**Wheat: A strategic commodity for Pakistan!**

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Wheat is the main staple and a strategic commodity of the people of Pakistan, so the supply of flour, wheat or grain to a population of 220 million people should be a challenging job, notably when there is restricted use of land for food production and under multiple restrictions. This review will explore a few of the factors of the country’s increasing wheat prices throughout this recession. Pakistan’s total land area is 882,000 square kilometres, or around 80 million hectares, of which only 22 million hectares (27.5 per cent) are cultivated. Arable waste, heavily inhabited forests, and rangelands are the majority of the land area (FAO in Pakistan, 2020).

The Federal Government Committee on Agriculture has set a target of 27.3 million tons of wheat out of 9.2 million hectares in 2020, according to an expert research analyst. Still, it is expected that Pakistan’s agriculture will fail its objective. Moreover, agriculture’s share of Pakistan’s GDP in 2020 is just 18.9 per cent (Ministry of Finance, Government of Pakistan, 2020). It is interesting to note that the proportion of wheat, rice, sugarcane and maize in Pakistan is only 4.5 per cent of GDP. Other crops contribute 2.0 per cent to GDP, which in turn means that the remainder 12.4 per cent of the agricultural contribution to Pakistan’s GDP does not come from agriculture but other revenue-generating activities such as cattle farming, horticulture, off-farm economic development, etc. Moreover, 42.3 per cent of Pakistan’s total cultivable land area is 9.2 million hectares of wheat, and 27.3 million tons of grain would mean 0.33 tons of production per hectare. The average production of wheat per hectare around the world between 2013 and 2016 was 4.5 tons per hectare, according to research conducted by Rachel Purdy in 2018. In other words, Pakistan’s wheat-producing land production is 4.17 tons lower than the world average.If we split those 27.3 million tons of wheat with a population of 220 million, we get it. 0.12 tons per year per person. So much for the security of food. Also, if we break those 0.12 tons within twelve months, each month, we get 0.01 tone per person. So much for the supply of wheat from domestic suppliers to the Pakistani market.

Now let’s take a look at the country’s agricultural production by addressing the cost of wheat production and supply chain management in Pakistan.The Government of Pakistan monitors the wheat support price. It sets the wheat support price with a view to helping either the farmer (the wheat producer) for economic reasons or the buyer for political reasons. The Government of Pakistan (PTI) boosted the minimum support price for wheat to PKR 1,400 per 40 KG in March 2020 or 35.0 per KG of PKR. The Government has delayed the decision to increase this minimum support price to PKR 1,600 per 40 KG or PKR 40 per KG.

It should be noticed, here that the ideology of free-market economics focuses that if the price of the support is lower than the cost of the market, then the demand of the market will be greater than the output of the market and the economy would be in short supply. In the other hand, if the support price is lower than the market price, the demand on the market would be lower than the supply on the market, and as a result, there would be surpluses on the economy. In this situation, there would be shortages because the owners of the mill would not want their output to be released on the market.

In the present situation, it is evident that the losers will be the customer as a direct demand or as a taxpayer that subsidizes this increased expense.

There is also news about the smuggling of flour (and wheat to Afghanistan or India).  If the smuggling charges are accurate, the government must be accused of two things. First, its machinery has less control over its borders. It can therefore not control smuggling and two; if the selling price of these goods on the international market is higher than the domestic market price, this will be true.

It is significant to mention here that over several years, housing societies have taken over the cultivable land around essential cities of Punjab by moving the cultivation of agricultural products, including wheat, to further from the cities and less productive land. I raised the freight cost of transporting agricultural products from the fields to the mills and subsequently to the market, in the first instance.

If we take the various wheat production costs as approved by the Punjab government in 2019-2020, the average price at the mandi (wholesale market) gate for every 40 KG of wheat is PKR 1081 (Government of Punjab, Pakistan, 2020) or a little more than PKR 27 per KG. It will mean that after sales to the mandi, the farmer should earn PKR 8 income, and if the support price is raised, PKR 13 per kg would be paid.

A study published by Profit found that when the price of wheat hit PKR 2,450 per 40 Kg on the open market, flour mills stopped supplying flour. As a result, at PKR 1,500, a 20 kg bag of flour, formerly PKR 880, was offered. In other words, flour was sold on the market at the cost of PKR 75 per KG. In May 2020, the Pakistan Flour Mills Association (PFMA) raised the ex-mill flour price to PKR 900 or PKR 22.5 per KG. In other words, the owners of the mill and the intermediaries earned an average revenue of PKR 4.5 per KG of flour sold.

Also, the yield was reduced to 22.0 million tons from the expected 27.3 million tons of wheat-based on weather conditions in the region, so in June 2020, the Government of Pakistan granted permission to the private sector to import 2.5 million tons of wheat from abroad. The imports were at a foreign price of US$ 282-285 per ton of grain, which would average PKR 46,000 per ton or roughly PKR 51 per KG at the current exchange rate of PKR 162 to 1.0 dollars.

Conclusively, the productivity of wheat-producing land in Pakistan is seen to be extremely poor (0.33 tons per hectare). At the same time, wheat production only contributes between 2.0 per cent and 3.00 per cent to the GDP of the country. The country’s per capita production of wheat is not adequate to maintain the country’s food security (0.01 ton per person per month). As per the price policy of PKR 35 per KG, when the cost of wheat is PKR 22.5 per KG to reach the mando gate, the farmer is given an incentive of PKR 8 per kg. Around the same period, the owners of the mills sold (supplied) to the market at a rate of PRK 22.5 per kilogram (including costs and income to the mills) while the buyers (supplied) were forced to pay PKR 75 per kilogram for flour on the open market. Raising the support price to PKR 40 plus the cost of importing wheat at PKR 51 per Kg will eventually push up the consumer’s market price for grain, or raise the effect on taxpayers. In the present situation, it is evident that the losers will be the customer as a direct demand or as a taxpayer that subsidizes this increased expense. Fortunately, in this situation, those who would be the winners will be the intermediaries at the mandi, or the owner of the mill, or the foreign exporter of wheat to Pakistan, as well as the private sector that would import this much needed commodity for the region.

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