

FOOD INFLATION & MARKET INTERVENTIONS

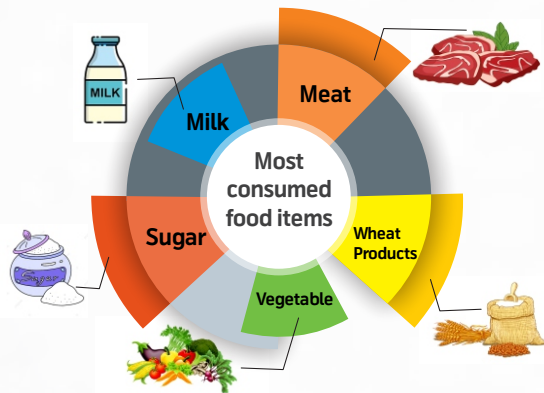


WORLD BANK GROUP

cdpr

WHAT ARE CONSUMERS? SPENDING ON

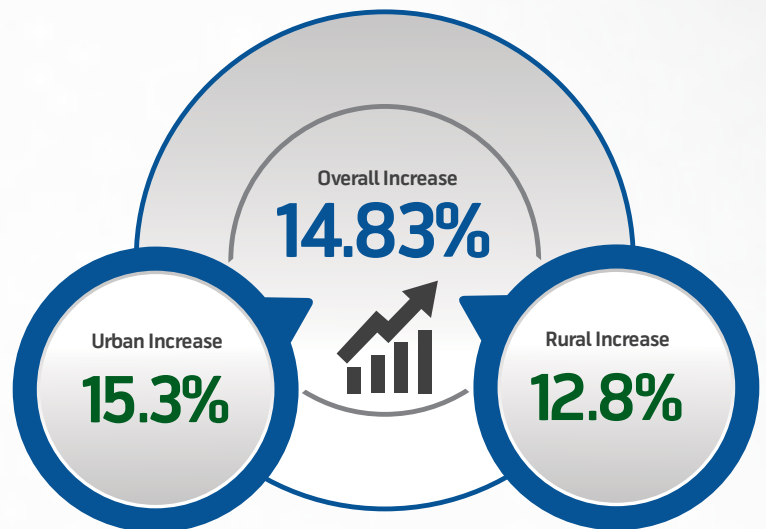
nearly
36%
of an average Pakistani household's budget is spent on food



- Important commodities that drive consumption include milk, wheat products, vegetables, meat and sugar

RECENT CHANGES IN FOOD PRICES

- In recent years, Pakistan has seen high rates of food inflation and price volatility, exceeding that in other neighbouring countries



Increase in price of food and non-alcohol beverages in Pakistan between May 2020-2021

IMPACT OF PRICE CHANGES

- Consumers' purchasing power, especially amongst poor households, can significantly reduce leaving them with fewer resources to spend on other essential goods and services (such as health care and education)



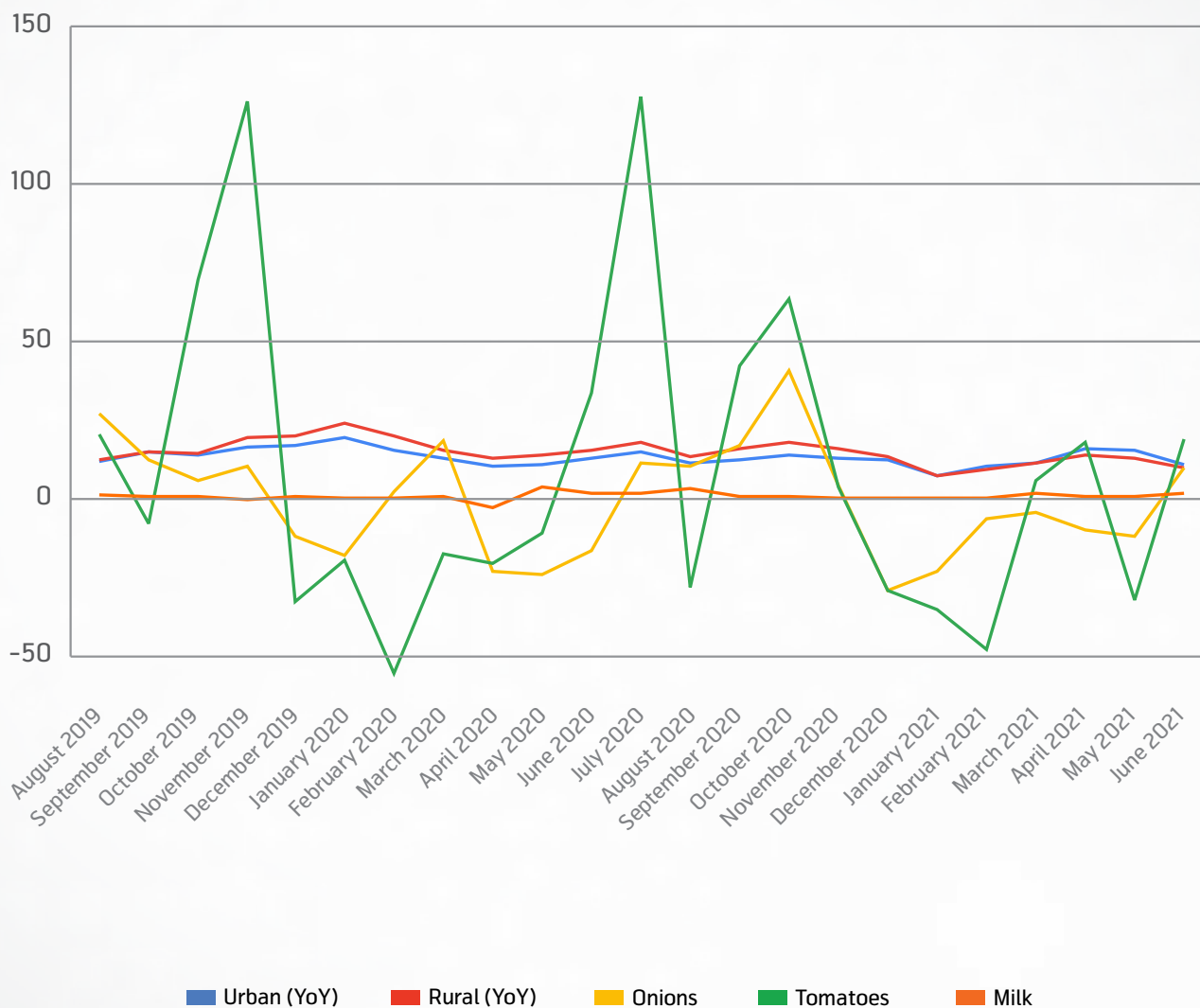
Lack of Nutrition in Pakistan

68%

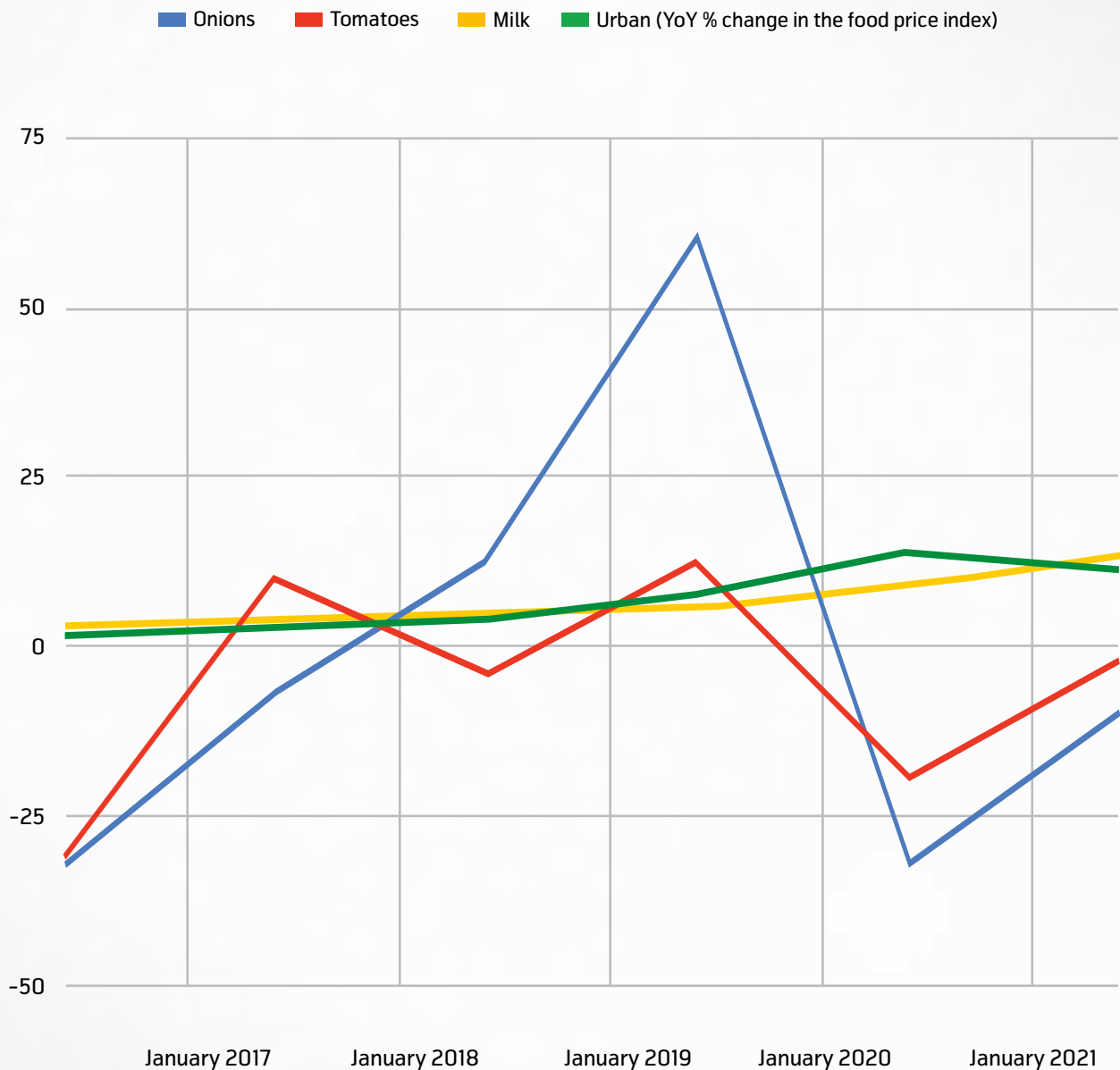
of the population can not afford a healthy diet, which can lead to malnutrition

FOOD INFLATION IN PAKISTAN

Year-on-year % Change in Food Prices



FIVE YEAR TREND IN FOOD PRICES



WHAT CAUSES FOOD INFLATION?

01 Low Agricultural and Livestock Productivity

Inefficient use of scarce resources can keep supply of domestically produced food below potential & raise food price.



02 Effects of Climate Change

Farmlands routinely affected by floods, locust swarms, and droughts that reduce farm output, can impact supply and food prices.



03 Shortage of Warehousing

Lack of storage facilities can lower prices below the cost of production in seasons of excess supply & raise prices in seasons of shortage.

04 Artificial Spikes

Speculative behaviours like hoarding can lead to artificial shortages that can drive up food prices.

05 Flawed Rules & Regulations

Inappropriate policies and regulations can distort markets, inhibit competition & discourage private investments, leading to price rise



06 Higher Costs of Production

Limited investment in research, innovation and technology transfer results in higher costs of production.



GOVERNMENT POLICIES & FOOD INFLATION



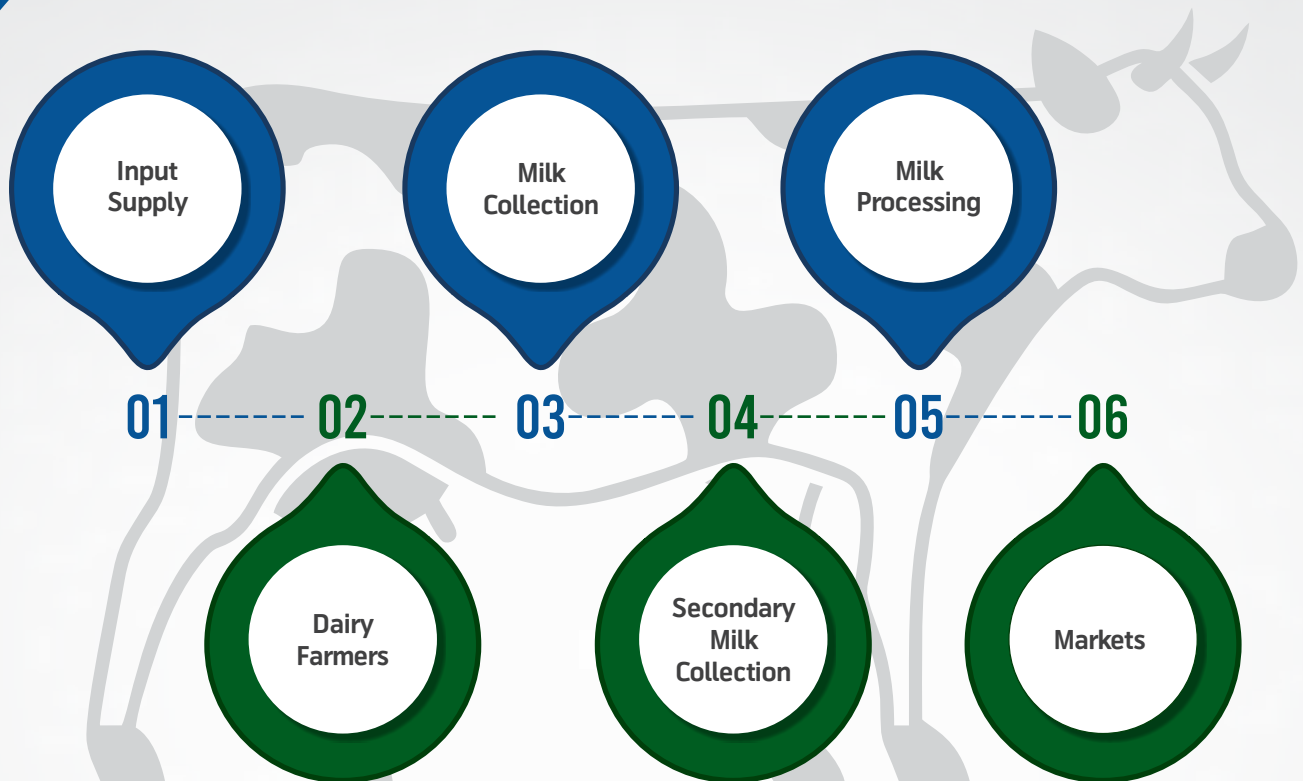
Distortions in the market due to government interference is a significant factor of food price inflation.



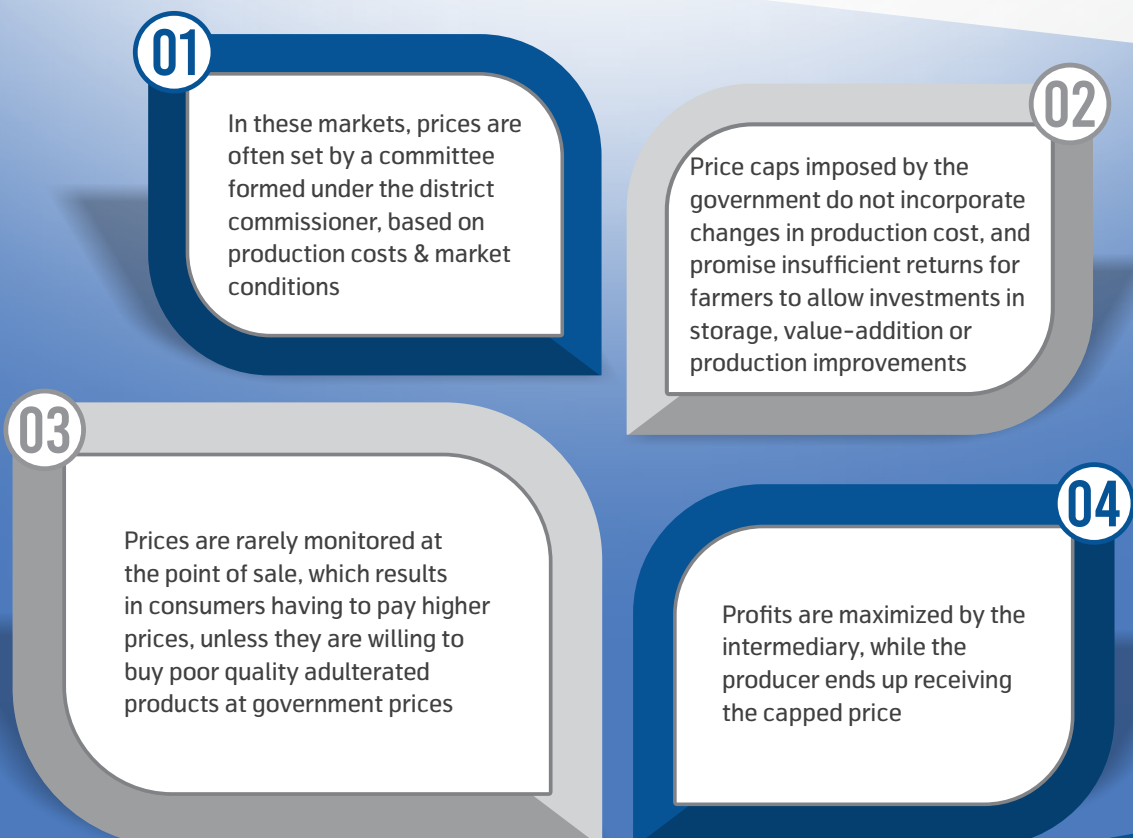
IMPACT OF GOVERNMENT POLICIES IN THE MILK, MEAT AND FRESH PRODUCE MARKETS

PRICE CAPPING IN MEAT & MILK MARKETS

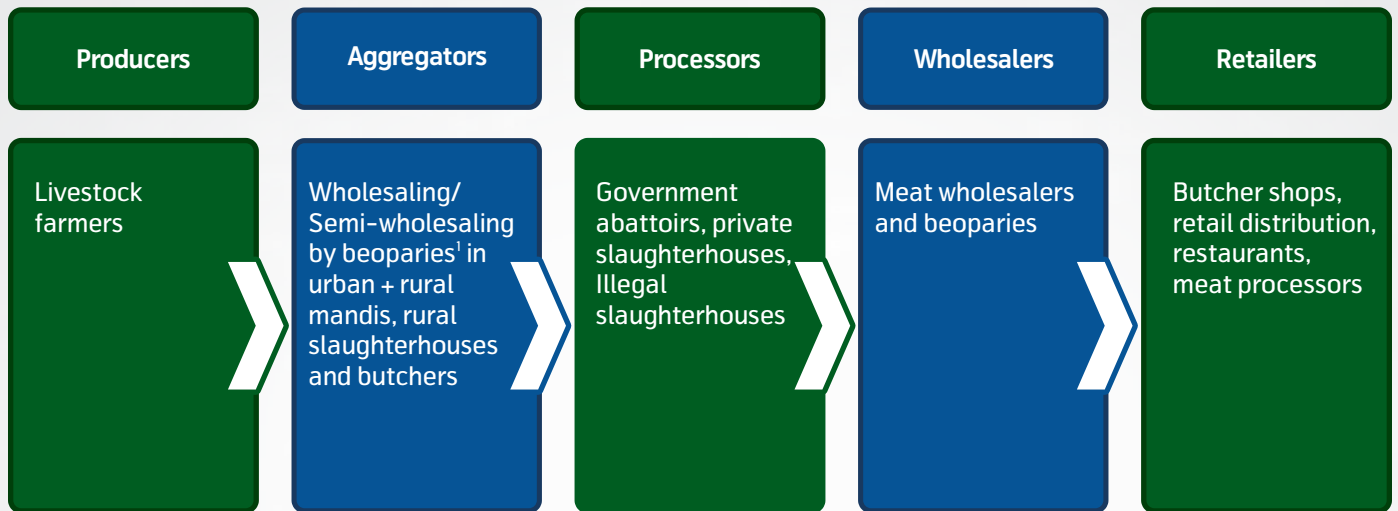
MILK VALUE CHAINS



Milk Value Chain. Adapted from “Analysing Pakistan’s Modern Dairy Value Chain Innovation”, published by the Collective for Social Science Research (CSSR), funded by UKAID.



MEAT VALUE CHAINS



Meat Value Chain. Adapted from “Political Economy Analysis on Livestock Sector (2020)”, funded by FCDO.

MEAT MARKET



FRESH PRODUCE VALUE CHAIN

VALUE CHAIN



Fresh Produce Value Chain (Asian Development Bank, 2019)



HOW TO THINK ABOUT POLICY REFORM?

Q-1

What are the channels through which government intervention impacts food prices?

Q-2

What are the key policy changes necessary for government to play a more supportive role in ensuring stable prices and supplies?

Q-3

How can the supply chains & the services provided by the transporters, middlemen, wholesalers, and retailers be improved?

Q-4

How are supply and demand shocks in food markets managed in other countries?

