

Flour supply not so flowery

BR RESEARCH (July 13, 2010) : Lights, camera, action. The landscape of Pakistani business seems almost like a series of dramatic episodes. The curtain has barely been drawn on the cotton industry crisis, now flour millers have taken the main stage. All Pakistan Flour Mills Association (APFMA) called a strike last Thursday, and threatened to prolong the resumption of operations until its demands were met. It could well be that in the absence of requisite governance businessmen have no option but to take drastic steps to be heard in Islamabad. With the number of protests nowadays, it becomes difficult to keep track of the issues behind the demonstrations. This time, millers are responding to a ban by the government of Sindh on the transportation of wheat from Punjab. And now that they are shutting down operations, millers would also like the resumption of atta exports to Afghanistan. Pakistan produced wheat to the tune of 23.8 million tons this March harvest, and had leftover stocks from last year of about 4 million tons. Combined, it makes for a bumper crop year. Millers in Punjab - the largest wheat producing province - have expressed their concerns over not being able to supply to Sindh and Balochistan, claiming that demand there is not being met by supply. But when asked whether there was wheat demand in the southern provinces, one trader said "a major reason for transport to Balochistan is under-the-table exports to neighbouring countries". Even with the ban on wheat exports, smuggling to Afghanistan has continued unabated, as it forms a major market for flour mills situated in regions close to the border in Khyber-Pakhtunkhwa. Given the weak border control systems along the western perimeter of the country, smuggling is going to inch up the prices in the local market. Inadequate storage capacities necessitate open air storage of wheat. And with the monsoon season right around the corner, a significant threat looms like monsoon clouds over Karachi. Some 70,000 metric tons of wheat are stored out in the open, just in Sindh, according to Munir Jalbani, spokesman for Sindh Food Department. So, instead of letting the produce ruin under the rains, it would make sense to export quantities beyond strategic reserves. Media reports on Monday claim that many flour mills in Karachi are still active and the retail price for the staple good hasn't increased in local markets. Primary contributing factors are stocks of up to a week maintained by traders and supplies from 40 percent of millers that have defied the strike call. Decision makers in Islamabad would help the industry by finalizing their decision on wheat exports which it has been pending for more than a month now. Regardless of the hiccups on border control, free movement of goods should be allowed throughout the country, in keeping with the single market notion set out by the Constitution.