

LAHORE: Pakistan's food trade balance was a deficit of \$3.6 billion in the Financial Year 2022. Compulsion to import food commodities along with Pakistan's perilous shortage of foreign reserves in the wake of global commodity price levels and transport congestion leads to apprehension of great food insecurity in the years to come — tougher for the poor.

This has been claimed in a report 'State of Pakistan's Agriculture' launched by the Pakistan Business Council (PBC).

It states that the massive rise in global commodity prices since 2022 has brought a wave of inflation to Pakistan turbo-charged with sharp depreciation in the value of the rupee.

"As a result, food inflation has persisted at historic highs and rendered food less accessible to the poor. This comes in the context of two factors that have been eating away Pakistan's food security over the years: (i) rising population means a rising food requirement, while (ii) yields have stagnated in many crops," stated the report.

The report mentions that Pakistan cannot tackle the issues of the 2020s with the institutional and commercial mechanisms of the 1960s.

"No crop typifies agriculture's issues better than wheat. Wheat is the only crop that the government actually purchases in Pakistan. The government announces a support price at which it will purchase wheat 'from farmers' every season. But this purchase process is captured by middlemen so most farmers do not get the full support price."

"The government borrows hundreds of billions of rupees to purchase this wheat—the original circular debt—and stores it in government godowns. This wheat is later sold to flour millers in the name of cheap flour for the poor," reasoned the report.

But enforcement is weak, so the government ends up attempting to subsidise flour at its utility stores as well.

"This institutional mechanism was put in place in the 1960s to help Pakistan achieve self-sufficiency in wheat. Pakistan achieved this self-sufficiency in the 1980s and, since then, this mechanism has become a source of economic stagnation for Pakistan's agriculture sector," stated the report.

The report further states that the capture by middlemen is so strong that efforts to transition this rigid system to a more market-based wheat value chain have all floundered and the most unfortunate outcome is that the system neither rewards wheat quality nor greater yield.

"So, wheat yields have stagnated close to 3 tons per hectare (30 maunds per acre) when progressive farmers within Pakistan are achieving 4.5 tons per hectare and other countries are achieving even more," reveals the report, adding that as a result, despite so much government involvement in the crop, no serious investment in wheat seed development, mechanization, storage, and processing stands on the ground.

"In fact, wheat imports have become common. A sharp contrast is seen in the maize and rice crops which have hardly any government intervention: maize yields have tripled over the past two decades completely on the steam of the private sector."

"In rice, exporters have brought high-yielding hybrid seed to farmers and invested in mechanization. The scale of business opportunities in agriculture is enormous. Just three crops—wheat, rice paddy, and maize—have a farm-gate value of about \$12 billion of which nearly \$1 billion is lost in quality

and quantity due to traditional drying practices, sub-optimal warehousing, unfair market practices, and traditional logistics,” stated the report.

The report suggests that for such business opportunities to be realized agriculture’s business model has to change from government-driven to private sector-driven, from rigid to entrepreneurial, from traditional to technology-based, and from patronage to global competition.