



# Emergency Market Mapping & Analysis Pakistan Flood Response

7-28 September 2010



## Wheat Seeds and Flour Final Report



In Collaboration with



## ASSESSMENT FINDINGS

### Wheat Flour and Wheat Seed Market System Analysis in Punjab, Sindh, and KPK Provinces

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## I. INTRODUCTION

### Executive Summary

This report summarises the baseline and post-flood situation of the wheat seeds in the provinces of Punjab and KPK and the wheat flour market system in the province of Sindh.

The study has focused on the availability and access of the target population to both wheat seeds and wheat flour. It also covered the impact of the floods to different key players in wheat seed and wheat flour market.

In terms of wheat seeds, the main findings of the study showed that the farmers have lost a significant portion of their wheat seed stock, which may result in increased demand for certified wheat seeds, although how these seeds will be paid for is unclear. At the time of the assessment, there was very little wheat seed found in the local market. Demand is not clear, since the planting season is yet to start—and therefore no purchasing has taken place—but it can be assumed that it will be reduced from last year given the constraints of land that remains flooded or not cleared, and the loss of assets that would be used for planting. Farmers are also unlikely to be able to afford to buy certified seeds. Village traders and small businessmen have also been affected, and therefore may not be able to provide credit to small farmers as usual. Aside from the direct impact to the wheat seeds stock, the floods had also affected the irrigation channels and have covered vast production areas with silt, thus posing additional problem to farmers in terms of land preparation.

For wheat flour, majority of rural farmers and consumers were heavily affected: losing their wheat grain stock for consumption. While farmers consume half rice and half flour, the flood had also destroyed the standing rice crops, thus posing a medium-term risk for food security. The district food controllers and the Pakistan Agricultural Storage and Services Corporation (PASSCO) have stock of wheat grain but the volume may not be enough to last until the next harvest of wheat. As some of the districts are still under water, farmers in those areas are not expecting to plant wheat this year, which may reduce the production of wheat in the coming year.

Cash transfer programmes (grants, cash for work and vouchers), direct distribution of wheat seeds and wheat flour in very specific areas, and food security interventions such as diversification of crop production and strengthening of alternative income sources are some of the basic recommendations. Further food security assessment as well as close coordination and advocacy work are being recommended.

### Emergency Context

Heavy rainfall began in Pakistan on July 22, 2010 causing flooding in 79 of Pakistan's 122 districts. The National Disaster Management Authority (NDMA) reported that approximately 20 million people affected, including over 1.8 million houses damaged or destroyed, 1.3 million hectares of field crops destroyed, and over 1 million animals lost. Nearly 1,800 deaths have been reported nationwide. Food security is a major humanitarian concern, with the Rabi

planting season (September/October) hampered by the loss of an estimated 500-600 MT of wheat seeds. Although floodwaters had receded at the time of the EMMA in Punjab and KPK, it had not receded in all areas, including parts of Singh Province. Acute shortages of feed have been identified for the surviving animals, with over 800,000 considered to be at risk in the coming winter according to FAO.

## EMMA Methodology

EMMA (Emergency Market Mapping and Analysis) is a rapid market analysis designed for short-term aftermath of a sudden-onset crisis. Its rationale is that a better understanding of the most critical markets in an emergency situation enables decision makers (donors, NGOs, government, other humanitarian actors) to consider a broader range of responses. It is not intended to replace emergency needs assessments, more thorough household economic analyses such as the Household Economy Analysis (HEA), but rather adds to the body of knowledge in the post-crisis period by providing timely information about the structure and functioning of key markets in the short term so that immediate programming can be based on market knowledge.

## EMMA in Pakistan

The Pakistan EMMA is an ECHO and IOM funded multi agency approach to market assessment (ACF, ACTED, CARE, IRC, Oxfam GB and Save the Children) with some additional staff and resource commitments from IOM, WFP and partners (Sustainable Development Foundation, Creative Consultants), Relief International, Care and partners (Strengthening Partnership Organization, Awaz Foundation), Concern Worldwide, MEDA, Mercy Corps, BRAC and World vision. It involved a rapid 10-day field assessment<sup>1</sup>, which analysed the impact of the floods on 4 main types of critical markets: wheat (seeds and flour), agricultural labor, fodder and small ruminants and temporary shelter materials (bamboo and timber) in 3 main provinces of Pakistan: KPK, Punjab and Sindh.

## EMMA Team

Each provincial team consisted of one Team Leader and between 15 to 18 field staff from all the agencies involved. For the wheat market, a total of 13 members have conducted the assessment: 6 members in Punjab, 4 members in KPK and 3 members in Sindh.

## Assessment Area

The assessment was conducted primarily in the following affected districts:

| Punjab – Wheat Seed                 | KPK – Wheat Seeds  | Sindh – Wheat Flour              |
|-------------------------------------|--|----------------------------------|
| Multan<br>Muzafarragagh<br>Rajanpur | Swat<br>Shangla<br>Lower Dir<br>Upper Dir<br>Mardan<br>Peshawar<br>Charsanda<br>Nowshera | Sukkur<br>Shikarpur<br>Khair Pur |

<sup>1</sup> Almost two months after the first floods struck in July 2010.

## Methodology

The EMMA assessment used a variety of methods to gather information for this assessment. To the greatest extent possible, a review of existing assessments and information was done to form the baseline for selected market-systems. To gather information on how the crisis has affect these market-systems, a variety of methodologies were used, including: key informant interviews, focus group discussions, seasonal calendar assessments with target groups. These efforts resulted in the gap and market analyses seen here.

## Key Analytical Questions

| Critical Market                 | Wheat seed  | Wheat Flour  |
|---------------------------------|---|--|
| <b>Key Analytical Questions</b> | How has the flood affected the accessibility, affordability and availability of wheat seed? Are farms ready to plant wheat and are wheat seed and associated inputs accessible? | How has the flood affected the accessibility, affordability and availability of wheat flour? |

## Critical Market Selection

Critical market systems are those that “played, play, or could play a major role in ensuring survival and/or protecting livelihoods of the target population” in an emergency context.<sup>2</sup> Four groups of critical market systems were selected based on its significance on the lives and livelihoods of the flood-affected population: 1) staple crops (wheat), 2) agricultural labour, 3) geo-specific markets (livestock, fodder) and 4) shelter materials (bamboo and timber).

The Pakistan Emergency Food Security Alliance<sup>3</sup> (PEFSA) members used the following criteria for selecting the market systems: significance and urgency to protect life and livelihoods, it has been affected by the emergency, it fits with the participating agencies’ mandates, the market’s seasonality has been considered, the possible response is consistent with government and donors’ plans, and the feasibility of the response options.

Pakistan is the 10th largest producer of wheat in the world, and Pakistan’s most important agricultural crop, grown by about 80 percent of all farmers, planted on 40 percent of the total cultivated area<sup>4</sup>. In 2009/2010 wheat crop, the Government of Pakistan (GOP) procured 9.2 million MT of wheat from the local harvest, and has fixed a procurement target of 7.5 MMT for marketing year 2010/2011. Wheat contributes 13.1% to the country’s agriculture value added and 2.8% to the gross domestic product<sup>5</sup>.

Having experienced many years of wheat deficit and dependence on importation, the government, in 2008, supported the sector by massively increasing the farm support price,

<sup>2</sup> EMMA Toolkit, p. 46.

<sup>3</sup> PEFSA Member Agencies: ACF, ACTED, CARE, IRC, OGB and SC

<sup>4</sup> Global Agricultural Information Network, 2010 - Pakistan Grain and Feed Annual Report, USDA Foreign Agricultural Service.

<sup>5</sup> SDC, SDPI, WFP 2009 – Food Insecurity in Pakistan

thus creating a bumper harvest of approximately 24 MMT. Currently, the government maintains a ban on wheat exports and imports.

While there might be a national surplus in wheat grain, the ban on the movement of the commodity within the country caused severe regional disparity and significant differences in the prices. The constraint in the availability of wheat in some parts of the country (i.e. KP, FATA, Sindh, and parts of Balochistan) has seriously impacted the food security situation of poorer household due to low purchasing capacity.

The recent flooding, which washed away wheat seeds and wheat grain for consumption, could potentially bring more difficulty among the vulnerable population and may lead to severe food insecurity, thus, being selected as critical market.

## II. WHEAT SEEDS

### Critical Market System

In 2009/2010 around 9.028 million hectares were planted with wheat, of which 6.896 million hectares (76.4%) are situated in Punjab, 1.020 million hectares (11.3%) in Sindh and 745 thousand hectares (8.3%) in KP. The remaining 367 thousand hectares (4%) are in Baluchistan<sup>6</sup>. Wheat is grown in different cropping systems and 60% using cotton – wheat and rice – wheat-cropping systems. Around 1.5 million hectares are rain-fed. Wheat stalks are an important source of fodder for animals.

In a normal year, Punjab province produces approximately 18.4 million tons of wheat, which accounts for roughly 75 percent of the national production and 71% of its districts are producing surplus wheat. KPK province on the other hand is highly deficient in wheat production, of which, 92% of its districts fall under “extremely deficient” category. The yield of wheat per hectare varies from one place to another, depending on the variety of seeds and on the fertility of the soil.

Improved semi-dwarf wheat cultivars have a potential yield of 6-8 tons per hectare while the national average yield is about 2.5 tons per hectare. Progressive farmers that have access to irrigation produce 6-7 tons per hectare. However, the production at the farmer is very low: rain-fed areas can produce 0.5 tons to 1.3 tons per hectare while irrigated areas can produce 2.5 to 2.8 tons per hectare. Majority of the supply of seeds are produced in the country.

Currently, the government restricts the movement of the wheat seeds and grains from one province to another and forbids export and import of wheat. The GOP also regulates and controls the purchasing and selling price of wheat grains and seeds through a minimum guaranteed support price and an issue price for wheat sold to flour mills.

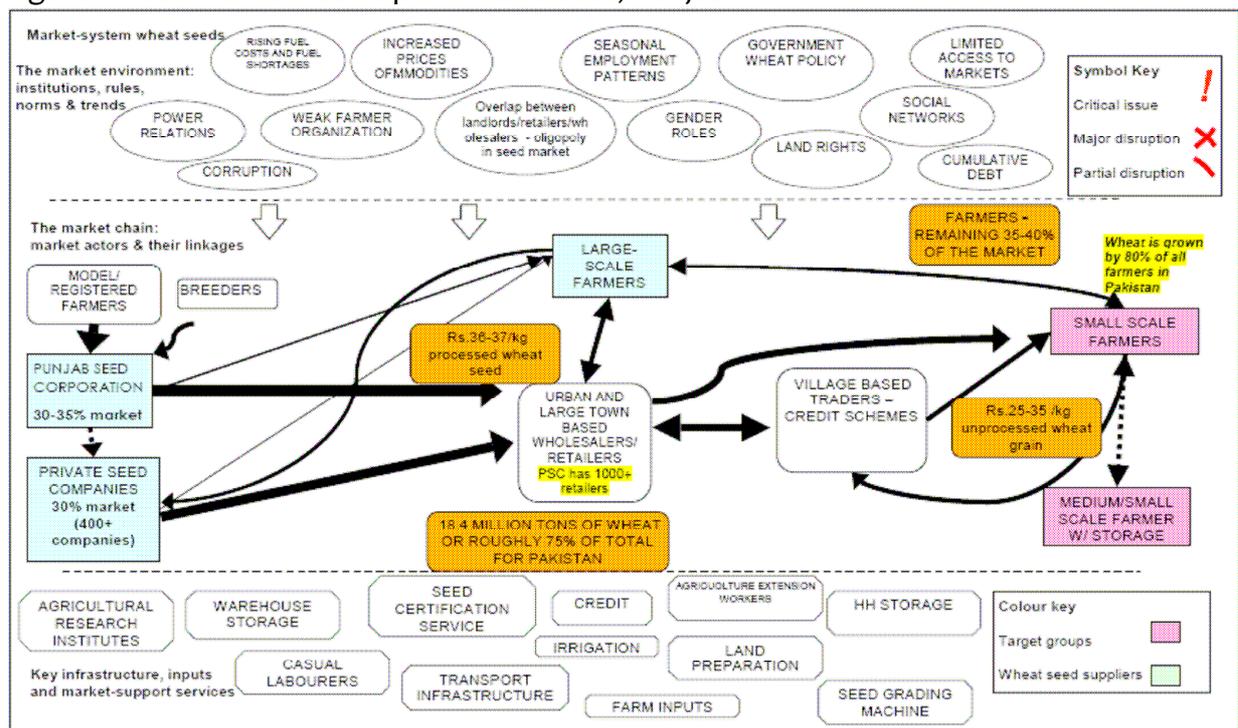
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<sup>6</sup> Global Agricultural Information Network, 2010 - Pakistan Grain and Feed Annual Report, USDA Foreign Agricultural Service.

The market map is complex outside of Punjab, but essentially farmers get their wheat seed from either saving seed from previous years, from larger farmers, from private or public seed companies, or from government entities such as the Agriculture Research Institute. Only those who are able to afford improved wheat seed – approximately 20-40% of farmers depending on the area-- purchase from government entities and private companies.

## Baseline Market Map – Wheat Seeds

Figure 1. Baseline Market Map – Wheat Seeds, Punjab

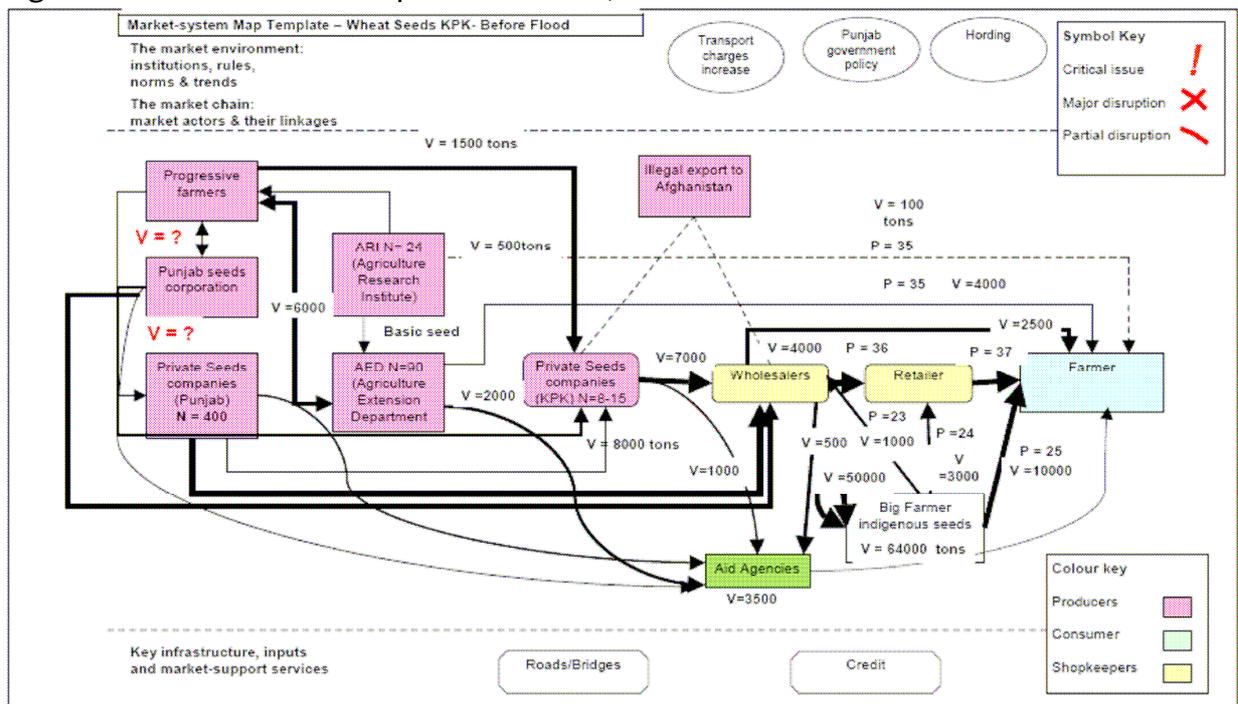


Prior to floods, most small wheat farmers used their own production of grain for seeds or buy local wheat seeds, as they could not afford to buy the improved seeds. The price of 1 kg of local non-improved wheat seed before the floods was around 25 rupees while 1 kg of improved wheat seed cost 36 rupees.

Punjab Seed Corporation (PSC), which is a semi autonomous government body, routinely provides roughly 30-35 percent of the seed market in the province through over 1000 registered dealers. A small group of private seed companies generally account for 30 percent of the market while the remaining 35-40 percent of the market likely comes from large and small farmers' production.

In KPK, the total wheat seed requirement in 2009/2010 was 80,000 tons. Around 16,000 tons (20%) are certified wheat seeds and 64,000 tons (80%) are local wheat seeds. Of the 16,000 tons of certified wheat seed, half was procured from Punjab province, while the remaining half was produced in KPK through ARI (Agriculture Research Institute), AED (Agriculture Extension Department), and private seeds companies.

Figure 2. Baseline Market Map – Wheat Seed, KPK



In Punjab, the normal wheat seed requirement would be approximately 310,000 – 345,000 tons of wheat seed, about 40% of which would be locally saved seed. WFP now reports that about half of the local seed stores have been destroyed in Punjab, leaving a gap of approximately 62,000 – 69,000 tons needed in Punjab.

In both provinces, wholesalers / seed dealers are mainly selling certified seeds, which comes from Punjab Seed Corporation and private seeds companies. Local wheat seeds are self-consumed (used in own fields) and sold to other farmers on large scale, so there is direct interaction among farmers. On a smaller scale, local wheat seeds are sold to the wholesalers and retailers. The price of local wheat seeds is similar between the two provinces: Rs. 25 per kg while certified wheat seed price ranges from Rs 35 to Rs 37 per kg.

In KPK, most farmers purchase the wheat seeds with cash, for this the farmers borrow from relatives, friends and large landowners; while in Punjab, seed traders allow farmers to take seeds and other inputs on credit for 5-6 months, at relatively high interest rate (often higher than 30%), which is then paid back after the harvest.

In KPK, aid agencies have also played a vital role in the previous years' cropping season as they have distributed seeds to the IDPs affected by conflict. Around 3500 tons of seeds were distributed in some districts of KPK.

## Emergency Market Map – Wheat Seeds

Figure 3. Emergency Market Map – Wheat Seed, Punjab

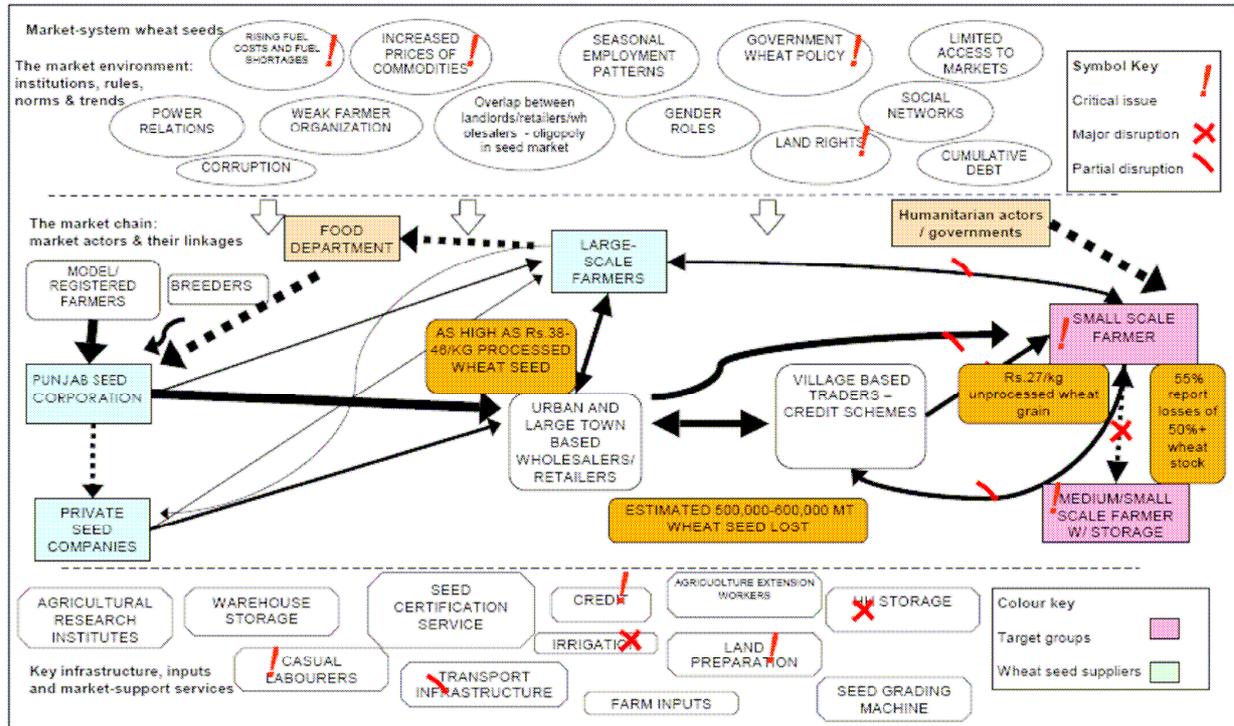
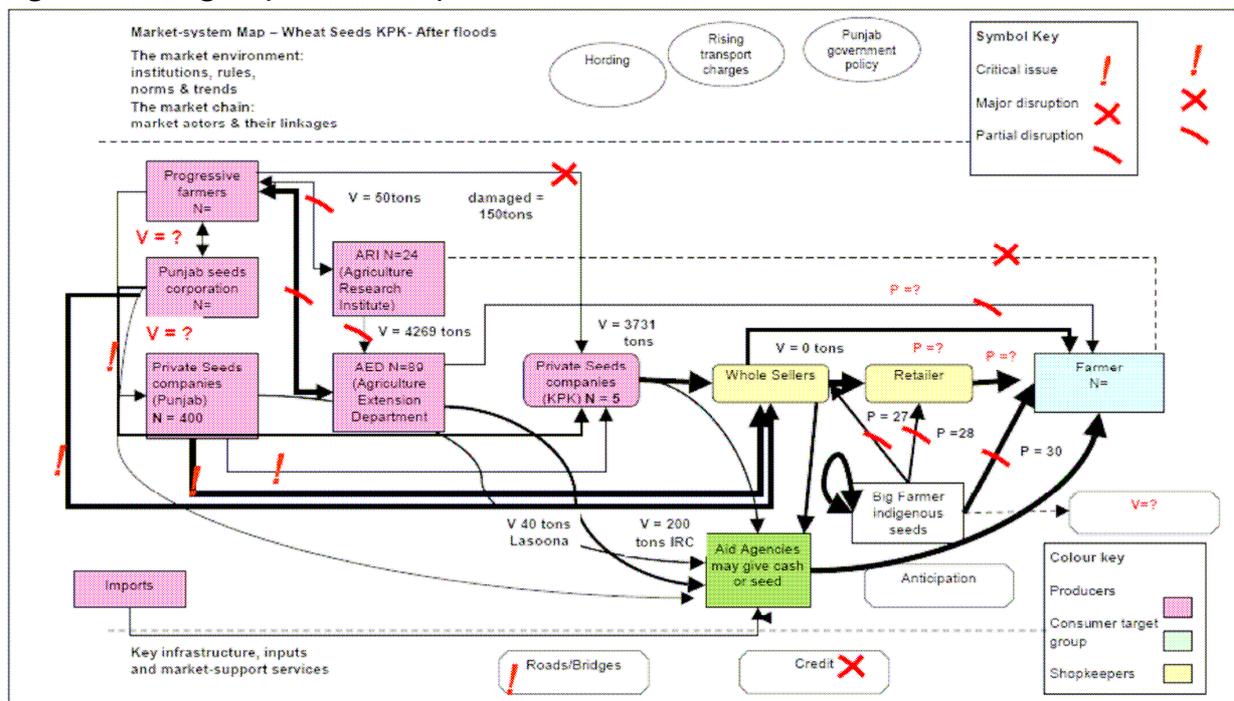


Figure 4. Emergency Market Map – Wheat Seed, KPK



After the floods, the stocks of local wheat seeds at the farmer level were significantly damaged or destroyed for both Punjab and KPK farmers. GOP and humanitarian agencies (NGOs and FAO) have indicated that they will provide seeds and other inputs to small farmers; however, the details and timings have not been made public. NGOs are starting to order some stocks of seeds for various districts affected by floods<sup>7</sup>.

In KPK, the certified seeds destroyed in Nowshehra AED department alone are estimated at 150MT. The total certified seed available with AED (Agriculture Extension Department) and private seeds company is around 8,000 tons. As the certified seeds at the level of AED and ARI have been destroyed, the volume of seeds to be given to progressive farmers may eventually reduce. In Ternab farm, only 34 tons of wheat exists, which will be given to the progressive farmers for multiplication. Accessibility is the main problem in the mountainous (Tehsil Behrain Upper Swat, Tehsil Shringal Upper Dir) areas due to severe damage to the infrastructure.

In Punjab, future demand for wheat seeds is still uncertain as small farmers affected by the floods are concerned that they will not have money to buy seeds or repay their debts, and they are doubtful that they will be included in any of the response plans. Demand is made further uncertain by the concerns about land preparation and irrigation systems.

In both provinces, local retailers are unlikely to be willing to offer further credit to farmers, who are already deeply in debt. Local retailers are also unable to gauge this year's demand for wheat seed, because many farmers have damaged fields or no funds to purchase inputs. Without this information it is difficult for retailers to know the quantities of seeds and other inputs to procure. To date, no large flows of local wheat seeds have been observed in the market and no certified wheat seed stock available in the market as of the assessment time. Local wheat seeds (lower quality) are available in the market but in negligible amount. Local wheat seed price is currently at PKR 30 / kg. Before the floods, it was PKR 25/kg.

In general, the main critical issue for the wheat seed market is the Punjab government policy, which is still not announced. The changes in the policy will play a major role in the market system (e.g. prices increase, movement of commodities, etc.) and may increase the intensity of the problem.

## **Key changes to infrastructure, inputs and market support services to the Punjab Seed market system**

- **Loss of standing crops** – Crop losses in KP is 443,116 hectares; Punjab is 1,516,661 hectares and Sindh is 998,561 hectares [FAO]. Money from these crops would have been used to repay loans and buy inputs, including wheat seeds, for the next growing season. This means that farmers who have been hit by these losses are likely to be unable to meet their livelihoods and food security needs.
- **Change in seasonal pattern** – The floods have caused the seasonality pattern of the crops. As observed in the pasts, delays in the planting of will contribute to the reduction of yield.

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<sup>7</sup> IRC and Lasoona have ordered 200 tons, and 40 tons, respectively

- **Land preparation**- The floods deposited varying levels of silt on the surface of the land and levelling is the most urgent need in regards to restarting agricultural production.
- **Infrastructure**-Irrigation canals have been badly damaged throughout the province and may need further repair before the cropping season.
- **Storage facilities** at the village level have been severely affected by the floods and the seed and grain stocks have been almost wiped out for the poorest, most vulnerable farmers. According to estimates approximately 55% of farm households have reported loss of at least half of their seed stocks.

## Important changes to the environment in which the seed market system operates

- Rising Prices -The price of 1 kg of wheat seed as of 22 September is expected to be 38-46 rupees/kg while the price of 1 kg of unprocessed wheat grain as of 22 September is expected to be 27 rupees/kg.
- Fuel shortages and subsequent price increases are contributing to wheat seed price inflation, **especially** in more remote communities. The price of 1 litre petrol before the flood was 62 rupees, now is 150-200 rupees.
- The price of essential commodities including staples, fruits and vegetables has also increased particularly in the village level markets. Interviewees reported that this further limits their ability to purchase seeds and related farm inputs.

## Key Findings

Last year dependency on local wheat seed was approximately 80%, which is now expected to decline to 34%. Last year use of certified wheat seed was approximately 20%, which now may rise to 66%, however most farmers who previously relied on local wheat seed will not have funds to purchase certified wheat seed, and therefore this may be an overestimation, unless the increase comes from government or humanitarian programs where seeds are donated.

According to interviews with traders, the availability of certified wheat seed is reasonably good in Punjab. However, with a gap of approximately 62,000-69,000 tons of local seed (as compared to last year) it is not clear if Punjab will have the ability to meet the demand for seed in KPK, as it normally would. In KPK, an estimated 45,000 tons wheat seed will be required, however only 4269 tons is believed to be available (compared to 8000 tons last year) and the EMMA team found no certified wheat seed stock in the market. With large amounts of local seed stocks destroyed in all provinces, farmers who are able to plant will have no choice but to use certified seeds. Using certified seeds however raises the questions of cost as well as availability of seed outside of Punjab province. Both the Pakistan Government and aid agencies are likely to need to play a role in order for farmers to have timely access to seeds.

Traders in KPK continue to plan to purchase wheat seeds from the Punjab, because imports are not permitted. However, it seems unlikely that enough seeds will be available from Punjab to meet the needs of KPK and other provinces. Credit is not expected to be available at any level in the chain: traders, small retailers, and farmers are all likely to face serious credit constraints. The credit issue does warrant further exploration, particularly to determine in what ways microfinance institutions that supported farmers and small retailers have been

impacted, whether loans are being repaid, and whether credit terms can be adjusted in light of the crisis. Delivery charges have also increased by 50%, probably due to the increased cost of fuel and disrupted roads and bridges.

Overall demand for seed from all sources has decreased, due to the lack of available land for planting this season. However the supply of local (saved) seeds is much lower than normal given the volume of local seeds that were lost during the flood, badly affected by the humidity after flood, or milled for flour in the areas that were cut off from the main markets, and the normal reliance on these seeds. This is pushing prices up. Support from aid agencies—in the form of seed distributions—may help keep prices stable, as supply will begin to meet demand. It also provides an opportunity for farmers to gain access to improved seed, which they may not otherwise have been able to afford. Because improved seed has better yields compared to local seeds this will improve food security in the medium term. However, agencies should consider implementing price monitoring mechanisms in areas where cash programs are being done. This will help ensure that cash programming intended to support the procurement of other farm inputs and/or to meet household needs is not causing inflation.

## Response Recommendations

| Recommended Response Activities  | Effect on market system and target group  | Key Risks & Assumptions   | Feasibility and Timing  |
|--|---|---|---|
| <b>Provision of wheat seeds to small farmers in Punjab and KPK</b>   | Ensures access where market system is not functioning;<br><br>Medium term food security is strengthened both by ensuring planting and by use of better seed   | Logistically cumbersome;<br><br>Omits other actors in the market chain  | URGENT<br>Distribution must be completed ASAP. Planting has started.<br><br>Supply of seeds may be an issue |
| <b>Cash support (cash grants or vouchers) to small farmers in plains and lower uplands of KPK and Punjab.</b><br><br><b>Consider 2nd instalment for maize planting</b> | Cash received by farmers can stimulate hiring of labourers for land rehabilitation and preparation<br><br>Cash will support small farmers to buy ag inputs (fertilizer, etc), pay debt from traders, meet other household needs | Risk of diversion or security issues, depending on distribution method used<br><br>Inflation potential – prices should be monitored | Immediate.<br>3 weeks duration initially, longer implementation if justified                                |
| <b>Cash for Work (linked to land-preparation or repair of irrigation channels)</b>   | Income for workers<br><br>Long-term benefit for the Community<br><br>Creates opportunity for local partnerships and capacity building   | Duration of some projects may be too long for CFW<br><br>Should combine with other cash programs for immediate impact               | Immediate to medium term  |

|   |  |   |   |
|---|--|---|---|
|   |  | May take away from other household activities<br><br>Potential for beneficiary omission                   |   |
| <b>Identify &amp; develop alternative income sources for farmers unable to plant this year</b>  | Short term support and replacement of lost income<br><br>Longer term strengthening of household resilience to shocks   | Assumes other livelihood options exist and can be developed   | Immediate to medium term                          |
| <b>Implement assessment of credit available to households and small retailers and role of MFIs and banks in addressing credit needs</b> | Will support return to normal market functions if market actors at all levels are able to address immediate cash flow needs<br><br>Identify potential for improved terms of credit for small farmers | MFIs may be over-burdened by defaulted loans and crisis recovery to provide support                       | Immediate to medium term                          |
| <b>Advocacy to government on temporary changes in import policies and inter-province trade</b>  | Ensure that good quality seeds and other essential food security commodities can be brought into country as necessary until food security has stabilized   | Agencies procuring seeds must have technical support required to select appropriate varieties and quality | May take too long to impact this planting season. |
| <b>Create HH level &amp; community seed and fodder stores (KPK)</b>   | Reduce vulnerability and strengthen coping strategies in medium to long term   | Households have willingness and financial ability to store goods (rather than selling immediately)        | Longer term                                       |

### III. WHEAT FLOUR

#### Critical Market System - Mapping

Most of the Pakistan's population are highly dependent on wheat as staple food. Wheat flour supplies 50% of the daily caloric energy intake. Per capita, wheat consumption is estimated at around 124 kg/year, which is among the highest in the world (GAIN, 2010). Households show strong preferences for wheat and even the poorest groups are extremely reluctant to shift consumption patterns to alternative staple crops. With a population of 170 million people, and a population growth rate of 1.5 percent per annum, Pakistan needs an additional 300,000 MT of wheat each year in order to maintain per capita consumption at its current level.

Wheat marketing system is largely government controlled. Wheat prices and the movement are highly controlled at the provincial and district levels. Through the Provincial Food

Departments, the GOP procures wheat flour from farmers at the support price and then releases wheat to the provinces for sale to the flourmills at the government fixed issue prices. This is aimed at protecting farmers from price fluctuations and to ensure minimum return to farmers. However, poor consumers are dramatically impacted as they are forced to pay higher prices for wheat grains and flour.

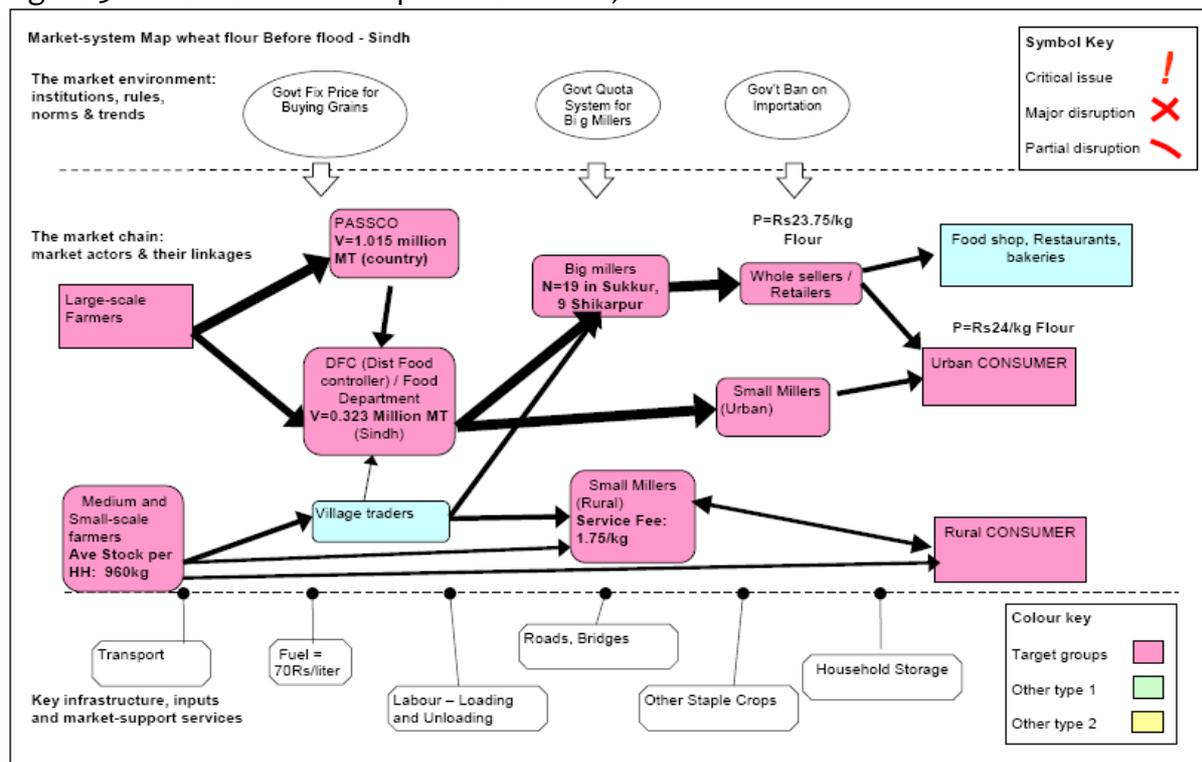
The GOP holds most wheat stocks through various Provincial Food Departments and the federal agency Pakistan Agricultural Storage and Services Corporation (PASSCO). During the last marketing year (2008/2009), the government procured 9.2 million MT of wheat from the local harvest.

In Pakistan, about 1,000 large-scale private flourmills are providing services to meet the consumption needs of about 40% of the population, while the other 60% use small, local millers. Most of these big mills are situated in the cities, and do not seem to be significantly impacted by the floods at this time. In Sukkur City alone, there are 19 big flourmills, none of them impacted by the floods.

The government sets the procurement and selling price as well as the quota to the flourmills. The aim of controlling the disbursement of government-owned wheat to the flourmills is to ensure the sufficient supply of wheat all throughout the year and throughout the country.

## Baseline Market Map – Wheat Grain/Flour, Sindh

Figure 5. Baseline Market Map – Wheat Flour, Sindh



Supplies of wheat grain are purchased from farmers and village traders and are sold to District Food Controller (DFC), Pakistan Agricultural Storage and Services Corporation (PASSCO) and some big millers. Before the floods, PASSCO held 1.015 million metric tons of wheat grain in the whole country. The movement of wheat supply at PASSCO level is highly controlled by the provincial government.

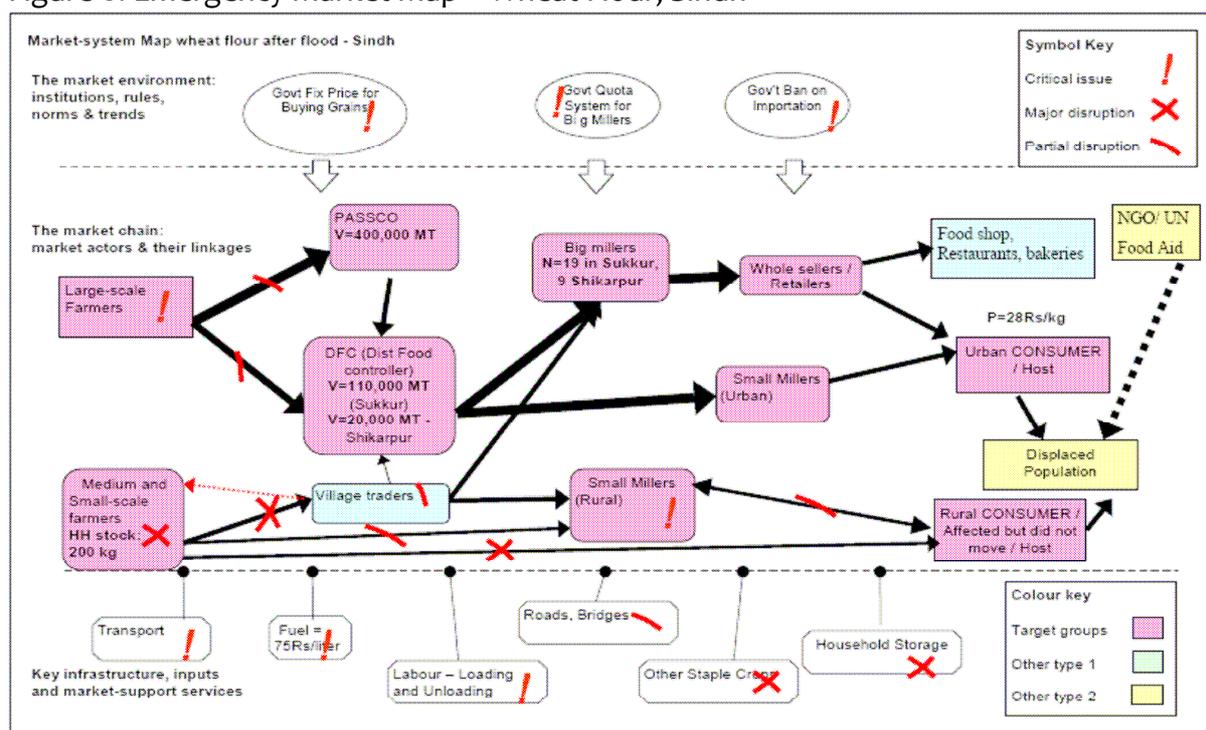
The Food Department of Sindh has a total of 323,000 metric tons of wheat grain prior to the floods. DFC sells its wheat stock to the registered large and small flourmills according to the set quota and fixed price (Rs.940/40kg of grain). Large millers are the main suppliers of flour in the local markets through wholesalers/retailers, which are primarily consumed by urban consumers. The price of flour before floods was Rs24/kg. There are 28 large-scale flourmills in the 3 assessed districts of Sindh.

The small farmers mostly store their wheat grains at the household level to cover a year of wheat flour consumption. On the average, one household (with 7 members) has an annual stock of 960kg of wheat grains. Aside from wheat flour, farmers are also consuming rice as main staple food.

Small millers are providing grinding/milling services to the rural consumers. The normal charge prior to the floods was Rs 1.75/kg of grains milled. Prior to the floods, small millers grind around 600kg of wheat grain per day. Rural consumers (particularly daily labourers) are buying the wheat grains from other farmers and bring them to small millers for grinding (1 to 2 times a week) while urban consumers depend much on the supermarket and stores for their flour needs. Like small farmers, rural consumers also consume rice as staple food.

## Emergency Market Map – Wheat Grain/Flour, Sindh

Figure 6. Emergency Market Map – Wheat Flour, Sindh



Large-scale farmers have lost their stored grain due to the destruction of their storage facilities. More than 80% of the wheat grain stocked by small-scale farmers was lost due to the destruction of the home storage. Currently, non-displaced small farmers have started buying wheat grain from the village traders.

Currently, a total of 40,000 MT is available at PASSCO in Sukkur while the District Food Controllers of Sukkur and Shikarpur have 110,000 MT and 20,000 MT, respectively. With the per capita consumption of 124kg/year, the stocks from three districts can only feed around 1.371 million people in one year.

Majority of the displaced population were not able to save their wheat grains stock. Currently, IDPs are dependent on the food aid given by NGOs and WFP. As most of the IDPs came from the most severely flood affected districts (like Jacobabad), it is likely that they will stay longer in the camps and would not be able to plant wheat in the next cropping season.

While wheat grain and flour are available in urban areas, the price for wheat flour has increased by 17% at the retail level since before the flood (from PKR 240 to PKR 280 per 10 kg in Sukkur). This price rise does not seem to reflect any current shortages in supply but due to increase in fuel and transportation cost.

## Key Findings

The stocks of wheat grain for farmers and rural consumers have been lost due to destruction of storage facilities. This has reduced the household food stock, thus, increasing their demand for wheat consumption in the following months. The food of the displaced population staying in camps is being supported through humanitarian aid. While there is an available supply of wheat grains at PASSCO and DFC, the main constraint for the poor households is how to access the wheat flour as most of them lost their income.

The Government has not yet fixed the price of wheat grains thus the price of flour in general remained the same. The government regulation on quota system as well as the standing ban for importation of wheat is yet to be reviewed by the government.

Large millers are facing problems in terms of transporting flour to the rural areas due to the destroyed roads and bridges. However, despite higher expenses on transportation and labor, large millers cannot change the price as they are controlled and regulated by the government. The millers are currently requesting the government to issue a new price for wheat flour to address the increased cost of doing business.

Fuel price increase has significantly affected the small millers in rural areas. The price of fuel has increased from Rs.70/liter to Rs.75/liter. The volume of milling has also decreased from 600kg per day to around 280kg per day due to the displacement of the rural population, loss of wheat from household storage and difficulty of access by road.

Standing crops such as rice, corn, vegetables and fruits have also been damaged, thus creating a very low supply food available in the next coming months.

## Response Recommendations

| Recommended Response Activities   | Effect on market system and target group  | Key Risks & Assumptions  | Feasibility and Timing   |
|---|---|--|--|
| <b>Direct Food Distributions for IDPs in areas where physical access to market is not possible or is prohibitively difficult.</b> | Direct access to food by beneficiaries.<br><br>Inflation will be mitigated.   | Risk that food may be sold to meet other basic requirements  | Already in progress.<br><br>Up to 2-3 months or until the market is operational            |
| <b>Cash for Work (Link to other CFW programs related to livelihoods recovery; link to improvement of road damaged by floods)</b>  | While supporting for the reconstruction of livelihoods, cash from CFW program can also be used to buy food items.<br><br>Improvement of road will allow better movement of goods and services, thus, reducing prices of prime commodities (incl. Flour) | Risk of beneficiary omission (handicap, elderly, women, etc.); Types of work may not be suitable.<br><br>May take away from other household activities | Many areas are still under water.<br><br>Up to 2-3 months duration, or longer if justified |
| <b>Cash Grant/ Vouchers to cover food needs of the population in the Camps</b>  | Direct injection of cash into the IDP camp; Purchasing power of people will be increased. It gives affected population the choice to use the aid according to their needs and priorities.   | Risk of social jealousy if targeting is applied.   | Immediate.   |
| <b>NGOs to conduct further Needs Assessment on Food Security and Early Recovery</b>   | Long-term strategy will be developed.   | Security may be an issue in some areas   | May take some time as areas are not accessible   |
| <b>Donors support short-term and long-term recovery (incl. DRR)</b>   | Long-term programs and inclusion of DRR component will ensure sustainable livelihoods/food security.  | Assumes funding is available   | Low. Expect low cooperation. May take sometime to be implemented.                          |