

CPEC moves into agriculture

A VERY interesting annexure in the latest State Bank's annual report provides much-needed detail on the entry of Chinese firms in Pakistan's agriculture sector. Agriculture appears to be one of China's top priorities in CPEC, contrary to how the Pakistani government has presented the enterprise as being built around transit trade. And now, possibly for the first time, we have an official source where this is fleshed out in further detail.

It begins by noting that the CPEC Long Term Plan (LTP) lays great stress on agriculture, with wide-ranging engagement across the entire sector. Boosting yields in the crop sector, reducing losses from harvest and transportation, and engaging with livestock and dairy are some of the thrusts envisaged under the plan. The eventual goal appears to be to boost Pakistan's food exports to China.

Exclusive: CPEC master plan revealed

The report adds this intriguing sentence, without elaborating: "It is important to note that the nature and direction of such a progress critically depends upon changes currently under way in the agriculture sector of the Chinese economy."

The annexure points out that agriculture is a big priority for China's overseas investments in all countries under the Belt and Road Initiative. The motivation is China's growing food deficit at home and the erosion of arable land.

"China's food import dependence is rising amidst continued degradation of arable land and depletion of its livestock and fisheries resources. To address these concerns, it is investing heavily under the Belt and Road Initiative (BRI) by outsourcing its food supplies, while moving towards high value-added food products to contain its food trade deficit."

The biggest concern in the whole enterprise is not mentioned: what does it mean for Pakistan's own food security?

So China is "outsourcing its food supplies" to address its growing food-security vulnerability, and this involves growing investments in the agriculture sectors of other countries. The benefits for Pakistan are nicely laid out in the annexure. They include improved yields through superior seeds, mechanisation of farms as well as introduction of drip irrigation technology on a wider scale, increased use of formal credit systems for agri-lending, and greater documentation of the rural economy and especially its land registries.

Much work has already been done along these lines. For example, China has pursued hybrid rice cultivation in Pakistan for almost two decades now, trying new varieties that promise higher yields and are more temperature resistant.

This year, the first export consignment of hybrid rice was sent to the Philippines. Now more land is expected to be brought under rice cultivation after this initial marker of success. A programme has just been concluded in Mansehra, Swat, Sahiwal and Larkana (among other areas) to grow hybrid rice, where the testing was done on a certain variety to be grown under the very different temperature conditions in each of these regions.

Likewise, a cold storage station has been erected in Khunjerab, on the Chinese border, for seafood exports to China. It is active for eight months of a year, according to the annexure, and will handle sales to the Xingjian region, as well as Shanghai and Beijing according to the

authors. As per the LTP, more cold storages are planned in Karachi, Gwadar, as well as Lahore and Peshawar.

Chinese enterprises are also scouting for possible investments in Pakistan's agrarian economy. More recently, "on July 31, 2018, Fauji Foods Ltd disclosed on the stock exchange that Inner Mongolia Yili Industrial Group Company Limited, a Chinese state-owned enterprise, has expressed interest in acquiring up to 51 per cent of the voting shares and/ or control in the former with the intention of expanding R&D operations and manufacturing high-value-added dairy products to be exported to China."

This is an interesting strategy to acquire controlling stakes in a large agro enterprise in the country, then fanning outwards from there. In due course, cotton will also come on this radar, since the LTP has specifically mentioned the interest of Chinese officials in Pakistani yarn and coarse cloth to feed Xinjiang's growing textile industry.

Some structural problems will need to be addressed, the authors of the annexure state, for the benefits of this opportunity to flow smoothly for Pakistan. These include low levels of farmer literacy and awareness, low levels of formal credit for farmers, 'cluster farming' — or the land holding pattern of the country where the majority of farmers own small pieces of land (typically 12.5 acres or less) which inhibits economies of scale — poor state of land records and of course a highly dysfunctional water economy.

The biggest concern in the whole enterprise is not mentioned: what does it mean for Pakistan's own food security? Boosting agricultural yields and reducing losses in the food supply chain are clearly required for Pakistan, but as exports grow and more land is brought under water-intensive rice cultivation (as an example), what will happen to our local food needs?

Soon the enterprise will move into its next phase, where land acquisition for demonstration projects gets going and large agro enterprises in the country start being bought out, like what is happening with Fauji Foods Ltd. Long before that happens, it is imperative that the government of Pakistan ensures that the country's own needs are in the driving seat.

We need to ask whether new varieties of hybrid rice (particularly sticky rice) are the best place to lay the emphasis for the future of this engagement, since it means devoting large tracts of land as well as enormous water resources, to growing something that is not a staple food here. Perhaps more emphasis on wheat in the coming days will also materialise.

Pakistan's agriculture needs support of the sort that the Chinese are offering — there is little doubt about that. But our agriculture is the lifeblood of our economy, and the biggest pillar of our stability is our hard-fought food security. There is very little bargaining room with these priorities.

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