Wheat: larger lags, smaller leads

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After constant hues and cries of the farmer community over the never ending surge in the cost of agriculture, the government has eventually settled on taking the procurement price of wheat to Rs1,200 per 40 kg which is 14 percent up from the previous price. Reportedly, the decision is being lauded by the farmers who are working in a backdrop where the cost of agriculture is puffed up manifold. Moreover, the market sources highlight that the decision is expected to fetch more area under wheat cultivation, which is likely to buttress the yield for the season. However, all that glitters is not gold. The other school of thought comprising millers and public representatives intimidates that the government decision to increase the wheat support price is set to instigate another stream of food inflation in a country where a whopping 58 percent of the population is already grappling against food security, out of which around 29.6 percent are considered to suffer from severe hunger. The current scenario underpins the fact that the government having a manifesto of Roti, Kapra, Makaan (food, clothing and housing) has ended up with a decision which is likely to deal a death blow on the prices of flour and bread. Informed sources highlight that flour price which currently hovers around Rs 40 per kg is expected to cross Rs 45/kg mark in the coming year. This will definitely take its toll on the price of Roti (bread) which is anticipated by the market sources to climb as high as Rs 10 by next year from the current price of Rs 6. The government should have supported the farmers by providing the subsidy on the raw materials (diesel, electricity, seeds, fertilizers) instead of passing on the burden to the poor masses by raising the procurement prices, said a market player. The tussle doesn end here!!! Yet another think-tank including Pakistan Agri-forum argues that the government decision, if not flawed is greatly delayed. The ideal sowing time of wheat is already slipped, sowing beyond which would result in a loss of 16 kg per day in the per acre yield. Within the ideal time, only six million acres of land was brought under wheat cultivation which is barely 27 percent of the total required area of 22 million acres to attain the desired yield of 26 million tons of wheat. Ibraheem Mughal, Chairman Agri-forum told BR-Research that even after the revision of the procurement prices, only 11 million acres of land is cultivated with the wheat crop, which is an alarming sign for the country. If not raised to the level of 18-20 million acres by December, there is a high probability that Pakistan would again be adorned with a label of wheat importing country by the end of CY13, which would further exacerbate the food security backdrop of the country. Had the government taken this decision earlier, the scenario would not have been gloomy to this extent. The problem is further aggravated with the grant of MFN status to India which is likely to provoke a flood of low-priced Indian products to Pakistan. The Indian agriculture sector cushioned by hefty government subsidy is not in any way akin to the agriculture sector of Pakistan. If we talk in the context of wheat, the cost of production of Indian farmers is PKR 625 per maund which is incomparable to the cost of production in Pakistan which is PKR 1169 per maund. Thus, amid contrasting agriculture scenarios in both the countries, if India starts exporting wheat to Pakistan, it would cripple the domestic wheat growers, thus discouraging them to grow wheat. This would further worsen the wheat output of the country and intensify the food security issues in the near future. Given a multifaceted opinion discussed above, the matter has now become a catch-22 situation for the government and calls for immediate policy initiatives over wheat procurement prices, flour and bread prices, subsidies to the agriculture sector and MFN status to India in order to protect the mainstay of our economy fluttering on the brink of disaster.