

TECHNICAL SESSION-1: POWER, POLITICS & PEOPLE

Chair: Prof. Dr. Talat Anwar, School of Economics, Bahauddin Zakariya University, Multan.

Paper Title: Unveiling Food Pricing Policy Challenges in Pakistan
Abedullah & Farah Naz

Presenter: Abedullah

Abstract: The present study aims to investigate the role of food pricing policy in Pakistan. In each district, on the behalf of Deputy Commissioner Office (DCO), market committees (MC) fixes retail prices of fruits and vegetable on daily basis. We collected data on 11 fruits and vegetables from four mega cities (Islamabad/Rawalpindi, Lahore, Faisalabad, and Multan) for 10 consecutive days. It is observed that difference between farm gate prices and DCO prices varies between 6.2 percent to 20.3 percent which is insufficient to cover the different costs (transportation cost from mandi to retail shop, loses of wastage, opportunity cost of the retailers' labour and profit margins) of retailers. Our comparison of prevailing retail prices with the retail prices reported by PBS further demonstrate that PBS under-report the retail prices to curb down the inflationary effect.

Government procure 70-80 percent of the market surplus to maintain prices close to minimum support price (MSP) and government is spending about Rs.130 billion each year to achieve this single objective. However, retail prices increases more than double than MSP and the benefit of increase in prices goes to flour mills and traders. Our analysis for the year 2021-22 reveals that government footprints in wheat marketing is equal to Rs. 131 billion. If this cost would have been passed on to the consumers in the form of increased in prices (under the assumption that procuring, handling will take place under private sector) then it would have increased the retail prices by 28 percent. Hence, retail prices would be Rs. 70.3/kg in contrast to the government's desired price of Rs. 55/kg (MSP). If we add up another additional profit of Rs.10/kg to incentivise the private sector then prices will increases to Rs. 80.3/kg but the prices of wheat had increased to Rs.110/kg, implying that extra profit of Rs. 30/kg is earned by the flour mills and other value chain actors. This could be diverted to consumers by adopting free market mechanism. In case of wheat shortage, the retail price of imported wheat under private sector would be Rs.94.3/kg (after adding transportation cost, loading and unloading charges and Rs.10/kg profit of the private sector) which is still lower than retail price of Rs.110/kg during 2021-22.