

**CORPORATE FARMING AND RURAL POVERTY IN PAKISTAN**

*Dr. Abida Taherani  
Nosheen Khaskhelly  
Shahabuddin Mughal*

**ABSTRACT**

*The decision of government of Pakistan to lease out some 1.2 million acres of its fertile land to foreign investors has raised a number of questions given the state of food insecurity at home. This is an important problem which the corporate-mind and policy makers have always chosen to ignore so far. The policy of corporate farming is involved in food production on a very large scale that would snatch a very basic source of earning from thousands of poor peasants who are already living in situation of food insecurity. This marginalized class on the threshold of food scarcity is disinclined toward education and healthcare, which is considered as luxury for them, this adversely impacting upon their economic situation and leads to yet more hunger.*

---

**INTRODUCTION**

Corporate farming can be described as agriculture business with the usage of modern methodologies. This business is done by multinational national corporations (MNCs) with the aim to enlarge the food production to meet the food scarcity. In the process corporate farming is not simply the leasing of agriculture land and farm only but also includes the whole agricultural life cycle of a crop namely method of cultivation, supply of seeds, usage of machinery and pesticides, processing of food, storage of processed food and its retail sale with the means of distribution, advertising and distribution (Shah 2009).

The decision of the Government of Pakistan to lease out or sell 1.2 million acres agriculture lands to two Gulf countries, i.e. UAE and Saudi Arabia, is part of its agriculture policy to catch and enhance foreign investors. It is reported that these two countries are investing in agriculture to fulfil the needs of food primarily at their homes. Though, no formal contract with Saudi Arabia has been signed, and simply an agreement with a company of UAE has

been reached, yet in order to protect the farmlands a special security force would be set up (Qadri 2009).

The aim of this paper is to highlight the salient features of corporate farming and food security in Pakistan. With a brief history of land reforms and its flaws, the paper concludes by highlighting the civil society's response to alarming signs of corporate farming and its effect on rural poverty in Pakistan.

Under the Corporate Agricultural Farming (CAF), government may sell or lease out the agriculture land for at least 50 years to the investors and that lease would be extendable for another 49 years. In this regard priority would be given to the land that is cultivable but not in use of the state. It is being propagated that the idea to bring and implement CAF is to attract foreign investors for the betterment of local/small and medium size farmers and lately it is planned to declare agriculture sector as 'industry. The package for investors includes a five-year tax holiday, separate security personnel to guard the big farms owned by foreign investors and local tax-free investment (Rizvi 2002).

Given the above facilities to foreign investors it is being criticized that government should lease that vacant agriculture land, if any, to landless peasants so as to grow more for our country.

#### **GLOBAL PERSPECTIVE OF LAND GRABBING**

During 2004 to 2009, at least 6.2 million acres agriculture land was leased out or purchased in five African countries (Sadaque 2009). The International Food and Policy Research Institute (IFPRI) reported that in all those countries where agriculture land was sold or leased out there is dictatorship or very weak democracies (Editor 2009). This means that policies with regard to CAF are meant for the privileged few and are hostile to the peasantry in general.

In recent past more than 33 million hectares land, which is almost equal to the size of Germany, is acquired or in the process of acquiring by China, India, South Korea and the Gulf States. This is happening mainly in poor countries of Africa where local people are dying due to dearth of food. India has also set up agricultural projects in Brazil (Sadaque 2009). Both India and China are in big competition to acquire big farm lands in poor countries to meet

their own food needs in coming future. Acquiring agriculture land for cultivation is not new, but the urgency and severity of competition among countries is being viewed as to cause the worldwide spike in food prices which came as eye opener for different countries in 2007 and 2008. In this drive some dozen companies from India with the backing of government have already invested some \$2 billion in Ethiopia to produce sugar, tea and many other crops (Hazra 2009).

Earlier big companies from developed countries used to acquire farm lands for profit only but the current competition for agriculture land is driven primarily to meet the food needs. In this race major countries are those with rising economy having big population. As their domestic food production looks less than enough, they plan to expand the food production at mass level to sustain food security. For example, India's annual food grain production of 230 million tones is just about what the country needs but by 2020 it will reach to 250 million tons. This was estimated by the Planning Commission of India (*Ibid.*).

#### **SALIENT FEATURES OF CORPORATE AGRICULTURE FARMING**

CAF policy in Pakistan is designed with the following purported objectives:

- To get more production and revenues with the best use of technology and management skills,
- To increase farm productivity and export in agriculture business,
- To get better quality of farm production with less usage of less resources, and
- To maintain international standard of production for all major crops at very moderate per unit cost.

In the context of these targets, the government intends to offer following concessions investors:

- All local and foreign companies would be allowed to invest which are incorporated in Pakistan under the Companies Ordinance, 1984.
- There is no limit on land holding so the investors can determine it on their capacity to invest.
- The lease or sell would be for 50 years, extendable for another 49 years.

- All public and private banks and financial institutions in Pakistan would use a different credit schemes for investors.
- Initially, the investors would be exempt from observance of labour laws; however, within five years special labour laws would be developed to regulate the relationship between investors and local labour that would work on farms.

In brief, according to Ministry of Investment, the federal government through CAF policy is trying to achieve improved agricultural productivity, efficiency of production, profitability through the use of latest production technology and increased incomes. Besides, government of Pakistan offers foreign investors to have remittance of 100% capital with profits and dividends (Shah 2009). Also, foreign companies will also be exempted from labour laws applicable to all industries in Pakistan.

#### **CURRENT LAND DISTRIBUTION IN PAKISTAN AND STATE OF RURAL POVERTY**

Pakistan is characterized by much skewed land ownership and that is one of the reasons for centralization of political powers in few feudal. Those who own big land farms have all social and economic power that they use in political decisions and influence the weak institutions. This can be understood by realizing that five percent of household own 64 percent of agricultural land (Shah 2008).

Poverty in rural areas is rooted in very uneven distribution of agriculture land, which is the main asset in an agricultural economy. Big landlords have been reaping the benefits of price policies while small landholders and tenants/peasants are only growing the staples to put food on their tables. Disparities between rich landlords and poor peasants in terms of wealth, rents from land, capacity to grow cash crops and ability to obtain education remains stark. Land ownership is highly concentrated and feudal lords are obstructing any meaningful reforms towards fairer distribution of land. What is there in our rural areas is a perpetual deprivation of the majority and a huge income inequality.

Concentration of incomes in a few hands generates undesirable socio-economic consequences. Nowhere is this strain between growth and growing inequality more relevant than in the

agriculture where distribution of resources has long been viewed to be skewed. Most of the rural poor, on an average, hold less than five acres only enough to sustain and survive or work as share cropper and remain at the mercy of the tenancy arrangements with the land owners. Ownership holdings by size of area owned, according to the *Agriculture Census 2000*, shows that in Pakistan 61 per cent of the total private holdings are under five acres and ownership of 50 acres and above are only two per cent (Mahmood 2008). Majority of the landholdings, 94 per cent, are in the category of less than 25 acres while only six per cent holdings are in the category of 25 acres and above.

There are wide provincial variations, as in Punjab and NWFP dominant ownership holdings fall in the category of under five acres, 61.34 per cent and 79 per cent respectively; while in Sindh and Balochistan majority of the land ownership is in the size class of five acres to under 25 acres, 46 per cent and 52 per cent respectively. In Sindh and Balochistan, shares of landholdings of 25 acres and above are the highest among all four provinces, 12 per cent and 18.6 per cent respectively. Since majority of land holdings are of less than five acres, the income patterns of households owning them become highly vulnerable to the vagaries of weather and economic shocks – any exogenous shock, unfavorable weather conditions, a bad crop or an adverse economic policy may push them below the poverty line. A vicious cycle of poverty ensues – starting with lower or rather zero initial assets' base – that the small farmers are unable to bridge the economic gap on their own unless official economic policies are positively biased towards them.

The decision to grow food or more remunerative cash crops such as sugarcane depend on the size of land holding and restrict the freedom of choice for the poor. To be able to profit from the price policies set by the government for sugarcane, it is vital to have large landholdings to serve as insurance against food scarcity for such agricultural families. Rural poor prefer to grow more of food crops to feed themselves. Well-off households with large farm holdings receive major part of their income from cash crops while poorer households get their income primarily from food crops. Cash crop such as sugarcane needs to stay in the ground for

whole year and families dependant on land for food cannot afford to wait that long for any economic return.

Rental income from land only accrues to the big farmers while majority of rural population working as tenant farmers or having very small tracts of land are on the losing side. Overall rental income from property forms a meager share except in Sindh and NWFP where there has been substantial rise in the contribution from rental income since 1998-99 (*Ibid.*). Livestock has now emerged as a prominent source of income, improving its share since 1998-99 except in Punjab where its share has considerably declined. Given the importance of wages and salaries in all the four provinces, employment assumes crucial importance keeping in view the skewed land ownership.

Programmes aimed at poverty reduction failing to address the issue of skewed land distribution, cannot achieve the desired. Undoubtedly, land reforms would face stiff resistance by the land owning class enjoying enormous political clout. Rich land owners are few but effective as a pressure group. On the other hand, the peasants are not organized as an interest group (Mahmood 2008).

### **Flawed Land Policy**

Traditionally, land policy is viewed in terms of the ownership of agriculture land under cultivation but this is a limited approach. When seen in panoramic perspective, the division of agriculture land is directly linked to social, economic and political development in Pakistan, especially in rural areas.

It is important to know the context of how the government owned the lands. If we see in historical perspective we come to know that in past 1000 years different dynasties invaded the areas that constitute Pakistan today. They governed and settled themselves by confiscating big tracts of agriculture land, the only source of power and living for local people. In the process the foreign invaders ruled the local people by then awarding snatched agriculture lands to some feudal lords. The Britishers continued this policy and some families were awarded big chunks of farm lands in all areas that constitute Pakistan today. In this way British ended the rule in South Asia with legacy of feudalism to preclude socio-political development of decolonized areas in decades to come. After the independence, other countries of South Asia, to

some extent, abolished feudalism but in Pakistan this issue has never been dealt with political will.

If analyzed historically, in 1930 began the efforts for land reforms when oppressed peasants started agitation. These agitations were led by Sindh Hari Committee and Indian Peasant Movement. Resultantly Congress Governments brought some tenancy reforms but in Sindh the situation of land distribution remained highly unequal. With the advice of Quaid-e-Azam, Sindh Government formed a Hari Enquiry Committee in March 1947 with the mandate to explore and suggest policy actions possible for land reform in Sindh. The Hari Enquiry Committee submitted its report a year later. In that report land reforms were critically opposed on the religious grounds. However, M. Masud Khdarposh, a member of the committee, strongly opposed that stance and wrote a Note of Dissent urging the government to abolish feudalism and distribute agriculture lands in landless peasants. But he was criticized by feudal and some of the ulemas to the extent that he was declared a communist and his Note of Dissent as un-Islamic (Khan 2000).

When General Ayub Khan took over the reins of the State in October 1958, land reforms were being demanded by many segments of society. It was being perceived that feudalism was the main cause of extreme poverty in Pakistan and no economic development would bring fruits until the root cause, feudalism, is abolished. With that conviction in mind, General Ayub Khan appointed a Land Reforms Commission. The Land Reform Commission presented its detailed report in January 1959. The Land Reform Commission suggested that the upper ceiling should be at 500/1000 acres irrigated/un-irrigated land plus orchards for each landlord. It also permitted the landlords to present as gift land to his/her family members and friends. In the process some 2.5 million acres of agriculture land was demarked and 2.3 million acres of them were distributed to eighteen hundred thousand peasants. However, the abolition of the revenue-free *jagirs* did not make any difference and situation remained same as most of the landlords gifted much of their agriculture land to relatives and closed friends. This resulted in no better situation for landless peasants and workers than the previous. Thus, introduction of land reforms did not benefit the peasants and agriculture workers.

In the general elections of 1970 Pakistan Peoples' Party of Zulfiqar Ali Bhutto went in elections with manifesto of land reforms and socialism. After the debacle of East Pakistan Z.A Bhutto took the remaining Pakistan and announced agriculture land reforms. Under this scheme, the upper ceiling was fixed at 50/300 acres irrigated/un-irrigated land and resumption of excess land without compensation. It was highly welcomed by landless peasants and workers but landlords allied with Pakistan Peoples' Party were not happy with it. Some 1.3 million acres of land was identified for reforms but merely 0.9 million acres was distributed among the landless peasants. Subsequently, Z.A Bhutto decreed second land reforms in January 1977, reducing the ceiling to 100/200 acres irrigated/un-irrigated land but that could not be materialized as many landlords opposed him and General Zia-ul-Haq took over the reins of the State in July 1977. Resultantly majority of landlords allied with General Zia and the implementation of the Z.A Bhutto reforms was halted and as an additional incentive to this propertied class, the tax law on farm incomes was annulled. Thus General Zia brought the process of land reforms at standstill for the time being (*Ibid.*). In many cases powerful landlords confiscated the distributed land to poor peasants. Thus the distribution of land still remains highly uneven.

#### **CORPORATE FARMING AND FOOD SECURITY**

Pakistan has committed to reach the 8 targets of Millennium Development Goals (MDGs) set for 2015. These MDGs also include reduction of suffering from hunger, decent work employment and equal wages for women workers (*Ibid.*). With just three years in hand how it would be done when sources of income like land is being given to MNCs instead of poor peasants.

Situation of food supply in Pakistan is getting dire year after year due to scarcity of water, besides crop destruction by two major floods of 2010 and 2011. Furthermore, the rapid process of urbanization is engulfing cultivable lands in adjoining areas of big cities and major towns, resulting in less available land for crop cultivation. A United Kingdom based firm, Maple Croft, has listed Pakistan in those 15 countries where food security would be a big problem due to different reasons including natural disasters (SDPI 2012). In the list of 148 countries Pakistan is at 11 numbers

recorded by Food Security Risk Index (Shah 2009). This shows that in near future supply of food would be a big issue in Pakistan.

If compared with Pakistan our neighboring countries, India and Bangladesh are in better condition in this regard as they ranked at 25<sup>th</sup> and 20<sup>th</sup> position respectively (*Ibid.*). With other factors like, nutrition policy, internal market policy and distribution of patterns food stuff, availability of cultivable agriculture land is one of the big reasons where Pakistan is not in position to compete with its neighbors.

Poverty, a major issue in Pakistan, is directly linked with uneven distribution of agriculture land as land is basic determinant of economic development in rural economy. This is evident if we see that level of poverty is higher in those who possess no land. Thus poverty can only be alleviated if land inequality is reduced (Anwar *et. al.* 2004). The only way forward is to distribute all available state agriculture land among landless peasants to minimize the level of poverty in rural areas. This is also important that food supply in all urban areas is based at the food production in rural areas. Thus, food security of people living in urban areas is directly proportional to the food production in rural areas.

For the practical realization of the goal of food sovereignty that has been eluding our nation since the time of independence, the importance of genuine agrarian reform and peasants' rights cannot be underestimated. The unequal distribution of land and the lack of constitutional rights of peasants prevalent in our country have to be addressed. The state must assure that food produced be first available for the population of the country before thinking about letting food be exported abroad under the preconditions of foreign investment or else for the sake of generating additional revenue (Ali 2009).

The decision to put at least 1.2 million acres cultivable agriculture land at auction is viewed very wrong enough by all segments of the society, especially by landless poor peasants. Small wonder that how a country facing food security issue is offering its precious agriculture lands to Multi Nationals Companies. Strong evidences show that all those countries who have leased out their land to foreign companies for commercial purpose are facing more problems of food security than reaping the benefits of investment. This is because the MNCs use the land

excessively and purely for commercial purpose and they do not consider the humanitarian aspect of local people. Besides, the small and local farmers cannot compete with Multi National Companies and they are left high and dry at the mercy of corporate farming.

As food is the inevitable need, independence in food sufficiency is utmost need of a nation. Besides, for achieving primary goal of political stability, one should realize the significance of food security in the country. No sensible nation would tolerate food insecurity particularly in the face of mounting population pressure which leads to further widening of already existing disparities. Furthermore, it can lead to conflict; create chaos and tyranny among the people. Primary goal of every individual nation is to fight against hunger.

In wider perspective the term food security is interpreted as the people living in particular area have complete access to food items and they are also capable to purchase the food items. Given the rising rate of inflation in Pakistan, food items' prices are going up beyond the affordability of the poor and worker classes. Coupled with water and energy crises food production is hampered by deteriorating condition of agriculture land due to salinity, use of hybrid seeds, spray of pesticides and excessive cultivation. The public in general and farmers in particular are not prepared for climate change and natural disasters. In last two years we have seen that both government and public were not ready to face such gigantic floods and that resulted in unprecedented human and economic loss primarily in rural areas.

World Food Program of United Nations has declared twenty districts out of the total twenty five as food insecure in Balochistan. Situation of food insecurity in rural areas of Sindh and urban slum areas in all over the country is very alarming. In future Pakistan needs emergency efforts to meet the food demands of growing population and that at sustainable level so as to meet the Millennium Development Goals (McBride 2010). Food is a basic right and therefore should be thought of not in terms of availability and access, but instead in terms of entitlement and justice.

All the Federally Administered Tribal Areas are described as food insecure as land for cultivation of food crop is less in these

areas and worsening of law and order situation is hampering the residents continuously. Out of 20 districts 5 districts in Khyber Pakhtoonkhwa are declared food insecure. Six districts in Sindh province are enlisted as food insecure while in Punjab, out of 34 districts, only 9 districts are food secure (IRIN 2008).

Critics say the policy of CAF is not in favour of general public as government has not linked food security with the land to be leased out. Because those who would invest money will get all produce to their native countries to deal the food deficiency in their country. Only the labour class which will work on these farms would get minimum salaries and that at very low level working at daily wages without job security or other benefits.

Many questions arise on the way government has planned to implement Corporate Agriculture Farming policy. For example all those countries which are to be benefited from this policy would not offer the facilities, like cent percent ownership and export of all production themselves, then why Pakistan should offer these privileges? Had the government offered same facilities to local farmers, it would have better effect on our local economy and export. Besides, half of the supposed land lies in Balochistan, where ethnic violence and insurgency are rampant. If there is enough state land then why the same has not been given to the landless peasants, so that they can produce more for their country.

To get equal benefits and yield to Multi National Companies, government of Pakistan should invest in water management and effective use of its irrigation system. To cope with the problem of food scarcity, local and small farmers should be given soft loans at door-step so as the local investors could be benefited.

#### **RESPONSE FROM THE CIVIL SOCIETY**

Civil Society in Pakistan is synonym of all non-state organizations, networks, alliances, groups and individuals working in different fields of life. These can be formal institutes like political parties or loose alliances formed to advocate a particular issue. At work, Pakistan's civil society is not always unanimous in decisions and directions. At many forums, civil society comes up with conflicting view points. This can be because their interest can be different in many cases. As all the society is divided on ethnic, religious and linguistic lines, this fragmentation is also manifested

in civil society, though apparently they tag themselves as liberals and more tolerant groups. On the issue of CAF, many civil society groups have not come up with policy suggestions or clear points of view.

Unfortunately not a single association of peasants/tenants exist that could encompass peasants from all over the country. Different peasant workers' initiatives are but in different provinces. Resultantly the response from civil society includes in shape of seminars, workshops, news articles etc from NGOs and other peasant-sympathizer groups agitating the policy of CAF. Besides, people who interpret the very meaning of 'development' in terms of 'common people oriented' have advocated the issue.

Because government has kept the details of CAF in secret, this has made difficult for the civil society to organize a common stand against the policy. In nut shell many of them, likely to be affected directly, do not know the pros and cons of CAF Policy and they have shown very little concern over it.

## **CONCLUSION**

This is evident from above facts that the policy of land-grab would bring very negative implications for country in general and rural population in particular. This will blow severely to the agriculture economy of Pakistan. This sector contributes 25% of GDP and employs 47% workforce. This also contributes 67% to formal industry and contributes a share of 67% in all export earnings. Through this policy Pakistan is not being benefited as we are selling best of our land and would provide water resources to foreigners for cultivation which are already vanishing. There is already a conflict among big and small provinces on sharing water resources in Pakistan so in this situation it will be a fatal blow to our weak federation if we divert our water resources to some foreign companies. Besides, this policy would be a new shape of neo-colonialism as in the policy it is written that Pakistani officials would not interfere in any capacity in the areas given to Multi National Companies and they would be exempted from many searches too. It can be lethal to our security calculations as well. The interest of Multi National Companies itself is a strong evidence of the fact that there are more prospects of food shortage and scarcity in coming future so we should rethink this policy and

convert our weaknesses into strength and distribute all available agriculture land in our poor landless peasants as they can produce for them and for Pakistan too.

This is the high time that government should go for land reforms at least of the land that lies with government, a well cherished but unfulfilled goal. This will create employment for 10 million families. It will help the government to enhance its export of agriculture production and minimize the unemployment in the country. Otherwise, the current policy would become an economic and strategic burden to Pakistan. If government is more lenient to Arab countries then it should, and can, sign a Free-Trade Agreement with these countries that will benefit both the parties and local farmers at home. These Arab countries should invest in agriculture infrastructure that will expand and enhance food production in Pakistan. Pakistan can export that food to these Arab countries. This would be a win-win situation for Pakistan and Arab countries as well. It should be hoped that the good sense prevails in the end and the government reviews its policy in this regard.

#### **REFERENCES**

- Ali, Syed Mohammad. (2009, January 20). 'Development: Pakistan's Feed Insecurity', *Daily Times*, available on: [www.dailytimes.com.pk](http://www.dailytimes.com.pk)
- Anwar, Talat; Qureshi, Sarfraz K. & Hamdad Ali. (2004). 'Landlessness and Rural Poverty in Pakistan', *The Pakistan Development Review*, 43:4 Part II (Winter), pp.855-874.
- Editor. (2009, May 21). Buying Farmland Abroad: Outsourcing's Third Wave, *The Economist*. Available on: <http://www.economist.com>
- Hazra, Arnab. (2009, May 4). 'India Joins Race for Land in Africa, China Way Ahead', *Hindustan Times*. Available on: <http://www.hindustantimes.com>
- IRIN. (2008, January 8). Pakistan: Urban Food Security Deteriorating – WFP Study. Available on: <http://www.irinnews.org/report/76138/pakistan-urban-food-security-deteriorating-wfp-study> Retrieved on 3.4.2012.
- Khan, Abdul Ghafoor. (2000, February 15). 'Land Reform a Sine Qua Non to Boost Our Agrarian Economy', available on: <http://www.paklinks.com/gs/pakistan-affairs/20929-land-reform-in-pakistan.html>

- Mahmood, Naveeda. (2008, October 20). Land Ownership and Rural Inequality. *Dawn*. Available on: <http://archives.dawn.com/archives/153946>
- McBride, Ron. (2010, January 17). 'Food Security in Pakistan is Tough to Achieve', available on: <http://www.securityworldnews.com>
- Qadri, Sahibzada Hussain Mohi-ud-Din. (2009, November 6). 'Say No to Land Grab', *The Frontier Post*, Islamabad.
- Rizvi, Shamim Ahmed. (2002). 'Corporate Agriculture Farming', *Pakistan and Gulf Economist*, Weekly, July 8-14, 2002, Islamabad: [www.pakistaneconomist.com](http://www.pakistaneconomist.com) Retrieved on 13.12.2011.
- Sadaque, Najma. (2009). 'The Global Land Grab' available on: <http://www.defence.pk/forums/world-affairs/61714-global-land-grab.html> Retrieved on 22.2.2012.
- SDPI. (2012). 'Sustainable Development in South Asia: Shaping the Future', 15<sup>th</sup> Sustainable Development Conference, *Research & News Bulletin*, Vol.19, No.4, October – December 2012. Islamabad.
- Shah, Farzana. (2009). 'Corporate farming: Pros and Cons for Pakistani Economy', South Asia Partnership Pakistan: [www.sappk.wordpress.com](http://www.sappk.wordpress.com) Retrieved on 23.12.2012.
- Shah, Zulfiqar. (2008, February 2). 'Question of Land Reforms in Pakistan', *Dawn*. Available on: [www.dawn.com](http://www.dawn.com)
-