

Pakistan Agricultural Storage & Services Corporation Ltd.

PASSCO

GENERAL:

1. PASSCO was established in 1973 and commenced its operations in May 1974. It was registered as a Public Limited Company with authorized capital of Rs.100 million and paid up capital of Rs.30 million. 75% of paid up capital was contributed by five Commercial Nationalized Banks and ADBP and balance 25% was subscribed by the Federal Government. The corporation is controlled by the Board of Directors who are appointed by the share holders. Secretary MINFAL, is the Chairman of the Board of Directors and Managing Director is ex-officio Director of the Board.

FUNCTIONS:

2. As a Public Limited Company, the corporation has been assigned the following main roles :-

- a. Provide support price to farmers for wheat, paddy, gram, potatoes, onions and any other specified agricultural commodity under direction by the Federal Government.
- b. Price stabilisation of minor crops for the benefit of consumers.
- c. Ensure Food security by maintaining reserve of wheat for distribution to the deficit provinces throughout the year.
- d. Construction of modern storage accommodation to minimize storage loss.
- e. Promote agro-based units such as cold storages, pulse plants and Rice Husking Mills.

- f. Promote farm machinery services for the farmers.
- g. Eliminate middle man and improve market infrastructure for agricultural produce.
- h. Develop human resource to undertake grain management.
- j. Collaboration with international agencies in the field of development of storage facilities and agricultural marketing.

ORGANIZATION:

3. The corporation has its Head Office at Lahore and sub-offices in all the four provinces with 14 zones, 50 projects and 5 construction divisions.

FINANCIAL RESOURCE/PERFORMANCE:

4. PASSCO has paid up capital of Rs.30 million and reserve of Rs.375 million. PASSCO operations are financed through bank borrowings at mark up of 14% provided through cash credit limits approved by Ministry of Finance. There is no preferential treatment given to PASSCO by the Government except in the rate of mark-up i.e. 14% which is lower than the prevailing market rate. Total yearly turn over of PASSCO is around Rs.5 billion. Capital base of the corporation does not match with the operational turn over. PASSCO is not provided any budgetary provision for funding its operations. The borrowed money from the banks is retired from the sale of the commodities. There is no burden on the exchequer as far as pay and other expenditures of the corporation is concerned. Profit and Loss as per Companies Ordinance is shared by its shareholders. Over a period of more than two decades, since commencement of its operations, PASSCO has successfully performed the specified role.

GRAIN STORAGE:

5. PASSCO has established infrastructure to design, construct and oversee the development of grain in Pakistan. In this process PASSCO has developed four types of storages :

- * House type Godowns
- * Open Bulk Heads
- * Mechanical Silos
- * Raised Platforms

6. Through engineering services PASSCO has earned international repute from World Bank, Asian Development Bank, Japanese, Australian and Danish Governments and other World bodies concerned with storage and consultancy services. Because of the quality of work and cost effectiveness of housetype godowns constructed by PASSCO, the World Bank nominated PASSCO for construction of 500,000 M.Tons of storage capacity. PASSCO completed the project in 1986 affecting a saving of Rs.150 million. PASSCO covered storage capacities are around 5 lac M.Tons and has the capability to construct raised plinths for open storage on required basis.

INTRODUCTION OF BULK HANDLING TECHNOLOGY:

7. PASSCO is endeavouring to reduce the handling cost. Conventionally the handling of grain in Pakistan is jute bags. The cost of jute bags has increased which is at present around Rs.50/- bag. Like many other developed countries PASSCO is also making efforts to eliminate the bag handling. PASSCO has acted as the implementing agency of MINFAL to introduce bulk grain handling system in the country in collaboration with USAID and Kansas State University KSU-USA.

8. To gear up and convert the complete system from bag to bulk right from the farm gate to the end-use i.e. flour mill, there is still a long way to go. PASSCO has successfully applied system of bulk storage in the open as well as godowns & silos and open bulkheads.

The system is proved competitive, efficient and cost effective. About 60% of the wheat is stored in bulk form.

COMMODITY OPERATIONS

9. PASSCO is the support price implementing agency of Government of Pakistan. It has undertaken procurement operations of various agricultural commodities like wheat, gram, paddy, pulses, onions, sunflower etc. in support price as well as price stabilization role. Its major commodity operations are:-

a. WHEAT:

Procurement of wheat is the main task of the corporation. PASSCO procures wheat on behalf of Federal Government and arranges its despatch to the deficit provinces, Defence Forces and specified agencies on allocation from the Federal Government. Initially the procurement was restricted to the Punjab Province but since 1983, PASSCO has started wheat procurement in the provinces of Sindh and Balochistan also. Yearly procurement is around 1.2 million tonnes.

In this Operation PASSCO has always procured more wheat than the potential of the area because of its prompt and efficient services to the growers. Since 1993 onward, PASSCO has eliminated the storage losses which is a unique example in grain post harvest sector. The infrastructure available with PASSCO is for 1.5 M.tonnes.

b. PADDY:

PASSCO is designated Support Price Implementing Agency for paddy. Under this role PASSCO is procuring paddy in Punjab, Sindh and Balochistan since 1978-79. The procurement of paddy varies from 5000 to one lac metric tonnes.

The graph of procurement has now declined because the prices invariably are higher than the support price. However, PASSCO's presence in the market for procurement on required basis ensures support prices to the growers at the time of harvest. PASSCO has contributed in improving the quality of rice through application of rice processing technology in collaboration with Japan International Co-operation Agency (JICA).

c. PULSES:

PASSCO in the past has undertaken procurement of pulses with a view to stabilize its prices. Since 1987 PASSCO has been designated as a support price implementing agency for gram. The procurement of gram varies in accordance with the level of procurement and the market rate at the time of harvest. PASSCO does not monopolize its procurement.

Invariably PASSCO's presence in the market for gram procurement at the time of harvest ensures support price to the growers without physical procurement of this commodity.

d. POTATOES & ONIONS:

Procurement of potatoes & onions was carried out in Balochistan and Punjab respectively until 19985-86 when the same were transferred to AMSL (another Federal Government Organization). This organization has since been abolished and the operations have since been transferred to PASSCO. The commodities are purchased according to the support prices fixed by the Federal Government and the same are stored/sold in the open market according to current prevailing prices. The losses incurred on these operations are academically reimbursed by the Finance Division, although in our experience

the losses are never paid back and the corporation has to absorb the same out of its own resources.

e. SUN FLOWER:

On winding up of the Edible Oil Seed Division of Ghee Corporation of Pakistan, PASSCO was entrusted with the responsibility of sun flower procurement at short notice. PASSCO successfully carried out these operations and procured about 4000 M.tonnes in all the provinces in the year 1993-94 and suffered no quality loss. On creation of Edible Oil Seed Division under MINFAL the responsibility has again been transferred out from PASSCO.

CONCLUSION:

10. Applying the standard norms for judging PASSCO performance i.e. profitability, operating efficiency, creditworthiness, marketing achievements and various proscribed financial parameters the corporation has proved to have strong financial base and earning capacity over the years.

11. A glance at these financial parameters and salient features clearly indicates that in the family of the public sector organizations, PASSCO excels in performance and has come up as a unique organization which has successfully completed its assigned role in price stabilization and support price implementation without burdening the exchequer. The development of marketing infrastructure has never been out of sight. Its collaboration with international agencies and their appreciation on record is testimony to this statement. Financial parameters are compatible to any marketing organization in public and private sector.

- a. PASSCO is a profitable concern and earned a profit of Rs.110.7 million, Rs.161.6 million, Rs.161.8 million and Rs.158 million in the year

1993-94, 1994-95, 1995-96 and 1996-97 respectively.

- b. During past six years PASSCO has paid income tax to the tune of Rs.325.04 million out of its profit.
- c. Accumulated a reserve of Rs.375 million from its yearly profit.
- d. PASSCO has maintained dividend of 20% to its share holders for the last many years.
- e. It has evolved a scheme to finance support price on minor crops without reimbursement from Government. Loss, if any, on these operations is met out of the revenues earned from investments of its reserve capital.
- f. PASSCO is ensuring high degree of operational and financial proficiency in the organization. All loans from the banks are paid within the stipulated period.
- g. PASSCO is a regular member of Association of Food Marketing Agencies for Asia and Pacific (AFMA) and during this year has been elected as Chairman in a meeting held in Beijing.
- h. In recognition of services in the field of engineering work PASSCO is nominated as the agency for rehabilitation of Provincial Food Godowns.
- j. Ensured support price in wheat, paddy, gram, potatoes and onions.
- k. Ensured food security in the deficit provinces.

- l. **Has succeeded in eliminating storage loss thus creating record in grain management in Pakistan.**
- m. **Has earned national and international repute and appreciation from international agencies for its quality in construction of godowns in Pakistan.**
- n. **PASSCO is pioneer in introduction of low and effective bulk grain handling system in Pakistan.**