

**REPORT OF
THE INQUIRY COMMITTEE
CONSTITUTED BY
THE PRIME MINISTER OF PAKISTAN
REGARDING
WHEAT/FLOUR CONTROVERSY**

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Introduction

1. Pakistan has a long history of wheat crises. This time, in the later half of December, wheat shortage and price hikes were reported throughout the country. By mid-January, the wheat and flour situation worsened as serious shortages and soaring prices were reported in the media across the country, creating an atmosphere of fear and panic among the masses. Although, the Federal and Provincial Governments took prompt notice and ensured availability of wheat to stabilize prices of flour, many questions remain unanswered as to why and how the wheat crisis resurfaced.

2. The Prime Minister of Pakistan, vide notification No. 317/M/SPM/2020 dated 22-01-2020, constituted a committee comprising of following members to probe the wheat/flour related controversy:

- i. Director General, FIA Convener
- ii. Representative of IB not below BS-20/21 Member
- iii. Director General, Anti-Corruption Punjab Member
- iv. Any other member(s), which the Convener may co-opt.

3. The committee was mandated to identify and fix responsibility, if any, on any individual/officer/organization, including any purported benefit to a private party, besides suggesting a way forward for future course of action in following areas:

- i. Identification of causes;
- ii. Circumstances leading to the wheat/flour related controversy;
- iii. Assessment/projection of future stock leading to allowing export of wheat products and subsequent imposition of ban on exports;
- iv. Management of wheat stocks, within Federal Government and provinces, and coordination with provinces; and
- v. Any other issue, deemed appropriate, related to the wheat/flour related controversy.

Inquiry Proceedings

4. The inquiry team probed the matter at length and during the process held briefings, meetings and interviews with the following key stakeholders.

- i. Secretary Ministry of National Food Security & Research,
- ii. Officers from Ministry of Commerce, Trade & Textile,
- iii. Current MD PASSCO,
- iv. Ex-MD PASSCO,
- v. Officers of FBR & Customs,

- vi. MD Utility Stores Corporations,
- vii. Flourmills Owners,
- viii. Ex-Food Secretary Punjab Food Department, and
- ix. Ex-Food Secretary Khyber Pakhtunkhwa Food Department'
- x. Ex-Chief Secretary Punjab (Current Secretary Interior), and
- xi. Chief Secretary Balochistan (Interviewed on Telephone).

5. The inquiry team also visited the Provincial Headquarters Peshawar, Karachi, and Lahore and held meetings with the concerned Chief Secretaries and current Secretaries of the respective Food Departments. The Inquiry Team also took briefings from the Additional IGs Special Branch KP & Punjab. Special tasks and analysis were assigned to, IB, FIA, and Anti-Corruption Establishment Punjab for collection of information and analysis.

Management of Wheat Stocks within Federal and Provincial Governments and Coordination (TOR iv)

6. The Ministry of National Food Security and Research (MNFS&R) oversees policy and planning for the national wheat production, recommends support price and sets procurement targets, recommends import and export and ensures procurement done by PASSCO. The Provincial Governments oversee the overall production of wheat, maintain public wheat stocks, manage supply of regular quantity of wheat to Flourmills, regulate grinding and control prices of flour at the retail end.

7. To begin with, as per the statistics provided by the MNFS&R, the national annual requirement of wheat for the current year, including annual consumption as well as 10% Strategic Reserves, was calculated as 26.92 Million Tons, as shown in the Table-01 below.

(Table-01) National Production and Consumption 2018-2019

Province	Production (Million Tons)	Population2019 (Million)	Wheat Requirement (Million Tons)
Punjab	18.377	112.7	12.955
Sindh	3.779	49.0	5.638
K. Pakhtunkhwa	1.395	31.3	3.594
Balochistan	0.928	12.6	1.453
FATA	0.00	5.1	0.589
Islamabad	0.00	2.0	0.236
Pakistan	24.479	212.7	24.465
10% on account of Strategic Reserves			2.446
Total National Requirement			26.92

Source: MNFS&R

8. The requirements of flourmills are mainly met through purchases from private market. However, Government maintains a sizeable portion of wheat stocks as Strategic Reserves as well as market stabilization reserves. Generally, government stocks are provided to flourmills from the month of October onwards, when stocks in the private market start depleting. Government stocks are not only utilized to ensure price stability but also to ensure food security through wheat supply in the dry months till the arrival of fresh crops. Thus, the Federal and Provincial Governments, through their regulatory mechanism and through market interventions, are the key players in the wheat market. For this purpose, the Federal as well Provincial Governments carryout public procurement of about 20% of the whole crop produced every year during the months of March to June.

9. The total national production in the year 2018-19 stood at 24.479 Million Tons, much less than expected due to bad weather and hailstorms in different parts of Pakistan. This was the lowest annual wheat production in comparison with the preceding five years. Again, the carry forward stocks in 2018-19 stood at 3,777 Million Tons, the lowest in comparison to the preceding five years, as shown in Table-02.

(Table-02) Annual Wheat Statistics (All Figures in Million Ton)

Year	Carry-forward	Production	Procurement	Total Availability	Consumption	Surplus
2014-15	4.119	25.086	5.204	29.205	24.25	4.955
2015-16	4.117	25.633	5.806	29.750	24.72	5.03
2016-17	4.531	26.674	6.516	31.205	25.19	6.015
2017-18	5.942	25.507	5.989	31.449	25.79	5.659
2018-19	3.777	24.479	4.034	28.256	26.92	0.800

Source: MNFS&R

10. Given the fact that in comparison to the preceding five years, both national production and carry forward stocks were the lowest, it was logical outcome to ensure aggressive procurement and meeting the targets. The MNFS&R set up a target of 6.5 Million Tons, with its break up as shown in Table-05. However, Pakistan Agricultural Storage and Services Corporation (PASSCO) and the Provincial Governments together could manage to procure only 4.034 Million Tons, again the lowest in comparison to the preceding five years. Public procurement fell short by 35% against the target set by MNFS&R.

Causes and Circumstances Leading to Wheat/Flour Controversy (TORs i & ii)

11. At the outset, the Committee noticed that the annual public procurement of wheat fell short by a whopping 2.5 Million Tons, 35% less than the target set up by the Ministry of National Food Security as shown in Table-05. Other factors fuelling the wheat crisis were contributing factors.

Ministry of National Food Security and Research (MNFS&R)

12. The Ministry is mandated to take key decisions, in consultation with provinces, regarding fixing support price and setting procurement targets. It also monitors the achievement of the targets by the Provincial Food Departments and PASSCO. In addition, the Ministry also has to take stock of the wheat situation, overall management of the wheat stocks in the country and provide a clear advice to the Federal Government on export/import of wheat.

13. From the statistics provided by MNFS&R, it is evident that right at the outset of crop year, the country was under stress as far as wheat supply is concerned. The expected national production fell short by about 1.2 Million Tons as compared to previous year and remained the lowest in comparison to the preceding five years; the carry forward stocks remained the lowest during the last five years and public procurement failed by a wide margin of 35%. With the primary mandate of national food security, the Ministry should have raised alarm and advised the Federal Government for adopting stringent immediate corrective measures to address the situation.

Assessment/Projection of Stocks Leading to Allowing Exports of Wheat Products (TOR iii)

14. Exports are made every year when surplus stock is available, for earning foreign exchange and to ensure that surplus stocks are disposed off, making way for fresh stocks. Data provided by Ministry, as given in Table-03, shows the quantum of allocation and actual exports for the last few years in the public sector.

(Table-03) Annual Export Allocations and Exports

Province/Org.	Quantity Exported from Public Sector Stocks (Million tons)							
	2015-16		2016-17		2017-18		2018-19	
	Alloc.	Export	Alloc.	Export	Alloc.	Export	Alloc.	Export
Punjab	0.800	0.253	0.600	0.494	1.500	1.180	0.250	0.00
Sindh	0.400	0.164	0.300	0.300	0.500	0.500	0.150	0.00
PASSCO	0.00	0.00	0.00	0.00	0.500	0.461	0.600	0.163
Total:	1.200	0.417	0.900	0.794	2.500	2.141	1.00	0.163

Source: MNFS&R

15. The documents provided by the Ministry show that in November 2018, the Ministry recommended to ECC to export surplus wheat, on the request of PASSCO and the Provinces. The reasons cited were huge surplus stocks, which occupied space and were prone to spoilage and damage. In addition, the Ministry also expected bumper crop in the coming year. Hence, the ECC allowed exports from the public stocks 500,000 Tons wheat in November 2018 and another 500,000 Tons in January 2019. However, the situation of substantial surplus stocks and expectations of bumper crop changed at the end of the harvest season in 2019 due to crop damage. The Ministry collects information about the crop damage from the provinces. No mechanism for accurate crop assessment, on scientific basis, exists and no agreed upon reliable figures for crop damage are available.

16. Given the comparative annual shortfall in national production and lowest carry forward stocks, and the crop damage, it was a logical conclusion that the decision to continue with export needed immediate revision. Surprisingly, the Ministry apprised the Federal Government, in the month of May and then June 2019, that the availability of wheat was "well above" the national requirements and that public procurement has been carried out "as per target" (**Annexure-1&2**), despite having the lowest carry forward stocks, the lowest annual national production and the low public procurement in five years, the Ministry recommended that there was "no need to put ban on export of wheat".

17. The Ministry belatedly realized that revision of the export policy was necessary and on 30th July 2019 (**Annexure-3**) placed ban on exports of wheat and flour. The Ministry however did not place ban on "other wheat products" like *Maida* and *Suji*. Instead, the Ministry issued a clarification on 07th August 2019 excluding Fine, Maida and Suji from the list of banned items (**Annexure-4**). This clarification had no logic as the permission to allow export of other wheat products created confusion at the enforcement level. The Ministry proposed complete ban and issued notification to that effect on 2nd November 2019 whereas the Ministry was aware as early as June 2019 of all wheat statistics and the stress on the national wheat stocks.

18. The Ministry also claims that the actual total exports that took place during the Financial Year 2019-20 were to the tune of 163,000 Tons, which did not make significant impact on national stocks, but the actual situation is different, as this figure does not include exports from the private sector as shown in Table-04 below. The issue of exports and delayed ban became seriously controversial in public discourse during the later crisis and added to the fear and panic that gripped the country during the month of January 2020.

(Table-04) Exports of Wheat and Wheat Flour from 2014-15 to 2018-19 (In Million Metric Tons)

Financial Year	Export to All Countries	Export to Afghanistan
2014-15	1.016	1.004
2015-16	0.653	0.650
2016-17	0.631	0.620
2017-18	1.798	0.436
2018-19	1.359	0.645

Source: FBR

19. As is clear from the figures, wheat and wheat flour is exported to Afghanistan every year in huge quantities. In addition to legal exports, smuggling of wheat also happens every year. This is also corroborated from data of seizures conducted by the Customs Department (**Annexure-5**). Unconfirmed reports also indicate that wheat crossing from Chamman, Toorkham and other unfrequented routes continued this year.

20. The export from public stocks in 2019-20 did not involve huge amount of wheat. However, exports influenced the wheat market in two significant ways. One, exports put stress on the national stocks and secondly created confusion and speculations in the market. The issue of exports was discussed widely in national media. The Ministry failed to counter the misleading media stories of export of 500,000 Tons of wheat by the Government whereas only 163,000 Tons was exported.

Procurement Strategy

21. The Ministry of Food Security has a key role in the public procurement of wheat stocks. The Ministry recommends wheat support price and sets procurement targets for PASSCO and Provincial Food Departments. The Ministry retained the wheat support price at Rs. 1300, continuously for the 4th year. Keeping in view the inflationary trends, the support price has to be reviewed and revised ahead of the procurement season. The Ministry also set up wheat procurement targets as shown in Table-05. At the of the procurement season, the total public stocks of wheat stood at 7.821 Million Ten, again the lowest in comparison to public wheat stocks of the last five years as shown in Table-05-A.

(Table-05) Procurement Targets and Total Stocks (All Figures shown in Million Tons)

Province/Org	Opening Stock	Procurement Target	Actual Procurement	Total Stocks
Punjab	1.565	4.000	3.315	4.880
Sindh	0.803	1.000	0.000	0.803
KP	0.074	0.300	0.052	0.126
Balochistan	0.000	0.100	0.000	0.000
PASSCO	1.333	1.100	0.679	2.012
Total	3.775	6.500	4.046	7.821

Source: Concerned Provincial Govt., MNSF&R and PASSCO

(Table-05-A) Public Wheat Stocks from 2014 to 2019 (Shown in Million Tons)

Year	Carry-forward	Production	Procurement	Total Availability	Consumption	Surplus
2014-15	4.119	25.086	5.204	29.205	24.251	4.954
2015-16	4.117	25.633	5.806	29.750	24.718	5.032
2016-17	4.531	26.674	6.516	31.205	25.186	6.019
2017-18	5.942	25.507	5.989	31.449	25.791	5.658
2018-19	3.777	24.479	4.034	28.256	26.922	0.800

(Source: MNF&R)

22. The Government procurement for the year fell short by almost 2.5 Million Tons. This Committee has found that the failure of Provincial Governments as well as PASSCO to meet their procurement targets remains the prime factor and cause that led to the wheat crisis. Public procurement failed by a margin of one-third and that too in a year when the carry forward stocks from previous years remained lowest in the last five years.

23. The Ministry was responsible for procurement of PASSCO, which could manage to procure only 0.679 Million Tons out of its target of 1.1 Million Tons. The Ministry cited bad crop and poor quality as the reason for falling short of the procurement target. It is worth mentioning here that PASSCO fully met its procurement targets in the years 2016-17 and 2017-18 when its carry forward stocks were 1.602 Million Tons and 1.623 Million Tons respectively. As consequence, PASSCO total stocks in those years stood as 2.502 Million Tons and 2.523 Million Tons respectively. For 2018-19, PASSCO carry forward stocks were comparatively much less, i.e. 1.332 Million Tons and therefore it should have set up and met a much higher procurement target to achieve total stocks of about 2.5 Million Tons of the previous years. Instead, PASSCO unusually failed to meet its procurement target by a margin of 40% less as shown in the Table-06 below. Surprisingly, the Ministry kept telling the ECC in May and June 2019 that PASSCO had met its procurement targets (**Annexure-1 & 2**).

(Table-06) PASSCO Procurements from 2014-15 to 2018-19.

Year	Carry Forward (Million Tons)	Procurement Target (Million Tons)	Procured (Million Tons)	Total Stocks (Million Tons)
2014-2015	1.202	0.800	0.799	2.002
2015-2016	1.296	1.000	0.779	2.076
2016-2017	1.602	0.900	0.899	2.502
2017-2018	1.623	0.900	0.900	2.523
2018-2019	1.333	1.100	0.679	2.012

Source: PASSCO

24. On the count of procurement, the Ministry again failed to monitor and report to ECC the erratic procurement practices in the Provinces. The Ministry could not grasp the market situation following low national produce and aggressive purchasing drive by the private sector. The Ministry adopted a laid back approach and merely waited for the Provinces

reporting to appraise and advise the Federal Government that procurement is facing serious difficulties.

25. The Ministry in its summaries submitted to the Government in the month of June 2019, while referring to Sindh, stated that “Sindh had not started procurement process” knowing fully well that the procurement season in Sindh was already over. The Ministry thus failed to highlight the fact that non-procurement of Sindh of its target of 1.00 Million was bound to put strain on wheat stocks in the country.

26. Given the above realities, the Ministry not only failed to ensure that PASSCO meets its procurement targets but also shares the responsibility for failure of procurement at the Provincial level.

Punjab Province

27. Punjab is called the breadbasket and granary of the country and therefore shares the largest burden of national food security. Punjab produces the bulk of wheat annually, i.e. more than 18 Million Tons. The Province not only feeds the Provinces of Khyber Pakhtunkhwa and Balochistan but also provides substantial amount of wheat to Sindh. Therefore, Punjab historically has traditionally the highest annual procurement target i.e. 4.0 Million Tons.

28. For 2018-19, Punjab was given a procurement target of 4.00 Million Tons out of which Punjab could manage to procure 3.32 Million Tons, the lowest since 2016. This time, Punjab’s opening stocks also were the lowest in comparison to the preceding five years. Consequently, Punjab ended up with the lowest total stocks in last five years, i.e. 4.88 Million Ton, at the end of procurement season, as shown in Table-07. Total stocks in Punjab were less by 30% as compared to previous year.

(Table-07) Procurement in Punjab: All Figures shown in Million Tons

Year	Target	Opening Stock	Actual Procurement	Total Stocks
2015	4.00	1.96	3.23	5.19
2016	4.00	2.26	3.93	6.18
2017	4.00	2.58	3.95	6.53
2018	4.00	3.60	3.62	7.22
2019	4.00	1.57	3.32	4.88

Source: Govt. of Punjab, Food Department

29. In the given scenario, Punjab’s failure to meet the procurement target played a crucial role in recent crisis. This low stock coupled with early releases by the Punjab Food Department, in the month of August, not only created pressure on stocks but also generated speculations in the market. Subsequently, when the shortages hit the market, it was the low

overall stocks of Punjab that prompted the Government of Punjab to check the inter-provincial movement of wheat in January, causing shortages and soaring prices in KP and Sindh, ensuing large scale panic in the country.

30. This was a tailor-made situation for the hoarders and profiteers to exploit and make maximum gains. With lowest total public stocks in the last five years, reports of crop damage, overplay of the exports factor, restrictions on inter-provincial movement of wheat, corruption and malpractices in the system and hoarding by the private sector resulted in price hike and wheat shortage.

31. Flourmills are bound to declare their private stocks to the Food departments and their subsequent wheat purchases from the private markets. The successful monitoring of food Department of the purchase and disposal of private stock by the flourmills can result in effectively ensuring that no mafia can remain hidden and able to manipulate the prices of wheat during the dry season. The Food department has identified the private persons who are involved in illegal wheat business. Detailed investigations by provincial ACE are required in each case.

32. Since no province had sufficient wheat, the shortage started as early as August. There was serious shortage of wheat in other provinces and they had to lift wheat from PASSCO but due to their delay in lifting undue market pressure was exerted on the market of Punjab. Balochistan did not procure wheat at all and has not started the lifting of wheat from PASSCO till to date, which is inexplicable. However the shortage is creating pressure on stocks of Punjab and Sindh. As far as Sindh is concerned, despite zero procurement and shortage of wheat they did not start the release from their own stocks till October 2019 and were very slow in lifting the stock from PASSCO. A transport strike from 2nd January to 13th January aggravated the situation and the speedy lifting started after the 15th January when the crises had already reached its peak and mafia had minted money. The lifting of wheat by the provinces is explained in the Table-08 below.

(Table-08) Status of Wheat Lifting by Provinces (Shown in Tons)

Province	Allocation from PASSCO	Lifting till 1 st Jan 2020	Lifting till 28 th Jan 2020
Sindh	400,000 Ton	90,000	236,000
KP	550,000 Ton	170,000	250,000
Balochistan	500,000 Ton	Nil	Nil
Total	1,450,000 Ton	260,000	486,000

Source: PASSCO

33. The Committee probed the reasons for procurement failure in Punjab at length. The Ex-Secretary Food Punjab, Mr. Naseem Sadiq, cited crop damage, low per acre yield and poor quality of wheat as the reasons for procurement failure. However, at the same time, he stated that procurement was stopped as Punjab had met its requisite target. The same position was also corroborated by the version of Additional IG Special Branch Punjab as the later supported the procurement drive in Punjab that led to huge recoveries of wheat that was illegally hoarded. Special Branch Punjab was asked to halt its action for the reason that the Food Department had met its procurement target.

34. It is worth mentioning that the Special Branch Punjab has been pointing out the issue of wheat shortage, increasing Atta prices, malpractices in Food Department and wrongdoings of the flourmill owners. All these reports were sent to the concerned quarters of the Government, including Law Minister, Chief Secretary, Secretary to CM, and Additional Chief Secretary Home. During the procurement, Special Branch Punjab issued reports on 06-05-2019 & 09-05-2019 pointing out irregularities in the issuance of Bardana and related corruption in the wheat procurement. During the procurement process, Special Branch also pointed out hoarding of wheat. When the procurement process slowed down, huge quantities of wheat stocks were recovered on the intelligence provided by Special Branch that resulted in increasing procurement at good pace.

35. During the briefing by the Chief Secretary, Secretary Food Punjab, it was informed that the poultry feed mills procured about 0.7 Million Tons of wheat during the procurement season. There was no written permission but a tacit approval by the administration which chose to look away. Ex- Secretary Food, Punjab during his briefing denied that any procurement was made by the poultry feed mills. Poultry industry was eager to buy wheat because the maize crop is available by the end of June and they were out of stock in the harvesting season of wheat. The fact remains that poultry feed mills were successful in buying huge quantities of wheat which is one of the reasons that Punjab was not able to meet its procurement target. This wheat consumption by the poultry feed mills also adversely effected the availability of wheat in private stocks.

36. Again, the Ex-Food Secretary Punjab also stated before the Committee that Punjab initially planned to procure only 3.0 Million Tons in line with the World Bank Project namely Strengthening Markets for Agriculture and Rural Transformation (SMART), wherein the Government of Punjab signed an agreement to gradually phase out procurement and finally withdraw from it in the coming years. The revision of target was made upwards to 4.0 Million Tons at a later stage.

37. It is clear that Punjab Food Department took a conscious decision to halt procurement at 3.32 Million Ton. None of the reasons offered for the decision however holds ground. Food Department Punjab could not show any evidence on record that the decision was based on poor crop. Secondly, the SMART project signed with the World Bank was deferred by the current government for one year. Therefore, procurement targets can not be possibly guided by the SMART Project. Thirdly, the logic that as Punjab had procured as much wheat as it procured during the preceding years is not justifiable due to the fact that the opening stocks in Punjab were much higher during the previous years and therefore Punjab's total stocks remained comfortably high with less than 4 Million annual procurement. Finally, the procurement shortfall remained well below the procurement figures of the preceding years, as shown in Table-07 above.

38. In addition to procurement failure, other factors added up to price hikes and shortages. The market actors, i.e. private stockists and flourmills, played a decisive role pushing prices up. There are 984 flourmills in Punjab out of which 814 are reportedly functional. It is interesting to note that the districts of Punjab bordering Sindh and KP have disproportionately high number of flourmills as compared to their population and wheat requirements. For instance, District Attock has 41, Rawalpindi has 127 and Rahim Yaar Khan has 80 flourmills. The reason is that in Punjab, the wheat quota from Punjab Food Department is not fixed on the base of population of the districts but as per the grinding capacity of the flourmills. The extra grinding by these flourmills of the bordering districts is sent to KP, Sindh and Baluchistan while Punjab pays the cost of subsidy. This system needs to be revised totally on the basis of population of the districts. It is also worth mentioning here that supply of wheat by Food Department was increased to District Rawalpindi only on 22nd November 2019 from 25 bags to 30 bags per roller body per day. The total quota thus increased comes to be 6535 bags per day.

39. The flourmills are involved in malpractices with the connivance of food department employees. Mills are supposed to consume 4.5 units of electricity to grind 100 kg of wheat and their electricity bills should be in accordance with the amount of wheat they grind. A preliminary survey of 28 flourmills was carried out by Anti-Corruption Establishment Punjab wherein serious discrepancies were observed. The electricity bills point out their involvement in illegal sale of wheat and producing wheat products in excess of government specification to mint money on government subsidy. Electricity consumption of some mills is seriously low which shows that they are not grinding the wheat and selling it either in the open market or to the people who are involved in the smuggling of the wheat. The data with ACE Punjab has identified a few mill owners who have their mills in Punjab and KP and are involved in such practices. Post audit of flourmills, specially involved in such practices, needs to be conducted to take the delinquents to the task.

40. According to Food Department Punjab, there are 889 registered *Chakkies* and 4877 unregistered *Chakkies* in Punjab. But according to Ex-Secretary Punjab, the actual number of *Chakkies* is much higher. The issue of high prices at these *Chakkies* was highlighted in the media. These were never registered with the Food Department, so they used to buy the wheat from the market and sell Whole Atta at their own rate. Only this year their registration with the government has been started and they are being supplied wheat from government stocks in three cities Lahore, Multan, and Faisalabad.

41. The wheat procurement operation is carried out on credit from banks and overall liability of Punjab stands at about Rs.322 billion. The subsidy of around Rs.50 Billion is being awarded annually. The major beneficiaries are the banks on account of re-payment of loans and interests. The issue of credit and circular debt must be addressed by the Government, so that the general public gets the benefits of the subsidy instead of Banks / Financial institutions.

42. The entire operational system of Food Department of every province including Punjab is outdated, manual, and rampant with lack of capacity and excessive malpractices. The inventory system needs to be computerized for proper monitoring of receipt and dispatch of record. Corruption is rampant in the lower formation of Food Department, who in connivance with the millers are involved in pilferage from Government stocks. The maintenance of complete supply chain starting from procurement, storage, issuance of wheat grains from Government godowns, grinding at flourmills, dispatch of wheat flour through whole sale dealers to the retailers and availability for the consumer are responsibilities of Provincial Food Departments, which they could not perform. This resulted in wastage of government subsidy and shortage of wheat flour in the market. The whole system needs to be reformed with the addition of information technology at each stage.

43. The administration of food department Punjab needs serious attention of the government. Four secretaries of Food Department were changed in less than a period of one year. Most of the secretaries in turn changed almost all the District Food Controllers (DFCs) of the entire province as shown in the Table-09 below.

(Table-09) Posting Transfer of DFCs in Punjab

Name of Secretary	Posting Date		Number of DFCs Transferred
	From	To	
Mr. Shaukat Ali	12.03.2017	14.04.2019	35 on 27.03.2019
Mr. Nasim Sadiq	16.04.2019	19.06.2019	Nil
Mr. Zafarullah Khan	19.06.2019	29.11.2019	32
Mr. Waqas Ali Mahmood	30.11.2019	To date	23

Source: Govt. of Punjab-Food Department

44. It is abundantly clear from the table above that almost all the DFCs of Punjab have been changed three times in a period of less than a year while four secretaries food were changed in the same period. This frequent change at the highest level leaves little room for any Head of Department to focus on the job and speaks volume about the seriousness given to this important ministry. The dates of transfers of DFCs indicate that they were transferred before the start of procurement season, at the end of procurement season and at the beginning of distribution season. This data supports the allegation that the posting transfers in the Food Department are not based on professional requirements but are managed on other considerations. Furthermore, many officers of provincial government serve in Food Department on deputation basis, which open opportunities for political interventions and nepotism. Posting of an officer of education department namely Salman Ali as Deputy Director Food Rawalpindi is a glaring example of the malaise.

Sindh Province

45. Sindh has an annual yield of around 3.8 Million Tons and Sindh Food Department procures around 25% of the wheat for food security storage. In the current year, Sindh claimed a carryover stock of 0.803 Million Tons and the Sindh Government decided not to procure any wheat despite the fact that a target of 1.00 Million Ton was set for it by MNFS&R. During the inquiry proceedings, no proper reasons were explained for not procuring the wheat.

46. During the previous years, Sindh always achieved its procurement target and was comfortably placed with sufficient total stocks. The total stocks were 1.856 MMT in 2017-2018, which were the highest during the last five years. With a carryover of 0.803 in 2018-2019, Sindh made a decision not to procure wheat. This decision coupled with doubtful stocks of 0.803 MMT created drastic shortage of wheat in Sindh and the prices of wheat and Atta started to rise as early as August.

47. It is abundantly clear that the province of Sindh meets its procurement targets religiously. Its decision not to procure any wheat this year is inexplicable and is a major factor for starting the wheat crisis.

(Table-09-A) Sindh Procurement since 2014-15

Year	Carry Forward (Million Tons)	Procurement Target (Million Tons)	Procured (Million Tons)	Total Stocks (Million Tons)
2014-2015	0.745	0.90	0.893	1.637
2015-2016	0.376	1.100	1.098	1.474
2016-2017	0.350	1.400	1.400	1.750
2017-2018	0.456	1.400	1.400	1.856
2018-2019	0.803	0.000	0.000	0.803

Source: Govt. of Sindh, Food Department

48. It is pertinent to mention here that NAB Sukkur conducted an inquiry and 1,624,282 bags were found missing from the stocks causing a loss of Rs. 5.278 Billion to the national exchequer and Rs. 1.608 Billion have been returned as plea bargain. The action by NAB in April 2019 was a clear indicator that the Sindh Government's claim of 0.803 Million Tons of wheat stock was not correct and a sizeable portion of the same was missing.

49. As a result of poor stocks with the Sindh Government, the prices of wheat started increasing in the market and reached close to Rs 4000 per 100 Kg bag in August 2019. This created panic in the market and the wheat from the Punjab province started flowing towards Sindh as well.

(Table-10) Prices of Wheat Month-wise During last three years inRs./100 Kg

Month	2019	2018	2017
April	3050-3160	2975-3050	3040-3070
May	3280-3500	3125-3200	3050-3070
June	3525-3750	3250-3400	3100-3150
July	3475-3575	3340-3400	3120-3140
August	3725-3900	3400-3425	3100-3115
September	3925-4000	3380-3410	3240-3275
October	4230-4300	3410-3450	3260-3270

Source: Govt. of Sindh, Food Department

50. Despite the fact that price hike had started in Sindh as early as August, wheat releases from the government stocks were delayed till October 20, 2019 and the price was left on the mercy of private suppliers who not only minted money but also created pressure on the wheat stocks of Punjab.

51. The Government of Sindh signed MoU with PASSCO for provision of 100,000 Million Tons wheat on 5th November 2019. The Sindh Food Department lifted 100,000 Million Tons wheat from Hyderabad and Khairpur Zones of PASSCO. On 11th December 2019, the Sindh Food Department signed another MoU with PASSCO for procurement of 300,000 Million Tons wheat to Sindh. Food Department Sindh awarded contract for transportation of wheat from Punjab and Balochistan Zones of PASSCO to NLC on 2nd January 2020 but the wheat could not be lifted till 13th January 2020 due to the strike of the transporters, which further aggravated the situation. The lifting gained pace after the strike with the result that the prices started to stabilize in the Province of Sindh.

52. Like Food Departments elsewhere, the system of purchase, storage, distribution in the Sindh Food Department is all manual and no technological intervention has been made to ensure transparency and effectiveness in the wheat chain operations. This shows a clear lack of interest in wheat stocks management that consequently provides an opportunity for malpractices and collusion between the officials of food department on the one hand and the

flourmill owners, middlemen and stockists on the other. At present, Sindh Food Department owes more than Rs. 70 Billion in terms of loans to the banks.

Khyber Pakhtunkhwa Province

53. According to the KP Food Department, the annual requirement of wheat in KP is 4.65 Million Tons whereas its production is 1.2 Million Tons. However, as per MNFS&R statistics, KP's requirements are 3.594 whereas its production is 1.395 Million Tons as shown in Table-01 above. Historically KP receives the supply of wheat and wheat products from the flourmills of Punjab. Due to this reason, the number of flourmills in adjacent districts of Punjab is much more than the requirement of local population of those districts of Punjab.

54. With a meager carry over stock of 0.074 Million Tons, KP government set the procurement target of 0.3 Million Tons during the current crop year. But KP Food Department failed to meet its target and was able to procure only 52,000 Tons, by far the lowest during the last five years. The main reason cited by the KP Food department was that the support price announced by the Federal Government i.e. Rs. 1300 per 40 Kg, was less than the market price. Although the Provincial Government announced an incentive of Rs. 120 per 40 Kg as transportation charges to the farmer, still the procurement of KP Food Department remained very poor.

(Table-11) Procurement in KP since 2014-15

Year	Carry Forward (Million Tons)	Procurement Target (Million Tons)	Procured (Million Tons)	Total Stocks (Million Tons)
2014-2015	0.065	0.300	0.242	0.307
2015-2016	0.096	0.350	0.207	0.303
2016-2017	0.147	0.350	0.273	0.420
2017-2018	0.076	0.300	0.093	0.169
2018-2019	0.074	0.300	0.052	0.126

Source: Govt. of Khyber Pakhtunkhwa-Food Department

55. KP Food Department stated that even at the time of procurement, KP receives wheat from growers in the adjacent districts of Punjab. This time however, as claimed by the Secretary of KP Food Department, Punjab government placed check posts and restricted movement of wheat to KP during procurement season. (Annexure-6). These check posts impacted procurement drive in KP, however, the KP Government's decision not to provide Bardana for the last couple of years has also coincided with sharp reduction in procurement in KP.

56. Like in Sindh and Punjab, this low procurement in KP created a window of opportunity for the profiteers and hoarders and put pressure on Punjab market for wheat supply. Feeling the pressure on its reserves, Punjab established posts to check the movement of wheat and flour to KP in October 19. This step created panic in the market and the prices surged sharply.

Till this time, ban on the export of Fine was not imposed and Punjab was apprehending export and smuggling of Fine Atta from KP to Afghanistan. The check posts were abolished after few days with mutual consultation but the damage had already been done.

57. Realizing the situation, KP Government approached MNFS&R for provision of 0.2 Million Tons from PASSCO as early as 4th July 2019 and approached Punjab Food Department for provision of 0.250 Million Tons on 17th September 2019. Out of total demand of 0.45 Million Tons, the MNSFR allocated 0.150 M tons to KP on 23rd October 2019, after a delay of 3 months. The MoU was however signed with PASSCO on 1st November 2019. The transportation was started immediately with the active intervention and enhanced supply the situation of price of the wheat started to stabilize.

58. Like in other provinces, in KP too, the system of procurement & management of storage and distribution of wheat and wheat products is manual and use of information technology is being introduced this year. This is a step in the right direction to ensure that the whole cycle of wheat procurement supply to Mills, distribution to retailers is electronically tagged and traceable. On the upside KP Food department does not owe any money to banks on account of wheat procurement charges. The allegations of smuggling of wheat and wheat products to Afghanistan through KPK, despite improved border controls, still persist and are backed by intelligence reports and anecdotal evidence.

Balochistan Province

59. According to data provided by Ministry of Food Security, Balochistan produces about 0.9 Million Tons of wheat annually. During last season, Balochistan produced 0.928 Million Tons. The annual requirement of Balochistan for the current year 2018-19 stood at 1.543 Million Tons. Balochistan meets its additional wheat requirements through annual procurement and supply from Punjab and PASSCO. Private sector supply also continues to Balochistan from Sindh.

60. The Ministry of Food Security set an annual procurement target of 100,000 Tons for Balochistan for the year 2018-19. Balochistan Food Department did not procure any wheat in the year citing non-availability of funds. Balochistan also did not procure wheat the year before as shown in Table-12 below. It is obvious that failure to purchase wheat in two years consecutively is a major concern.

(Table-12) Balochistan Procurement from 2014 Onwards (Shown in Million Tons)

Year	Carry Forward	Procurement Target	Procured	Total Stocks
2014-2015	0.111	0.15	0.097	0.208
2015-2016	0.012	0	0	0.012
2016-2017	0.025	0.10	0.09	0.124
2017-2018	0.095	0	0	0.095
2018-2019	0	0.10	0	0

Source: Govt. of Balochistan-Food Department

61. Balochistan Government not only failed to procure its own wheat, but it is also lagging behind in lifting the 50,000 MT quota allocated to Balochistan by PASSCO. Balochistan Government is yet to start lifting of its wheat from PASSCO due to differences on modalities of transportation, incidental charges, etc.

62. The contribution of Balochistan in creating the current wheat crisis is minimal because of the very low requirement.

Utility Stores Corporation (USC)

63. To provide relief to the public, it was decided on 28th November 2019 to release 200,000 Tons of wheat from PASSCO to Utility Stores Corporation. Wheat is provided to USC only in the years of Atta crisis, as was the case in 2006, 2007, and 2013. USC is supposed to lift the wheat, get it grinded from the private flourmills and sell the flour at Utility Stores at subsidized Government rates. However, 28,000 Tons was lifted from PASSCO stocks up to 28th January 2020 by the USC.

64. Federal Government is supplying wheat to USC at the rate of Rs. 1375 per 40 Kg and the incidental charges are being borne by the Federal Government. The USC has adopted a policy of ensuring the wheat flour is available in the stores till April 2020 and at present is successful in meeting the demand of the Public and dispelling the impression of any shortage in the market. For a quantity of 200,000 Tons, the subsidy in the form of incidental charges is around Rs. 1.31 Billion.

Price Control Mechanism of Flour Bag; Role of District Administration viz a viz Food Department.

65. The food department supplies the wheat at the rate of Rs. 687.5 per 20 kg and the average milling charges are about Rs. 100 per 20 Kg bag. The flour mills are bound to supply the flour bags to the market at the government specified rates of around Rs. 800 per 20 Kg bag. The price of the bag on the retail shop is fixed around Rs. 805 to 808 per 20 Kg bag. To ensure the sale of flour bag on this rate is the responsibility of district administration. The price hikes were observed during the later half of December 2019 and continued in January 2020 with the price of 20 Kg bag selling over Rs. 1000 in Karachi and some parts of KP, whereas price of Rs. 835 and above were reported in Punjab by Special Branch Punjab. This hike was the result of a number of factors;

- Short supply of flour in the market by the flour mills due to selling of wheat instead of grinding and supplying flour to the local market. The flour mills also sent it to areas where the price was high. The food department failed to take adequate measures to ensure that this malpractice did not continue.
- The media reports of shortages and price hike created panic buying by the public which resulted in excessive demand and further exasperated the situation.

- The district administration could not initially cope up with the situation and it was only after the intervention of releasing extra wheat by the Federal Government and Punjab, that resolved the situation.

Conclusion

66. The Committee is of the considered view that the current crisis was the consequence of a saga of failures at the policy and planning levels, both Federal and Provincial; massive failure in public procurement, further compounded due to inept handling by the Provincial Food Departments, and collusive malpractices of the officials of the Food Departments and private stockists/millers.

67. Failure of public procurement was the prime cause of wheat shortages, price hikes, leading to a crisis-like situation. Broadly speaking, all entities responsible for procurement of public wheat stocks failed to meet their set targets during a crop year when national wheat production fell short substantially and when the carry forward stocks remained the lowest as compared to those in the last five years. As a consequence, the carry forward stock before the coming procurement season will be critically low, i.e. 0.800 Million Tons, which is by far the lowest during the last five years.

68. The Provincial wheat management mechanism is beset with serious malpractices on every stage of the public wheat stocks management system: procurement, storage, release, grinding and distribution of wheat products. The Committee believes that stringent measures are needed to be adopted on urgent basis to address the policy and planning issues highlighted in this report; initiate reforms with the aim to overhaul the Provincial Food Departments, introducing transparency and fair play in their decision making and operations; introduce IT-based solutions, enabling these departments to take stock of the national produce and procurement, storage and distribution practices and enabling them to keep track of every bag of public stocks; and enabling them to get rid of the corrupt mafia that in collusion with departments' officials resort to profiteering at the expense of the public.

69. The decision of Sindh province not to procure wheat, the unreliability of their stocks position as exposed by NAB raids and the delay in releasing their public stocks till November 2019 were crucial factors in triggering the crisis.

70. Export decision in November 2018 and February 2019 was correct given the stock position at that time and the expected bumper crop which necessitated creation of physical and fiscal space for the new wheat procurement.

71. The decision to impose ban on wheat and flour was taken in July 2019 whereas complete ban on wheat and all wheat products was implemented in November 2019. The later decision should not have been delayed till November 2019 and a total ban should have been imposed in June 2019 when it was absolutely clear that procurement and stock position was very low.

72. The policy and implementation of food security in the country is dependent on the cooperation between the Federal Government and Provincial Governments for agreeing on policy decisions like the support price, target setting and achievement of procurement targets etc. At present, the mechanism in place for such coordination fails to address the issue of food security as decision of one province not to cooperate can lead to crisis situation.

Findings

73. The Committee has arrived at the following findings:

a. Ministry of National Food Security and Research (MNFS&R)/PASSCO

- i. PASSCO failed to meet its procurement target and fell short by 0.42 Million tons in a year where the national carry forward stocks remained the lowest during the last five years. For this failure, the Secretary MNFS&R and incumbent MD PASSCO during the procurement season are responsible;
- ii. The Ministry failed to grasp the market situation following low national produce and as such their recommendations to Federal Government were routine and misleading, for instance, the Ministry kept reporting to ECC in May and June 2019 that the procurement targets were achieved and the wheat stock position was stable and thereby recommended continuation of exports.
- iii. The Ministry's decision to allow the export of other wheat products like Maida and Suji on 7th of August 2019 is inexplicable and the Secretary MNFS&R could not defend it by giving any plausible explanation of relaxing this ban. All wheat products are exported under the same code in the system of FBR and it is very difficult for even custom officers to say that wheat flour was exported in the garb of fine Atta and Maida. The export figures for the period August 2019 till date are however low as only 21,885 MT was exported.

- iv. The Ministry failed to timely advise the Federal Government for import of wheat, a policy intervention that could have effectively discouraged speculations, hoarding and profiteering that subsequently fuelled wheat shortage and price hikes.

The responsibility for above failures lies with the Secretary MNSF&R, Mr. Hashim Popalzai whereas the responsibility in failing to meet the procurement target of PASSCO lies with Ex-MD PASSCO Mr. Muhammad Khan Khichi (Retired).

b. Punjab Province

- i. The Punjab Food Department delayed procurement by crucial 20-22 days and ultimately failed to meet its procurement target by 0.67 million tons less in a year where its carry forward stock remained the lowest during the last five years;
- ii. The Punjab Food Department failed to exercise control on flourmills which resorted to profiteering campaign as they sensed the Government was ill-prepared to handle the wheat demand and supply chain. A sample survey by ACE Punjab has identified some mill owners who are involved in malpractices. Post audit of flourmills, specially involved in such practices, needs to be conducted.
- iii. Punjab Food Department allowed, with tacit approval, the Poultry Feed Mills to purchase huge quantities of wheat from private market;
- iv. Punjab Government resorted to erratic transfers in Food Department including posting/transfer of four Food Secretaries and of nearly all DFCs, thrice during the year.
- v. The Punjab Food Department failed to devise a mechanism to regulate the demand and supply of wheat, and keep track of the government and private wheat stocks that started heading in every direction, without being accounted for;
- vi. The Punjab Food Department did not put in place any reforms to rectify the situation.

The responsibility for failure to meet procurement targets lies with the Ex-Food Secretary Mr. Naseem Sadiq and Ex-Director Food Punjab Dr. Zafar Iqbal.

The Minister for Food Mr. Samiullah Chaudhry is responsible for not devising any reform agenda to address the chronic ailments in the functioning of Punjab Food department.

c. Sindh Province

- i. The Government of Sindh decided not to procure stocks, whereas the MNFS&R had set up a target of 1 Million Ton for the year, at a time when the national surplus remained the lowest during the last five years;
- ii. Sindh Government claimed having carry forward wheat stocks to the tune of 0.8 Million Tons, whereas the veracity of those stocks was seriously put into question when the National Accountability Bureau found massive pilferage and theft in the Sindh wheat stocks;
- iii. The Food Department Sindh failed to intervene in the market early when the prices of wheat started rising as early as August 2019 and, despite claiming to have 0.8 Million Tons of stocks, delayed releasing its stocks till October 2019, thereby allowed the private hoarders to fleece the general masses at high prices;
- iv. Sindh Food Department failed to lift wheat allocated to it by PASSCO in time, thereby allowed the shortage and price hike to continue;
- v. The Sindh Food Department failed to devise a mechanism to regulate the demand and supply of wheat, and keep track of the government and private wheat stocks.

The responsibility for failure to procure cannot be fixed in Sindh individually as the decision on summary to procure wheat was not taken by the Cabinet.

d. Khyber Pakhtunkhwa

- i. The Food Department Khyber Pakhtunkhwa failed to meet its procurement target for the last two years.

The responsibility for failing to meet procurement targets lies with Ex. Secretary Food Department, Mr. Akbar Khan and Ex. Director Food Department, Mr. Saadat Hussain and the Minister for Food Mr. Qalandar Lodhi.

Recommendations

74. The following recommendations are suggested to address the issue of repeated wheat crises:

a. Recommendations for the Ministry of National Food Security & Research

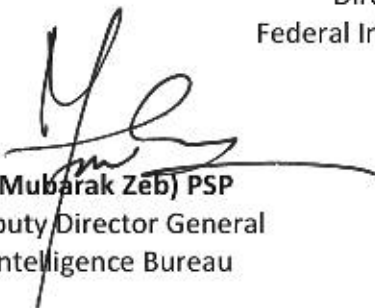
- i. The Ministry shall devise a mechanism for accurate crop assessment, on scientific basis, in coordination with provinces which shall guide the subsequent policy and planning;
- ii. The Ministry should set up the procurement targets in accordance with the available carry forward stocks. A minimum wheat stock should be calculated and agreed to which would serve as a standard for calculating procurement targets and the need to import or export wheat.
- iii. The Ministry of National Food Security and Research and provinces need to strengthen the mechanisms for policy formulation, planning, coordination and implementation effectively; especially those related to setting up and achieving procurement targets by PASSCO and Provinces;
- iv. The MNFS&R shall formulate policy and implementation mechanism for aggressive procurement this year as the opening stocks at the beginning of coming crop year will be the lowest in last 10 years. The minimum support price may also be enhanced to ensure competitiveness with market rates; and
- v. The Ministry shall have a mechanism to monitor export of wheat and wheat products by private sector for proper assessment of the situation and the requirement of any intervention.

b. Recommendations for the Provinces/Provincial Food Departments

- i. Provinces shall meet the national wheat procurement targets set up by the MNFS&R. Keeping in view the expected lowest carry forward stocks this year, measures are needed to ensure stringent procurement regime for the coming season as procurement is going to pose serious challenges;
- ii. Shall devise mechanism for monitoring private stocks to ensure that prices are not manipulated by creating artificial shortage;

- iii. Shall devise effective mechanism for safety of public stocks, including putting in place IT-based surveillance mechanism, to prevent pilferage and damage;
- iv. Devise IT-based mechanism of QR codes for tracking every bag of wheat supplied to flourmills and flour bags produced;
- v. Shall ensure stability of tenure for secretary food and DFCs.
- vi. Address the issue of debt accumulation as currently the debt incurred by Punjab is more than Rs. 322 Billions and Sindh Rs. 70 Billions which increases the incidental charges borne by the Government;
- vii. Provincial Governments should conduct post audit of the flourmills to verify the allegations of malpractices in grinding of public wheat; and
- viii. The quota allocation of public wheat to flourmills in a district should be revised on the basis of population and not on the basis of capacity of flourmills.


(Wajid Zia) PSP
Director General
Federal Investigation Agency


(Mubarak Zeb) PSP
Deputy Director General
Intelligence Bureau


(Muhammad Goner Nafees) PSP
Director General
Anti-Corruption Establishment, Punjab

SECRETCopy No. 25

F. No. 1-9/2019-DFSC-II/Crop Damage
Government of Pakistan
Ministry of National Food Security and Research

SUMMARY FOR THE ECC OF THE CABINET

Subject: REPORT ON WEAT SITUATION IN THE COUNTRY

1. Since last decade Pakistan is self-sufficient in wheat production. During the period wheat production remained over and above the national requirement of the country. The Federal Committee on Agriculture (FCA)'s meeting held on 11-10-2018 fixed the sowing area target of 21.827 million acres with the production of 25.507 million tons (**Annex-A**). At the initial stage it was expected that despite the shortfall of 1% of sowing target the production target of 25.507 million tons would be achieved safely. However, due to recent rains, hail and windstorms, the expected wheat production has declined to 24.268 million tons, showing 5% loss to the production target of 25.507 million tons (**Annex-B**).

2. The available stocks of wheat, as reported by the provinces (on 20th May, 2019) are at the level of 6.742 million tons, as compared to 7.257 million tons of the corresponding period of last year (**Annex-C**). The ECC of the Cabinet has approved to procure 6.250 million tons of wheat by the public sector with the financial limit of Rs. 200.041 billion (**Annex-D**).

3. Provincial Food Departments and PASSCO have started the wheat procurement process vigorously throughout the country. So far, Punjab Food Department has procured 2.476 million tons, whereas PASSCO has reported the procurement progress at the level of 0.508 million tons. However, Sindh Food Department has still not started their procurement process because of delay in taking the decision by their Provincial cabinet. Provinces are committed to procure wheat as per allocation allowed by the ECC of the Cabinet.

Contd...P/2...

4. Pakistan Flour Mills Association (PFMA), by using various means of print media, contested over the unnecessary barriers imposed by the Punjab Food Department during wheat procurement process. They have demanded for lifting ban on the sale/purchase of wheat at the national level and to ensure its free movement within the country. PFMA has also demanded a ban over the export of wheat. The current rate of wheat at the international market is US\$ 205/MT. With US\$ at 150 Rupees (US\$ 216/MT), the gap between international and local price is narrowing.

5. In view of above, Ministry of National Food Security & Research while examining the current situation of wheat at the national level recommends that:

- a) **The available wheat, as reported by the provinces and PASSCO is well above our national requirement of around 25.84 million Tons.**
- b) **Wheat procurement is as per target by the Provincial Food Department (Punjab) and PASSCO.**
- c) **There is no need to put an immediate ban on the export of wheat rather the situation should be closely monitored.**

6. The proposals contained vide para-5 above are placed before the ECC.

7. The Minister for National Food Security and Research has seen the summary and authorized its submission to the ECC of the Cabinet.



(DR. M. HASHIM POPALZAI)
Secretary

Islamabad, the 20th May, 2019

F. No. 1-9/2019-DFSC-II/Crop Damage
Government of Pakistan
Ministry of National Food Security and Research

SUMMARY FOR THE ECC OF THE CABINET
Subject: **REPORT ON WHEAT SITUATION IN THE COUNTRY**

Pakistan is self-sufficient in wheat production since last decade. Due to better wheat procurement price wheat production remained over and above the national requirement of the country. The Federal Committee on Agriculture (FCA)'s meeting held on 11-10-2018 fixed the sowing area target of 21.827 million acres with the production of 25.507 million tons (**Annex-A**). Initially, it was expected that despite the shortfall of 1% in the sowing area target the production target would be achieved safely. However, due to rains, hail and windstorms during months of March and April, 2019 the expected wheat production has been declined to 24.279 million tons, showing decrease of around 5% production as compared to the production target of 25.507 million tons (**Annex-B**).

2. Pakistan Agricultural Storage and Services Corporation (PASSCO) and Provincial Food Departments have reported wheat stocks at the level of 7.673 million tons as on 10-06-2019, as compared to 10.065 million tons of the corresponding period of last year (**Annex-C**).

3. The Federal Cabinet on 08-04-2019 approved the procurement targets of PASSCO at the tune of 1.1 million tons for the procurement of Wheat crop 2018-19. However, Provincial Governments are allowed by the ECC on 15-05-2019 to procure wheat, preferably from small farmers. PASSCO and Provincial Food Departments have started the wheat procurement process vigorously throughout the country (**Annex-D**). So far, Punjab Food Department has procured 3.243 million tons, whereas PASSCO has procured wheat at the tune of 0.672 million tons. However, Sindh Food Department has still not started their procurement process.

4. International Grains Council (IGC), London in its report published on 07-06-2019 has quoted the international price of Hard Red Winter Wheat at US\$ 222/- per ton and Soft Red Winter at US\$ 224/- per ton, equal to Rs. 33,934/- per ton (**Annex-E**). Therefore, with the addition of US\$ 20 on account of freight charges the FOB Karachi price would be US\$ 244/- per ton, which equals to Rs. 36,964/- per ton as compared to the local price of wheat at Rs. 35,346/- per ton in the local market.

(1 US\$=Rs. 151.49 as on 10-06-2019)

Contd...P/2

5. Department of Plant Protection (MNFS&R) has reported that since 1st July, 2018 a quantity of 0.307 tons of wheat and 0.253 tons of wheat flour has been exported through sea and land routes (Annex-F).

6. In view of above, Ministry of National Food Security & Research while examining the current situation of wheat at the national level recommends that:

a) The total availability of wheat as reported by the PASSCO and Provincial Governments is 28.00 million tons, including leftover stock of 3.721 million tons. The stock is well above our national requirement of around 25.84 million Tons.

b) Wheat procurement is as per target by the Provincial Food Department (Punjab) and PASSCO.

c) Increased local prices of wheat/wheat flour are of great concern. The situation may be evaluated in detail by the Committee.

d) Constituted Committee of the ECC of the Cabinet may strictly monitor wheat stocks, international and national wheat prices, dollar/rupee exchange rate and export parity to ensure food security of the country.

7. The proposals contained vide para-6 above are placed before the ECC.

8. The Minister for National Food Security and Research has seen the summary and authorized its submission to the ECC of the Cabinet.



(DR. M. HASHIM POPALZAI)
Secretary

Islamabad, the 11th June, 2019

Annex-3

3

3452

TO BE PUBLISHED IN PART-I OF THE GAZETTEE OF PAKISTAN
Government of Pakistan
Ministry of National Food Security and Research

F. No.4-12/2014/DFSC-II/ Wheat Export

Islamabad the 30th July, 2019

NOTIFICATION

With the ratification of the Economic Coordination Committee of the Cabinet's decision No. ECC-282/23/2019 dated 17-07-2019 by the Cabinet in case No. 665/30/2019 dated 25-07-2019, the Ministry of National Food Security & Research, hereby imposes an immediate ban on the export of wheat and wheat flour (Aata).

(IMTIAZ ALI GOPANG)
Food Security Commissioner-II
Tel: 051-9208707

The Manager,
Gazette of Pakistan,
Printing Corporation of Pakistan Press,
Karachi.

Distribution

1. Secretary, Ministry of Finance, Islamabad.
2. Secretary, Ministry of Commerce, Islamabad.
3. Chairman, Federal Board of Revenue, Islamabad
4. Governor, State Bank of Pakistan, Karachi.
5. Provincial Secretaries, Food Departments of Punjab, Sindh, Khyber Pakhtunkhwa and Balochistan.
6. Managing Director, PASSCO, Lahore.

CC

1. PS to the Federal Minister for National Food Security & Research, Islamabad.
2. Sr. PS to Secretary, Ministry of NFS&R, Islamabad.
3. DS (Admn) with the request to arrange its publication in Part-I of the Gazette of Pakistan, Printing Corporation of Pakistan, Karachi.

AS-I	
AS-II	✓

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Pl request TP Wing to issue notification for amendment in EPO, 2016

28/07/2019

Jy. No. 470-13-II
Dated 31/7

Diary No. 65596
Date: 31-07-19

31/7

Dy No. 2375-18 (Admin/Int)
Date: 31/7/19

2019

Annex-4

23
Annex II

F.No.4-12/2014-DFSC-II/Wheat Export.
Government of Pakistan
Ministry of National Food Security & Research

Islamabad, the 7th August, 2019

OFFICE MEMORANDUM

Subject: - CLARIFICATION REQUIRED REGARDING BAN ON EXPORT OF WHEAT AND WHEAT FLOUR (AATA)

The undersigned is directed to refer to Pakistan Flour Mills Association's letter No. PFMA(CB)/2019/16 on subject noted above.

9 AUG, 2019
Chief (Export)

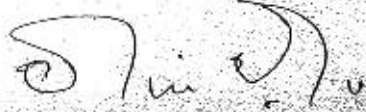
In this regard, it is clarified that ECC of the Cabinet on 17-07-2019 has imposed an immediate ban on the export of wheat and wheat flour (Aata). In pursuance of the ECC decision MNFSR has issued a notification on 30-07-2019 for imposing ban on the export of wheat/wheat flour (Aata) copy enclosed. However, other wheat products like Fine, Suji and Maida are excluded from the ban.

3 In view of above, FBR is requested to make necessary amendments in their appropriate PCT Codes to allow export of wheat products i.e. Fine, Suji and Maida.

4 This issues with the approval of the Secretary.

Encl: as above

The Chairman,
Federal Board of Revenue,
Islamabad.


(MUHAMMAD AZEEM HAKRO)
Dy. Food Security Commissioner-II

C.C

1. PS to Federal Minister for NFS&R, Islamabad.
2. Sr. PS to Secretary, M/o NFS&R, Islamabad.
3. APS to the Food Security Commissioner-II M/o NFS&R Islamabad.
4. Pakistan Flour Mills Association, Lahore.

FBR #DOX Dy.No.104423-R
Received in Chairman's Sect.
on 08 AUG 2019

SEIZURE DATA OF WHEAT FLOUR

Period	Qty of Wheat Flour	Place
24.12.2019	Atta=130 Bags=6240 Kgs Suji=300 Bags=14400 Kgs Maize=200 Bags=9400 Kgs Total Value of Atta+Suji= Rs.1,240,088/-	Torkham
29.08.2019	624 Bags=24960 Kgs of Wheat Flour=780,000/-	Ghulam Khan
07.10.2019	1560 Bags=62400 of Wheat Flour Total value=Rs.1,950,000/-	Torkham

Points:

- i. Gift of wheat to Afghanistan-Prime Minister's announcement 40,000 tons of wheat to the People Republic of Afghanistan dated 28.08.2019.
- ii. Impose ban on export of wheat and wheat flour (Atta) on 30th July, 2019 by Ministry of National Food Security and Research, Islamabad.
- iii. Board vide letter dated 17th September, 2019 circulated SRO 1044(I)/2019 dated 11th September, 2019 issued by Ministry of Commerce regarding amendment in the Export Policy Order, 2019 for ban on export of wheat and wheat flour.
- iv. On 26th October, 2019 and 2nd November, 2019 MNFS&R imposed ban on export of Fine, Maida & Suji respectively.
- v. This Collectorate made all out efforts to enforce the ban on export of wheat, wheat flour and other wheat products in true letter and spirit.

Annex-6

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GOVERNMENT OF KHYBER PAKHTUNKHWA
FOOD DEPARTMENT

NO.SOF/2-11/10/Vol.III/ 2951-
Dated Pesh: the 17-05-2019

091-9225373

fooddepartmentkpk@gmail.com

@fooddepartmentkpk @foodsecretariat

To,

The Secretary to Govt. of Punjab
Food Department

Subject: - MINUTES OF CONSULTATIVE MEETING ON LOSSES OF WHEAT CROP 2018-19.

Dear Sir,

I am directed to invite your kind attention to the minutes of the meeting held on 06-05-2019 under the Chairmanship of Advisor to the Prime Minister on Establishment in Prime Minister Office, Islamabad Para 5 (C) of the Minutes Says, "As the wheat production and left over stocks are above the national requirements of the country, therefore, there shall be no barriers on the movement of wheat within the country or on the export of wheat."

2. However, to the contrary of the decisions of the competent forum, the field staff of Food Department Punjab create hurdles in the free movement of wheat, especially to Khyber Pakhtunkhwa, which is against the spirit of the directions/decision referred to above. Even supply of wheat from the province of Sindh to Khyber Pakhtunkhwa is not allowed. (copy of District Police Officer, Bhakkar order is attached for ready reference). This state of affairs is affecting the smooth supply of wheat and wheat products in the market and is not in the public interest

3. Due to the above measures of Punjab Food Department, the rates of wheat and wheat products are showing upward trend in Khyber Pakhtunkhwa. For the purpose of resolving the issue, a representative delegation of Pakistan Flour Mills Association Khyber Pakhtunkhwa Chapter met your honor on 16-05-2019 and apprised you of rising trend in the prices of wheat aita in the market.

4. It is therefore requested that necessary instructions in this behalf be issued to your sub-ordinate field formations not to create hurdles in the smooth supply / movement of wheat from Punjab / Sindh to Khyber Pakhtunkhwa so that the rising trend in the prices of wheat products in Khyber Pakhtunkhwa be checked in time please.

FM-I
23/5

ADCS



ADCS
Supdt. EST.

Yours sincerely,
(MUHAMMAD ARSHID)
Deputy Secretary Food Department
20/5

Enforcement No & Date Even.

- Copy forwarded to:-
1. The Secretary to Government letter Pakistan, National Food Security & Research, Islamabad with reference to his No. F.1-9/2019/DFSC-II/Wheat Damage dated 13-05-2019 for information and necessary action.
 2. The PSO to Chief Minister, Khyber Pakhtunkhwa Peshawar.
 3. PSO to Chief Secretary, Government of Khyber Pakhtunkhwa, Peshawar.
 4. PS to Minister for Food, Khyber Pakhtunkhwa, Peshawar.
 5. The Director Food, Khyber Pakhtunkhwa, Peshawar.

Deputy Secretary Food Department

ڈیپارٹمنٹ آف ایس ڈی
DSE/SUPOS
SHOs

مہلک بیماریوں کے علاج کے لیے
مہلک بیماریوں کے علاج کے لیے

203 / SB
13.05.2019

کن سرکاری صوبائی منتقلی اور حرکت پر مبنی

ڈیپارٹمنٹ آف ایس ڈی 4530/OPS/13.05.2019
15760-63/RSB/13.05.2019

13.05.2019 سے
SHOs اور SUPOS کے
مہلک بیماریوں کے علاج کے لیے

ڈیپارٹمنٹ آف ایس ڈی
کن سرکاری صوبائی منتقلی اور حرکت پر مبنی
بھکر