Dry fruit prices shoot up after Kashmir floods

The prices of walnut, saffron and apricot have shot up steeply in the city due to their crops getting washed away in the devastating floods in Kashmir.

While shell-less walnut is now selling at close to Rs 2,000 ($32.75 USD) per kg as against Rs 1200 ($19.65 USD) per kg a month ago, the price of apricot has seen a rise from Rs 400 ($6.55 USD) per kg to Rs 600 ($9.83 USD) .

According to traders with 80% crop of all the dry fruits grown in Kashmir having been completely destroyed, apprehension over acute shortage of supply during the festive season may increase the price further. The region encompassing Anantnag, Pehalgam, Avantipur and Shopian famous for walnut and saffron production and supply to the rest of the country and abroad has been badly-hit by the floods.

This is the time when walnut and saffron crops are ready for reaping, but due to floods, prices have gone up 50-70%, said Rohit Gupta, a dry fruit wholesaler in Aminabad. "This year, crop of walnut and saffron was not good due to untimely snowfall in summer. Flood fury has added to the scarcity," said Jitendra Bhatia, owner of a dry fruit shop in Hazratganj.

According to Sharat Agarwal, owner of a retail dry fruit shop in Narhi Prices of dry fruits transported from the Valley will certainly rise as festivals are nearing and there is lack of supply, said Sharat Agarwal, owner of a retail dry fruit shop in Narhi.

Growing dairy and meat industry

The dairy sector is being reshaped by improved bank financing of animal farming, expanding market outreach of milk and meat processing companies, and the growing domestic and foreign demand for livestock products.

According to bankers the bulk of the credit went to large commercial animal farms and dairy and meat companies, adding that a part of bank financing was used for expanding distribution and marketing networks. Engro Foods, for example, launched in December 2013, its fresh milk brand 'Mabrook' and opened a number of retail outlets for its marketing. Haleeb Foods also opened up dozens of milk collection centres, in collaboration with an NGO, in villages of Bahawalnagar, Punjab.

Around 20 companies are currently engaged in processing of milk and production of its byproducts and some of them like Nestle, Engro and Haleeb are also involved in exports. Some 30 companies including Al-Shaheer Corporation and Al-Aien Group are involved in meat processing and exports.

In FY14, exports of more than 74,000 tons of meat and meat products fetched $230m, up from about 63,000 tons worth $211m in FY13. Industry people say the bulk of exports are going to Saudi Arabia followed by Kuwait, UAE, Bahrain, Oman, Qatar, China and Afghanistan.

Similarly official stats show that, exports of milk and cream (not concentrated/sweetened) more than doubled to about $50m in FY14 from $20m in FY13. Forex earning through exports of concentrated or sweetened milk and cream remained unchanged at $9m.

Exporters say the bulk of milk exports of both categories go to Afghanistan. Some tiny shipments are also made to Egypt, Libya, Mozambique, Nigeria, Sri Lanka, Tajikistan and the UAE. Butter, yogurt and other dairy products are also exported mainly to Afghanistan and Tajikistan. People associated with the trade say total export earnings through these items rose to about $5m in FY14 from around $2m in FY13.

Export earnings of dairy and meat products continue to grow backed by strong foreign demand. And local demand of processed milk and meat also has enough potential for growth but tapping it requires investment in dairy and meat industry.

All milk processing companies combined currently cater to about 3 % of the domestic market while the remaining 97% demand is met by traditional network of direct fresh milk supplies from dairy farmers to wholesalers to retailers. This low market share can be enhanced significantly if milk processors are able to cut costs to narrow the gap between the prices of processed and fresh milk.

Big players like Al-Shaheer Corporation (parent company of Meat One) have made investment, initially on their own and later on with bank financing, for establishing modern animal farms and slaughtering and meat preserving technologies.

Crop sowing may be delayed

FARMERS fear a severe shortage of fertiliser, particularly of urea, during the rabi season that begins from October. This year's rabi season comes after the country's biggest floods since 1972 in the wake of furious monsoon.

But a bountiful rain is considered good for rabi crops which are sown in winter and harvested in summer. These crops include wheat, barley, mustard, sesame and peas. The water that has percolated in the ground during the rains is considered an important source of water for these crops although Rabi crops require irrigation.

The ministry of production and industries had proposed the import of at least 600,000 tonnes of urea for the rabi season.

As suggested by the ministry of production and industries, import of at least 600,000 tonnes of urea can bridge the shortfall in local supplies during forthcoming winter crops. But the Economic Coordination Committee of the Cabinet (ECC) has approved import of 185,000 tonnes, which will be followed by inviting tenders, opening of bids and other time-consuming procedural formalities.

According to farmers, the delay in import, may delay sowing of wheat. Analysts say the imports of 600,000 tonnes would cost the government an amount of $247.80 million. The imported urea currently costs Rs2,413 per 50 kilo bag but is available at Rs1,785 in local markets, thanks to a subsidy of Rs628 per bag provided by the government.

The Fertilizer Review Committee (FRC) of the ministry of production had asked the ECC to expedite the process of import of urea for the rabi crop season which runs from October to March. The committee wants most of the imports to be made by December-end, as growers use maximum urea during October-December to make the Rabi crop pest-free. Besides, shortages lead to sudden surge in prices.

The FRC meeting noted that farmers would need a total of 3.10m tonnes urea during the current season but only a stock of 2.4m tonnes is available and it includes domestically produced 2.38m tonnes and a carryover of 120,000 tonnes from the recent kharif season (April-September, 2014). So, there is a shortfall of 0.6m tonnes of urea.

Currently, the use of urea cannot be avoided if the growers are tasked to produce higher yield and quick returns. But it leads to unabated depletion of soil fertility due to mining of the essential plant nutrients from the soils. Almost 100pc soil in Pakistan has become deficient in nitrogen; 80-90% in phosphorus and 30% in potassium. During July-March 2013-14, the domestic production of fertilizers witnessed an increase of 18.2% over the corresponding period of last year. The imported fertilizer increased by 52.2%.

Fruits and vegetables: Russian officials agree to support Pakistan's exports

Pakistani fruit and vegetable exporters have announced that Russian quarantine officials have agreed to support their companies in an attempt to increase exports to the country.

A group of 20 exporters went to Russia this week to participate in the 23rd 'World Food Moscow', Russia's premier international exhibition for the food and drink industry, where participants from 70 countries took part.

Both parties also agreed to sign a Memorandum of Understanding (MoU) to help keep track of their activities, while the Russian government official also said that a visit to inspect facilities in Pakistan would also be made.

"We informed the Russian officials about the progress Pakistan had made in improving the quality of its fresh food exports to the European Union (EU)," said PFVA Co-Chairman Waheed Ahmed. "They were also informed how Pakistan Fruits and Vegetables Association (PFVA) successfully avoided the looming ban from the EU on fruit and vegetables exports. "Now that they have seen that Pakistan is following the protocol to increase its fresh food exports, they will visit to explain local companies about the Russian quality requirements."

Updating more on the MoU, Waheed said it would help Pakistani exporters resolve export-related issues promptly and pave the way for a greater share in the Russian market where doors have been closed for the EU, US, Australia and Canada.

"Improved trade relations with Russia would also benefit the whole chain including farmers, traders and definitely exporters," Waheed said.

A delegation, led by Mr. Waheed, also had a fruitful meeting with the Russian Federal Service for Veterinary and Phytosanitary Surveillance (Rossellkhoznadzor) Head Alexander Isayev.

Thought for food

According to US Embassy Agricultural Counselor David Williams, "The WPEP project has produced exceptional results. Wheat is an important crop in both Pakistan and the US and our two countries are continuing a 50-year tradition of collaboration in agriculture,".

In a two-day annual Wheat Productivity Enhancement Project (WPEP) wheat planning meeting held in Islamabad, the United States (US) Department of Agriculture (USDA), wheat researchers from across Pakistan, the International Maize and Wheat Improvement Center (CIMMYT), and the International Center for Agricultural Research in the Dry Areas (ICARDA) focused on reviewing the progress of the past wheat growing season and developing a plan for breeding, disease surveillance, seed production, and agronomy research for the upcoming rabi season.

Williams noted that in all the provinces farmers produce wheat which accounts for 60% of the daily caloric intake of the average Pakistani. He further explained that the US–Pakistan collaboration is vital to the global effort to combat UG 99 and other wheat diseases.

The US Government-funded WPEP supports Pakistani and international scientists in evaluation and development sectors, and releases new high-yielding, disease-resistant wheat varieties. Other objectives include improving agronomic practices and upgrading Pakistan's research capacity.US and Pakistani scientists expressed satisfaction over the progress of WPEP so far.

Flood impact: After brief stability, inflation starts rising again

Due to disruption to the food supply chain following heavy rains and floods, inflation rose 7.7% year-on-year, primarily.

It was for the first time since April this year that inflation rate was higher than the previous month. In April, the headline inflation was 9.2%, which gradually came down to 7% in August – a trend that has stopped, at least for the time being.

The rise in inflation is in line with the expectations of the Ministry of Finance and State Bank of Pakistan (SBP) as both have already warned of an increase in prices of edible and other commodities in the wake of damage caused by floods to crops planted over 2.4 million acres of land.

According to the Rapid Need Assessment Report, five districts of Punjab were hit the hardest by the floods, people have lost 43% of stored food stock.

Data suggests that the increase in headline inflation was solely the result of higher food prices. On a year-on-year basis, food inflation rose 7.2%, an increase of 1.6% in just one month.

The increase was in both perishable and non-perishable food items. The pace of increase in perishable items was recorded at 16% in September over a year ago while it was only 4.8% in case of non-perishable commodities, according to the PBS.

Potato prices doubled compared to September last year. Moong pulse rates increased about one-fifth while cigarette prices went up 22.6% due to higher taxes from July this year.

Fuel and food-adjusted inflation, known as core inflation, rose 8.1% year-on-year, an increase of 0.2% in a single month.

Anticipating the pressure on inflation due to the floods, the SBP has kept the key discount rate unchanged at 10%. In the past, the central bank used to target core inflation, but now it appears that the central bank has shifted from the core to headline inflation while arriving at a decision on the discount rate, according to independent analysts.

Initiative to boost Date exports

Deputy High Commissioner of Australia Paul Molloy and Agricultural Counsellor of the United States in Pakistan on Wednesday, the minister said that new regulations and structural changes would be introduced to bring in a quantum jump in the export of dates.

Ministry of National Food Security and Research, Agricultural Department of Sindh and SMEDA would also be taken on board to provide policy input and smooth execution of the project.

He said that the initiatives would boost rural farm income in Sindh particularly in date sector. He was of the view that the country can boost exports by reducing wastage, value addition, improving packaging and branding of the product.

He apprised the diplomats that the government had made adequate mechanism in the current budget to provide access to microfinance facility to small and medium-sized farmers.

The commerce ministry would also coordinate with the local chambers of commerce and industry and the agricultural unions to seek their proposals and successful implementation of the initiative, he added.

Khurram said that there was a need to create value-chains in the dates producing areas which would benefit the low-income farmers of the region.

Fertilizer shortage feared

Subsidy mode is yet to be decided for fertilizers as imports have been delayed, and domestic production is still a matter of debate.

The early signs suggested that the domestic shortfall might range between 30-35 % of the total requirement, and the import of 185,000 tonnes decided by the Economic Coordination Committee of the cabinet (ECC) will still leave a big gap between supply and demand. It is feared that urea price may shoot beyond Rs 2,000 per bag, and that of Di-Ammonia Phosphate (DAP) even more.

The genesis of the potential problem lies in the historical consumption pattern during the rabi season, when the country needs around 3 M tonnes of urea. With a carryover of around 200,000 tonnes from kharif crop and domestic availability of around 2.4 M tonnes, the supply might still fall short by 415,000 tonnes.

90 days are required for implementing ECC's decision to import 185,000 tonnes of urea including placing orders, opening letters of credit, coordinating shipping processes, port handling and inland transportation; another two weeks might be added to the timeline if port is Gawader, instead of Karachi. The country needs both fertilizers (urea and the DAP) by end November or early December.

Another layer of urgency is added to the situation by the current floods. They have so far touched just under 3 M Acres of crops. Of these, they swept crops on over a million acres, where the farmers might go for early sowing rather than waiting for the damaged crops to re-grow. Wheat being the only next option in rice and cotton zones, this will inaugurate the rabi season early and so would be fertilizer application. Thus, instead of December, the fertilizer demand may rise

by mid or late November. Making the position more volatile is the domestic urea production which is still a matter of debate. The government earlier had estimated it at 2.2 M tonnes. The industry says that some of the plants, not part of the earlier calculations, are receiving gas now and producing fertilizer. Four units, which are getting gas right now, can add 200,000 tonnes provided they continue getting it for the rest of the season. If exports are not expedited, the prices of fertilizer will spiral because of huge deficit and the sowing may be delayed.

Oligopolies in milk market

A recent report by a multinational has predicted a 36% growth in global milk consumption over the next decade. According to the study, 'A Global balancing Act; Dairy Demand & Supply', this growth would mainly occur in emerging markets of Asia: demand in India will increase by 120%, in China by 78%, in Pakistan by 35% and the rest of Asia by over 57%.

The drivers of this high demand are listed as expanding population, increasing middle class, growth in gross domestic product (GDP) in these countries and changing dietary preferences as a result of general income increase.

The report also says that in the middle of the decade, global demand, for the first time in history, would overtake supplies, and the trend would continue increasing the gap between demand and supply each successive year.

The regional picture painted by the report should be a huge window of opportunity for Pakistan's dairy industry domestically as well as regionally. The industry has seen a massive growth in the last five years in Pakistan attracting Rs20 bn investment, according to some estimates.

Now it would have domestic demand growing by 3.6% annually and is expected to persist for the next one decade. Meeting this growth level should not be a problem for the industry because it has been growing at the rate of 10-15% in the last few years, making it one of the most vibrant sectors of the economy.

The real challenge and opportunity would be the growth taking place in the region around Pakistan, China and India both being lucrative and geographically close markets, yet tough competitors. However, if Pakistan industry can compete and claim some share, it can expand rapidly.

Currently, the industry is expanding at a brisk pace but, by and large, a few oligopolies dominate the processed milk market.

That is where the policymakers should play their role and help new players enter the domestic market increase competition and efficiency and enable the industry to compete regionally and internationally.

The free import of skimmed milk reinforced these oligopolies by allowing them to 'manufacture' milk rather than purchasing fresh milk on better prices from the farmers, thus deterring investment on livestock and breeds.

These imports have been used to keep prices low at the farm gate level.

Most of them are headed by the same investor, with many government nominees as their members, and unable, or unwilling, to improve the situation. This policy confusion needs to be done away with to bring transparency both at policy and execution level.

Aiming for the regional market should not be the aim of the industry alone; the government needs to actively participate. It should facilitate the sector by creating more players and developing businesses across the borders. It is argued that the country has all the required wherewithal for dairy products to compete with the world, as is being done by the poultry sector.

Why Gulf money did not flow into agriculture?

DURING the 2007-08 global rush for farmland acquisitions, Saudi Arabia and the UAE were widely reported to have acquired thousands of acres of cultivable area in Pakistan to produce food for their needs. But till now there is no mention in the media of any such project having come to fruition.

Several theories have since been floated to explain why Gulf FDI did not flow into the country's agricultural sector. A report published by Middle East Institute makes an extensive probe into why the ambitious plans turned into a mirage. It was concluded that food security cannot be achieved by Arab states by investing in farmlands in foreign countries, particularly the ones suffering from food insecurity themselves.

Sudan is a case in point where despite extraordinary publicity given to Gulf investments in Sudanese agriculture, hardly any production has taken place. Even exporting back food from that country, when it is produced, looks uncertain as it suffers from food shortage itself.

The author of the report, Robert Looney, says he found official records regarding agricultural investments in Pakistan quite 'sketchy and the facts elusive'. It is not clear 'how much land was available to investors, the number of hectares sold or leased so far, and who is in fact doing the investing in Pakistan'

A World Bank report in 2011 on growing global interest in buying lands also found no evidence of a single Arab-financed agricultural project in Pakistan having materialized, even though it ranked second to Sudan in terms of announced Gulf investments in agriculture. The authorities did not allow data collection because of political sensitivities surrounding land ownership in the country.

In the wake of global recession in 2007-08, riots erupted in many developing countries following a steep rise in prices of food grains. This led to a ban on exports of staple food commodities by exporting countries, causing great consternation among the Arab Gulf states that largely depended on food imports to meet their needs. The reports of land deals, which the Pakistani authorities neither denied nor confirmed, appeared logical under the circumstances because there was little likelihood of expansion in agricultural land in Saudi Arabia and the Gulf states and the only option seen for them, when even imports were uncertain, was to grow food crops such as rice, wheat, sugar, and fodder on lands in other countries. Saudis even phased out local production of wheat and other crops to save the country's scarce water resources. Now Saudi Arabia may become dependent on imported wheat by 2016.

Seeing a win-win situation for both sides. Pakistan, seeking to make its vast cultivable wasteland productive, was waiting for such an opportunity. All of these crops with foreign demand were suited to Pakistani soil and climate. The government began staging 'farmland road shows' across the Gulf region and offering tax exemptions, duty-free equipment imports, exemption from labour laws and 100pc land ownership in special free zones. The government reportedly even offered to provide a 100,000-strong security force to protect investors. The major land deals that Pakistani media reported were:

In 2008, Abraaj Capital and other UAE companies acquired 800,000 acres of farmland in Pakistan with the support of the UAE government. Other UAE firms interested in investing in land included the Emirates Investment Group and the Abu Dhabi Group.

In 2009, a UAE group acquired about 16,187 hectares of land in Balochistan province for an estimated $40m. They wanted to begin mechanized farming on the land.

The Qatar Meat and Livestock Company (Mawashi) was reported in 2011 to have spent $1bn in corporate farming in Pakistan. It negotiated with the Sindh government to lease around 12,140 hectares in Shikarpur, Larkana, and Sukkur.

Saudi Arabia wanted to lease 500,000 or more acres of land to grow grain and vegetables for the Saudi market.

Some factors discouraging land acquisitions in the changed circumstances included stabilisation of world food prices after the 2008 spike. World food prices fell to their lowest since August 2010 in September 2014.

Pakistan's food insecurity is quite evident from the Economist Intelligence Unit's (EIU) Index of Food Security. Pakistan ranked 76 (2012), 76 (2013) and 77 (2014). The country scored particularly low in affordability ranking and consistently low in food availability ranking.

However, Pakistan is now turning to agribusiness rather than land sales as a means of luring Gulf investment. The Securities and Exchange Commission of Pakistan enrolled 19 companies in corporate farming in January this year. Most of them are in seed, poultry and feed businesses. It is, however, not clear if any of them plans to invest in the crop sector.

Tracking fruit farms: Kinnow to follow in mangoes' footsteps

In an attempt to standardize its exports to the European Union (EU) and other markets the government has started surveying kinnow orchards after registering mango farm. For The government in May 2014 introduced a well-known global practice of tracking fruit farms and even trees to standardize mango exports to the EU.

Exporters and government officials believe the practice paid dividends and mango exporters fetched higher prices this year, encouraging authorities to replicate the practice to other fruits and vegetables.

Department of Plant Protection (DPP) Director General Dr Mubarak Ahmed said, "We have started surveying kinnow farms to understand the problems of growers. He added that "We will then certify these farms for the EU markets.

DPP is one of the 14 organizations that work under the Ministry of National Food Security and Research and provides complete quarantine facilities to fruit and vegetable growers.

"We are sure that these practices will immensely help kinnow exports and exporters," Ahmed added.

He admitted that fruit growers and exporters are not completely ready for such strict government control but insisted that gradually the new system will start paying off.

Kinnow exporters are divided over the new system.

"Just like the case of mangoes, the relevant government departments are now late in registering farms and making new policies this year but the efforts may help kinnow exporters next year," said one of the country's leading kinnow and mango exporters.

However, some exporters firmly believe that government policy to strictly monitor mango exports to the EU – one of the most lucrative markets for fruit exporting countries – was not only justified but also helped Pakistan from a blanket ban on its fruit and vegetable exports.

Matter of jurisdiction: Food authority barred from operating in Cantt

Punjab Food Authority (PFA) was asked by the cantonment authorities to stop conducting raids at food outlets in Cantt or issue licenses to them as they do not fall under the PFA's domain. In a letter, the Walton cantonment executive officer said that the PFA's authority did not extend to Cantt areas as they were under the federal government's jurisdiction.

The Walton Cantonment Board was authorized to issue licenses and act as the regulatory body regarding matters of hygiene and quality at food outlets, restaurants and hotels in cantonment areas under the Cantonment Pure Food Act 1966 and 1967.

The provincial government established the PFA under Punjab Food Authority Act 2011 in 2012 with the purpose of "working on scientific principles and internationally recognized best practices to secure food safety and quality" in collaboration with manufacturers, food business operators, consumers and stakeholders. The PFA's functions include the formulation and enforcement of food safety and quality standards, the registration and licensing of food manufactures and outlets, and laboratory accreditation of eatables. It used to operate only in Lahore but is now extending to Faisalabad, Gujranwala, Rawalpindi and Multan divisions.

A senior official of the PFA said that food safety officers had raided food outlets in cantonment areas as under the 18th Constitutional Amendment, the concurrent list had been abolished and now there were only federal and provincial lists. He said checking food quality and issuing licences was now a provincial subject and the PFA was authorized to issue licences and conduct raids at all food outlets, hotels and restaurants. He said the issue would be taken up at the appropriate forum for decision shortly.

Value-chamilkin agri financing

THE State Bank of Pakistan has introduced a 'Value-Chain Contract Farmer Financing' scheme to build liaison between banks and small farmers who have no access to formal financing.

Under this scheme, farmers can avail themselves of bank financing using processors' guarantees. In return, they will make sure that the processors or buyers get the required quantity of a crop or any other agricultural produce.

This mutually beneficial arrangement is ideal for the agriculture sector where 5.4m or 65% of the total 8.3m farm households own five acres or even less of land and most of them can't get bank credit.

They lack the kind of collateral and guarantees banks demand before lending. On the other hand, uncertainty about and disruption in supply of crops, fruits, vegetables and milk etc make processing companies' business difficult and affect their output, profit and expansion plans negatively.

Bankers say they can use the value-chain financing scheme in four main categories of lending operations i.e. trader credit, input supplier credit, marketing company credit and lead firm credit.

These types of financing arrangements have already been under practice with varying features depending upon the kind of relationship between a farmer and a trader or input supplier or a marketing company. This 'value-chain financing scheme' shows banks how they can find a role for them in between, and when they do what should be the rules of the game.

Sugar and tobacco mills and companies like Rafhan Maize, Nestle, Engro Foods and Lays currently provide inputs and transportation facilities to selected farmers who, in return, sell their respective produce (tobacco, sugar, maize, wheat, rice or potatoes etc) to them. This is an example of marketing company credit. Now, under the SBP's 'value chain financing scheme' banks too can participate as a financier or a co-financier or facilitator.

The scheme has also laid down a procedure for banks to benefit from the centuries-old institution of Arthi, or intermediary. Banks can establish contacts with the Arthi and use his services to identify a genuine borrower, correctly assess his borrowing need, ensure proper utilization of loan and facilitate and manage the borrower's cash-flow by binding him to sell his produce through the Arthi.

For banks, obtaining collateral or guarantees from small farmers has always been a problem in that it means dealing with a large number of generally disorganized individuals.

Now under the 'value-chain financing scheme', banks will be accepting such guarantees from 'a lead firm' acting as a bridge between banks and farmers. The term lead firm applies to the processors of agricultural produce, input suppliers, stockist, a marketing company, trader or exporter. Since the lead firm will act as the guarantor and will also assist banks in recovery of loans, banks will pay them a commission or monetary incentive.

Under this scheme, the loan limit for a single borrower is Rs1m, double the limit set by microfinance banks.

The scope of the scheme covers all sub-sectors of agriculture including crop-raising, livestock, poultry and fisheries. "So, each commercial bank will start implementing the scheme initially in its own strong area," says head of agricultural credit division of a big local bank.◆