

Poverty & Food Security

Domestic Context

Most Commodity Rise during September

Consumers across the country had to face an extraordinary hike in the prices of consumer commodities in the month of September, as the prices of 46 consumer items and services (out of 69 commodities monitored by FAFEN) increased by an average of 7 percent when compared with August. For food commodities, the nationwide inflation rate was recorded at 8 percent. In contrast, a total of 22 consumer items and services registered a nationwide average price decrease of 6%. The consumers in flood-hit districts continued to suffer more as prices of 51 commodities shot up by an average of 10% in the 21 selected flood affected districts, while 16 commodities registered a mere 3% decrease in price, according to FAFEN Retail Price Monitor released on September 29.

During the month of September 2010, FAFEN Governance Monitors collected prices of 69 commodities and services at retail outlets in 113 National Assembly constituencies of 72 districts in four provinces, including Federally Administrated Tribal Areas (FATA) and Islamabad Capital Territory (ICT). Onion price registered a significant increase of 105% in September as compared to August. In pulses, mung, gram, mash and lentil prices soared by 16%, 12%, 3%, and 2% respectively, nationwide. In rice, Irri rice price increased by 13%, while price of broken basmati rice jumped by 6% and basmati rice by 3% nationally. Besides rice, wheat flour registered a price increase of 8% across the country in September as compared to August 2010. Price increases in staple food items like wheat flour affected consumers more than price fluctuations in any other consumer item. However, price of tomato, which had been increasing for many months – finally decreased by 25%. Similarly, potato price, which was on a constant rise for the last few months – remained almost stable with a minor 1% increase. Garlic price however, did not register any respite as it further increased by 6% nationally. Sugar price has been consistently increasing since July, which reached consumers on 10% higher rates this month than in August. In meat, chicken price increased by 11%. Prices of mutton and beef also increased by 7% and 2% respectively. Other food items registering an increase in price include gur (7%), mustard oil (6%), red chillies (5%), egg (4%), white beans (4%), fresh milk (3%), brown sugar (3%), vegetable ghee and oil (3%), bread plain (2%), yogurt, fish, banana and apple (1% each), etc. The commodities whose prices decreased during September as compared to the previous month included tomato (25% price decrease), green tea (16%), washing powder (11%), dry dates (11%), coriander (9%), toothpaste (9%), butter (6%), turmeric (6%), desi ghee and tea (1% each). Price hike in consumer commodities was particularly higher in the flood-hit areas. Irri rice price went up by 31% in the 21 selected flood-hit districts as compared to a nationwide increase of 13%. Mung pulse price observed a 17% increase across the country, but was available at 23% higher rates in the flood hit districts. Similarly, price of bakery bread in flood-hit regions was raised by 20% as compared to a nationwide increase of just 2%. Price of gram pulse increased nationwide by 12% while the increase in flood-hit regions was registered at 17%. Prices of apple, garlic, banana and potato that increased nominally nationwide, shot up considerably in the flood-hit regions. Certain commodities and services – prices of which actually decreased in the national sample, escalated in the flood-hit districts. Flood victims had to pay more for sugar, bath soap, mash pulse, red chillies, vegetable oil, fresh milk, salt powder and beef.

[Daily Times – September 30, 2010]

Prices of Food Items Rising Sharply

Prices of essential food items have almost doubled in the last one year, leaving the masses helpless in the face of galloping inflation. One company has increased the price of packed milk to Rs70 per litre and others are bound to follow suit, said a retailer in Rawalpindi. Similarly the price of farm eggs has risen to Rs80 per dozen, with the retailers selling one egg for Rs7. “The poultry sector has suffered badly in the floods and we all can only pray that the prices remain affordable during the coming winter months,” said a retailer in Islamabad. “We have heard that the whole flocks have perished in southern Sindh in floods.” While the prices of live farm chicken has declined by around Rs50 to Rs138 per kilogram in ten days, the industry players say the prices of eggs are increasing due to damage to the poultry farm infrastructure. The meat and milk sellers are also offering the same argument for the higher prices. Even the dealers of packed milk say around 200,000 animals have perished in the floods. But this has invited counter arguments from the voiceless. “Where has the carcass of these animals gone,” said a disgruntled customer in Commercial Market in Rawalpindi. Floods have also

benefited the fruits and vegetable wholesalers as the situation is no better for farm products. While the prices of onions and potatoes have declined in the last ten days to Rs50 per kilogram against Rs80 a week earlier, the price volatility has also benefited retailers as they continue to charge prices at will. To the benefit of importers and wholesalers, tomato prices have rebounded back from Rs40 per kilogram to Rs90 per kg in three days. Tomatoes crossed Rs100 per kilogram during Eid days but gradually declined to Rs40. Traders said the increase was due to costly imports from India.

[Dawn –September 27, 2010]

Need to Tackle the Inflation-Driven Poverty

By Aftab Ahmad

On the basis of statistics given in the Pakistan Economic Survey (2009-10), inflation as measured by the consumer price index (CPI) swelled by nearly 50 per cent between 2006-07 and 2009-10 (July-April), while the same had enhanced by about 62 per cent during the same period, when measured by the sensitive price indicator (SPI). During the above-mentioned period, prices of wheat flour (average quality) went up from Rs13.64 to Rs29.05 per kg (113 per cent), vegetable ghee from Rs70.81 to Rs111.27 per kg (57 per cent) and sugar (open market) from Rs31.85 to Rs56.25 per kg (77 per cent). The price of tea in packets (250 grams) rose from Rs68.39 to Rs118.87 (74 per cent), while the price of fresh milk surged from Rs26.72 to Rs41.70 per liter (56 per cent). These are the average retail prices collected from 17 urban centres by the Federal Bureau of Statistics (FBS) and have been reported in the Pakistan Economic Survey, 2009-10. These figures are a testament to the fact that there was a staggering rise in prices of basic food items during the last three years. It is, therefore, obvious that those whose incomes had not increased proportionately with the price-hike had been driven to misery and starvation. When inflation hits, many groups in the society remain virtually unaffected. For instance, powerful entrepreneurs and traders remain generally indifferent by dictating their own terms. As reported in the Pakistan Economic Survey (2009-10), daily wages of construction workers in different cities had also witnessed a boost in recent years. For instance, daily wages of a carpenter working at Karachi had escalated from Rs450 in 2007 to Rs600 in 2009. Daily wages of a mason had shot up from Rs450 to Rs650, while that of an unskilled construction worker had gone up from Rs300 to Rs375 during the time period mentioned above.

In the same time period, the agriculture sector had gained considerably from the upward revision of support/procurement prices of major crops. Procurement price of wheat soared from Rs425 in 2006-07 to Rs950 per 40 kg in 2009-10 or by 135 per cent. Price of sugar-cane in Punjab went up from Rs60 in 2006-07 to Rs100 per 40 kg in 2009-10 or by 67 per cent. Likewise, support/procurement prices of paddy and seed-cotton had also witnessed an upward trend. As a result, incomes of landlords and growers had improved considerably. The government had also increased the salaries and pension of its serving/retired employees to cope with the sharp rise in the prices of essential commodities. During the current year, also, the salaries of government employees have been raised by 50 per cent, in addition to the increase in their allowances. Moreover, pensions of retired federal employees have also been enhanced by 15 to 20 per cent, together with grant of medical allowance at 20 per cent. Thus, serving/retired government servants have been provided a compensation for the surging level of inflation.

The income from workers' remittances has elevated from \$2 - \$3 billion to around \$9 billion in 2009-10. This is, no doubt, an important source of income for some people in the country at a time when inflation has eroded their earnings from local sources. However, it is feared that the incomes of tens of millions of employees in the private sector, landless daily-wage workers in the agriculture sector and domestic workers have either remained stagnant or changed by a nominal amount, as a result of which they are leading miserable lives. The regime had recently raised the minimum wages of workers to Rs7,000 per month. But, in the absence of any mechanism to ensure payment of minimum wages, millions of workers in the private sector, it is feared are receiving considerably less than what they deserve. According to informed sources in the Labour Department, only 3 per cent of the units in the private sector are unionized. In the remaining units, there are either no labour unions or the labour unions, if any, are unorganized. The workers in these units have, therefore, no bargaining power due to which they remain at the mercy of their employers. In the same way, the landless daily wage workers in the agriculture sector remain at the mercy of the landlords for their survival. The case of domestic servants in the urban areas is, also, not much different. Although some people have raised the salaries of their domestic servants, majority of the people have considered it unnecessary to allow any increase in their remuneration. There is little that the political establishment can do in this matter. It is feared that the government's intervention

in the manufacturing/agricultural sectors may have an adverse effect on production. The government, therefore, keeps itself confined to providing relief to the poor through the Benazir Income Support Program (BISP) or sale of daily use items to the poor through its utility stores network, at subsidized prices. It is time for the entrepreneurs/employers in the manufacturing and agricultural sectors to realize that in view of the surge in food and commodity prices during the last few years it has become obligatory for them to raise the wages of their employees. Such an action would be needed to bring about an improvement in labour productivity and ensure smooth supply of workers in medium to long run. As a matter of fact, such an action would be in the interest of the entrepreneurs/ employers themselves, since a satisfied and healthy workforce can be of utmost help in maximizing production and profits. The media and the non-governmental organizations (NGOs) can play a crucial role in this regard by emphasizing the need for a new agreement to take place between employers and workers, in view of the phenomenal rise in the general price level. Perhaps the most significant factor is the humanitarian side of the case, which should be taken into consideration.

[The News – September 27, 2010]

Global Context

Global Hunger Declining: UN

The number of people in the world suffering from chronic hunger has declined for the first time in 15 years, due to improving economic conditions and lower food prices, the UN's food agency said on September 14. But the World Health Organisation (WHO) warned that flooding in Pakistan and Russia's drought threatened to spark a food crisis that could endanger the world's poorest people. About 925 million people were undernourished in 2010, down from a record 1.02 billion last year, which was the highest number in four decades, the Food and Agriculture Organisation (FAO) said in a report. "We do not expect a crisis similar to what we had," said FAO Director General Jacques Diouf during a conference on world hunger at the UN's food agency. "We are advising governments to take into consideration the fundamentals of the markets, there are enough stocks, enough prospects for production," he said, adding that there was no reason to get alarmed or to start accelerating buying.

Despite the decline in chronic malnourishment reported by the FAO, food riots in Mozambique this month, protests in Egypt and climate change have pushed the issue of hunger and food security up the global agenda. The FAO said most of the world's hungry people live in developing countries, where they account for 16 percent of the population in 2010. While that marks an improvement from a level of 18 percent in 2009, the FAO warned it was lagging a UN target to halve the proportion of undernourished people in developing countries from 20 percent in 1990-92 to 10 percent in 2015. "The fact that nearly a billion people remain hungry even after the recent food and financial crises have largely passed indicates a deeper structural problem," the FAO said. "Governments should encourage increased investment in agriculture, expand safety nets and social assistance programmes, and enhance income-generating activities for the rural and urban poor." World leaders are expected to declare at a UN summit next week that the set of goals aimed at drastically reducing poverty and hunger worldwide by 2015 are achievable, according to a draft document. The number of hungry people in the world had been rising for more than a decade, reaching a record in 2009 triggered by economic crisis and high food prices in developing countries.

[Daily Times – September 15, 2010]