**Pakistan`s food insecurity dilemma**

BY A I J A Z A . N I Z A M A N I 2022-04-29

PAKISTAN`S new government will face old and persistent problems. The most ominous challenges relate to the state of the economy and, in particular, the food insecurity faced by the poorest of households, bothin the ruraland urban areas at a time of post-Covid inflation. Matters have been exacerbated by the Russian invasion of Ukraine.  
  
There is no doubt that poor people across the world are struggling to feed their families and Pakistan is no exception. In fact, Pakistan can be perceived as being among the poorest countries. It is true that, officially, it is bracketed with lower middle-income countries, but in terms of per capita income, its position is lower down. Moreover, the Pakistani population generally spends nearly half of its household budget on food. The figure for advanced economies ranges from six per cent to 8pc.  
  
The challenge that Miftah Ismail, our new hands-on businessman-cum-finance minister, faces is how to bring affordable food to the table of Pakistan`s poor people without further distorting the market, as well as how to create incentives for farmers to produce more food in the country.  
  
Recently, there have been raids on sugar mills, which have given the ominous message of `business as usual` rather than reflecting an effort to tackle economic and food security challenges through a logical market-enabling approach: ie, without resorting to state thuggery.  
  
The Russian invasion of Ukraine has unsettled the global grain and edible oil markets. The price of wheat was 13pc higher in March from the month before. There are major implications for the countries of the Middle East that rely on Ukrainian and Russian grain imports. According to The Economist, people in Sudan are paying $550 a tonne for wheat, which in terms of Pakistani currency translates to over Rs100 per kilogram. This has brought Sudan`s poor onto the streets. Wheat is currently traded at over $400 per tonne (Rs3,000 per maund or 40 kg) in the international market. This is at least Rs800 per maund more than the government `support` price in Pakistan, and, collectively, farmers in Pakistan stand to lose hundreds of billions of rupees on account of the wheat `support` price.  
  
The first thing that the new finance minister has to understand is that, for agriculture andrural businesses, the formal financial sector doesn`t exist. It is a joke when the central bank sets an annual agri credit target of over Rs1.5 trillion and also accepts target achievement reports sent by commercial banks. This claim of achieving the agri credit target was exposed when State Bank governor Reza Baqir rightly admitted that the agriculture sector was neglected, and emphasised it should be served better. As a practising farmer and student of agriculture economics, I want to make it clear that the banker-led approach to agri financing does not work and needs to be disrupted.  
  
The reason why the formal financial sector is as good as non-functional for agriculture is that, inthis day and age, when businesses are based on knowledge, bankers have no institutional means at their disposal to gather meaningful data about farms and rural businesses. They are simply not equipped to make informed investment decisions as far as agri financing is concerned. And with non-existent formal financing, agricultural transformation is not possible. So, our population will continue to face food supply issues. Farmers are at the mercy of arthis and local money lenders though they at least bring some liquidity to farm operations.  
  
Globally, tech-led businesses have made major advances over the last few decades. This wave now seems to be reaching Pakistan. In the last one year or so, some $350 million have been invested in Pakistani tech start-ups. This is impressive, but negligible when compared to India, where the city of Bengaluru has received $13bn funding in techstart-ups in one year. Given our policymakers` understanding of rural businesses, agriculture might be the last frontier for our tech start-ups. It is important for readers to not confuse e-commerce start-ups dealing in fresh produce with agri tech. The former deal simply with products bought from the mandis that are supplied to household customers. They do not help farmers as is being claimed.  
  
At the other end, there are reports that the State Bank is processing applications for digital banks and is likely to issue digital banking licences to applicant organisations, including local and international players. It remains to be seen what markets these new digital bank aspirants aim to serve. Already `experts`who hardly understand anything about farming and agri businesses are warning that the new digital banks will struggle to reach agriculture and other underserved sectors. It has to be emphasised that the policymakers and regulators must take a new knowledge-based and enabling approach to reach rural ventures including agribusinesses. There need to be new models reflecting tech platforms that have one foot in the physical world to serve rural businesses and achieve agricultural transformation.  
  
The state of Pakistan has a duty to provide affordable food to its poorer households. Advanced nations have developed systems to support their poor households with food items without suppressing the market for agricultural goods.  
  
The US Department of Agriculture`s food stamps programme can be a good model to study, for it has a dual mandate to provide food to the poorer households and to improve the market for farm commodities. Last year, the US government supported American farmers with $49bn in subsidies and $87bn in food stamps. This was started (and later expanded) during the 1930s` Depression era when there were long queues for food, and farmers faced disheartening produce prices.  
  
In Pakistan, the policy ofrobbing Peter to pay Paul has to stop if the food security needs of farmers and poorer households are to be met. This is set to be a test for the new government`s economic advisers. The writer is a farmer.