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Pakistan's Urea Sales Dip Amid Farm Sector Struggles

August 6, 2025

— Categories: *Economics*



Pakistan's urea fertilizer sales declined 19% year-on-year in July, reflecting ongoing economic pressures in the agricultural sector. According to industry figures, 485,000 tons of urea were sold during the month, a modest rise from June's 462,000 tons, but significantly lower than the 600,000 tons sold in July 2024.

Analysts attribute the downturn to reduced crop prices and rising production costs, which have strained farm profitability. Key input costs, including diesel and electricity, remain elevated. Combined with stagnant wheat and cotton prices, these factors have pushed many farmers to cut back on fertilizer use.

Agriculture accounts for 23% of Pakistan's GDP and supports 38% of the workforce. Fertilizer demand is often viewed as a critical indicator of the sector's health. The ongoing decline raises concerns ahead of the rice and cotton seasons, which are traditionally major drivers of urea consumption.

Despite lower sales, fertilizer manufacturers have maintained sufficient inventories, supported by an annual domestic production capacity of over 6.5 million tons. However, industry leaders caution that continued weak demand could lead to production slowdowns, affecting employment in the chemical sector.

To support farmers, the government has kept urea prices fixed at Rs3,200 per bag. While this measure offers short-term relief, industry voices warn it may distort market competition and discourage efficiency improvements within the sector.

The decline in fertilizer consumption highlights broader vulnerabilities within Pakistan's rural economy. Recent government steps to improve agricultural credit access and seed quality will be closely monitored over the coming months. Whether these initiatives are enough to reverse the downward trend remains uncertain, as calls grow for deeper structural reforms to strengthen the country's farming backbone.