Australian Government
Australian Centre for International Agricultural Research

Policy Brief
May 2018

Pulses Policy in Pakistan

POLICY OPTIONS FOR INCREASING PULSES PRODUCTION IN PAKISTAN

- Consumption of pulses in Pakistan and globally is increasing. Despite this, pulses production in Pakistan is stagnant. Imports of pulses have risen dramatically to address increasing domestic consumption.
- A project, funded by the Australian Centre for International Agricultural Research in collaboration with a number of research organisations in Pakistan and Australia, has considered policy options to address constraints to pulses production in Pakistan.
- Current policies affecting pulses production include a 35 per cent export tax on pulses, a wheat procurement price scheme, subsidies on fertiliser, and limited funding for research, development and extension of pulses compared with other crops. These policies increase the profitability and decrease the riskiness of other crops (especially wheat) at the expense of pulses. They work to discourage expansion of pulses production in Pakistan.
- The project makes a number of recommendations for policy reform, including removal of the export tax, and phasing out the wheat procurement price scheme and fertiliser subsidies without being tempted to introduce a pulses procurement price scheme or aiming at self-sufficiency. Money saved could be spent on pulses research, development and extension, and social protection programs targeted to those in need.

What is the issue?

Pulses are dried seeds of the legume family (including chickpeas, mung beans, lentils and mash beans) and are an important source of vegetable protein in Pakistan. While domestic and international demand for pulses is expected to grow, pulses production in Pakistan (in terms of yields and area) has stagnated in recent years. Imports have risen dramatically since 1980, production is volatile, and post-harvest losses are seen as a significant problem.[1]

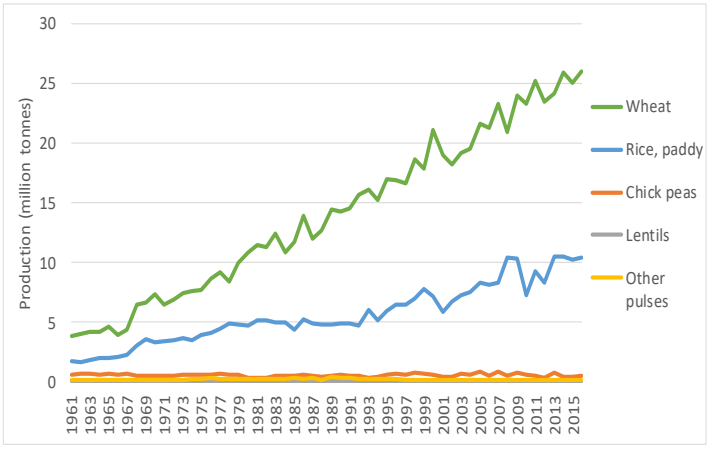

Figure 1: Production of pulses and competing crops in Pakistan, 1961 to 2016

Research approach

To investigate this issue, a research project was funded by the Australian Centre for International Agricultural Research titled: ADP/2016/043 "Economic analysis of policies affecting pulses in Pakistan". The project was implemented by the University of Western Australia, the National Agricultural Research Centre (Pakistan), the University of Agriculture Faisalabad, the University of Agriculture Peshawar and the Australian National University.

The research approach included:

- a farm survey of 310 pulse producers across pulses-producing regions of Pakistan,
- financial modelling of a 'typical' pulse-producing farm in Punjab,
- partial equilibrium modelling of the pulses sector in Pakistan, and
- engagement with policy-makers and researchers to develop recommendations for policy reform.

Results of the research are summarised in this Policy Brief.

THE UNIVERSITY OF WESTERN AUSTRALIA

Australian Government
Australian Centre for International Agricultural Research

Policy Brief
May 2018

On-farm factors constraining production

Survey results showed that the leading causes of low pulses production in Pakistan are perceived by farmers to be:

- Lack of access to high-yielding varieties
- Significant impacts of pests and diseases
- Low mechanisation
- Inefficient input use
- A poorly developed agribusiness sector
- Losses of chickpea grain during harvest[2]

There is significant need for increased research, development and extension in the pulses industry to raise productivity up to regional standards.

Pakistan's policies affecting pulses production

A number of government policies are affecting pulses production in Pakistan.

A 35 per cent export tax on pulses

The export tax is intended to lower the level and variability of pulse prices domestically, yet prices have increased in level and variability significantly since its introduction in 2007. As a result of the tax, exports of pulses from Pakistan have all but ceased. Removal of the export tax is expected to increase production.[3]

A wheat procurement price

The government implements a procurement price for wheat which discourages pulses production by making pulses relatively less profitable and more risky to produce compared with wheat. Removal of the wheat subsidy imposes costs on consumers and producers, but the saving in government revenue (approximately Rp93billion/year) outweigh these losses.[4]

Subsidies on fertilisers

The government also supports agriculture through subsidies on fertiliser, water and energy (approximately Rp57billion in 2012). The fertiliser subsidy in particular favours a number of other crops that use higher fertiliser inputs compared with pulses.[4]

Funding for research, development and extension

Pakistan's agricultural R&D intensity (public agricultural research and development spending as a share of agricultural GDP = 0.25) is low compared with other middle-income countries (0.43). Moreover, most of this research is focussed on the high-production crops (wheat and rice) rather than pulses. We expect that if RD&E were to increase for pulses, associated productivity increases would lead to increased production and consumption, but while the export tax is in place, also a reduction in domestic prices. Producers are likely to switch into pulses if they have access to irrigation . Careful attention should be paid to ensure that productivity enhancing technological improvements are widely adopted.[4]

A proposed pulses procurement price

Some provincial policy stakeholders in Pakistan are proposing a procurement policy for pulses, similar to wheat. Research suggest this would increase pulses prices, production, consumption and decrease imports. If funded by Government, it would benefit consumers as well as producers, but it would be costly to maintain.[4]

Policy recommendations

A Government procurement price for pulses, similar to wheat, would increase production but the policy would be expensive, inefficient and inequitable. A better approach is to remove the pulses export tax and phase out the wheat procurement price scheme and fertiliser subsidies. Money saved could be spent on pulses research, development, extension, and social protection programs targeted to those in need. Together, these policy reforms are expected to lift pulses production in Pakistan.

Sources for further information

1. Vanzetti, D., Petersen, E.H., and Rani, S. 2017. Economic review of the pulses sector and pulses-related policies in Pakistan. *ADP/2016/140 Working Paper 4*.
2. Ghafoor, A., Qasim, M., Rani., S., Sadozai, K. 2018. Pakistan pulses policy survey results. *ADP/2016/140 Working Papers 6, 7 and 8*.
3. Vanzetti, D., Petersen, E.H., and Rani, S. 2017. "Economic analysis of pulses-related trade policies in Pakistan". *ADP/2016/140 Working Paper 6*.
4. Vanzetti, D., Petersen, E.H., and Rani, S. 2017. Economic analysis of pulses-related domestic policies in Pakistan. *ADP/2016/140 Working Paper 7*.
5. Harrison, S., Petersen, E.H. Vanzetti, D., 2018. Financial modelling to determine optimal pulses and other crop species mixtures in Pakistan. *ADP/2016/140 Working Paper 8*.

Contacts

For more information, please contact:

- Project Leader, Dr Elizabeth Petersen, Liz.Petersen@uwa.edu.au
- Dr Abdul Ghafoor, ghafooruaf@hotmail.com
- Dr Muhammad Qasim, m_qaasim@yahoo.com
- Dr Khuram Sadozai, ksaddozai@aup.edu.pk
- Mrs Saima Rani, saimazahid6@gmail.com
- Dr David Vanzetti, David.Vanzetti@anu.edu.au
- Dr Stephen Harrison, s.harrison@uq.edu.au