

## PIDEAS – III

Hall III (Revive)

1:45 PM to 3:45 PM

## Is Agriculture the Future of Pakistan?

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# AGRICULTURE IS NOT THE FUTURE OF PAKISTAN

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The argument that Pakistan is an agrarian economy is always reinforced by the agriculture sector's significant share in GDP, its role as the single largest exporter, the largest employer that includes a substantial proportion of female labor, and its contributions to the country's industrial sector by providing raw materials. However, the whole narrative is often presented with strong emotional appeal that overlooks the critical realities. The agriculture sector, while important, suffers from low productivity, technological lag, and vulnerability to climate change and water scarcity. Moreover, it offers limited value addition and is unable to provide the high-income jobs required for economic uplift. These facts and global economic evolution compels to think that to become a strong economy, Pakistan must shift its emphasis towards more technology-based sectors and

value-added industries by diversifying into sectors like manufacturing, information technology, and services which is imperative for sustainable growth and economic resilience.

At this point it is crucial to clearly understand the two dimensions i.e. importance of agriculture for food security and the role of the sector to achieve and sustain economic growth. While agriculture is vital for ensuring food security but, relying solely on it will not create a robust economy. These two arguments are often conflated, but they address different needs. Ensuring food security is essential, yet building a strong economy requires diversification beyond agriculture into sectors with higher growth potential. There are several

compelling reasons behind this argument that why relying on agriculture might not be a sustainable strategy for Pakistan's economic future. Let's dissect the current standing of the agriculture sector so that we can understand what are the challenges and limitations of linking Pakistan's future solely to the agriculture sector.

Although agriculture employs a significant portion of the population, yet it is often characterized by low wages and underemployment. Considering this fact diminishes the persuasiveness of the argument that agriculture sector is the primary employer of the country. As urbanization accelerates, there is a growing need for robust infrastructure and services. Investing in urban development, construction, and related industries can drive economic growth and meet the needs of a rapidly urbanizing population. We can see that with increasing urbanization, there is a clear shift towards the services and industrial sectors that offer better employment opportunities and higher wages. This trend is evident from data showing the agricultural workforce's decline from 46.3 percent in 1991 to 37.4 percent in 2023, with the most significant decrease occurring over the last decade. This shift towards the industrial sector aligns with historical patterns of economic development. Moreover, depending on agriculture for development lacks standing, given the fact that greater labor force engagement in agriculture is typically seen in developing nations, particularly across many regions in Africa, rather than in more economically developed countries.



According to PIDE, meeting the demands of the country's continuously expanding population requires the creation of 2 million job opportunities annually, a goal achievable only through sustaining a consistent growth rate of 8 percent. Relying on the volatile agricultural sector, which is heavily dependent on weather conditions, will not enable Pakistan to achieve this pace of growth. Therefore, the future economic growth of Pakistan hinges on investing in human capital, particularly in education, skills, technology, and research. Sectors such as technology, services, and manufacturing offer greater opportunities for skill development and higher economic returns.

Pakistan is already one of the countries most vulnerable to climate change; according to the long-term global climate risk index, Pakistan was the 8th most affected country during 2000-2019. As mentioned earlier agriculture is highly susceptible to climate change, unpredictable weather patterns, water scarcity, and natural disasters. The devastating floods in 2022 severely impacted a major area of kharif crops, resulting in significant economic losses. Thus, more reliance on agriculture makes country's economy vulnerable to these climate-related risks. The efforts exerted for the adaptation and to mitigate the impact of climate change are not sufficient in the current scenario of economic crises. Relying on agriculture makes the economy prone to sector-specific shocks and will not enable Pakistan to fulfill the dream of climbing the ladder of a sustainable economic growth.

Several other inherent limitations restrict the potential of the agriculture sector to drive Pakistan's future economic growth. Firstly, there is limited value addition and agro-processing, which means that raw agricultural products are not being transformed into higher-value goods that could generate more income. This limitation restricts the sector's ability to create high-paying jobs and contribute significantly to the economy. To achieve higher economic returns, it is imperative to focus on agro-processing and manufacturing. However, minimal efforts in this direction strengthen the argument that the future cannot be dependent on the current state of agriculture.



Secondly, poor infrastructure, including inadequate transportation, storage facilities, and supply chain logistics are making the situation worse. The sector suffers from poor, inadequate, and insufficient storage facilities, leading to significant post-harvest losses and reduced profitability. The losses linked to poor storage facilities in grain, fruits, and vegetables are about PKR 1013 billion. Improving this infrastructure requires substantial investment and time which seems less achievable in the current state when country's economy is trapped in high debt repayments

Thirdly, low productivity, driven by outdated farming techniques, lack of access to modern technology, and insufficient investment, further hampers the sector's growth potential. PIDE estimates that if the productivity of average farmers were raised to the level of progressive farmers, it could add PKR 1,722 billion to the economy. Additionally, the availability of certified seeds is another major issue; currently, Pakistan produces only 37 percent of the required certified seeds, that severely limits the potential for productivity gains.

Fourthly, the proponent who links future of Pakistan with agriculture often overlooks the fact that Pakistan's agricultural exports are not sufficient to offset its imports, leading to trade imbalances. For example currently, about USD 4.5 billion are spent to import only edible oil while our overall import burden is around USD 9 billion. Local production of certain high value products is almost impossible due to lack of infrastructure and technological expertise. That is the reason Pakistani agricultural products face tough competition in global markets from countries with more advanced agricultural sectors. Competing on price and quality requires significant improvements and investments, which are currently lacking. The trade in the sector is also less attractive for Pakistan as agricultural markets are subject to global price volatility, which can lead to economic instability.

In addition to this, the agriculture sector in Pakistan is heavily dependent on water from the Indus River system. With increasing water scarcity and inefficient irrigation methods, sustaining agricultural productivity will become increasingly challenging. Water pricing is imperative to move towards judicious use of already scarce resources but the absence of economic water pricing is making the situation worse and the complex structure of the water distribution system and lack of proper water market makes it almost impossible to implement water pricing structure in near future.

Despite agriculture's continuing vital role in Pakistan's economy, it cannot be considered the sole driver of future economic growth. Even to ensure food security, the agricultural sector requires immediate reforms to address its structural issues. However, for sustainable economic development and enhanced growth potential, it is crucial to embrace sectors with higher growth potential, technological innovation, value addition, and better rural-urban industrial integration.

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