

**SECOND INTERIM REPORT OF
TASK FORCE ON FOOD
SECURITY**

**LAUNCHING OF A NATIONAL
WHEAT PRODUCTIVITY /
PRODUCTION ENHANCEMENT
CAMPAIGN**

(SEPTEMBER 2008)

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BACKGROUND

Pakistan's economy is under stress. During 2007-08 the trade deficit was \$ 20.74 billion and CPI food inflation was 17.6 percent. In recent weeks foreign exchange reserves have also depleted and are currently under 9.0 billion and Pak rupees has depreciated to Rs. 76.5 : 1 US\$. The overall growth rate in 2007-08 was 5.8 percent against the target of 7.2 percent. The performance of Agriculture Sector was unsatisfactory during 2007-08 with a growth rate of only 1.5 percent. Major crops registered a growth rate of (-) 3.6 percent. Production of wheat declined from 23.3 million tonnes in 2006-07 to 21.8 million tonnes in 2007-08. Cotton production also declined while rice production remained stagnant. Pakistan imported 1.73 million tonnes of wheat at a cost of Rs. 68.5 billion in 2007-08 and plans to import 2.5 million tonnes of wheat during 2008-09. Decline in wheat output was mainly attributed to 38 percent decline in DAP offtake due to significant increase in its prices.

Agriculture sector has to play a major role in bringing Pakistan's economy out of stress. There is considerable yield gap between our national average and that of progressive farmers.

Crop	Progressive Farmers' Yield (Tonnes / ha.)	National Average Yield (Avg. of last 3 years) (Tonnes / ha.)	Yield Gap (%)
Wheat	4.6	2.6	44
Cotton	2.6	1.8	31
Sugarcane			
Sindh	200	54.5	73
Punjab	130	49.9	62
Maize	6.9	2.9	59
Rice	3.8	2.1	46

Wheat is our staple diet and its sowing time is approaching.

Pakistani farmers have the capacity to significantly increase wheat output provided a well thought out strategy is adopted. The Task Force on Food Security has deliberated on this issue and come up with a strategy for enhancing wheat productivity / production.

STRATEGY FOR ENHANCING WHEAT PRODUCTIVITY / PRODUCTION

The main ingredients of this strategy are:

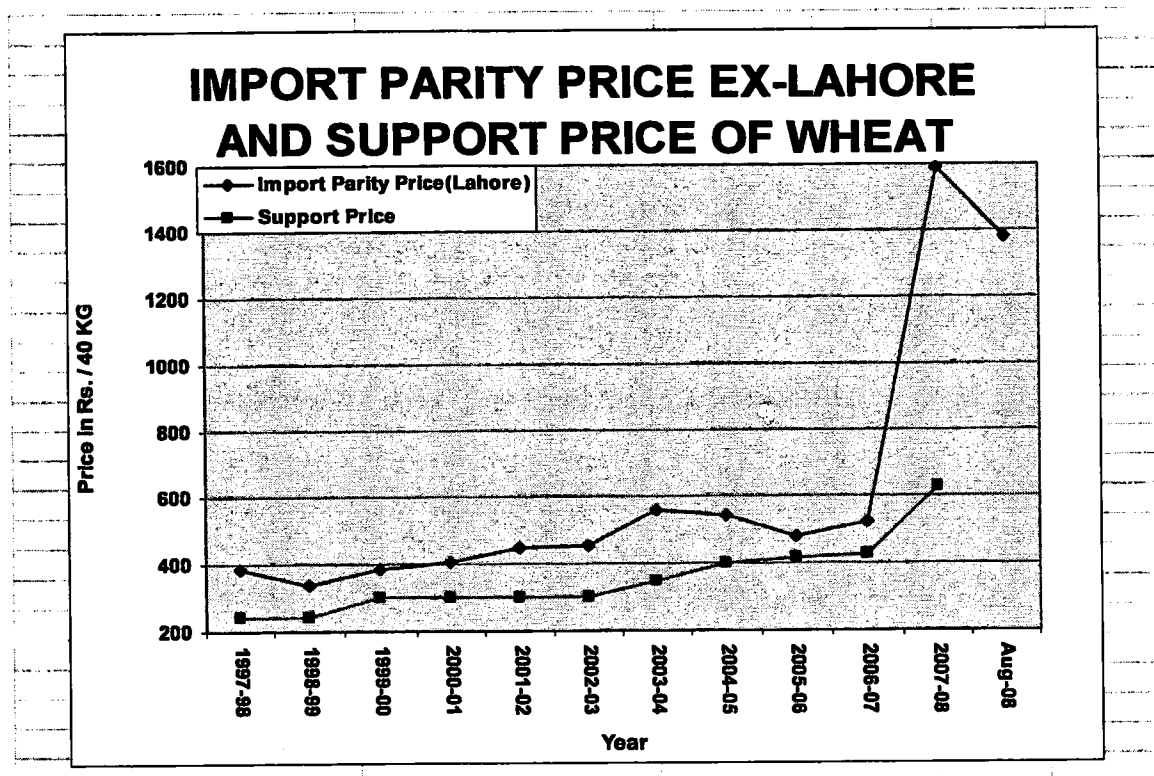
- Availability of Certified Wheat Seed
- Timely Announcement of Appropriate Wheat Procurement Price
- Increasing Credit Allocation and Improving Credit Outreach
- Efficient Use of Irrigation Water
- Launching a Weedicide Campaign
- Subsidy on Fertilizers
- Promotion of Fertilizer Seed Band Placement Drills
- Use of Mass Media / Help Line to Motivate Farmers to Enhance Wheat Productivity / Output
- Incentives / Reward on Good Performance

CERTIFIED WHEAT SEED

Against overall wheat seed requirement of 1.0 million tonnes, 0.204 million tonnes seed has been procured. After processing its availability will be 0.178 million tonnes. The deficiency of 12 percent could be met by promoting use of Seed Graders by the Agriculture Department. Remaining seed requirement will be met through farmers retained seed.

TIMELY ANNOUNCEMENT OF APPROPRIATE WHEAT PROCUREMENT PRICE

Announcement of wheat support price in 2007-08 was delayed. Ideally it should be announced before time of sowing, so that correct price signals are conveyed to the farmers to facilitate their decision making regarding wheat acreage and the input use particularly fertilizer. The support price announced for 2008 procurement season was Rs. 625 / 40 kg. The support price of wheat has been consistently lower than the import price, but the gap widened in 2007-08 as is evident from the Figure presented below.



Now the import and export parity prices per 40 kg are Rs. 1377 and Rs. 827 respectively. Fertilizer and petroleum prices have risen significantly, raising cost of production of farmers. Secondly, higher prices of wheat / wheat flours in neighbouring countries encourages wheat / wheat flour smuggling.

REGIONAL WHEAT / WHEAT FLOUR PRICES ON 19-08-2008**(Rs. / 40 kg.)**

Country / City	Wheat	Wheat Flour
Pakistan (Islamabad)	800	888
India (New Delhi)	885	953
Afghanistan (Kabul)	1856	2007
Bangladesh (Dhaka)	1588*	1826

* For 16-07-2008

The Task Force recommends that wheat support price for coming wheat crop be raised to Rs. 825 / 40 kg. Safety nets are being put in place for the poorest of the poor segment of our society by launching of Benazir Income Support Programme by the Federal Government and a similar programme by the Punjab Government.

INCREASING CREDIT ALLOCATION AND IMPROVING CREDIT OUTREACH

During 2007-08 against a target of Rs. 200 billion, an amount of Rs. 211.6 billion was disbursed. The Agricultural Credit Requirements and Disbursement during MTF period are shown below:

Agricultural Credit Requirements and Disbursement During MTFD Period

(Rs. in Billion)

Year	Production	Development	Total	Disbursement	Target Achieved %
2005-06	205	70	275	137.5	50
2006-07	220	80	300	168.3	56.1
2007-08	240	90	330	211.6	64.1
2008-09	260	100	360	250.0*	--

* Indicative Target

The State Bank proposed a Rs. 30 billion increase in Indicative Credit target for 2008-09. The Planning Commission pointed out that fertilizer and petroleum prices had significantly risen, and growth rate in Agriculture Sector was only 1.5 percent. The amount disbursed in 2007-08 was 64 percent of the MTFD target. Significant increase in Indicative Credit Target for 2008-09 was requested. As a result, Agricultural Credit Advisory Committee of State Bank in its meeting held on 06-09-2008 has fixed a target of Rs. 250 billion for 2008-09. The Governor State Bank directed the Bank Staff to undertake an exercise to determine the extent of needed increase in credit target taking into account the hike in fertilizer and petroleum product prices. It will be appropriate to increase credit target on completion of this exercise.

Disbursement of credit is skewed across provinces and districts as indicated below:

Province	Percent
Punjab	83.7
Sindh	11.7
NWFP	4.3
Balochistan	0.3
AJ & K / NAs	0.3
Total	100

CREDIT OUTREACH ACROSS DISTRICTS

Farmers Getting Loan (%)	PUNJAB	SINDH	N.W.F.P.	BALUCHISTAN	Pakistan
Districts in which data on farmers is not available	1	6	4	4	15
Districts with no borrowers	-	-	9	7	16
up to 1%	2	4	13	18	37
1.1-5%	3	7	5	1	16
5.1-10%	17	2	3	0	22
10.1-15%	7	3	1	0	10
15.1-20%	5	1	0	0	6
above 20%	1	0	1	0	2

During 2008-09, 600 new bank branches will be opened, and at least 120 of them will be in rural areas. The banks may be encouraged to significantly increase their branch network in rural areas.

EFFICIENT USE OF IRRIGATION WATER

According to IRSA, Terbella reservoir has been filled, while Mangla reservoir is under some stress. For the forthcoming Rabi, Meteorology Department expects a normal rainfall. Nevertheless, there is a need to use available water efficiently. Load-shedding schedule be devised in such a way that farmer get electricity supply at a stretch. Water delivery to canals be kept flexible and should take into account rainfall received. There are 17 MAF water losses at field level. Laser land leveler saves 30 percent water and enables irrigation of additional area, and contributes to increasing crop output. Presently Government initiatives to conserve water at field level i.e., laser land leveling and raised bed technology are on a

very small scale. There is an urgent need to upscale projects aiming at promotion of these technologies with provision of 50 percent subsidy.

SUBSIDY ON FERTILIZER

To ensure desirable fertilizer offtake in the wake of increase in DAP and urea prices, Government should provide adequate subsidy. NFDC has estimated that till December 2008, a subsidy of Rs. 27 billion is required (Rs. 22 billion for DAP and Rs. 5 billion for urea)

LAUNCHING OF WEEDICIDE CAMPAIGN

Weeds growth in wheat fields deprives us of 10-15 percent of output. To control weeds, a national campaign should be launched. MINFAL / Provincial Agriculture Departments must ensure adequate availability of weedicides and sprayers. Mass media be used for creating awareness and motivating farmers to use weedicides. Sprayers may be provided on 50 percent subsidy basis.

PROMOTION OF FERTILIZER - SEED BAND PLACEMENT DRILLS

This drill saves 50 percent DAP fertilizer and supports optimum germination and growth of seedlings. In view of significant hike in fertilizer prices, MINFAL / Provincial Governments may make arrangements for provision of Fertilizer - Seed Band Placement Drills on 50 percent subsidy basis to farmers.

USE OF MASS MEDIA / HELP LINE TO MOTIVATE FARMERS TO ENHANCE WHEAT PRODUCTIVITY OUTPUT

MINFAL / Provincial Agriculture Departments may launch a National Wheat Productivity / Production Enhancement Campaign using Mass Media / Print Media / Helpline.

INCENTIVE / REWARD ON GOOD PERFORMANCE

The extension staff be assigned specific targets of wheat production such that 25 million tonnes wheat output is achieved. Those performing well should be recognized through appropriate rewards.

Farmer's wheat yield completion may be also organized. In each district farmer attaining highest yield be rewarded by award of a Laser Leveler / Fertilizer Seed Band Placement Drill / Raised Bed Planter.

To sum up, achieving self sufficiency in wheat will have a far reaching effect on our national economy in general and rural economy in particular. It will help in raising income levels in rural areas and reduce incidence of poverty.