

CLOSE RELATIONSHIP BETWEEN AGRICULTURAL AND
INDUSTRIAL DEVELOPMENT AND ITS IMPORTANCE FOR
ECONOMIC DEVELOPMENT - THE CASE OF PAKISTAN

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INTRODUCTION

This paper will explain and analyse some of the problems caused by inadequate balance between agricultural and industrial development in Pakistan. The purpose is to point out the need and importance of maintaining close relationship between development of these sectors for economic development of the country.

The economic policies followed during the last four decades in Pakistan have favoured the industrial development especially during the fifties and sixties. In other words, the agriculture during the same period has not kept pace with industrial development.

In view of the fact that agriculture is a dominant sector of the economy, measured either in terms of its share in the gross domestic product, in terms of its contribution to the total employment or foreign exchange earnings of the country, the high growth rates achieved so far in the industrial sector of the country could not bring the desired success and impact on the economic development of the country.

Industrialization can bring the desired success only, if it takes place in close relationship with other sectors of the economy. This applies particularly to the agricultural sector. The slow growth rate of agricultural sector may lead to a situation, where this sector cannot meet the increasing demand for food, shows a decrease in the agri-

cultural export earnings and reducing its contribution in foreign exchange earnings, badly needed for industrial development of the country.

In addition the slow growth rate of agricultural sector will lead to the shortage of the agricultural commodities, which may lead in turn to an increase in the prices of these commodities, inflation and reduction of the share of this sector in the national income of the country, and further reducing the income of the majority of the rural population, engaged in the agricultural sector of the country. This situation also creates problems in marketing the products of industrial sector, considering the fact that agricultural sector represent the main market for industrial products. This necessitates the parallel development of both sectors, which can eliminate the disproportions in the economy of the country, inherited from the colonial times.

The following sections of this paper will examine some of the above mentioned problems in the country.

SECTORAL GROWTH RATES SINCE 1949 - 50

Table -1 and Table - 2 indicate the growth rates of the important sectors of the economy and their corresponding share in the GDP of the country since 1949-50.

If we look at the table 1, it shows that the rate of growth of industrial sector (large-scale manufacturing) since independence, is quite moderate, except during the period 1972-77, when growth rate of both the sectors has stagnated. The industrial growth rate was quite impressive during the fifties and again during the sixties, which can be attributed to the fact that at the time of partition Pakistan had virtually no industrial base. If we look at the

performance of agricultural sector during the same period, in fifties the growth rate of this sector was even lower than the rate of growth of population, affecting the overall growth rate of total out-put of the country and per capita income (Table - 3). It was only around mid sixties, the so-called green revolution period, that the importance of agricultural sector had been felt, and the high priority was accorded to the development of this sector, which resulted in not only the high growth rate of this sector, but also the over all growth of national output and per capita income (Table - 3).

Table - 1 further shows that the growth rate of agricultural sector not only lagged behind the industrial growth rate, but also the rate of growth of other sectors of the economy. This have resulted in a transformation of the sectoral shares in the GDP of the country (Table - 2). The share of industrial sector increased from 2.2% in 1949-50 to 20% in 1987-88, while the share of agricultural sector has declined from 53.2% in 1949-50 to 25% in 1986-87.(1) 'Naturally as the other sectors emerge and develop in the economy the proportional contribution of agricultural sector will diminish in the national economic frame work, but the role and function of this sector are supposed to continue in both depth and range'.(2) Unfortunately, we don't find such phenomenon in Pakistan.

This inconsistency in the development of the main commodity producing sectors of the economy has affected the over all economic performance of the country, and we find marked fluctuations in the rate of growth of national output and per capita income (Table - 3).

FOOD PRICE AND BALANCE OF PAYMENTS

Agricultural sector is not only a supplier of food

grain for country's growing population, but it must also meet increasing demand for food, resulting from higher per capita income and increasing urbanization. The slow growth rate of this sector in comparison to other sectors of the economy, has caused a shortage in the domestic production of food commodities. The country which devotes about 60% of its cultivated area to the production of food crops, and about 50% of its labour force is engaged in the production of the food and other agricultural commodities, (3) should be self-sufficient in the matter of food. But this is not so in our case. The country is a net importer of food grain for many years. Table-4 shows the extent of wheat imports in the country, the prices of which are much higher than those of domestically produced food grains. This situation leads to heavy subsidization by the Government, which in turn adversely affects the budgetary position of the Government and reduces the available resources for agricultural development budget.

This has also resulted in the diversion of foreign exchange. Instead of importing industrial raw materials and capital goods, which are vital for the industrial development of the country we are importing food grain and other consumer goods.

Low production have also adversely affected the foreign trade of the country, as the bulk of our exportable commodities belong to agricultural sector. Except a few years in the economic history of the country the balance of payments has always remained negative. The merchandise exports of the country hardly cover the 50% of our imported commodities.

The slow growth rate of agricultural production, also leads to an increase in the prices of the products of

this sector. Pakistan had relative price stability during the sixties but the position is completely changed since the seventies.

'The average annual percentage change in the consumer price index (CPI) was 3.6% during 1960-1970, which increased to 14% during the period 1970-77'.⁽⁴⁾ In 1987-88 the rate of inflation was around 6% when measured by CPI. 'Among the major commodity groups covered in the CPI, highest increment of 7.4% occurred in the price of food group'.⁽⁵⁾

Above facts clearly show, that this sector determines the overall economy of the country. A prosperous or stagnant agriculture results in the prosperity or the stagnation of the economy as a whole.

SUPPLY OF RAW MATERIALS TO THE INDUSTRY

Many industrial activities have close relationship with agriculture such that the capacity of these industries to produce depends mainly on agricultural raw materials, and how far this sector can provide these materials quantitatively as well as qualitatively. The food and textile industries are a typical example of this type of industries. As these industries are the consumer goods industries, they have a large share in the total production and income of the industrial sector of the economy. 'In Pakistan food and textile industries, both in the large and the small scale, account for almost one half of the total output and employment in the industrial sector of the economy'.⁽⁶⁾

In this section, the purpose is to point out the importance of agricultural sector, as it is the main source of raw materials to the industry.

1. Cotton Textile Industry

Cotton textile is the largest industry of Pakistan. 'It employs about 35% of the industrial labour force, produces about 30% of manufacturing industry's output, and accounts for about 50% of manufactured exports'.⁽⁷⁾ Information regarding different aspects of textile industry are given in Table-5. It reveals the fact, that although number of mills have increased throughout the period, under utilization of capacity exists in both the sectors of the industry. Capacity utilization in the spinning sector is better than the weaving sector, where the number of looms have decreased from 29000 in 1975-7 to 16000 in 1987-88. Besides the other important causes for the under utilization of capacity, the fluctuations in the supply, and shortage of good quality raw cotton and cotton yarn to the industry are also important one. In case of cotton production, not only the yield per acre is low, but a substantial portion of cotton is damaged every year, as the cotton bales are stored in very poor condition. Mostly, the cotton bales remain lying on the open plinths, exposed to sun, rain and hot air which not only damage a huge portion of bales but also deteriorate the quality.

The infra-structure, transport, and communication facilities and the marketing system in the agricultural sector are highly inadequate and undeveloped. These factors affect the efficiency of cotton industry. Due to the poor quality of cotton, cotton products are also of very poor quality. As a result, Pakistan is no longer able to compete effectively with other textile exporting countries, such as South Korea and Taiwan. This has affected the cotton trade of the country, and subsequently its foreign exchange earnings.

2. Sugar Industry

At present there are 45 sugar mills in the coun-

Grassroots

try, 'having annual production capacity of 1256160 tons. The annual consumption of sugar in the country is estimated to be about 2111000 tons'⁽⁸⁾ which shows a short fall of about 1054840 tons. Thus, the installed capacity in the country is much below the national requirements for sugar. Table-6 indicates the production and imports of sugar since 1980-81 in the country. It shows, that although number of sugar factories have continuously increased in the country, there are fluctuations in the production. These fluctuations are due to the inconsistency in the supply of sugar cane to the industry. According to Agricultural Price Commission, the country's sugar cane production per acre is one of the lowest in the world.

These are just the two examples of the major consumer goods industries in the country. From this, one can imagine the situation prevailing in the other industries, which are dependent upon agricultural sector for the supply of raw materials.

SUPPLY OF MODERN MEANS OF AGRICULTURAL PRODUCTION

The realization of an effective progress in the agricultural sector, necessitates similar progress in other economic activities, particularly those which deal with the production of modern means of agricultural production, like chemical fertilizers, pesticides, tractors and others agricultural machines, and related activities like transportation, storage etc., which play an important role in the over all progress of this sector.

Due to lack of integration in the development of agricultural and industrial sectors, the industrial sector of the country is not able to sufficiently supply agriculture with modern inputs. This has resulted not only in low

productivity in the agricultural sector, but also to the import of such items, whose prices are not only high but are continuously increasing in the world market, and which require considerable amount of foreign exchange.

Table-7 gives some idea of local production, consumption and imports of fertilizer during the different years, covering from the mid sixties to the late eighties. Although, there is an increase in the production of fertilizer in the country, it is not sufficient to meet the increasing demand. Thus, we find increase in the imports of fertilizer. Secondly, although fertilizer consumption is increased in the country from 15 kg/hectare in 1970-71, to 63 kg/hectare in 1984-85, its consumption is still very low, even in comparison to some of the other developing countries. 'In Egypt, for example, the figures for 1984-85 are 387 kgs/hectare'.⁽⁹⁾

In case of pesticides, 'only a small percentage of farmers practice any kind of pest or disease control. Therefore, the crop damage in the country is fairly high'.⁽¹⁰⁾ The 5th Five Year Plan (1978-83), 'estimated crop losses due to pests and plant diseases as high as 20% to 30% of total out put in normal'.⁽¹¹⁾ The problem has become more acute in recent times, due to expansion in the use of chemical fertilizer, which makes the plant more vulnerable to pests.⁽¹²⁾ 'According to the Ministry of Food and Agriculture, plant protection coverage during the year 1986-87, was only one-fourth of the total cropped area'.⁽¹³⁾

As far as farm mechanization is concerned, in Pakistan it means the greater use of tractors and threshers. At present 'from total cropped area of 20 million hectares, about 40% is estimated to be ploughed mechanically'.⁽¹⁴⁾

There are five tractor manufacturing units in the country, 'but these have not so far been able to manufacture more than 30 to 60% of the components locally'.⁽¹⁵⁾

To sum up, the insignificant development of the above mentioned industries, as well as their inability to supply agriculture with its requirements of modern means of production, have resulted in high dependency on the industrialized countries. It means a great increase in imports, and a greater burden on the balance of payments of the country.

CONCLUSION

The conclusion to be drawn is that, agricultural and industrial development are closely related. Industrialization can not be successful if agriculture is neglected or left to stagnation. Slow growth rate of agricultural sector has caused a shortage in the domestic production of food grain, has affected supply of raw materials to the industry and also adversely affected the foreign trade and balance of payments of the country. On the other hand, even the high and impressive growth rates achieved so far in the industrial sector of the country, could not ensure and manage to supply modern means of agricultural production to the agricultural sector. This situation has affected the overall economic performance of the country.

In formulating economic policies and development plans, instead of giving priority to one or the other sector, it would be more suitable for Pakistan to adopt a relatively proportionate strategy that comprises and ensures not only the development of both, agricultural and industrial sectors, but also complete integration between these two sectors and the over all economic development of the country.

TABLE - 1
SHOWING ANNUAL GROWTH RATES FOR MAJOR SECTORS

YEAR	AGRICULTURE	(Percent per annum)	
		LARGE SCALE MANUFACTURING	OTHER SECTORS
1949-50 to 1959-60	1.6	15.4	3.7
1959-60 to 1960-70	5.0	13.3	7.1
1969-70 to 1976-77	1.5	01.2	4.1
1976-77 to 1981-82	4.1	10.0	7.1
1949-50 to 1981-82	3.0	10.1	5.6

SOURCE: Viqar Ahmed & Rashid Amjad, The Management of Pakistan's Economy 1947-82, Oxford University Press, Karachi 1984 p.20.

TABLE - 2
SHOWING COMPOSITION OF THE GDP (AT 1959-60) FACTOR COST
(Percentages)

SECTOR	1949-50	1959-0	1969-70	1981-82
Agriculture	53.2	45.8	38.9	30.3
Large-scale manufacturing	2.2	6.9	12.5	12.3
Construction	1.4	2.5	4.2	5.4
Others	43.2	44.8	44.8	52.0
Total	100	100	100	100

SOURCE: Viqar Ahmed & Rashid Amjad, The Management of Pakistan's Economy 1947-82, Oxford University Press, Karachi 1984, p.22.

TABLE - 3
SHOWING ANNUAL GROWTH RATES OF THE NATIONAL
OUT PUT AND PER CAPITA INCOME

YEAR	GNP	GDP	(Percent per annum)
			PER CAPITA GNP
1949-50 to 1959-60	3.1	3.1	0.6
1959-60 to 1969-70	6.8	6.7	3.8
1969-70 to 1976-77	4.2	3.7	0.8
1976-77 to 1981-82	6.8	6.5	3.7
1949-50 to 1981-82	5.2	5.1	2.2

SOURCE: Viqar Ahmed & Rashid Amjad, The Management of Pakistan's Economy 1947-82, Oxford University Press, Karachi 1984 p.20

TABLE - 4

SHOWING QUANTITY AND UNIT VALUE OF WHEAT IMPORTS

YEAR	QUANTITY (000 mt)	UNIT VALUE (Rs./mt)
1980-81	305	2076
1981-82	360	2224
1982-83	396	2204
1983-84	291	2952
1984-85	980	2807
1985-86	1909	2472
1986-87	378	3132
1987-88	601	3079

SOURCE: *Government of Pakistan, Economic Survey 1988-89, Islamabad, p.150*

TABLE - 6

SHOWING PRODUCTION & IMPORTS OF SUGAR (1980-81 TO 1987-88)

YEAR	PRODUCTION		IMPORTS
	No. of Factories	Production (000 tonnes)	(Rs. million)
1980-81	31	851	473
1981-82	35	1301	1
1982-83	36	1127	14
1983-84	39	1147	1
1984-85	39	1306	-
1985-86	40	1116	930
1986-87	41	1286	2763
1987-88	42	1771	958

SOURCE: *Government of Pakistan, Economic Survey 1988-89, Islamabad, pp.78, 151.*
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TABLE - 7

SHOWING PRODUCTION, IMPORTS & CONSUMPTION OF FERTILIZER

YEAR	PRODUCTION	CONSUMPTION	IMPORTS
1964-65	48.05	87.20	3.20
1969-70	133.42	107.70	303.64
1974-75	326.90	425.49	133.37
1979-80	432.80	869.14	642.35
1984-85	1117.00	1253.26	469.00
1986-87	1211.80	1783.84	1018.00

SOURCE: *Viqar Ahmed & Rashid Amjad, The Management of Pakistan's Economy 1947-82, Oxford University Press, Karachi, p.141, Government of Pakistan, Economic Survey 1987-88, Islamabad, p.96.*

TABLE - 5
COTTON TEXTILES STATISTICS

YEAR	NO.OF MILLS	INSTALLED CAPACITY	SPINDLESS (000)		LOOMS (000)		
			WORKING AT THE END OF PERIOD	UTILIZATION (PERCENTAGE)	INSTALLED CAPACITY	WORKING AT THE END OF PERIOD	UTILIZATION (PERCENTAGE)
1975-76	127	3478	2579	74.2	29	23	79.3
1976-77	135	3544	2650	74.8	29	19	65.5
1977-78	140	3560	2680	75.3	26	15	57.7
1978-79	152	3704	2772	74.8	27	14	51.8
1979-80	149	3731	2841	76.1	26	16	61.5
1980-81	158	3983	3179	79.8	25	13	52.0
1981-82	155	4180	2944	70.4	25	13	52.0
1982-83	158	4265	3062	71.8	24	14	58.3
1983-84	162	4224	3020	71.5	24	12	50.0
1984-85	158	4396	3022	68.7	23	10	43.5
1985-86	160	4422	3158	71.4	19	9	47.4
1986-87	187	4293	3499	81.5	17	9	52.9
1987-88	197	4330	3690	85.2	16	9	56.2

SOURCE: Government of Pakistan, Economic Survey 1988-89, Islamabad, p.77.

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11. Ibid., p.144.

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15. Ibid.