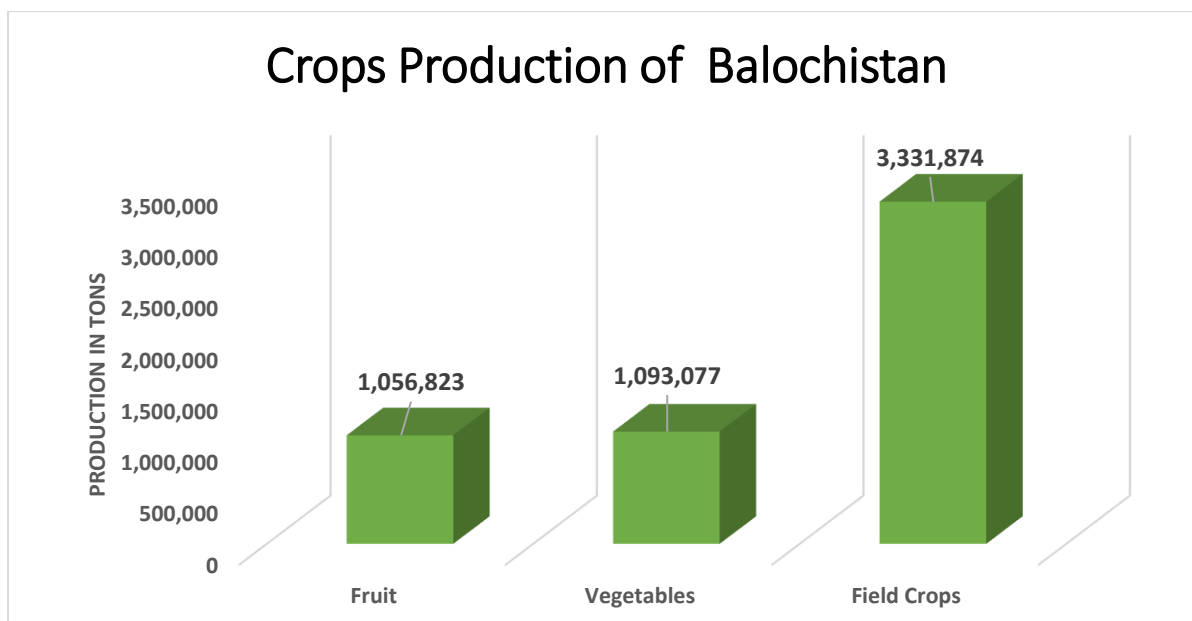


with the performance of the agriculture sector around the world and its neighbors. Some experts have argued that Pakistan has many options to increase both vertically by increasing yield and horizontally by increasing more land under cultivation. This way, it can increase the perhaps cultivable area by at least 100 percent, if vast tracks of Baluchistan can somehow be cultivated. The potential for horizontal growth can be gauged from Pakistan's current cultivable waste, which stands at massive 9.4 million acres.

Moreover, the country is still struggling to effectively utilize the potential of the agriculture sector though the country is endowed with fertile soil and an irrigation system. Empirical evidence suggests that Pakistan is still not able to mark an enviable record in productivity growth during the last many years. There are many reasons which revolve around the issue of functioning of markets, problems of public policy, research and development capacity of institutions, availability of credit, capabilities of the labor force, availability of science and technology, prices of inputs (fertilizers, seeds, and credit, etc.) and farm values of the produce, as well as administration and distribution of water and land.

In 2001-2002, the Government of Pakistan announced a policy package to introduce Corporate Agriculture Farming (CAF). The policy promises to improve efficiency in the system, bring more area under cultivation and increase investment, technology, and jobs and ultimately increase both the revenue and exports.

The idea of corporate farming was to cultivate all wasteland in Pakistan by bringing foreign corporations which will cultivate these lands by employing technologies and local labor at attractive wages, train local people, pay local taxes, develop roads and communication networks and bring prosperity at nominal profits to themselves.



2 CORPORATE AGRICULTURE FARMING - FAM

Food sovereignty and food security are becoming a major issue worldwide and during the last couple of years, the extraordinary increase in prices of staple commodities (Wheat, rice, corn, soybeans, barley, and sugarcane) has compelled many countries of the world to grow their crops to manage supplies to their domestic consumers and also to build stockpiles for bad times. As small farmers are unable to adopt new technologies and cannot afford the costly inputs required to get optimum yield from new crop varieties.

Corporate farming is a term that is used to describe an agricultural operation that involves the production of food and food-related products on an exceptionally large scale. This approach is different from the operation of the family farm as a business, in that the corporate approach calls for not only the growing of food products but also the wide range of additional services that are important to the marketing of the foods produced. From this perspective, corporate farming is not just about agriculture itself, but also all the other components that are found under the broad umbrella of agricultural production, processing, marketing, and distribution

3 CORPORATE FARMING ORDINANCE:

The corporate farming ordinance was passed in 2001 under which listed corporations could lease land in the country for 99 years, broken into two periods of 50 and 49 years. The Government has identified 9.14 million acres of state land for leasing to different corporations

3.1 CORPORATE FARMING OBJECTIVES

- To seek efficiency of production and increased income/revenue by bringing together agriculture production, processing, and marketing activities at one place under the management of the corporate entity.
- To improve agricultural productivity and profitability through the use of the latest technology and adequate expertise particularly for exports
- To produce high-quality agriculture products due to the favorable resource base.
- To achieve/maintain the internationally competitive unit cost of production for all major crops, fruits, and vegetables.

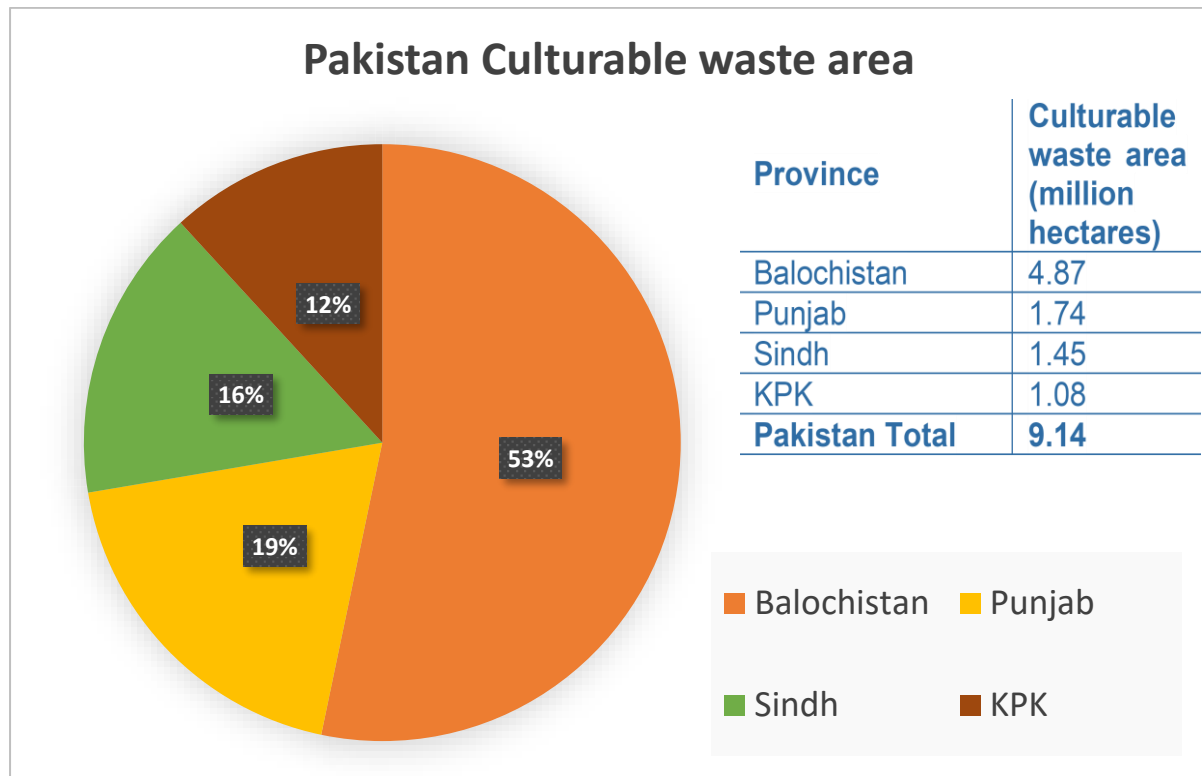


4 HARNESSING THE CULTURABLE WASTELAND FOR CORPORATE FARMING

4.1 PROSPECTS

Pakistan has a total geographical area of 79.6 million hectares. Of this 9.1 million hectares of land is a culturable waste. Culturable waste is that cultivated farm area that is fit for cultivation but was not cropped. The reasons may be lack of water availability, lack of interest, financial resource constraints to buy proper equipment and inputs for the cultivation of crops, remote

areas from the villages/cities, etc. The culturable waste area is almost half of the cultivated area. Hence the development of this area is not only better for investment but also has the potential to contribute to an increase in agricultural production. About half of the culturable waste area is in the province of Balochistan mainly in the Kalat Division followed by Quetta, Nasirabad, and Makran Divisions.



5 PRODUCTION ASPECTS

Balochistan's climate is conducive to grow a variety of crops, vegetables, and fruits. Major crops produced are wheat, rice, cotton, sugarcane, maize, gram, onion, potato, rape and mustard seed, and sunflower. Major fruits produced include apples, dates, citrus, mango, grapes, and guava. Once the culturable wastelands are developed, there are bright Prospects that the production of all the above crops could be started. The requisite technology, manpower, and inputs to produce the crops are already available in the country.

6 MARKETING ASPECTS

Pakistan is a deficit in food production and approximately 84 billion (US\$1.9 billion) is spent annually on the import of wheat, edible oils, pulses, tea, and other food products. Thus there is

already an available market for these products in Pakistan. There is also the potential for exports, particularly of cereals, vegetables, and fruits.

7 AGRICULTURE SECTOR: INVESTMENT POLICY

- 1.** The import tariff on agricultural machinery (not manufactured locally) will be zero-rated.
- 2.** There will be no upper ceiling on land holding for registered agricultural companies. However, the income of these companies would be taxable.
- 3.** Following activities will be available for foreign investment in the agriculture sector
Land development/Reclamation of the barren, desert, and hilly land for agriculture purpose and crops farming; Reclamation of Waterfront areas or creeks; Crop, fruits, vegetables, flowers farming/Integrated agriculture (cultivation and processing of crops); modernization and development of irrigation facilities and water management; Plantation, Forestry and Horticulture
- 4.** The land for agricultural purposes can be obtained on a lease basis for a long period, i.e. initially up to 30 years, extending for a further period of 20 years.
- 5.** A foreign company, allowed for investment in the agriculture sector, will not be allowed to transfer such land to any other foreign company unless specifically permitted by the Federal and the concerned Provincial Government.