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The WTO Agreement, Corporate Agriculture Farming and Small Farmers' Economy

SARFRAZ AHMAD
Economics, Agri. Economics, Sociology and Anthropology Department, University of Arid Agric., Rawalpindi, Pakistan

ABSTRACT

Among 144 nations Pakistan is a signatory of World Trade Organization (WTO). The Agreement on Agriculture (AoA) is to be implemented within two years in the farm sector of Pakistan. In the recent past government declared CAF as an industry and 19 multinational corporations (MNCs) were approved to initiate their business in agriculture. By adopting CAF we are paving way to embrace WTO. Many adverse implications are anticipated on small farmers as MNCs start their operation. In other words, WTO is now on our doorsteps. We have failed to identify alternatives to restructure the farm sector to mitigate the negative impacts. There is a big question—what is the future of small farmers that are 81% of country farms under the new dimensions of corporate agriculture farming as WTO Agreement is implemented on January 1, 2005?

Key Words: WTO; Corporate agriculture farming; Farm sector; Small farmers

INTRODUCTION

In Asia- Pacific region agriculture is a major economic deriving force. It is a mainstay for the livelihood and offer employment opportunities in almost all the countries of the region. As shown in Table I agriculture sector contributed more than 20% of the GDP in most of the South Asian economies during 1994. The significance of agriculture is evident as source of income and employment for the majority of population in the region. More than 65% of the regions' population resides in rural areas. Similarly, agriculture offer employment to more than half of the working force in the region. The large share of agriculture in total labor is due to the availability of large land area that is available for cultivation and the female farm family workers (Deomampo, 2001).

Table I. Share of agriculture in the GDP and employment in Asia-Pacific

Region	Country	Share in GDP		Share in Employment	
		1980	1994	1980	1994
South Asia	Bangladesh	49.4	30	68.7	65
	India	38.1	30	n.a.	64
	Pakistan	30.6	24	52.7	52
	Sri Lanka	26.6	24	45.5	48
Southeast Asia	Indonesia	24.4	17	55.9	55
	Malaysia	22.9	14	37.2	27
	Philippines	3.5	22	51.4	46
	Thailand	20.2	10	70.8	64
	Vietnam	42.7	28	69.9	64
Forth east Asia	China	25.6	22.6	68.9	59.7
	Korea	14.2	6.4	34.0	16.7
Pacific Islands	Fiji	22.5	18	n.a.	n.a.
	Papua New Guinea		28	n.a.	n.a.
	Tonga	47.6	36	43.7	38.1

Source: Asian Development Bank (1994, 1996)

The farm sector plays an important role in Pakistans' national economy as well. Presently, it contributes more than 24% share to the GDP. However, the production and related trade are subject to instability in the whole region (Table II). Moreover, it employs about half of the total labor force of the country. Similarly, it is the largest contributor to the foreign exchange earnings by contributing about 70% of total foreign exchange earnings (Govt. of Pakistan, 2002) (Table III). The decade of 1990-99 showed 35.6% increase of exports earnings over the last decade of 1980-89. The overall trade during the same periods showed an increase of 7.9%. The position of Pakistan under both the categories is better than Sri Lanka and Korea in the region. At the same time, farm sector supplies basic raw material to the industry like textile, sugar, and many others. Farming community is putting all efforts to materialize these achievements.

Land and its distribution is a detrimental factor in resource ownership, farm incomes, and agricultural decision-making. The distribution of land is categorized into: small, medium and large farmers farms. The category of small farmers (less than 5 acres and 5-12.5 acres of land holding) holds a significant vulnerable position in the farm sector. According to the official statistics there are 5.07 million farms in Pakistan. About 81 % farms are grouped under small farmers including marginal farms occupying a land area of about 39 % (Agriculture Census Organization, 1990) (Table-IV).

There are specific characteristics inherent with small farmers. The major characteristics are; illiteracy of farming community, family labor based farm operations, large family size, non-availability of personal capital, high farm debt, high consumption share of farm output for home, unplanned enterprise combination, higher degree of risk, lack of storage facilities at farm level, low marketable surplus and deficient markets. Therefore, small farmers producers work under economic stress, social disparities and

Table II. Instability indices of agricultural production and trade in the Near East, 1985-98

	Production			Trade		
	Area Harvested	**Yield**	**Production**	**Import Quantity**	**Import Value**	**Export Quantity**
Near East Region	**4.6**	**5.8**	**10.1**	**12.1**	**18.5**	**12.4**
Egypt	13.4	12.2	24.0	12.4	20.5	72.5
Iraq	24.7	12.4	20.9	51.3	47.2	208.1
Jordan	22.2	28.5	26.2	30.7	35.5	103.9
Yemen	9.7	18.7	18.8	30.2	36.4	95.4
Algeria	31.8	22.3	50.3	22.6	30.7	158.3
Libyan Arab Jamhoriya	27.0	9.0	23.5	25.6	27.3	na
Mauritania	29.7	13.3	28.1	56.3	56.6	154.4
Morocco	10.5	37.1	43.1	33.7	45.5	212.7
Tunisia	37.5	29.3	55.7	36.5	45.4	97.0
Afghanistan	7.7	5.0	11.5	35.7	47.2	Na
Azeraijan	5.8	11.7	13.3	38.0	33.1	98.7
Iran, Islamic Rebublic of	4.8	19.0	17.9	28.8	441.4	249.2
Kazakhstan	23.0	34.5	52.4	188.3	88.5	18.1
Kyrgyzstan	6.3	16.0	19.4	106.7	80.6	102.7
Pakistan	3.9	9.1	12.8	43.2	45.1	31.0
Tajikistan	13.1	31.3	38.2	61.7	41.4	na
Turkey	1.4	7.7	8.3	66.1	72.0	79.2
Turkmenistan	26.6	35.2	28.0	57.7	37.7	na
Bahrain				31.4	27.6	250.5
Kuwait	43.7	43.7	43.1	33.9	37.9	143.9
Oman	17.8	17.8	25.9	29.9	23.9	80.5
Qatar	32.3	32.3	34.2	19.9	18.0	117.0
Saudi Arabia	25.6	25.6	32.3	21.4	23.3	76.5
UAE	41.0	41.0	65.0	46.2	47.1	49.1
Cyprus	13.2	13.2	38.8	26.9	34.4	45.2
Djibouti	24.4	24.4	25.2	15.7	22.7	204.5
Lebanon	11.5	11.5	23.5	18.1	29.6	156.6
Malta	12.3	12.3	13.7	10.6	35.9	90.8
Somalia	28.6	28.6	44.0	39.7	34.5	na
Sudan	25.2	25.2	36.3	42.7	32.8	133.6
Syrian Arab Republic	14.2	14.2	36.1	42.4	39.9	120.9

Source: Computation are based on data obtained from FAO/ STAT (2000)

Table III .Trade regime in Pakistan and her major competitors

	Exports*as % of GDP			Trade* as % of GDP		
Countries	**1980-89**	**1990-99**	**% change over the period**	**1980-89**	**1990-99**	**% change over the period**
Pakistan	11.5	15.6	35.6	30.5	32.9	7.9
Bangladesh	6.3	10.0	58.7	22.8	29.6	29.8
China	9.3	18.8	102.2	20.0	35.6	78.0
India	4.7	7.6	61.7	12.0	17.1	42.5
Indonesia	11.5	18.7	62.6	38.4	48.4	26.0
Korea	31.2	27.8	-10.9	60.0	54.1	-10.0
Malaysia	51.9	80.3	54.7	94.8	149.3	57.5
Philippines	16.3	26.8	64.4	37.2	61.4	65.1
Sri Lanka	22.3	27.5	23.3	58.6	60.1	2.6
Thailand	20.9	34.5	65.1	44.8	68.0	51.8

Source: IMF, international Financial Statistics; *Period Average

injustice. Although above characteristics indicate a dark picture of small farmers yet their efforts and contribution to farm output and national economy are commendable. According to Chaudhry (2001) small farmers practice 30 % higher land use and cropping intensities and higher irrigation intensities, grow 28 % more acreage of wheat, 118 % more acreage of rice, 489 % more acreage of maize, 54 % more acreage of cotton, 212 % more acreage of sugarcane, 66 % more acreage of fodder, etc. as compared to large farmers. Small farmers could not prosper and reap the gains whether it was 'green revolution' during sixties or successive land reforms introduced by the Muslim League, Bhutto, and/ or Zia. The major beneficiaries have been the large farmers. There is a big question—what is the future of small farmers under the new dimensions of corporate agriculture as WTO Agreement is implemented?

The WTO and Corporate Agriculture. In 1947, the General Agreement on Trade and Tariff (GATT) was signed. The purpose was to facilitate international trade between nations. In 1995, GATT was transformed to

Table IV. Distribution of land among different categories of farmers

Categories of Farmers	No. of Farms		Farm Area	
	Million	Percent	Total (million acre)	Percent
Marginal farms up to 5 acre	2.41	58.64	5.31	28.92
Small farms (5 – 12.5 acre)	1.70	41.36	13.05	71.08
Total small farms	4.11	100.00	18.36	100.00

Source: Agriculture census organization, 1990

Table V. Implementation of AOA agriculture in developing and developed countries

Period/Time Allowed	Developed Countries 6Years (1995-2000)	Developing Countries 10 Years (1995-2004)
Tariff		
(1) Average cut for all agricultural products	36%	24%
(2) Minimum cut per product	15%	10%
Domestic Support		
(1) Total AMS cuts for sector (base period: 1986-88)	20%	13%
Exports		
(1) Value of Subsidies (2) Subsidiesd Quantities (base period: 1986-90)	36%	24%

Source: www.wto.com

WTO. In brief, major objectives of WTO are; trade liberalization, privatization, increased market access, reduction of domestic support for agriculture and export subsidies, raising the standard of living of people, standardized farm output, free international competitive agriculture trade, multinational corporate foreign investment in farming, and to attain level of full employment, and the Trade-Related Intellectual Property Rights (TRIPs). The salient features of WTO are summarized below:

- to act as a forum for continuing negotiations on trade and investment rules
- to settle disputes between member countries
- Increasing free trade through the reduction of tariffs and non-tariff barriers
- reducing unfair practices such as export subsidies and dumping

At present, 144 nations including Pakistan have signed the agreement to implement WTO Agreement in the year 2005. The developing countries were given grace period to make adjustments according to their domestic situation. There is an immediate need to create awareness among the stakeholders regarding impacts of WTO Agreement on Agriculture (AoA) in the country. The farmers are not prepared to face implications of CAF and WTO in the farm sector.

The farm production is contributed by few very large multinational corporations (MNCs) under CAF (Knutson *et al*., 1983). The input package includes high available technology (seed, fertilizers, chemicals, heavy farm machinery and equipment) combined with high valued output and by-products, greater investment and credit opportunities, farm processing, storage, and efficient marketing in competitive international markets. In adopting CAF existing structure of agriculture in Pakistan will significantly change. Thus, major structural adjustments are anticipated in this sector. In the recent past government declared CAF as an industry and 19 MNCs were approved to initiate their business in agriculture. The MNCs would enjoy broad credit line, no upper ceiling on the land holdings, access to state lands either through purchase or on lease for 50 years extendable for another 49 years, exemption on custom duty on imported agricultural machinery, exemption of duty on land transfer for the purpose of CAF. In order to incorporate these policies the government introduced a draft of 17 amendments in the Land Reform Act 1977.

This paper examines the major implications in the farm sector that are anticipated as the WTO agreement is implemented in the year 2005. Table V below explains the period of implementing of the WTO agreement on agriculture in developing and developed countries

Implications. In Pakistan, WTO Agreement may have adverse impacts on the economy. There are many policy adjustments and infra-structural improvements needed in a limited time. Under the new system in the farm sector import of agricultural commodities will be affected adversely to start with as subsidies are withdrawn. Government cost would reduce in terms of farm price and income support systems and withdrawal of subsidies. However, prices of agricultural commodities will tend to increase. Some countries with well-developed infrastructure and well-organized markets are able to enjoy more benefits. Unfortunately, such arrangements are poorly developed in Pakistan. Similarly, the package of information technology, studies on investment, policies on competitiveness, and transparent role of government to facilitate agricultural trade as approved in the WTO ministerial meeting held on December 9-13, 1996 at Singapore may not be fully reaped by Pakistan due to lack of facilities in terms of education, technology, and infrastructure.

Similarly, WTO will effect negatively to small farmers. Such farms would disappear in the long run due to the process of economic cannibalism. Multinational corporations will enjoy broad-based resources in credit, investment, inputs, big machinery, large land ownership, high-valued inputs and outputs, and competitiveness. They will eventually swallow small farms. The existing small farmers would either opt for signing contracts for production for large corporations or serve as paid employees at the mercy of the management of multinational corporations. On the other extreme is the possibility that the small farmers may leave agriculture profession for the rest of their lives and thus migrating to urban areas for earning their livelihood. This will in turn create an extended problem of urbanization that the country may not bear any more.

Positive effects. New technology, high employment, increase in production and economic activity, competitive exports, handsome share of taxes to the government

Negative effects. Non-sustainable production, monopoly of high-valued input package by MNCs, replacement of food crops by cash crops, food security problem, rural migrations to urban areas, blow to local agricultural machinery manufacturers

RECOMMENDATIONS

1. There is a need of general awareness among the people and the farming community regarding WTO principles and laws and its implications on the economy and the farm sector. Series of seminars should be arranged throughout the country to highlight WTO implications on the farm sector with special reference to small farmers. Protection of small farmers should be one of the central issues in structural adjustment plan of the policy. Improvements in the small farmers' economy will eventually pave way to sustainable economic and social development of the country. Micro-business in the fields of ornamental/ landscape plants, cut flowers, mint and oil extraction units, poultry and fisheries should be planned for small farmers as alternative enterprises.

2. Organized markets with good infrastructure should be developed for local marketing to offer an alternative channel to small farmers as compared to international competitive markets. Initiation of micro-credit schemes for small-scale farmers is necessary. The establishment of Khushhali bank is a positive step in this regard. However, the current credit limit of Rs. 30,000.00 is too low to initiate even a small enterprise. The limit needs revision to a workable capital.

3. Waste and barren lands and ranges and pastures are good areas where role of multinationals can contribute in the development of our agriculture.

Another area where multinationals under CAF can contribute is livestock, milch animals and milk by-products. Government livestock farms are inefficient. These should be leased out to multinational corporations. The government should offer the multinationals under CAF to invest for the development of cultivable wastelands, deserts, and hilly lands. The Northern areas of Pakistan have great potential that is unexploited. These multinationals should be offered to make future investment in these areas.

4. A well worked out plan should be prepared to absorb the displaced farmers in the rural areas as multinationals takes over farming business under CAF. The big towns should be declared as centers of small industrial units that can offer jobs at local level to farming community. This will ease future anticipated population flow to the cities. Incentives to form partnership among small-scale farmers in farm production and particularly marketing. Measures for increasing production and productivity by strengthening agricultural research and extension, credit, rural electrification, cheaper fuel and power, and training of farmers to face changing horizons and challenges of competitiveness in farming. The government should also encourage the young people particularly agricultural graduates by involving them in agribusiness. They should be allocated potential land areas for development with credit support.

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