POVERTY & FOOD SECURITY

Domestic Context

ADB Report Paints Grim Poverty, Fiscal Deficit Picture

Asian Development Outlook 2011 has termed recent fiscal developments as worrisome. The rollback in oil price rises, a partial increase in electricity tariffs, delays in carrying out revenue-increasing measures, broad tax exemptions for residents of flood affected areas, and continued heavy fiscal support to state-owned enterprises will add to pressures on the fiscal deficit. Pakistan's GDP growth for fiscal 2011 would be around 2.5 per cent, while inflation would remain high due to rising international oil prices. The bank's total disbursements to Pakistan during calendar 2010 stood at $799.18 million – 17 per cent higher than the $683.28 million projected. Pakistan has made a modest recovery in 2010, while strong fiscal pressure has continued due to an underachieved revenue target, and significantly lowers external financing inflows, coupled with higher expenditures.

The government should implement structural policy measures to support long-term growth by enhancing revenue generation, broadening the tax net, containing circular debt in energy and commodity sectors, and reducing the burden of losses from state-owned enterprises. The government's fiscal deficit of 5.5 per cent during the current fiscal year was unrealistic and would increase further if rectifying measures were not taken. The government was called to raise the tax-to-GDP ratio, which stands at 9 per cent, in to double figures in order to generate revenue. Inflationary pressure is still dominant and could cross 16 per cent in the next few months. The government must address inflationary pressures from both, the demand and supply sides, as global oil price increases risk higher inflation. The International Monetary Fund (IMF) loan from next year would also build pressure on the exchange rate, and stressed on greater private investment in infrastructure and the manufacturing sector.

Shortage of energy alone is causing a two per cent reduction in the GDP growth rate; however, it is not the right time to privatize loss-making, state-owned enterprises, and the government should induct professional management to make them profitable. The further loans were dependent on negotiations between the government of Pakistan and IMF. There is a link between political reality and economic progress. Overall revenue collection is slipping away compared with the target, whereas total expenditures to the security arrangements are increasing. Food inflation and fuel costs were increasing gradually, but expected Pakistan's economy to build on initial signs of recovery, while calling for proper documentation of the economy.

[The Express Tribune - April 7, 2011]

Fuel Price Hike Pushes Wheat Price Up

Latest upward revision in fuel prices triggering hike in vegetable, fruits and other essential items has also impacted prices of wheat and different varieties of flour that witnessed increase during the last 24 hours. However, wheat prices before getting affected by latest fuel price hike, registered a declining trend in the open market—mainly because the Sindh Food Department had refused to unveil official wheat procurement policy for the New Year. Wheat harvesting season is currently in full swing in Sindh Interior but the hesitant attitude by the Sindh Food Department to announce new wheat procurement policy had resulted in bringing down its rates in the open rate below the official rates of Rs 2375 for 100 kg bag as it was currently priced at Rs 2325 for the same weight. As a consequence of lowering wheat rates, X-mill rates of the flour had also gone down to the level of Rs 26 to Rs 27 per kg compared to old high rates of Rs 29 per kg.

Now in the wake of new development that has triggered increase in prices of fuel particularly diesel, price of 100 kg bag has again surged to the level of Rs 2425, showing an increase of Rs 100 per 100 kg bag. A leading wheat trader of one of the biggest wholesale markets of the country claimed that wheat rates could further surge by a ratio of Rs 150 to Rs 200 per 100 kg bag level—if the government does not withdraw its decision regarding increased fuel rates. Currently, flour (chakki) is available in the range of Rs 34 to Rs 35 per kg but in the next few days, its price may surge to Rs 35 to Rs 36 per kg.

[Daily Times - April 03, 2011]

POL Price Hike Makes Food Items Unaffordable

The worrying fact is that the weekly bazaars have lost their significance as stallholders are selling almost all daily-use items at exorbitant rates right under the nose of the city. In a weekly bazaar Malik Noor imposed fines amounting to Rs. 6,000 on six stallholders for not displaying official price lists and selling edibles at higher prices. The low quality items were being sold at inflated rates but there was no one to check the quality of the items and overcharging by the stallholders.

The prices of fruits and vegetables had increased by Rs. 10 to Rs. 20/ kg. People were already losing their purchasing power and the latest increase had broken their back. The ready-made excuse of the stallholders for hiking the rates of their products is the increase in power and fuel rates though same items are available at subsidized rates at department stores and retail outlets. This lame excuse is wheeled out to all those who question the rationale behind the increase in rates.

[Dawn - April 4, 2011]

Kashmore and Jacobabad Districts: Wheat Procurement Fails To Start Even After 25 Days

Interestingly, the number of procurement centers has increased to 25 in both districts this year but the purchase target was brought down to 400,000 bags, each weighing 100 kilograms. Last year, 17 procurement centers were established while 610,000 bags were purchased from growers. Growers from both districts produced a handsome crop this year on expectation that the government will purchase more wheat. Wheat procurement in both districts was supposed to start from March. Wheat procurement centers had been established, the commodity purchase was delayed as gunny bags had not been supplied as yet. Two trucks of gunny bags had been sent to Kashmore district but the farmers fear that they might land in the hands of influential landlords or sold to middlemen.

Wheat is currently lying under open sky and growers fear that the commodity may be damaged as rain is expected in coming weeks. Traders taking advantage of this situation were purchasing wheat from the growers for Rs. 750 to Rs. 800 per 40 kilograms compared to the government’s rate of Rs. 950. Wheat still reaching Afghanistan despite ban 30 to 35 trucks loaded with wheat were being transported to Afghanistan via Balochistan, Punjab and Khyber-Pakhtunkhwa.

[The Express Tribune - April 15, 2011]

Pakistan’s Exports Are Putting the Nation’s Food Security at Risk

Production is up in all major industries, bumper crops and we have excess piles of carry-forward stocks of sugar, rice and wheat. In fact, Pakistan being a net importer of wheat is now exporting wheat. When one after the other the country faces multiple crises and acute shortages of sugar, wheat, electricity, gas, petroleum and so on with interest rates touching 17%, and to top it all the number of people forced to live below the poverty line increasing from 25% to 40%. Our government tells us this is due to the price hike in most essential commodities in the world. The prices for imported items will increase due to this factor and its related consequences but what is happening to our surplus production? The local demand for all the basic food items has dropped due to exorbitant prices in the market along with the reduction in the purchasing power of the common man. The only reason is that while our countrymen are facing near starvation all excess production is being exported to other countries which may have oil but no food. Prime cases here being Afghanistan and the Middle East who are our biggest consumers.

In order to bring down prices in the country, Pakistan should, with immediate effect, put a ban on export of all basic food items including wheat, rice, sugar, poultry, meat, fish and all vegetable and fruits with a clear warning to all belonging to the production and manufacturing sectors that the ban will remain until the food prices of all these items are brought at a level where the average Pakistani can afford to feed a minimum family of five. As soon as the ban comes into place we will see an immediate reduction in the prices of all consumer based products.

[The Express Tribune - April 18, 2011]

Less Food for More

It is the government's food policies that are tilted in favor of growers without providing adequate safeguards for consumers. Besides, food inflation has hit the poorest in Pakistan who are forced to raise "the share of total income spent on food to 70 per cent" thereby cutting on their health and education needs. The malnutrition levels are rising for an impoverished population. Statistics do matter sometimes. In fact Pakistanis have been hit by the spiral of food inflation like never before. And it cuts across classes. Experts that we have spoken to have brushed aside the WFP claim that government's decisions to increase the support price of wheat for the farmers has led to food inflation. The causes of food inflation are multi-faceted including, of course, the international prices. The remedies indeed are few. Apart from special programmes to help the poor and provide nutritional supplements to school-children, there's a lot that the government can do. Food inflation at a time when the stocks are sufficient and the crops are good does not make sense. The distortions must be minimized. Agriculture policy may be a good point to start to ensure food security.

[The News - April 3, 2011]

Demand-Supply Equation

Food inflation in the country has surpassed all previous records and there is no let up in the escalation of prices of edible goods. It has hit the population adversely as food bill consumes a large part of their income. The high prices of food products are attributed mainly to their export, hoarding and smuggling. Talking in terms of economics, it is the supply-demand equation that determines the trend and the pace at which prices (of food in this case) climb upwards or come down, which happens quite rarely. Pakistan witnessed an increase of 33 per cent in export of food items and 12.95 per cent during the first seven months of the current fiscal year. Overall food exports have been recorded at $2.035 billion during July-January (2010-11) as against the exports of $1.801 billion during July-January (2009-10). The food items exported during this period included wheat, vegetables, fish and fish preparations, spices and meat and meat preparations. While the rise in demand for Pakistani food products in the international market is an encouraging trend, there are reservations against export of products which are much short of their demand in the local market.

Non-implementation of relevant policies is also a cause of shortage of livestock. There are laws that prohibit slaughter of female goat and sheep that haven't yet procreated. Yet thousands of them end up in slaughter houses every day. This is how the nursery is destroyed and the production process is disrupted. Similarly, many cows and buffalos are slaughtered before their next lactating period starts, resulting in shortage of milk and milk products. There have been instances in the past where wheat stocks were first exported and then imported at higher prices to fill the supply gap caused by the export in the first place. There is nothing wrong with the export of excess produce; the problem arises when the crop estimates are far from accurate.

The government will not have to bother about smuggling as the food products will become too costly and unviable for foreign consumers due to high input costs. Only timely relief to the farmer and removal of unjustified taxes can increase availability of food to the masses at affordable rates. Smuggling is also lucrative because it involves minimal formalities and hard cash. Officials posted on borders are blamed for giving cover to this illegal practice and minting money round the clock. It is a factor but the volume is not big enough to make a major impact. Vested interest is the main player here as decisions like timing of import, award of subsidy, permission to export etc are taken with a particular interest in mind. Sometimes the government takes two or three months to approve an import tender. This kills the very purpose of importing a commodity short in supply and high in demand, in the country.

[The News – April 3, 2011]

Global Context

Food Prices In `Danger Zone`: WB

We are in a danger zone because prices have already gone up; stocks for many commodities are relatively low. The World Bank chief called high and volatile food prices "the biggest threat to the poor around the world". According to the Bank's food price index released global food prices have soared 36 per cent from a year ago. The Food Price Watch report estimated that a further 10 per cent increase in global prices could drive 10 million more people below the $1.25 a day poverty line. A 30 per cent price spike could lead to an additional 34 million poor, on top of the 44 million people pushed into poverty since June 2010 because of price rises. The World Bank estimates there are 1.2 billion people living below the poverty line.

[AFP - April 15, 2011]
