



POVERTY & FOOD SECURITY

Supplement – October 2011

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Inflation & Food Security

Domestic Context

Survey Shows Alarming Rise in Poverty Figures

For the first time since assuming power the PPP government might soon be forced to reveal the exact number of people living below the poverty line amid concerns that the number of poor has increased substantially, to almost 30 percent of population, during the last three and half years. The exact figure would be known if the Planning Commission's Centre for Poverty Reduction and Social Policy Development (CPRSPPD) is allowed to accomplish its assignment before it is dissolved by December 2011. The task of analyzing the latest trends on prevalence of poverty is outsourced to economists but one thing should be made crystal clear; that the figure of 17.2 percent as given by the Musharraf regime on the basis on the survey carried out in 2007-8 was total "fraud" so comparing any new figure with the previous one would be wrong. It is the mandate of Benazir Income Support Programme (BISP) to come up with the latest poverty figures on the basis of household survey but the PC would also come up with its own figures. The top official was reminded that the World Bank and UNDP had endorsed the figure of 17.2 percent but leading economists like Dr Akmal Hussain, Dr Ali Cheema and former governor State Bank of Pakistan Shahid Kardar insisted that it contrary to ground realities. Now the FBS has completed the latest Household Income Expenditure Survey (HIES), which forms part of Pakistan Social and Living Standard Measurement (PSLM) survey of 2010-11. Surprisingly, the FBS has released its findings without informing the Planning Commission. The HIES survey showed that almost half of households' monthly income was spent on foodstuff while people had to spend beyond their means to make both ends meet. The poor spend 69.2 per cent of their total food expenditure on wheat, milk, ghee, vegetables and sugar while the rich spend 48.1 per cent, which means that they have different preferences for consumption expenditures.

[The News - October 06, 2011]

Food Scarcity Imminent In Karachi

The prices of almost all food items like vegetables and fruits in Karachi have jumped to over 100 per cent during the last one month after the devastating rains in Sindh, still the concerned authorities are nowhere in controlling the sky-rocketing price of these essential items. The supply of vegetables and fruits have been restored from upcountry after a week's long suspension, still the prices are continuously going up in the city's largest vegetable market without any check and control system. The government dealing with other political issues at various levels, has left the crisis stricken masses at the mercy of these profiteers who are now charging them with the enhanced prices ranging from Rs. 20 to Rs. 100 per kilogram of vegetables and fruits at retailer outlets. The prices of vegetables and fruits which are highly consumed in the over 18 million populated metropolitan city, daily reach to a new record level after the climatic change in interior Sindh which devastated the crops of almost all the daily use items at large scale. However, under the present situation of complete absence of price controlling mechanism at the city government's level, the vegetables and fruits produced in the city's outskirts. The price of fruits like apple, grapes, and others are also beyond the reach of the poverty stricken masses as grapes and good quality apples are available at over Rs. 150 per kg. City District Government Karachi confirmed that there is no operation going on against the profiteers and no check is there on the prices of kitchen items thus giving a free hand to

retailers and wholesalers. Under the gross negligence on the part of concerned authorities the poverty hit people are now forced to bear additional burden over their pockets as they could not live without consuming these vegetables. However the, retailers, as earlier, continued presenting the excuses that as there is shortage of goods in the city's vegetable market, they were forced to charge the raised prices as they pay the same to wholesalers. Beside the damages to vegetable crops in Sindh the supply from other parts of the country like Punjab and Balochistan has not been restored properly to meet the city's demands. Only 350 to 400 trucks reach at the wholesale market as compared to the normal supply of over 800 trucks daily. Further increase in the prices of these items is expected if supply issues will not be addressed on urgent basis.

[Pakistan Today - October 05, 2011]

Price Hike, Floods Affected Food Security: WFP

The United Nations World Food Programme says the increase in prices of food items and effects of floods have negatively impacted on food security in Pakistan. Leading markets in Hyderabad, Peshawar, Multan, Karachi, Rawalpindi, Islamabad, Lahore, Quetta and Sukkur are quite sensitive to domestic and international wheat and rice price fluctuations according to market integration and price transmission patterns. The analysis of the relationship between crop production and natural disasters suggests that all major wheat producing areas of Pakistan are significantly vulnerable to climate shocks, with Punjab and Khyber Pakhtunkhwa being the most vulnerable to weather shocks. The WFP says that as a result of high prices and falling incomes, Pakistan's per capita wheat consumption has been declining and led to the rising wheat stocks before floods in recent years. In 2010-11, Pakistan was expected to be self-sufficient in wheat due to a reduced demand and is expected to continue to be a net exporter of rice with favorable world prices and government policy. However, the surplus volume of rice is expected to decline by over one million tons this year. The study indicates that households of employees and pastoralists in rural areas and service sector- and industrial-based households in urban areas are most affected by price increases. The main income source of employees, paid employees, service sector and industrial livelihood groups is non-agricultural wage, which accounts for over 80 per cent of income on an average in Pakistan.

A new face of hunger appears as more paid employees and pastoralists became undernourished compared to other livelihood groups, as a result of price increases. More low-income households are also affected in both rural and urban areas. When floods are taken into account, low-income groups and agricultural income-dependent livelihoods are worst hit, with the highest increase of under-nourishment among sharecroppers. The study estimates that an additional 18 million people became undernourished from price increases and the severe flood of August last year, increasing the total number of undernourished population from the baseline situation of 77.6 million people in 2005-2006 to 95.7 million people. Pakistan's national balance-sheet shows the country is expected to be balanced in wheat and continue to be a net exporter of rice. However, increasing purchasing power is essential for the undernourished people to obtain access to food. Informal trade flows with Afghanistan and India tend to affect integration patterns due to cross-border price differentials. The WFP says the statistical significance of international price transmission was relaxed to 10 per cent in order to select leading markets. The low integration of domestic markets to the international market could undermine market response to international price decreases. At the same time it could shelter households from being severely impacted by imported price volatility.

[Dawn - October 07, 2011]

Climate Change Linked To Food Price Hike

Such calamities were not only causing food shortage but also serving to increase the prices. The speakers urged the governments and multinational organizations to coordinate efforts to design comprehensive strategies for promoting agriculture development in order to allow the vulnerable communities to gain access to food. 2011 was the second consecutive year in which floodwaters destroyed Kharif crops in parts of the country at a time when farmers and growers were preparing for the Rabi sowing season. The floods adversely affected crops of cotton, rice, sugarcane, sorghum, vegetables and pulses cultivated on about 0.84 million acres of farmland. The international prices of staple food items were at a 30-year high and represented a major threat to food security in developing countries like Pakistan. Population pressures, rapid economic growth and global market conditions were behind the price hike. The importance of the country's agriculture sector to its economy could be gauged from the fact that up to 62 per cent of the rural population was directly or indirectly engaged in agricultural activity. The sector's share in exports stood at 60 per cent and it provided employment to 44 per cent of the country's labor force. Its share in the country's gross domestic product (GDP) stands at 21 percent. It not only provides food to 177 million people but also to about 160 million livestock, besides providing raw material for agro-based industries.

There is a need for creating better linkages between scientists and growers in order to bring about self-sufficiency in food. The challenges the country faced could only be addressed by translating the knowledge generated by researchers into demand-driven technologies having the potential to enable the farming communities to increase their productivity. Pakistan had the potential to double its food production, provided the agriculture sector was given adequate support. The country representative of World Food Programme, Jean-Luc Siblot, said his organization was striving to provide the kind of support that enabled communities to promote self-reliance in food production. In a message for the day, President Asif Ali Zardari said Pakistan needed to ensure food security as well as energy security. Any shortcomings in either of the two sectors would cause severe depletion of the country's foreign exchange reserves. Prime Minister Yousuf Raza Gilani said Pakistan should not only be a frontline state in the war on terror but should also be in the vanguard against poverty and hunger. He said his government was focusing on formulating farmer-friendly policies to ensure adequate supplies of staple food.

[Dawn – October 17, 2011]

Global Context

Floods Drown Asia's Rice Bowl

Massive floods have ravaged vast swathes of Asia's rice bowl, threatening to further drive up food prices and adding to the burden of farmers who are among the regions poorest, experts say. About 1.5 million hectares (3.7 million acres) of paddy fields in Thailand, Vietnam, Cambodia and Laos have been damaged or are at risk from the worst floods to hit the region in years. In Thailand, about one million hectares of paddy roughly 10 per cent of the total have been damaged. Heavy rains in Laos and Cambodia have also led to fall in output, and experts say flood waters have now drained into Vietnam's Mekong Delta, a key global rice producer, making it the latest to be inundated. In Pakistan, flooding of rice and other farmland in arable belt has cost the country nearly \$2 billion in losses. The whole region will now suffer from rising food prices as potential harvests have now been devastated. Vietnam meanwhile is the world's number-two rice exporter.

[Dawn - October 8, 2011]

Bangladesh Inflation Hit 20-Year High in September

Bangladesh's annual inflation rate climbed to 11.97 percent in September which is the highest level in last 20 years, fuelled by soaring in food prices. Food inflation jumped to 13.75 percent in September from 12.70 percent in August, while non-food inflation edged up to 8.77 percent from 8.76 percent, the official at the Bangladesh Bureau of Statistics said. Price pressures are a major concern for the government as more than a third of the country's 160 million people live on less than \$1.25 a day. Inflation in urban areas rose even faster than the national average, hitting 12.29 percent in September on a 14.67 percent surge in food prices and 9 percent advance in non-food prices. Inflation in rural areas hit 11.85 percent, with a 13.35 percent rise in food prices and an 8.69 percent rise in non-food prices. Food prices have rocketed in recent months despite plentiful stocks at government inventories and record crops with analysts blaming inefficient markets and hoarding. The government raised oil and gas prices in September for the second time since May to help to relieve state firms' hefty subsidy burden, a move that added more impetus to already high inflation. The government is under pressure from global lending agencies such as the IMF to raise its heavily subsidized fuel and power prices even more, but more cuts in subsidies would add to public fury over the spiraling cost of living. The local currency unit, the taka, has continued to fall against the US dollar, further fanning inflation and import costs. The central bank said in its latest monetary policy statement in July that it aims to cut credit growth to keep inflation within 7.50 percent as targeted for this fiscal year through June 2012. Economic growth is targeted at 7 percent. Persistent inflation prompted the central bank to raise its key interest rates by half a percentage point in September, its fourth hike since March, following an earlier reserve increase and a 1 percentage point rise in official rates in August 2010. Like other central banks in the region, Bangladesh Bank is in a tough spot with a buoyant domestic economy and inflation escalating, while global growth prospects are dim.

[Daily Times – October 17, 2011]

World Food Day 2011 – For Many Buying Food Is Harder Than Ever

This year the world's staple food prices have soared to the highest level in three decades, leading to a major food security threat in developing countries like Pakistan. According to World Food Programme (WFP) officials, food security in Pakistan is an issue of inaccessibility rather than unavailability. Many people simply have no means to buy food, keeping in view their low levels of income. Although this year Pakistan produced sufficient food – 24.2 million tons of wheat, which was more than the requirement – food insecurity still prevailed. The Food and Agriculture Organization (FAO) of the United Nations celebrated World Food Day 2011 on Sunday across the world under the theme "Food Prices: From Crisis to Stability" — highlighting the challenges facing the world due to price hikes. The FAO states that currently there are over 1 billion hungry and food insecure people around the world, out of which 98% live in the developing countries where food production needs to double by 2050 to feed their growing populations. Science and Technology Ministry Secretary Akhlaq Ahmad Tarar said that rapid economic growth, population pressure and tight global markets are some of the major reasons behind food price hikes. Today, 925 million people in the world suffer from hunger and malnutrition, it was revealed. In Pakistan, 62% of the rural population is engaged in agriculture directly or indirectly, and the share of agriculture in exports is 60%. It provides employment to about 44% of the labour force and contributes about 21% to the national gross domestic product (GDP). This sector is not only providing food for 177 million people but it also feeds more than 160 million livestock and provides raw material for all agro-based industries in the country.

This year's State of Food Insecurity in the World (SOFI) report, published on October 10, warns that high prices are likely to continue and food price volatility may increase over the next

decade — primarily because of more frequent extreme weather conditions. FAO Director General Dr Jacques Diouf said that natural disasters such as droughts and floods are hitting key producing regions that hike prices further and agriculture cannot respond fast enough with the increased food production because of long-term under-investment in research, technology, equipment and infrastructure. According to the WFP, every 10 per cent increase in the price of the food basket costs the agency an additional \$200 million a year to buy the same amount of food. Dr Diouf stated that if we are to seriously address the issue of world hunger, more effort has to be made to address the problem of food price fluctuations, particularly for those who spend most of their incomes on food, to ensure that they can return from the market with enough for their families to eat nutritiously.

[The Express Tribune - October 17, 2011]

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