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Agricultural Situation

Report

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Report Highlights:

Pakistan's economic recovery slowed during FY 2000/01 due to high oil prices and the worst drought in Pakistan's history. Although the manufacturing sector grew 7.1 percent, overall growth slowed to 2.6 percent, largely as a result of the 2.5-percent decline in the agricultural sector. Despite the drought, Pakistan is forecast to produce 17.5 million metric tons (MMT) of wheat, 4.5 MMT of rice, 1.85 MMT of cotton, and 2.6 MMT (raw value) of sugar during MY 2001/02. The government undertook a number of agricultural trade-related reforms including: liberalizing the wheat market, lowering the maximum tariff level to 30 percent, reducing tariffs on oilseeds, which should encourage imports of U.S. soybeans, and lifting the ban on private sector wheat imports (while raising the duty on wheat from zero to 30 percent)

Includes PSD changes: No
Includes Trade Matrix: No
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Situation and Outlook: General Economy

Fiscal Year 2000/01 (July-June) was a difficult and challenging year for Pakistan's economy. Economic performance was adversely affected by the worst drought in the country's history and also by weaker external demand, falling commodity prices, and higher world oil prices. Although some parts of the country (Sindh and Balochistan) faced drought-like conditions for the past two or three years, dry weather engulfed the entire country during PFY 2000/01, causing serious damage to agriculture and over all economic growth.

Real growth slowed to 2.6 percent in FY 2000/01, compared to 3.9 percent for the previous year. The slower growth mainly was due to the poor performance of the agricultural sector. Value added growth in the agricultural sector registered a negative 2.5 percent. By contrast, the performance of manufacturing sector in general and large scale manufacturing in particular has been impressive and grew by 7.1 percent and 7.8 percent respectively. The service sector grew by 4.4 percent against 4.8 percent last year. Total investment declined from 15.6 to 14.7 percent of GDP.

Despite the drought, monetary, fiscal and exchange rate reforms enabled modest growth to be achieved. Inflation, as measured by the change in the consumer price index (CPI), is estimated at 4.7 percent during the first ten months (July-April) against 3.4 percent of the comparable period last year. One of the most significant achievements of the past year was the sharp reduction in the over all fiscal deficit from 6.5 percent in 1999/00 to 5.3 percent in 2000/01. The current account deficit was reduced by 41.2 percent to $672 million during July to March 2000/01 against $1.143 billion in the previous year.

Balance of Payments Situation

The balance of payment situation remains problematic. Economic sanctions resulted in the suspension of new bilateral and multilateral assistance and created serious financial difficulties for the country's balance of payments in 1998/99. Since then , the Government of Pakistan has taken a number of measures to improve its balance of payments position. These measures included a devaluation of the rupee by 4.2 percent, exchange system reforms and a reduction in the export refinance interest rate from 11 to 8 percent.

Pakistan's balance of payments improved in 1999/00 as a result of 32-percent reduction in its trade deficit, due to a reduction in imports. The Government of Pakistan took the following measures during 2000/01 to further strengthen the balance of payment position of Pakistan:

i. The GOP exempted export processing zone manufacturer/exporters from payment of sales tax and excise duty levied on utilities with immediate effect.

ii. A "Textile Vision 2005" program was approved with an investment target of $6 billion for production of value-added textiles and the export of fashion garments.

iii. In collaboration with the Asian Development Bank, an Export Credit Facility and an Export Credit Guarantee Schemes for small and medium enterprises was launched.

iv. The State Bank of Pakistan allowed an export refinance facility for brown and parboiled rice.

v. The GOP allowed duty free import of textile machinery required for Balancing Modernization and Replacement (BMR)

vi. The Export Processing Zone Authority has offered 100 acres of land adjacent to Karachi to foreign investors for investment.

vii. Persons traveling outside Pakistan were allowed to carry goods as accompanied baggage for the purpose of export without any restriction of quantity or evidence of foreign exchange.

As a result of the above measures, Pakistan's trade deficit narrowed sharply by 24 percent showing a net reduction of $351 million during 2000/01. This decline resulted from the combined impact of a 6.2-percent fall in imports and a 13.9 percent increase in exports.

Foreign Exchange Policies and Reserves

The Government of Pakistan replaced the dual exchange rate with a market-based unitary exchange rate system on May 19, 1999. Under this system, the floating inter-bank rate applies to all foreign exchange receipts and payments in both the public and private sectors. This system was replaced on July 21, 2000 with a free floating of the Pak rupee against the U.S. dollar. As expected, the foreign exchange market came under pressure and pressure on the Pak rupee continue to mount due largely to heavy demand for US dollars to clear up foreign repayments obligation and POL import bill. The rupee/dollar exchange rate averaged rupees 67 in July 2001. Pakistan's foreign exchange reserves improved to $3.231 billion in July 2001.

Situation and Outlook for the Agricultural Sector

Pakistan covers a total area of 79.61 million hectares, of which 21.9 million hectares is cultivated. The irrigation system to support this cultivation is one of the largest in the world. There are two principal seasons: the "Kharif" season, which starts in April-June and ends in October-December and the "Rabi" season, which starts in October-December and ends in April-May. The major 'Kharif' crops are cotton, rice and sugarcane and the main 'Rabi' crops are wheat, potatoes, rape seed and mustard. Minor crops include tobacco, pulses, potatoes, onion, chillies, and garlic.

Agriculture remains the dominant sector of the economy and accounts for about 24 percent of GDP, half the employed labor force, and a large share of foreign exchange earnings. Agricultural production also provides basic inputs for key industries, including textiles and sugar. Pakistan is a net importer of agricultural commodities. Annual imports total about two billion dollars and include wheat, cotton, edible oils, pulses, wood products and high-value, consumer-ready food products.

Pakistan is experiencing its worst irrigation shortage since the completion of its irrigation system–the world's largest contiguous irrigation network–which provides water for 15 million hectares of cultivated land. Irrigation supplies are stored mainly in three large reservoirs (Tarbela, Mangla and Chashma) and 19 barrages during the summer for use mainly during the 'Rabi' or winter season. The primary short-term reasons for the current acute irrigation shortage are two consecutive weak monsoons and inadequate glacier and snow melt due to below

normal snowfall and cooler than normal temperatures. The longer-term cause for the irrigation shortage is poor resource management and planning. Since the irrigation system was completed, demand has increased more than 50 percent while storage capacity has decreased by one-third due to silting, leaving per capita availability at a fraction of its original level. As a result, chronic irrigation shortfalls are expected to play an increasingly important part in Pakistan's agricultural production.

The performance of the agricultural sector during FY 2000/01 was adversely affected by the unprecedented drought, resulting in lower production of major crops such as cotton, rice, sugarcane and wheat compared to last year. The growth in agriculture registered a decline of 2.5 percent, compared to an impressive increase of 6.1 percent during 1999/00. During 2000/01, fertilizer usage decreased marginally to 2.81 million nutrient tons mainly due to shortage of irrigation supplies. The government increased its agricultural credit limit to Rs. 43 billion in 2000/01to facilitate timely and adequate input usage. The following table compares input utilization for the past three years.

Table 1: Agricultural Input Use

	1998/99	1999/00	2000/01
Cropped Area (Million Hectares)	22.86	22.76	22.76
Water Availability (Million Acre ft)	133.78	133.28	97.01
Fertilizer Usage ('000 MT)	2,583.80	2,833.50	2811.00
Nitrogen ('000 MT)	2,097.00	2217.80	220.00
Phosphorous ('000 MT)	465.00	597.20	590.00
Potash ('000 MT)	21.00	18.50	21.00
Pesticide imports (MT)	17,913.00	19,148.00	19,100.00
Improved Seed Usage ('000 MT)	79.58	73.51	74.00

Source: Economic Survey 2000/01

To arrest the deteriorating growth in the agricultural sector, the GOP has announced a number of measures to increase productivity, including improved availability of agricultural credit, better management of irrigation and drainage facilities, and stricter measures to check the adulteration of fertilizers and pesticides.

The 2001 monsoon (July-August) has started well. Sources expect water reserves will be fully recharged by the end of the monsoon and irrigation supplies are expected to be normal for the coming season, which should boost prospects for increased growth.

Situation of Major Crops:

Wheat

There is some controversy over wheat production. Some observers continue to estimate Pakistan's MY 2001/02 wheat crop at 17.5 million metric tons (MMT), while the Ministry of Food, Agriculture and Livestock (MinFAL) now estimates the crop at 19 MMT. Given the drought, it is difficult to understand how irrigated production in MY 2001/02 could be similar to the record production of MY 2000/01. In any case, the GOP considers MY 2001/02 production to be satisfactory despite the priority placed on wheat self-sufficiency.

In addition to inadequate irrigation supplies, the MY 2001/02 crop suffered from a number of problems. Winter rainfall, which augments irrigation, was less than half of normal. As a result of water problems (and better return from cotton), sources estimate that as much as 25 percent of the crop was planted late. Although fertilizer and herbicide usage and seeding rates reportedly were normal, late planting generally limits yield potential. Additionally, the relative attractiveness of wheat declined somewhat, particularly against cotton, as the procurement price of wheat remained unchanged at Rs. 300 per 40 kilograms ($1 = Rs. 67) while seed cotton prices were nearly double those of the previous season.

Pakistan does not have a comparative advantage in wheat production. Given procurement problems and declining farm gate prices and returns, it is not clear whether farmers consider wheat to be sufficiently attractive to continue to make the necessary investments in inputs to produce another bumper crop. Over the past decade, Pakistan has imported an average of more than 2 MMT of wheat annually to supplement domestic supplies to maintain an acceptable level of reserves and to cope with rising domestic consumption. Sources generally agree that Pakistan will need to import wheat later this marketing year or early next marketing year, even if it produces another bumper crop next year, in order to rebuild stocks (especially if Pakistan exports its limited stocks as it is attempting to do).

Table 2: Wheat Area ('000' Ha) and Production ('000' MT) by Province

Wheat	MY 2000/01		MY 2001/02 (Prelim)	
Province	Area	Production	Area	Production
Punjab	6,180	16,480	6,300	14,200
Sindh	1,144	3,001	810	2,000
NWFP	807	1,068	880	900
Balochistan	332	530	260	400
Total	8,463	21,079	8,250	17,500

Source: 2000/01: Ministry of Food, Agriculture and Cooperatives.
2001/02: FAS/Islamabad.

The United States traditionally has been the primary supplier to the Pakistani market due to the quality and reliability of its wheat supply as well as to the important partnership it maintains with Pakistan. Australian wheat, however, recently has made significant inroads into this market following recent large Australian harvests through the use of predatory pricing, cheap freight and credit, and other nonmarket tactics. The AWB discriminates in the type of wheat it offers to public and private buyers–selling only higher quality premium white wheats for the private sector and low-quality standard wheat for the government. Canada is an occasional supplier. U.S. programs will need to become more competitive to compete with subsidized EU and Turkish

wheat and the predatory pricing practices of the Australian Wheat Board if the United States is to increase sales to this traditional U.S. market.

The GOP recently liberalized the wheat market by encouraging greater private sector participation in the domestic wheat market as well as wheat trade. Private imports, which were banned in June 1999, are now allowed but the tariff has been increased from 0 to 30 percent.

Rice

Pakistan's MY 2001/02 rice production is forecast at 4.5 MMT - a decline of 200,000 MT from the revised MY 2000/01 production of 4.7 MMT. Of the major varieties, IRRI production is forecast to decline to 2.4 MMT (down 150,000 MT from last year crop) and Basmati production is forecast to be 1.6 MMT (down about 100,000 MT from last year). The decrease in production is due to continued irrigation problems which are expected to result in a decline in both area and yield.

Pakistan is a major rice exporter and annually exports about 2 MMT or about 10 percent of world trade. Exports consist of about 75 percent of IRRI rice and 25 percent of Pakistan's famous fragrant Basmati. Rice is Pakistan's second leading source of export earnings. There is no subsidy or tax on rice exports. Exporters compete in the market for exportable supplies. Pakistan faces competition from Thailand and Vietnam in the export of coarse rice and from India in the Basmati rice trade.

Table 3: Rice Area ('000' Ha) and Production ('000' MT) by Province

	Area			Production (milled basis)		
Province	1999/00	2000/01	2001/02 Prelim	1999/00	2000/01	2001/02 Prelim
Punjab	1,609	1,620	1,590	2,481	2,550	2,450
Sindh	690	533	465	2,123	1,660	1,545
N.W.F.P.	67	62	60	129	115	125
Balochistan	149	135	135	422	375	380
Total	2,515	2,350	2,250	5,155	4,700	4,500

Source: Ministry of Food, Agriculture and Cooperatives and FAS/Islamabad

Cotton

Pakistan is the world's fourth largest producer and consumer of cotton and the economy depends primarily on cotton and textile exports as a major source of foreign exchange and employment. Textile exports have rebounded following the end of the Asian financial crisis and the industry is considering increased investment in value-added production.

Despite the ongoing drought and resulting irrigation problems, Pakistan is forecast to harvest another bumper cotton crop in MY 2001/02, as farmers shift from rice and sugar cane to cotton in an effort to conserve water. The initial MY 2001/02 forecast of 1.85 MMT assumes normal conditions (monsoon, temperatures and pest pressure) for the remainder of the season. MinFAL expects the trend toward virus-resistant varieties and away from early-planting varieties to continue.

Pakistan has become a leading market for US Pima, as progressive textile mills focus on producing better quality products, particularly for the export market. The textile industry is modernizing and cotton consumption is growing annually. Pakistan may become the largest U.S. Pima cotton market by 2005 because of an ongoing change in mills attitude to buy a reliable product, increased focus on the export of high grade textile products, and lack of domestic supplies of Pima cotton to capture the rapidly growing demand. In addition to that industry has increasing problems with contamination of local lint, mills find it increasingly attractive to import upland cotton, especially for their export programs. The United States, Central Asia and Australia are major suppliers of cotton to the Pakistani market.

Table 4: Cotton Area ('000' Ha) and Production ('000' MT) by Province

	1999/00		2000/01 (Revised)		2001/02 (Forecast)	
Province	Area	Prod.	Area	Prod.	Area	Prod.
Punjab	2,334	1,497	2,386	1,452	2,400	1,460
Sindh	629	397	525	364	550	378
NWFP	0.3	0.1	0.2	0.1	0.4	0.1
Balochistan	20	17	17	9	20	12
Total	2,983	1,911	2,928	1,825	2,970	1,850

Source: Ministry of Food and Agriculture and FAS/Islamabad.

The government of Pakistan has announced that it will continue its free trade policy for cotton exports, which means it will not set export quotas nor restrict exports to certain time of the marketing year. As a result, Pakistan is expected to export 150,000 MT of cotton during MY 2001/02. The spinning industry argues that the government's free trade policy for exports only increases the domestic price of cotton, which decreases the competitiveness of Pakistan's textile exports. The industry has lobbied the government for the past several years to completely liberalize its cotton trade regime by eliminating the 15-percent duty on imports, the GOP finally allowed duty free import of cotton from July 1, 2001. As a result Pakistan is expected to increase imports of US Pima/ELS cotton in MY 2001/02.

Sugarcane

MY 2001/02 cane area is forecast to increase slightly in response to attractive returns from cane last year and because farmers currently have viable alternatives. Last year, cane prices soared due to the shortage and farmers are expected to try to take advantage of this situation, especially in view of declining returns to rice cultivation, higher production costs for cotton and marketing problems for wheat and other competing crops. Cane yields are forecast to increase as a result of timely monsoon rains. Some cane farmers reportedly have installed tubewells to take advantage of the attractive returns to cane.

Table 5: Sugarcane Area ('000' Ha) and Production ('000' MT) by Province

Province	Area			Production		
	MY 99/00	MY 00/01	MY 01/02	MY 99/00	MY 00/01	MY 01/02
Punjab	672.1	615.5	650.0	27,081	26,740	27,000
Sindh	230.6	239.0	235.0	14,291	12,466	13,000
NWFP	106.3	106.0	106.0	4,917	4,897	4,900
Baluch	0.8	0.7	0.7	43	34	35
Total	1,009.8	961.2	991.7	46,332	44,137	44,935

Source: Ministry of Food and Agriculture and FAS/Islamabad

MY 2001/02 refined sugar production is forecast at last year's level of 2.60 MMT (raw value). Sugar imports are forecast at 950,000 MT (700,000 MT raw and 250,000 MT refined). To supplement domestic supplies and moderate prices, the government has reduced the import duty on sugar from 15 percent to 10 percent in July-2001. The GOP has banned the import of sugar from India. However, sugar imports from other origins continue.

Oilseeds

MY 2001/02 total oilseed production is forecast to decrease by 2 percent to 3.92 MMT, due largely to dry weather and decreases in both area and yield. MY 2000/01 oilseed production decreased 7 percent to 4.01 MMT due mainly to the 6-percent decrease in cotton seed production and the 42-percent decline in sunflower-seed production.

Table 6: Oil Seeds Area ('000' Ha) and Production ('000 MT)

	Area			Production		
Crops	1999/00	2000/01	2001/02	1999/00	2000/01	2001/02
Cottonseed	2,915	2,985	3,100	3,822	3,600	3,600
Sunflower	144	81	27	195	115	37
Soybeans	2	2	2	2	2	2

R/Mustard	327	328	314	279	297	281
Total	3,388	3,396	3,443	4,298	4,014	3,920

Source: Ministry of Food and Agriculture and FAS/Islamabad

Cottonseed: Cottonseed is the main oilseed, accounting for nearly 92 percent of production. Cotton is grown mainly for lint, which is the basic input for Pakistan's important textile industry. Oil and meal are secondary products.

MY 2001/02 cottonseed production is forecast at previous years level of 3.6 MMT. This forecast is based on a marginal increase in area and a marginal decrease in yield, due to the expected serious shortage of irrigation supplies. MY 2001/02 cotton area is expected to increase marginally to 3.1 million hectares as farmers shift out of water intensive sugar cane and rice.

Rapeseed: MY 2001/02 rapeseed production is forecast to decrease 5 percent to 281,000 MT due mainly to an expected 4-percent decline in area as a result of decreasing returns. Rapeseed production accounts for less than 10 percent of total oilseed production. Rapeseed traditionally is mixed with wheat and harvested for fodder as well as for oil. The GOP has been working to increase canola production but no significant progress has been made during the past few years. Plans to replace rape and mustard with high-yielding canola have not materialized due to the lack of good quality seed, marketing problems and declining returns.

Sunflower seed: Sunseed production accounts for slightly less than 5 percent of total production in normal years. Despite strong governmental efforts to increase production, MY 2001/02 sunseed production is forecast to decrease nearly 70 percent to only 37,000 MT as farmers shifted out of sunseeds due to unattractive returns and into wheat and vegetables. Farmers complain the support price is not effective since the government does not procure the crop. Additionally, sunseed prices have remained weak due to weak international prices for sun and other oils.

As international oil prices fall, the government has raised tariffs to maintain prices and collect additional revenues. Palm oil importers and ghee manufacturers continue to oppose this policy. They claim that imported oil also is a value-added business and advocate that the government reduce tariffs on imported oils and raise them on oilseeds. They claim the government is losing significant tariff revenue by reducing the tariff on imported oilseeds. Their argument, however, neglects the substantial foreign exchange saving involved in the importation of raw materials and the benefits of value-added production. GOP decision-makers increasingly realize that the real competition is not between domestic and imported oilseeds but between domestic oil production (using both local and imported oilseeds) and imported palm oil.

Table 7: Oil Tariffs and Taxes

Commodity	*NEW Tariff*	*OLD Tariff*	*NEW Sales Tax*	*OLD Sales Tax*
Palm Oil	Rs.10,800 per MT	Rs. 7,300 per MT	15 %	12.5 %
Soy Oil	Rs. 9,050 per MT	Rs. 6,800 per MT	15 %	12.5 %
Sun Oil	Rs. 9,050 per MT	35 %	15 % CED	0 %
Canola Oil	Rs. 9,050 per MT	35 %	15 % CED	0 %

Cotton Oil	Rs. 9,050 per MT	35 %	15 % CED	0 %

Source: Central Board of Revenue, GOP, Islamabad

Domestic oilseed production accounts for about 25 percent of Pakistan total edible oil needs. As a result, Pakistan spends more than $1 billion annually in scarce foreign exchange to import edible oils, while its oilseed processing industry operates at less than 50% of capacity due to an inadequate supply of oilseeds.

MY 2001/02 oilseed import are forecast to increase to 455,000 MT due mainly to lower tariffs on oilseeds and higher tariffs on oil, which have significantly increased crushing margins. In July 2001, the GOP reduced tariffs on oilseeds to 5 percent 'ad valorem.' These changes have allowed the industry (and the economy) to capture the value-added benefits of local production, mainly at the expense of imported Indian soybean meal and palm oil from Southeast Asia. Oilseed imports consist largely of rape seed/canola seed from the European Union and Australia and sunflower seeds from Ukraine. The reduction in oilseed tariffs is expected to provide an incentive for Pakistan's solvent extraction industry to import and process U.S. soybeans for the domestic poultry industry.

Fisheries:

Fish production (marine and inland) during 2000/01 was estimated at 665,000 MT. Marine species account for 70 percent of total fish production or 480,000 MT and inland fish contributes at 185,000 MT. Fish production contributes substantially to the national income through export earnings. During 2000/01, the value of fish and fish product exports were estimated at Rs. 8 billion. Major destinations were Japan, the United States, the United Kingdom, Germany and Middle Eastern countries. The GOP has taken a number of steps to increase fish production, including strengthening infrastructure, improving extension services, and introducing aquaculture techniques.

Livestock:

The livestock sector contributed about 36 percent to value-added agricultural production and 9 percent to GDP in 2000/01. Principal products are milk, beef, mutton, poultry, and wool. Sources estimate that in FY 2000/01 about 26 MMT of milk, 1,010,000 MT of beef, 666,000 MT of mutton and 333,000 MT of poultry meat were produced.

During 2000/01, the livestock population increased 2.5 percent to 124 million. Poultry, which is an increasing popular alternative to beef and mutton, grew by more than 4 percent. Modern poultry production in Pakistan is constrained by high flock mortality, a high incidence of disease, poor quality of day-old chicks and the high cost of feed, combined with an inefficient marketing system.

The government recently began a program to improve animal health, increase fodder production, and introduce modern livestock breeding management. Improved nutrition is encouraged through the introduction of improved fodders, modern silage/hay making techniques and the use of urea molasses blocks for fattening. Efforts also are underway to establish cattle feed mills to improve productivity. The government encourages private initiative in the livestock sector and recently allowed private exports of live cattle to tap regional

markets. The government also has established a National Dairy and Livestock Development Board to promote livestock activities. In view of this potential, Pakistan is a promising market for U.S. inputs, including feedstuffs, genetics and management techniques.

Forestry

Pakistan is a forest-deficit country with a total forested area estimated at 4.20 million hectares or about 5 percent of the total area of the country. The actual area of productive forest is only one-third of the total forest area and the remaining two-thirds is maintained for environmental protection. The forestry sector contributed about 0.4 percent to the agriculture sector and about 0.1 percent to GDP during 2000/02. The Northwest Frontier Province contains 1.21 million hectares of forests, followed by Sindh (920,000 hectares), Punjab (690,000 hectares) and Balochistan (330,000 hectares). During 2000/01, Pakistan imported about $150 million worth of wood and wood products. Under a massive reforestation program, 150 million saplings are being raised by the federal and provincial Forest Departments for supply to public and private sector organizations. To increase Pakistan's forestry resources, the government provides a number of incentives, including subsidized planting stocks, partial payments of planting cost and free protection of planted areas.

Situation and Outlook for the Commodity Grouping

Most of the issues addressed in this section have been reported in the scheduled and alert commodity reports. Other required issues are discussed in "Agricultural Outlook and Policy Changes" sections of this report. The remaining issues are discussed below.

Feed Grains

Corn: MY 2000/01 corn production is forecast at 1.73 MMT, compared to 1.65 MMT produced in 1999/00. This increase was mainly due to a marginal increase in area as the farmers shifted some cotton area to corn for better returns. Because Pakistan is a deficit corn producer, wheat often is substituted for corn in feed rations. Pakistan could save needed foreign exchange, improve animal nutrition and increase the competitiveness of its starch industry by reducing tariffs on corn.

Higher profitability for competing crops, including cotton, rice and sugarcane in irrigated areas, have confined feed grains production primarily to the rainfed areas. The only exceptions are the large cotton farmers in the Punjab, who prefer to keep land fallow after cotton or to plant spring hybrid corn. Corn is the only feed grain which has attracted the interest of researchers and farmers due to its increasing industrial utilization and good returns. A number of private sector companies are doing extensive work on the adoption of higher yielding hybrid varieties. In addition to industrial uses of corn for glucose, starch and corn gluten, demand by the poultry sector has increased substantially. Corn is primarily planted in the Northwest Frontier Province (NWFP) under rainfed conditions and in some irrigated areas of Punjab Province.

Sorghum/Millet: Sorghum and millet are grown mainly in the rainfed areas of Sindh. Production increased in MY 2000/01 largely due the increase in millet area during 2000/01. Input usage generally is minimal.

Table 8: Feed Grain Area ('000' Ha) and Production ('000' MT)

	Area			Production		
Feed Grain	1998/99	1999/00	2000/01	1998/99	1999/00	2000/01
Corn	962.2	961.7	965	1,665.0	1,652.0	1,731
Sorghum	382.7	357.4	350	227.8	220.4	220
Millet	462.6	313.0	380	212.9	155.6	190

Source: Ministry of Food and Agriculture

Pulses

Pulses are a minor crop. Like sorghum and millet, pulses generally are grown under rainfed conditions on marginal lands with low input use. During MY 2000/01 pulse production decreased about 9 percent to 730,000 MT due mainly to decrease in area. Gram is the main pulse. MY 1999/00 pulse production was estimated at 802,000 MT or about 16 percent below the previous year due mainly to weather-related decreases in both area and yield.

Pakistan generally imports more than 100,000 MT of pulses annually. Afghanistan, Australia, Turkey, Canada, Syria and China are the major suppliers. Pakistan is expected to remain an importer for the foreseeable future. A market opportunity may exist for U.S. exporters of chick peas and lentils. U.S. exporters should note that Pakistan is a price sensitive market. The major constraints to U.S. exports include: (1) relatively high FOB prices, (2) higher freight charges compared to other suppliers, and (3) the United States lack adequate supplies of Tyson Chickpeas (which are preferred by Pakistani consumers).

Table 9: Pulse Area ('000' Ha) and Production ('000' MT)

Commodity	Area			Production		
	1998/99	1999/00	2000/01	1998/99	1999/00	2000/01
Gram	1,076.9	971.8	963	697.9	564.5	495
Beans	245.3	246.1	240	115.6	118.5	115
Peas	137.7	135.6	135	93.2	78.1	78
Lentils	57.8	54.9	56	37.7	35.5	35
Others	12.8	10.5	10	7.0	5.8	7

Total	1,530.5	1,418.9	1,404	951.4	802.4	730

Source: Ministry of Food and Agriculture

Composition of Trade

Wheat accounts for more than 90 percent of U.S. agricultural exports to Pakistan, followed by cotton, livestock and products, planting seeds, tobacco, and forest products. Pakistan will continue to be a growing market for imported agricultural commodities, especially grains, livestock products, and soybeans. During FY2001/02, 165,000 MT of soybeans and 75,000 MT of soybean oil will be imported from the United States under the 416(b) program by the government.

Changes in Policy

The government intends to provide a framework to increase agricultural productivity. The government has designed and introduced the following policy measures to attain these development objectives:

Tariffs and Import Levies

Imports of most agricultural products are allowed under the government's official import policy for FY 2001/02. In 2001, the GOP reduced the maximum tariff rate from 35 percent to 30 percent. Import duties are charged on almost all agricultural products at varying rates and not always in a consistent or rational manner. Discussions are underway to establish lower tariffs for raw agricultural materials, moderate tariffs for intermediate imports, and higher tariffs for consumer items. Pakistan also imports substantial quantities of high value products (i.e., cereals preparations, vegetables, fruit, and tobacco products) from various countries, including the United States. The tariff rate on these products varies from 10-to-30 percent with a sales tax of 15 percent.

Trade Barriers

Pakistan maintains a complex system of indirect taxes in the trade sector. High basic tariffs, additional surcharges, a variety of excise taxes and a sales tax with different applicability on domestic and foreign goods combined to distort prices in domestic markets and to protect domestic infant industries. In July 2001, the GOP reduced the maximum tariff from 35 to 30 percent. These tariff rates still impede commercial imports of many agricultural products. Imports of most agricultural commodities that compete with domestic production are regulated through frequent upward and downward revisions in tariff rates to protect domestic producers from foreign competition and to save scarce foreign exchange.

The government has opened trade to the private sector but restrictions still exist in the form of prohibitive import duties. These duties are being reduced or removed on a case by case basis. Several items are still banned from import but mostly for religious reasons. The government banned private wheat imports in June 1999, ostensibly

to conserve foreign exchange, but allowed imports in July 2001, with an import duty of 30 percent. The imports of pork, liquor, and other products deemed offensive to Muslims are restricted or banned. The importation of most high value products is permitted but the public is generally unaware of these products and traders have yet to explore this potential market. U.S. dairy products are one example of a potentially attractive market.

There are no discriminatory trade barriers for the import of agricultural commodities from the United States. Rather, in many cases, the GOP follows U.S. standards for grades and classes in making import decision and fixing minimum specification to be met by the private sector.

Pakistan perceives itself as an agricultural exporter (cotton, rice, fish) and is a strong supporter of multilateral trade reforms and has signed the charter of new World Trade Organization (WTO). Pakistan has initiated steps to liberalize its economy with a view to integrating it with the global economy.

Exchange Rates:

PFY 1998/99 1$U.S.= Rupees 46.79
PFY 1999/00 1$U.S.= Rupees 51.77
Current 1$U.S.= Rupees 67.00
1 Pak cotton bale = 375 lbs. or .7807956 of a 480-lb. bale.