

# **CONCEPT PAPER OF FOOD DEPARTMENT FOR PUNJAB**

## **ECONOMIC REPORT - 2012**

Punjab Food Department has vision to improve the quality of life of citizens of Punjab by providing them quality flour at affordable prices while safeguarding the interests of wheat growers by ensuring them fair price for their produce as well as maintaining food security in the Province. In order to achieve the above-mentioned goals following initiatives have been launched in the Food Directorate during the last two years for good governance, transparency and better service delivery.

### **HISTORY**

Food Department was created in the 2<sup>nd</sup> World War during 1945 to meet the deficiency of food in India. Initially its name was Civil Supplies Department and used to supply a number of articles including atta, wheat, rice and sugar. A number of items used to be distributed even after creation of Pakistan. Lastly only three items i.e. sugar, rice and atta used to be distributed through rationing by the Food Department. During 1984-85 sugar was de-rationed in Junejo regime and finally atta and rice were also de-regulated during 1986. With this, rationing system was completely abandoned. However, it was decided that government may continue procuring wheat at support price and supply to the flour mills at subsidized rates and subsidy may be withdrawn gradually within next few years. Unfortunately price of atta became very sensitive issue and rulers could not gather political will to withdraw subsidy. Since then, subsidy is continuously paid, quantum of which continued to vary with the quantity of imported wheat consumed, increase in rates of transportation, increase in prices of jute bags, and mark up rate charged by the banks on the loans obtained by the Food Department.

Government had to protect the interest of the growers on one hand ensuring that they get due return of their produce and the consumers, on the other ensuring that they get wheat flour (Atta), the staple food, at affordable price. Combination of the above two contrasting objectives made provision of subsidy inevitable. Therefore, Food Department is safeguarding the interests of growers through purchase of wheat on support price fixed by the Government, maintenance of strategic reserves as well as improving the quality of life of citizens of Punjab by providing them quality flour at reasonable prices.

In order to achieve above two goals the purchase of wheat during the last 20 years, the data procurement of wheat from the growers as well as releases to the flour mills are tabulated below.

<b>YEARS</b>	<b>PROCUREMENT</b>	<b>RELEASES (FLOUR MILLS)</b>	<b>CARRIED FORWARD STOCKS</b>
1992	1,749,650	2,216,788	270,577
1993	2,179,356	2,610,696	419,851
1994	1,806,248	2,602,908	155,138
1995	2,000,724	2,395,734	103,921
1996	1,890,727	2,736,460	97,031
1997	1,668,785	2,749,073	59,454
1998	2,527,758	2,649,584	398,784
1999	2,786,246	2,652,409	296,439
2000	6,336,697	2,707,169	271,617
2001	2,514,510	2,071,591	1,367,939
2002	2,840,643	3,240,723	1,366,926
2003	2,408,984	2,425,122	197,021
2004	2,453,094	2,728,116	61,650
2005	2,438,232	1,200,718	58,524
2006	2,562,832	3,323,049	1,367,274
2007	2,568,803	3,189,531	78,587
2008	2,557,401	2,716,195	13,606
2009	5,781,425	3,036,628	228,317
2010	3,721,797	3,080,000	2,930,000
2011	3,191,000	3,200,000	1,875,000
2012	2784000	4,020,000	1,743,000
2013	3676650	4,020,000	480,000
2014	3743340	1,828,326	133,862
2015	3234044		

## **FINANCIAL AND EXPORT**

Food Department procures wheat through commodity financing from commercial banks, a huge cost was being borne by the department on account of constantly accruing interest. Another major cause of concern was the constantly accruing interest and principal Nonpayment. The problem of non disposal of wheat stocks had led to simultaneous debt accumulation, stretching the financial liquidity of the Punjab government to the bare minimum, and required immediate corrective measures

Adopting a proactive approach, the directorate held vigorous meetings with the leading exporters based at Karachi in order to lure them in for export of wheat from Punjab. The underlying idea was to utilize

the idle capacity of the private sector under the garb of Public Private Partnership. It was a particularly tricky equation since the Sindh food enjoyed the obvious advantage of proximity to the port.

## **E- Governance**

### **Geo-tagging of Food Centers and Flour Mills all over Punjab:**

All the wheat procurement centers and flourmills have been Geo tagged and placed on digital and Google maps. The project has been executed free of cost with external support of Urban Unit, Punjab. This mapping provides exact location of the facility, its altitude as compared to adjacent areas for flood protection and also provides full database about capacity and consumption of wheat for better Logistics Strategy Planning (FLP). Based on this, a transport model is gradually being built for informed decision making.

This mapping has also helped the department in identifying the gaps in storage facilities viz-a-viz production and consumption patterns of wheat.

### **Web based Databases for issuance and procurement of wheat:**

Before procurement 2011-12 the monitoring of procurement of wheat and issuance of bardana was done manually not below the level of districts in Punjab. This didn't allow the Food Department to be well informed about the mismanagement at each centre being done on daily basis as over all picture doesn't depict the right picture of intensity and location of malpractices. In 2011-12 again with the free of cost help by the Urban Unit, the Food Directorate managed to develop a system of monitoring issuance of bardana, purchase of wheat and pending payments of each procurement centre in Punjab on daily basis. The system was web based and updated daily in real time. As a result, the Directorate managed to identify and rectify the malpractices in real time.

The success of the web based procurement system encouraged the Food Directorate to also develop web based wheat subsidy monitoring system in Ramazan 2011.

### **SMS based RDBMS:**

The Food Directorate took another advance project with Urban Unit when we developed issuance of wheat relational database for each centre in Punjab through a SMS based system. This again was developed free of cost by the Urban Unit. The same SMS based system is now expanded for procurement of wheat and data is being obtained from each food center on daily basis against nine fields through one single SMS. It is accurate, responsive, cheap and smart monitoring. Data is available to all officers and district governments for perusal and action in real time.

## Standardization of Structures and Procedures; SOPS

The Department has recently standardized the plinths and dunnage that is to be used for making temporary storages for wheat stocks in open. This will reduce the risk of wheat grain losses against storage in the open especially for the lowest layer of bardana/ wheat bags. At the same time the department has devised/revised SOPs for procurement, storage and release of wheat stocks. A robust field monitoring mechanism has also been devised to supervise the centers more rigorously.

## STORAGE FACILITIES

Food Department has standard storage capacity of 2,135,900 M.Ton against wheat procurement target of 35 lac M.ton. The available storage accommodation with its types is given as under :

DIVISION	H.T. GODOWN		SILOS		BINS		BULK HEAD		BINISHELL		TOTAL STANDARD CAPACITY
	NO.	CAPAC	NO.	CAPAC	NO.	CAPAC	NO.	CAPAC	NO.	CAPAC	
RAWALPINDI	180	140500	6	30000	192	7000	0	0	0	0	177500
GUJRANWALA	198	139600	0	0	98	3500	0	0	0	0	143100
LAHORE	250	214100	0	0	83	3000	0	0	0	0	217100
FAISALABAD	307	273400	15	52000	0	0	0	0	44	66000	391400
SARGODHA	122	132000	0	0	0	0	0	0	0	0	132000
MULTAN	222	203500	0	0	139	5000	0	0	88	132000	340500
SAHIWAL	210	219400	0	0	163	5900	0	0	43	61500	286800
D.G. KHAN	104	98800	0	0	210	7500	0	0	0	0	106300
Bahawalpur	325	277700	0	38000	266	9500	0	0	36	54000	341200
G.TOTAL	1918	1699000	21	120000	1151	41400	0	0	211	313500	2173900

A study had been conducted by TAMA during 2009 regarding wheat storage for food security in Punjab. It is mentioned that wheat production has been increased annually @ rate of 2.89% from 1948 to 2008 which incidentally is quite similar to the population growth rate of 2.69%. The total production of wheat increased from 3.9 million tons to 21.9 million tons during the period. The Punjab has followed these national trends very closely. Moreover the Government of Punjab has been a major player in the wheat procurement market, whereby the Food Department has been purchasing and storing wheat and then releasing it to flour millers at a subsidized rate. However, the growth in the Food Department's wheat storage capacity has not kept pace with the growth of procurement volume and consequently, there is currently a huge shortage of wheat storage space in Punjab ranging from a shortage of 4 million tons at the start of the year to 2.5 million tons towards the end. In the study report, it was suggested that Government should initially increase storage capacity by 3 million ton in first three years and then it should increase by 0.5 million ton every year.

The Food Department had purchased Steel Silos Multan during 1974 constructed by the private firm

In case of elimination of subsidy, the Government will not require additional storage capacity. The private sector will be involved in procurement storage and disposal of wheat in the local market. However, Government requires strategic reserves to meet with any exigency in the country.

#### **QUALITY ASSURANCE OF WHEAT AND WHEAT PRODUCTS**

Punjab Food Department had not equipped its laboratories with the required instruments before 2005-06. Under ASPL-II, three labs have been established in Food department located at Lahore, Bahawalpur and Joharabad. These labs not only facilitate analysis of wheat and wheat product but also give precise results to the exporters for quality assessment to find buyers in the international market. These laboratories have analyzed thousands of samples of what and wheat products. These results have been floated on website as a ready reference for a exporters to have first hand knowledge about the quality of wheat in the different localities of the province.