CASE STUDY

Evidence swells the tide of reform

Pakistan is a major world horticultural producer, well situated to take advantage of growing consumer demand for fresh produce. Currently, however, Pakistan exports only 1%–2% of production, the quality of fresh produce is inconsistent, and there is estimated post-harvest wastage of 20%–40% of production (World Bank).

An antiquated marketing system dictates where and to whom farmers can sell their produce. Government regulation permits fresh produce to be sold only through public agricultural produce markets—a post-colonial legacy of the forwarding agent tradition. Producers are bound by government regulation controlling the markets—regions channel their produce through government licensed agents (arhtis) and officially approved market structures. Marketing flexibility is further hindered by the fact that the government-controlled public market system has not kept pace with demand and is limited in size and facilities. The markets operate on a bulk commodity model, so that vulnerable and perishable produce, such as mangoes, which are transported to market in 40-kilogram wooden crates, with no temperature control, are auctioned by the truck load or half-truck load. This system impedes grading of produce and quality control, in turn leading to downgrading or wastage.

There is considerable appetite for reform, but at the same time, a distinct lack of empirical evidence to support policymakers in influencing the political process. To fill these gaps, Professor Sisira Jayasuriya of Monash University led a large team of scientists and economists from Pakistan and Australia, in an ACIAR-supported project to build a case to support reform, using a multi-pronged approach that included interviews, surveys and case studies of participants throughout the value chain.

Sindh, the second largest of Pakistan's provinces by population after Punjab, is a leading producer of red chillies. The project found that chilli growers, mostly smallholder farmers, generally sold their crop through local commission agents, from whom they also obtain credit. This credit, in the form of cash or fertiliser, traps smaller farmers in the system, binding them to the commission agent. Importantly, such farmers typically do not sort their chillies before marketing—the system provides little incentive for doing so—potentially leading to downgrading of the product, or contamination.

Research data showed the situation was similar in Punjab, home to 77% of Pakistan's mango production. The majority of growers are smallholders and 80% sell their crop to contractors pre-harvest, often two years in advance—locking them into an inflexible system, and potentially at the mercy of licensed commission agents.

Armed with the project's evidence, Pakistan's policy specialists started discussions with political decisionmakers.

Post script

In July 2019, the Prime Minister of Pakistan announced a national agricultural 'emergency' program, including a PKR23.6 billion (A$223 million) scheme to transform Punjab's agricultural produce markets. This will involve establishing four new markets and upgrading infrastructure in 54 existing markets.

Significantly, in September 2019, the Punjab provincial government showed its commitment by promulgating an ordinance containing a raft of legislative reforms broadly reflecting the project's recommendations. Among other changes, farmers will be able to send their goods wherever they want, and sell to whomever they choose, allowing private markets to flourish and increase farmers' marketing choices. The new legislation also puts in place stakeholder-led governance structures for each public market.