

Agricultural Productivity for Poverty Alleviation and Sustainable Development

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“You know why America is a rich and powerful country, ruling the world? Because its lemons are the size of our watermelons!” my grandmother used to say. For years, I struggled with the idea, wondering what America did with their watermelon-sized lemons that made the country so successful. Now, I realize, I was completely missing the point.

In the last century, scientific and technological developments in the agricultural sector have helped improve yields and productivity to inconceivable levels. What this means is that, having taken care of the basic needs of food and shelter, developed countries like the United States are now free to pursue other challenging, and certainly more profitable, ventures. So, perhaps contrary to existing literature, it is not industrial growth, but agricultural development, which may lead to sustainable development in the developing world.

In Pakistan, 32% of the population lives below the poverty line.¹ Out of these, the majority live in underdeveloped rural areas, suffering from malnutrition, illiteracy and severe health concerns. Whereas the economic growth of the country has been impressive in the last six years, unfortunately, it has been largely restricted to the urban areas. In fact, according to some estimates, economic development has actually retarded in rural areas, thereby increasing income disparity and regional poverty.

Arguably, an increase in poverty not only highlights a failure of governance but it is also a threat to the growth and sustainability of industry. For instance, an increase in the crime rate has a direct positive correlation to an increase in poverty. In Pakistan, where institutions of law and order are weak, the situation has proven to be extremely precarious in the past. Simply stated, industry cannot sustain its growth if there are threats to labor productivity and the safety and security of its assets, and in extreme situations, a fall in demand for its output, which drives the economy into a recessionary cycle.

Therefore, the importance of eradicating poverty, both for social and economic reasons, cannot be stressed enough. Unfortunately, governments and industry alike consider this to be welfare. Of course, welfare and charity are noble, but they are essentially unprofitable. The objective is, therefore, to develop a system in which the rural poor can take part in the growth of the economy, through the integration of agriculture and industry. In addition, the goal is to be self reliant, so that minimum assistance is required from the Government.

Agricultural Development=Rural Development

In Pakistan, nearly 70% of the population lives in rural areas, where poverty is significantly more severe, as well as more widespread, than urban poverty.^{2,3} Furthermore, 73.87%⁴ of the income of the rural population comes from agriculture. This shows that an increase in agricultural productivity could effectively lead to poverty alleviation and rural development.

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¹ Asian Development Bank (ADB). 2001. *Poverty Reduction in Pakistan*. Available: <http://www.adb.org/PRM/povertyred.asp>

² ADB. 2001. *Country Assistance Plans - Pakistan: III. Sector Strategies*. Available: <http://www.adb.org/Documents/CAPs/PAK/0301.asp>

³ Government of Pakistan. Ministry of Finance. 2005. *Economic Survey of Pakistan 2005-2006*. Available: http://www.finance.gov.pk/survey/sur_chap_05-06/04-Poverty.PDF

⁴ Hussain, Abid and A. D. Shiekh. 2006. Role of Agriculture in Poverty Alleviation. *Dawn Karachi*. 2 October.

Additionally, Pakistan is an agriculturally-based country, so development of industry largely depends on the development of agriculture. This means that improved farm technology, such as enhanced irrigation methods, not only affects the quality and size of the cotton crop, but also the output of the textile and apparel industry, which accounts for 60% to 70% of the country's exports and provides employment to 38% of the manufacturing labor force (footnote 3). In fact, if Pakistan can attain higher yields per acre in cotton, sugar, wheat and rice, this could become a source of competitive advantage for the value-added industry.

The Green Revolution of the 1960s was a glorious period for the agricultural sector of Pakistan. The miracles of the high yield variety seeds, the tractor, and the water canal changed entire villages from barren wastelands to thriving towns, rich from the double digit growth in rice and wheat. The quality of life in areas such as Multan, Faisalabad, and Sargodha improved as schools, hospitals, and banks were set up. Soon, small-scale industry crept up, as there was a rapid increase in the demand for mechanics and engineers who could fix and supply spare parts for tractors and water pumps. Overall, the quality of life improved for millions of people.

Today, there is again a need for a miracle in the agriculture sector, but through a different strategy. Instead of relying on Government efforts to improve output productivity, the farmers must themselves seek alternative opportunities. Agricultural growth must be integrated with the development of the industrial and service sectors, so that a synergy is created - which guarantees not just growth of the economy, but sustainable development.

For example, recently the State Bank of Pakistan directed all the commercial banks to provide credit at competitive rates to the livestock sector. In addition, micro credit banks have also set up branches in some villages, so that farmers can obtain small loans to improve their productivity. The objective is to bridge the gap between the farmer and the bank, so as to reduce dependence on government aid.

This means that the role of the Government in the new strategy should be that of a facilitator; a means to find the opportunity that the private sector can take on and translate into profit. This eliminates the concept of welfare from the picture, as a market-oriented system is developed to eradicate rural poverty.

“Focus on the Farm” Strategy

At last the opportunities within the agriculture sector are being explored. At the strategic level, the Government has recently declared dairy farming as a priority sector. In addition, the fish and fisheries sector, which has been neglected for the past 50 years, is gaining importance amongst the policy makers. Similarly, research shows that there is great potential in livestock farming, horticultural activities and mining, all of which are under explored by the private sector.

Identifying opportunities, however, is just the first step in agricultural development. In order to become a profitable venture, these opportunities must be supported by physical and regulatory infrastructure, which the Government must supply. Speed of implementation is integral to the development of this sector, and the bureaucratic processes do not help this cause.

That is why the private sector must “pull” the development of the agricultural sector. As industries use agricultural output to establish or expand the production of agro-based commodities, the effects will spur productive investment on the farm. This is similar to vertical integration, but there is no requirement for the acquisition of the supplier. Instead,

the current system, in which the farmer supplies his output in the market, will serve just as well.

But the private sector will only take up the opportunity if it is profitable, and for this the cost of production is the most important variable. Again, research shows that costs can be managed through the outsourcing of non value-added activities. For example, in the production of canned fruits, the fruits can be locally produced kinnows or mangoes, but the cans may be outsourced from China.

The most important factor is to be innovative, because there is no one single efficient formula for production. Increasingly, outsourcing, supply chain management and strategic alliances are becoming an important source of competitive advantage and profitability. This means that companies must derive the maximum benefit from existing resources in order to reduce waste and inefficiencies. In the following section a hypothetical case is presented in which real estate agencies innovatively redefine their mission and include a change in strategy which would bring about rural development.

Being Innovative: Expanding the Vision of the Real Estate Agency

Traditionally, real estate agencies have been known to wait for the customer to come to them, rather than reaching out to potential customers. Similarly, in Pakistan, the real estate agent considers marketing to be a superfluous effort, declaring it to be a waste of resources. The state of neglect is such that most agencies are not even aware of their mission statement, that is, the purpose of the business.

But consider a change in this scenario. Because they are well aware of all the strengths and weaknesses of a geographical area, real estate agencies carry immense potential for bringing out its development and growth. Therefore, these agencies could be instrumental to the development of rural locations.

This is possible if the mission of a real estate agency is expanded to include not just the selling of land or property, but in effect, to sell the geographical area. For this, a change is required in the purpose of the real estate agency, whereby the job of the agent expands from just selling the land in which a business may operate, to selling the business opportunity.

For example, a typical agency, Obaid Properties, deals in residential and commercial property in Hyderabad. Hyderabad is a large city with a population of 1.5 million located very near Karachi, a bustling metropolis with a population of 14 million. Hyderabad is also very close to Qasimabad, a small village where the main occupation of the locals is farming. So, if Obaid Properties is aware of a customer interested in buying farm land, then the agency is certain to recommend Qasimabad as an ideal choice, because of its close proximity to two large cities, its availability of skilled farmers, fertile land, and well developed irrigation systems.

On the other hand, if Obaid Properties currently knows no party interested in the land, it will essentially lose its commission from this deal. One possible short term solution is a promotional campaign, perhaps launched in the two adjacent cities, until a customer contacts the agency. Considering the speed of technology and a sizable market for farming land, it is likely that the promotional campaign will not take long to attract clients, and the agency may have not only one, but in fact an entire set of potential customers who are ready to bid for the same land.

Alternatively, agencies could employ direct marketing tactics to penetrate the market. For instance, Obaid Properties could directly contact Nestle Pakistan, and offer the farm in

Qasimabad as a viable back-end operational site for the multinational's production of milk. Once the land is sold, Nestle Pakistan would need livestock farmers to work on the land, which in return would start the development process for the entire village.

In this direction, real estate agencies can even seek international customers, as there are no limits to growth. The Government may provide leads regarding international clients, which the agencies can pursue. Government-sponsored international trade exhibitions are another way through which real estate agencies can reach out to international clients interested in setting up an agro-based business in Pakistan. Government efforts at making agriculture and mining priority sectors have already been highlighted, and this may help in attracting foreign direct investment in such sectors.

Conclusion

Poverty is a major hurdle in the sustainable development of a country, and could result in serious consequences for the economy. In Pakistan, poverty is a growing problem in the rural areas, where the majority of the population lives. Being a less developed country with limited access to resources, Pakistan needs a market-based solution that integrates agriculture with the industry and service sectors to eradicate poverty. Statutory and infrastructural help is required from the Government, but the private sector would assume the dominant role as creators of wealth. Finally, on a business level, the key to success lies in using innovative means of utilizing existing resources.