PROSPECTS AND CHALLENGES OF IMPORT SUBSTITUTION

A STUDY ON OIL SEED CROPS IN PAKISTAN

ZARAI TARAQIATI BANK LIMITED | PLANNING AND RESEARCH DEPARTMENT

TABLE OF CONTENTS

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INTRODUCTION

Pakistan is deficient in domestic edible oil production. Edible oil is Pakistan's largest food import commodity, ranked third in the import list after petroleum, petro chemicals and machinery. Pakistan was self-sufficient in edible oil until early 60's. Import of Palm oil was started in 1963 and remained modest during 70's and 80's. From mid-90's import of edible oil was increased exponentially and now Pakistan is the third largest edible oil importer of the world after China and India. Edible oil/oilseeds import bill has increased from US$ 615 million in 2006 to US$ 3.068 billion in year 2020. It is estimated that, with a five percent increase in consumption coupled with five percent price hike in global markets each year, edible oil import bill may go up to Rs. 757 million US$ in the year 2024-25.

PRODUCTION OF OILSEED CROPS IN PAKISTAN

During 2019-20, the total availability of edible oil in the country was 4.316 million tons. Whereas domestic edible oil production was observed only 0.554 million tons (13% of the total requirement). Pakistan has to import 3.765 million tons (87%) of edible oil and oilseeds to fulfill domestic requirements, spending RS 474.77 billion (USD 3.068 billion). It was observed that the quantity of oil seed crops was not increased from 2018-2019. During 2019-20 oil seed crops were cultivated on the larger area in the country especially in Punjab province. The cultivation of canola and mustard reached upto 795,700 acres and produced 482,000 tons. Similarly, sunflower and Seasame were also cultivated on 90,512 acres and 301,000 acres respectively in Punjab. However, according to the first estimate of Directorate of Crop Reporting and Services Punjab, the area of Canola and Mustard reduced upto 48% during 2020-21. The extra ordinary hike of wheat crop price and uncertainty about oil seed crop price lost farmers' confidence to grow oilseed crops and enhanced wheat crop average.

IMPORT OF EDIBLE OIL

During FY2023 (July-March), 2.681 million tonnes edible oil (including oil extracted from imported oilseed) of value Rs 826.482 billion (US$ 3.562 billion) was imported. Local production of edible oil during FY2023 (July- March) is provisionally estimated at 0.496 million tonnes. Total availability of edible oil during FY2023 (July-March) from imports and local production is estimated at 3.177 million tonnes.

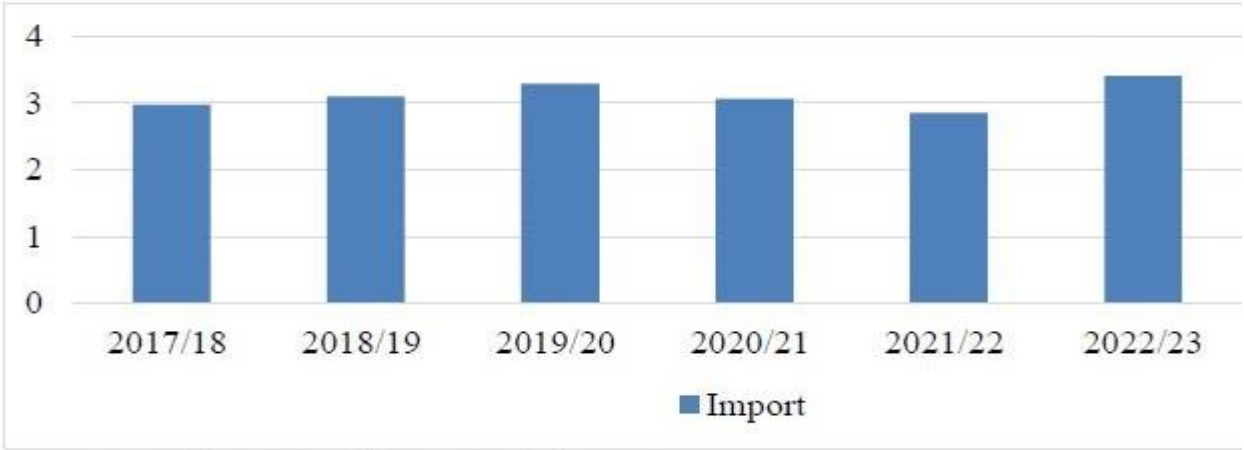
The area and production of oilseed crops is given in table given below:

Table : Area and Production of Major Oilseed Crops						(000 Tonnes)
Crops	2021-22			2022-23 (P)		
	Area	Production		Area	Production	
	(000 Acres)	Seed	Oil	(000 Acres)	Seed	Oil
Cottonseed	4,740	2,126	255	5,103	1,244	149
Rapeseed & Mustard	798	478	153	1,260	785	251
Sunflower	133	83	32	179	124	47
Canola	122	81	31	200	130	49
Total	**5,793**	**2,768**	**471**	**6,742**	**2,283**	**496**

P: Provisional
Source: Pakistan Oilseed Department (POD), Pakistan Bureau of Statistics

In line with population growth, palm oil imports are forecasted to reach 3.6 million tons during 2023-24, which would be about a 6 percent increase over the 2022-23 import estimate. Palm oil imports from Malaysia and Indonesia will continue to dominate edible oil imports. Palm oil was the top component and its imports increased both in volume and dollar terms. Its imports in dollar terms increased by 14.8 percent to $2.446 billion from $2.13 billion a year ago. Pakistan's local consumption of edible oil is 5 MMT, out of which 1.5 MMT – 30 percent of edible oil is domestically-produced, the remaining 3.5 MMT – 70 percent of edible oil needs are met through the import of refined palm oil.

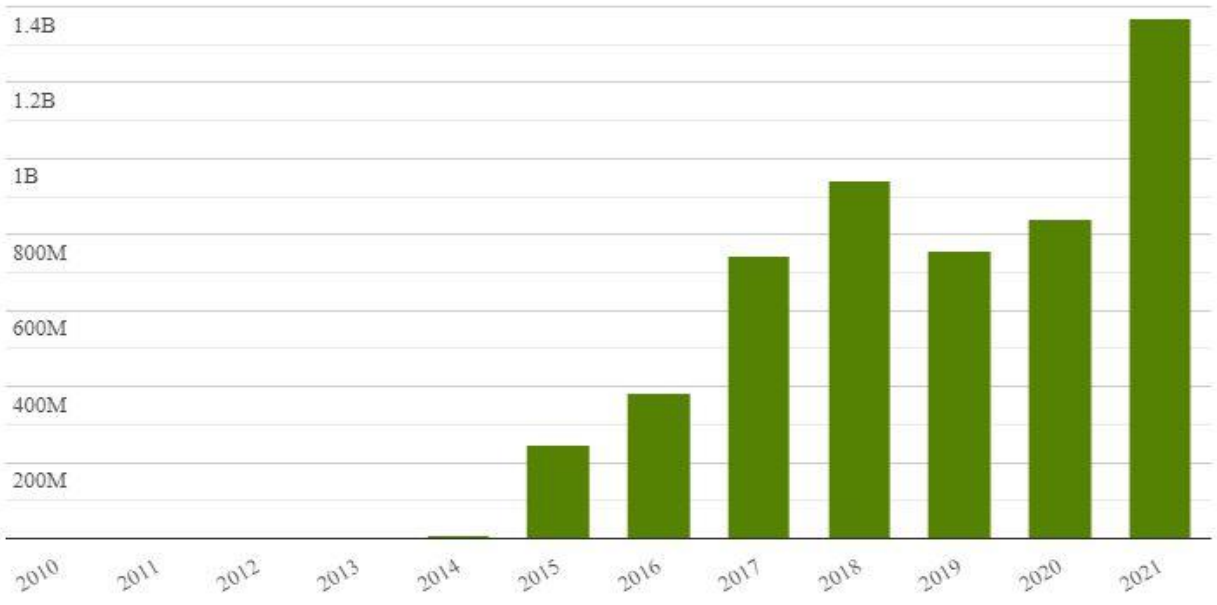
Figure 1: Palm oil Imports (Million Tons)



Source: Trade Data Monitor LLC and PBS

National Agriculture Research Center, Oil Seed Research Department reported that one of the most popular replacements for palm are canola and sunflower seed oils. However, these crops still require a lot of land and water to produce and the processing of edible oil is expensive. Pakistan's national agriculture policy is largely driven by food security concerns focusing on enhancement of staple food production such as wheat. To incentivize the farmers to grow more wheat, the Government uses price support mechanism guaranteeing minimum wheat price at which it purchases substantial quantity of produce. Since most of oilseeds crops are Rabi or winter crops, farmers generally opt for wheat over oilseeds because of certainty in demand and price. Similarly, farmers view cotton, rice, maize, and sugarcane as more profitable options compared to sunflower and soybean, which could be sown and produced during the Kharif or summer season.

Besides Palm oil, $199.4 million were spent on the import of soybean, last year its imports were only $65 million, showing the most significant spike of 206.3 percent. Interestingly, soybean volumetric imports also jumped up by 168.4 percent and the country imported 136,870 tons against 51,000 tons in a comparable period a year ago. Pakistan lacks sufficient domestic production of plant protein to replace the 2 to 2.5 million tons of soybeans annually imported. Almost all the meal derived from soybean imports is used for poultry feed.



Due the de-facto ban on soybean imports, crushing activity has collapsed, meal supplies are

short, and poultry feed is scarce. Poultry meat and egg prices have increased. Pakistan's Bureau of Statistics reports that in January 2023 chicken meat prices increased 25 percent compared to the previous month and increased 83 percent on an annual basis. Without soybean meal in poultry rations, the feed conversion ratio has worsened, and it is taking longer for broilers to reach market weight.

SOYA BEAN IMPORT DATA OF PAKISTAN

To improve the edible oil/oilseeds situation in the country, various institutions including Pakistan Edible Oil Corporation (1977), Ghee Corporation in Pakistan (1979), National Oilseed Development Project (1990-95), and Pakistan Oilseed Development Board (1995) were set up over the years but little to no progress has been made in enhancing the area and production of oilseeds in the country. Post-18th Constitutional Amendment in 2010, the projects of Pakistan Oilseed Development Board have been devolved to the provinces, where it remained a low priority area. Now, there is a renewed interest in promoting and incentivized cultivation of oil seeds.

Pakistan Agriculture Research Council (PARC) is working along with Ministry of National Food Security and Research (MNFS&R) to provide a platform for promoting/improving high yielding adaptable soybean varieties in the country through research; and enhance technical capabilities of staff involved in basic seed production and development of new varieties. Under this program, the organization is running a project on commercialization of soybean crop at National Agricultural Research Centre (NARC), Islamabad, Pakistan along with provincial partners. The project aims at increasing yield and production of the crop through improved cultivars and new mechanized production technology. Developments of new soybean high yielding and adaptable varieties will offer new opportunities to small farmers whose land remain fellow after wheat crop in Kharif season. Under fast unfolding agro-climatic changes and weather patterns there is direct need to develop new varieties with higher yield potential that possess resistance against number of diseases. Strong government policies for promotion of local soybean production coupled with adequate research and development to make locally produced raw material competitive both in terms of value and quality will help in easing reliance on the time consuming costly imports.

Province	Area/Cropping System	Cropping System	
		Existing	Proposed
Punjab	Rice Area	Rice-Wheat-Rice	Soybean-Wheat -Rice
	Rainfed area	Wheat-Sorghum/Maize-Wheat	Wheat-Soybean-Wheat
	Riverine area (Mianwali, Bhakkar, Layyah, Muzaffar Garh, DG Khan and Rajanpur)	Mixed Cropping System	Introduction of Soybean as spring crop
Sindh		Rice-Wheat-Rice	
	Lower Sindh (Thatha and Badin)	Rice-Fallow-Rice	Rice-Soybean-Rice
		Rice-Sunflower-Rice	
Khyber Pakhtunkhwa	Malakand, Hazara Divisions and DI Khan	Mixed Cropping	Introduction of Soybean as spring/late spring crop

Table 1 Potential soybean growing areas and cropping pattern of Pakistan.

ROLE OF GOVERNMENT

- Government has taken steps to address various issues of Oilseed Sector. This include a Sub- Group on Oilseeds under Agriculture Task Force and constitution of a committee of all stakeholders for deliberation on policy framework, oilseed production in the country and import substitution of edible oils.
- Subsequently, the Ministry of National Food Security and Research (MNFS&R) is in process of presenting first ever comprehensive National Oilseed Policy. The policy will focus on enhancing production of edible oils and reduce dependence on imports, improving profitability of the oilseed growers, access to credit facility, availability of good quality sowing seed at reasonable prices, dissemination of latest approved production technology to the oilseed growers.
- Another key feature of the policy is to recommend measures for improving the quality of edible oils to protect the health of people and rationalize consumption.

ROLE OF ZTBL

ZTBL is extending financing facility for production of various oil seed crops such as soybean, sunflower, and canola. To enhance this initiative, ZTBL aims to further encourage financing for oil seed crops. Additionally, the Mobile Credit Officers (MCO's) of ZTBL can play a vital role by organizing training sessions focused on oil seed crops, raising awareness about their significance, and fostering a deeper understanding of the oil seed sector to drive increased financing opportunities. To further encourage the adoption of oil seed crops, ZTBL's Agriculture Technology Department can conduct training sessions for farmers. These training programs can take the form of field days, seminars, workshops, and demonstration plots. The focus would be on sharing best practices related to oil seed crop cultivation, including proper land preparation, seed selection, crop management, pest and disease control, and harvesting techniques. By imparting such knowledge, ZTBL can empower farmers with the skills needed to maximize yields and improve the quality of their oil seed crops.

CONCLUSION

- While reviewing the data it is concluded that a long term and consistent Oil Seed Policy is required for betterment in production of oil seed crops in the country and to minimize the import bill.
- Support price of oil seed crops may be made to control uncertainty.
- Specific areas/agri zones may be declared for the production of oil seed crops.
- Substitution of palm oil may be made by promoting crops likes Canola, Mustered and Sunflower.
- Underutilized non-cultivable lands have the potential to be transformed into productive areas for cultivating oil seed crops, thus paving the way for oil seed import substitution.
- Subsidy may be provided to the oil seed growers/farmers.

- Moreover, joint efforts of all oil seeds stake holders will make it possible through motivating farmers. Provision of improved high yielding seed verities, Agriculture extension services for disseminating research based production technologies to farmers, provision of farm machinery for oil seed crops on subsidized rates and the surety to procurement with good prices to achieve destination of self-sufficiency.

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