Eat cake

BY S H A H Z A D S H A R J E E L | 2/2/2020

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| IF everything from oil to the roads being built under the CPEC have a political economy angle, then we must say `wheat a minute`, before going any further in our quest to find out what may have caused the current wheat crisis.  Since it is the staple food of the majority of 200 million-plus Pakistanis, and we are a security-obsessed country, it is inevitable that the defence angle of food security would trump all other aspects of this already complex subject, but more on it later in this piece.  The last question one expects from a farmer in an agrarian economy is why she should grow wheat when it is impossible to break even? Historically, mismanagement of production targets, and cycles of floods and droughts meant a surplus one year and a deficit the next. At one point, smuggling across the Durand Line added to the shortages.  Successive governments answered the farmers` question with a subsidy in the shape of support price. Simply put, it means setting a minimum price at which the government guarantees to buy wheat stock from farmers. While this may have helped with keeping the area under wheat cultivation constant, it did not solve the issues of low yield and lack of crop variation essential for soil health.  Since we fail to collect taxes and increase exports, we borrow from IFIs and commercial banks to run the country. Along with the money, comes the lenders` advice on how to run our affairs. They frown upon the practice of support price as it entails an acrossthe-board subsidy, instead of targeting only the poor. Secondly, it interferes with market mechanisms like demand and supply determining the price. It was suggested that governments get out of the business of buying and storing wheat and both these functions should be lef t to the private sector.  Then there is the theory of comparative advantage that suggests producing only what you are best at, export its surplus, and with the foreign exchange, import everything you are not good at producing. Makes sense, at least on the face of it. It also comes with the added advantage of creating interdependence between exporting and importing countries. Each has something that the other needs, hence both will think twice before straining their relationship or, heaven forbid, going to war with each other.  This may work elsewhere, but we have a problem. We decided to become a national security state and even a massively popular and bright leader like Zulfikar Ali Bhutto vowed that Pakistan would get its own nuclear bomb even if we had to eat grass. Problem is that we never did. We continued to spend on `bombastic` schemes while still eating wheat.  Neither the subsidy nor the reforms aimedat phasing it out have worked because of our penchant for trying to fool everyone all the time. An economy that`s always on the brink of collapse means we nod our heads at everything the donors suggest to get foreign exchange while we have no intention of implementing the proposed reforms.  Among other things, governments started to delay the determination and communication of the support price to get the loan tranches. Farmers need to know the support price well in advance for sowing. On the farmers` side, obsolete irrigation practices, poor seed quality, low yield, and overuse of inputs like fertiliser, and pesticides raises the cost of production. Promises to get out of wheat procurement and storage business means no further investments by governments in storage silos, which leads to millions of tons of wheat rotting under open skies.  The biggest beneficiaries of the subsidy are the commercial banks who lend to the governments for wheat procurement at the support price. In fact, more than 90 per centof the entire subsidy programme goes towards paying markup to the banks, mostly on the accumulated amount from past years.  According to Punjab Food Department`s (PFD) website, despite additional instalments to repay accumulated debts, the province still owes Rs407 billion to the banks. According to a World Bank policy note, out of every rupee spent on subsidy, only Rs0.30 reaches the consumer, while Rs0.70 goes towards the salaries of govern-ment of ficials and other associated expenses.  To get an idea of the scales involved, the PFD`s total budget for 2015-16 was Rs147bn, out of which only Rs0.725bn was earmarked for development. This too is a big jump as in the previous two years, ie 2014-15, and 201314, while the non-development budget hovered around Rs145bn, the development share was even smaller, ie only Rs94m, and Rs11m respectively.  Ideally, we should meet our wheat deficit byimportingit from ournearestneighbours.  But we don`t want to take anything from India unless it f alls under the lifesaving category. Well, what could be more lifesaving than staple food? Unless we decide to live on cake, especially of the yellow variety.  The writer is a poet and analyst.  shahzadsharjeel1@gmail.com |  |