



SPECIAL STUDY
ON
WHEAT PROCUREMENT/IMPORT CRISIS
2023-24
(Public Importance)

AUDITOR-GENERAL OF PAKISTAN

PREFACE

The Auditor-General conducts audit subject to Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Section 10 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. Special Study on Wheat Procurement/Import Crisis, 2023-24 was conducted accordingly.

This Special Study of Public Importance is based on Wheat Procurement/Import Crisis for the financial year 2023-24. The Directorate-General Audit (Federal Government) conducted Special Study during July to September, 2024 with a view to reporting significant findings to the relevant stakeholders. The study indicates specific actions that, if taken, will help the management and policy makers to improve the wheat import mechanism and stabilize the demand and supply in the country, beside safeguarding farmers and general public interest.

The Special Study Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 for causing it to be laid before the National Assembly.

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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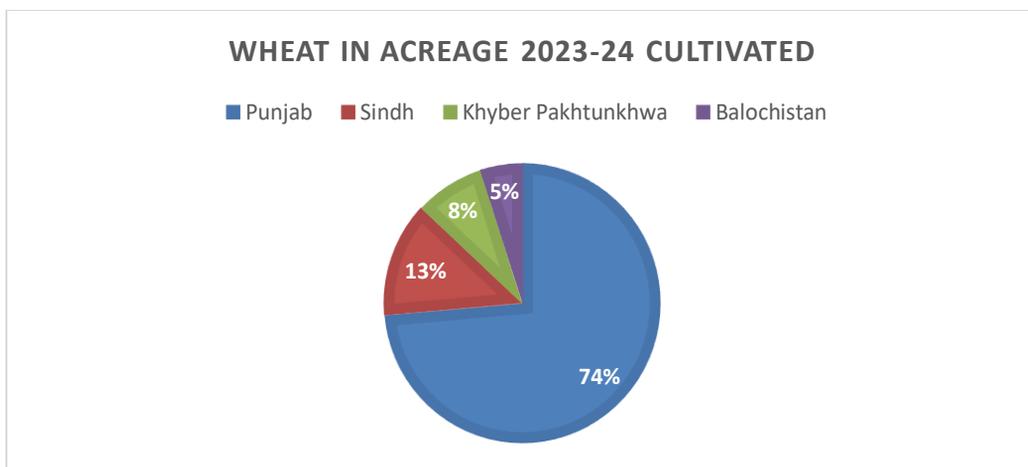
ABBREVIATIONS AND ACRONYMS

AGP	Auditor-General of Pakistan
AJK	Azad Jammu and Kashmir
API	Agriculture Policy Institute
CRS	Crop Reporting System
DPP	Department of Plant Protection
ECC	Economic Coordination Committee
FBR	Federal Board of Revenue
FSC	Food Security Commissioner
FSP	Food Security Portal
GB	Gilgit-Baltistan
GoP	Government of Pakistan
HIES	Household Income and Expenditure Survey
IDPs	Internally Displaced Persons
KPK	Khyber Pakhtunkhwa
LC	Letter of Credit
MinFA	Ministry of Food and Agriculture
MMT	Million Metric Ton
MNFS&R	Ministry of National Food Security and Research
MoC	Ministry of Commerce
MoMA	Ministry of Maritime Affairs
MSP	Minimum Support Price
MT	Metric Ton
NFDC	National Fertilizer Development Centre
PASSCO	Pakistan Agricultural Storage and Service Corporation Limited
PBS	Pakistan Bureau of Statistics
RD	Regulatory Duty
TCP	Trading Corporation of Pakistan
TORs	Terms of References
USDA	United States Department of Agriculture
WB	Wheat Board

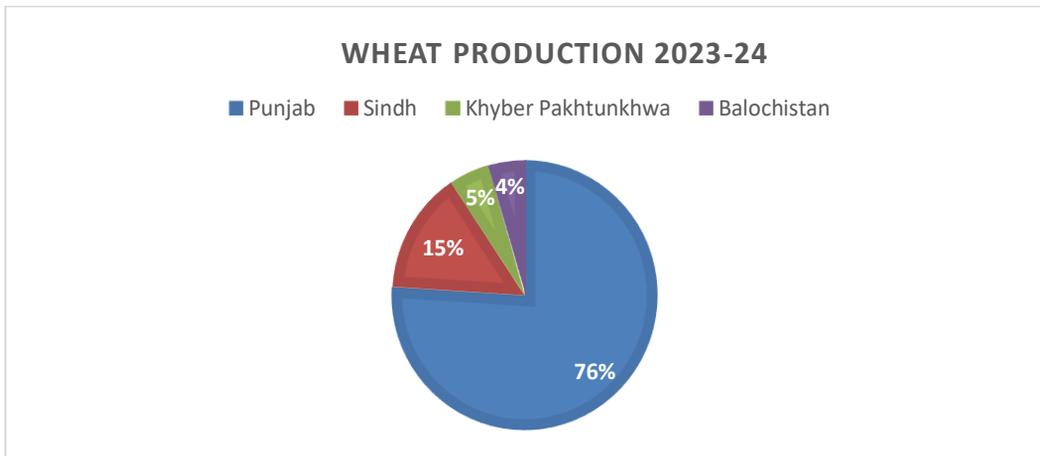
EXECUTIVE SUMMARY

The Directorate-General Audit (Federal Government), Islamabad conducted a Special Study of Public Importance on “Wheat Procurement/Import Crisis, 2023-24” during July to September, 2024. The primary objective of the Study was to review the procurement policy, implementation gaps and measures taken by the Federal and Provincial Governments to regulate the domestic wheat market including the determination of minimum support price for wheat, expected annual wheat production forecast/target, subsidies (both direct and indirect), and matters related to export and import of wheat. Objectives also include identification of weaknesses in the regulation of the wheat value chain from a public-sector governance perspective. The Study adhered to auditing standards of International Organization of Supreme Audit Institutions (INTOSAI).

Wheat is the major staple food of Pakistani population and its price fluctuation is vital to Consumer Price Index (CPI). Similarly, wheat cultivation is wide spread in the country, both in Barani and Canal irrigated areas. During 2023-24, the province-wise cultivation of wheat area was reported as 23,690,487 Acres in Pakistan.



Against the target of 32.120 Million Metric Tons (MMT) of wheat, production of 31.473 Million Metric Ton wheat achieved during the Food Year 2023-24.



Wheat shortage is a usual/annual phenomenon in Pakistan, especially during the period preceding wheat harvest (January-April). However, in the financial year (FY) 2023-24, wheat has witnessed a serious decline in prices as wheat was imported from the international market before and after the harvesting. The public sector, especially the provinces, decided to reduce their annual procurement targets of wheat sighting availability of wheat in the open market and less demand by flour mills to draw already stocked wheat in go-downs. This created a wheat procurement crisis in April, 2024, as farmers felt that they were left at the mercy of the middlemen to face unwanted losses.

This Study highlights the critical areas such as regulating imports, oversight, monitoring mechanism, planning and proper need assessments and coordination amongst the stakeholders for managing the staple food requirement of the country.

Key Audit Findings:

Key audit findings of the Special Study are:

- (a) Excessive import of wheat
- (b) Non-capping on private import of Wheat and Timelines
- (c) Delay in determination of the Minimum Support Price Policy (MSP)
- (d) Delay in finalization of the TCP request for procurement of wheat by the Ministry of NFS&R
- (e) Slow releases by the Provinces
- (f) Impact of excessive import and delay in releases

- (g) Excessive import permits issued by the DPP
- (h) Impact of price and procurement of Wheat on general consumer

Recommendations:

Audit recommends the following:

- (a) The Government needs to establish a centralized export monitoring system, strengthen border controls and enforce export quotas.
- (b) There needs to be a clear capping on private imports and strict timelines may also be defined to prevent excess wheat imports and ensure compliance with the timelines.
- (c) Ministry of National Food Security and Research (MNFS&R) needs to determine the MSP well before the sowing season, so that the farmers have ample time to make decisions.
- (d) There is a need to enhance coordination between the federal and provincial agencies for aligned strategies and timely execution, to meet the procurement target and timely releases of wheat.
- (e) The Ministry of National Food Security and Research needs to communicate to the stakeholders, the very approved direction of the Federal Cabinet instead of those, which are submitted to the ECC for approval. In case of Import of Wheat in 2023-24, the Federal Cabinet ratified only point 1 of Para No. 8 of the Summary submitted to the ECC, out of 4 points, but the Ministry communicated all 4 points to the relevant stakeholders which were included in the Summary but not ratified by the Federal Cabinet (points 2, 3 and 4).
- (f) The participation from all the relevant stakeholders needs to be ensured in Wheat Board meetings.
- (g) It is crucial to streamline approval procedures and set clear deadlines for processing import requests to avoid delays and inefficiencies in future wheat import processes.
- (h) The management of the PASSCO may enhance their storage capacity as the major portion of the Strategic Reserves is at risk.
- (i) To improve the accuracy of stock balances in the Food Security Portal (FSP) and enhance data reliability by standardizing reporting procedures.

1. INTRODUCTION

Wheat is the main source of nutrition of the Pakistani population and its price fluctuation is vital to consumer inflation index. Similarly, wheat cultivation is wide spread in the Country, both in Barani and Canal areas. Commodities' prices witnessed a downward trend in the FY 2023-24 globally and it also affected the wheat prices. Wheat shortage is the annual phenomenon in Pakistan, especially during the period preceding wheat harvest (January-April). However, in the FY 2023-24, wheat has witnessed a serious decline in prices as wheat was imported from the international market. The public sector, especially the provinces, decided to reduce their annual procurement targets of wheat, noticing availability of wheat in the open market and less demand by the flour mills to draw already kept wheat in go-downs. This created a wheat procurement crisis in April, 2024 as farmers felt that they were left at the mercy of the middlemen to face unwanted losses.

2. STUDY OBJECTIVES

- i. To review the procurement policy, implementation gaps and measures taken by the Federal and Provincial Governments to regulate the domestic wheat market including the setting of yearly wheat support price, expected annual wheat production forecast/target, subsidies (both direct and indirect), and matters related to export and import of wheat including wheat export and import policies.
- ii. To identify weaknesses in the regulation of the wheat value chain from a public-sector governance perspective.
- iii. To make actionable recommendations in the light of Audit Findings to improve the related governance structure and financial management in the areas where Government intervention is a requisite in the wheat supply chain mechanism as per existing rules, regulations and policies.

3. TERMS OF REFERENCE:

- i. To provide an overview of the policy issues and implementation gaps in the system.
- ii. To analyze measures taken by the Federal and Provincial

Governments to regulate the domestic wheat market including the yearly wheat support price mechanism.

- iii. To carry out the trend analysis of annual wheat production forecast/target, actual production, subsidies (both direct and indirect) and procurement, including its financial impact on the Government.
- iv. To assess whether the decisions taken for import/export of wheat are based on actual requirement/consumption of the country.
- v. To evaluate the short term and long-term impact of present wheat price/procurement crisis on farmers, consumers and overall country's economy.
- vi. To identify structural weaknesses, if any, in the regulation of the wheat value chain from a public-sector governance perspective.
- vii. To come up with actionable recommendations in the light of Audit Study Findings for betterment of the governance structure and financial management in areas where Government intervention is necessary in the wheat supply chain mechanism as per existing rules, regulations and policies.

4. **AUDIT SCOPE AND METHODOLOGY**

a. Audit Scope:

- i. **Time Period.** The study is mainly focused on the Financial Years 2022-23 and 2023-24. However, the data of previous years is used for comparison and trend analysis.
- ii. Procurement and import policies, processes and procedures in the federal and provincial governments have been analyzed for their adequacy and effectiveness.
- iii. **Important Stakeholders:**
 - (a) Cabinet Division.
 - (b) M/o National Food Security and Research and its attached departments including PASSCO.
 - (c) Ministry of Commerce and its attached departments

especially the Trading Corporation of Pakistan.

- (d) Pakistan Bureau of Statistics.
 - (e) Finance Division.
 - (f) Federal Board of Revenue.
 - (g) Provincial departments of Food, Agriculture and Revenue.
 - (h) Flour Mill Owners.
 - (i) Farmers.
 - (j) General Public/Consumers.
- iv. Receipt and expenditure in respect of procurement of wheat has been scrutinized in detail.

b. Audit Methodology

- i. Audit examined the very process of procurement and import records, ensuring compliance with procurement policies and regulations, assessing the effectiveness of procurement strategies in addressing the crisis, and identifying any potential irregularities or inefficiencies.
- ii. Audit identified potential risks associated with wheat procurement and import processes, such as mismanagement, price manipulation or supply chain disruptions.
- iii. Relevant data and documentation related to wheat procurement and imports, such as procurement contracts, import invoices, shipping records, warehouse reports, payment vouchers, quality inspection reports, importers and correspondence with the suppliers have been collected and analyzed in the light of the defined scope, objectives and TORs. Structured interviews have been conducted with the key stakeholders, including procurement officials, importers, suppliers, warehouse managers, quality control inspectors, and Government regulators, inquiring about their roles and responsibilities, the procedures followed, challenges encountered, and any concerns or observations they may have.
- iv. Compliance testing has been performed to assess whether the procurement of local and imported wheat was done on the basis of authentic and reliable data and in the light of rules, regulations and

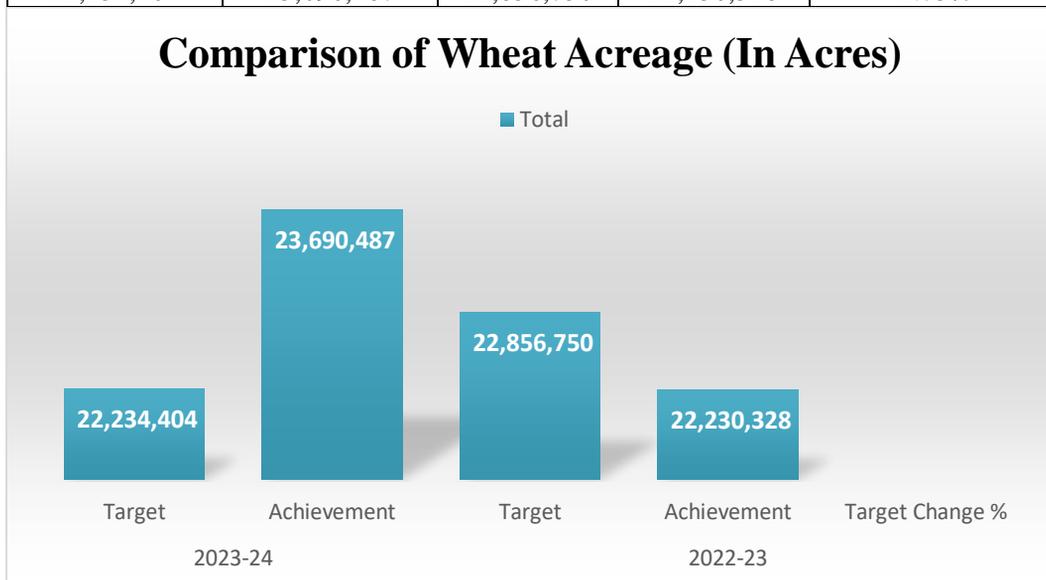
policies.

5. TEAM COMPOSITION

A	Director General Audit, Directorate General Audit (Federal Government), Islamabad	Head of the Team
B	Director Audit, Directorate General Audit (Federal Government), Islamabad	Member
C	Director Audit, Directorate General Audit (Commercial), North, Islamabad	Member
D-G	One Director Audit/Deputy Director Audit from each of the Directorates General Audit (Provincial Governments)	4 members
H	Any other member	--

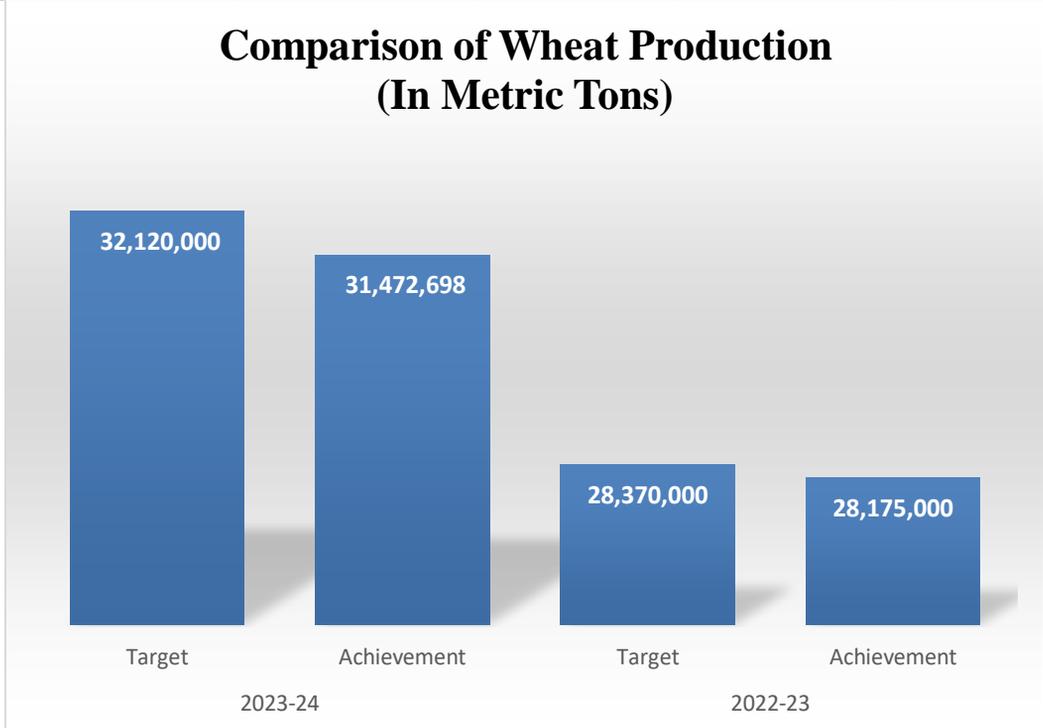
6. COMPARISON OF WHEAT ACREAGE, YIELD AND PROCUREMENT

Comparison of Wheat Acreage (In Acres)				
2023-24		2022-23		Target % change
Target	Achievement	Target	Achievement	
22,234,404	23,690,487	22,856,750	22,230,328	-2.73%



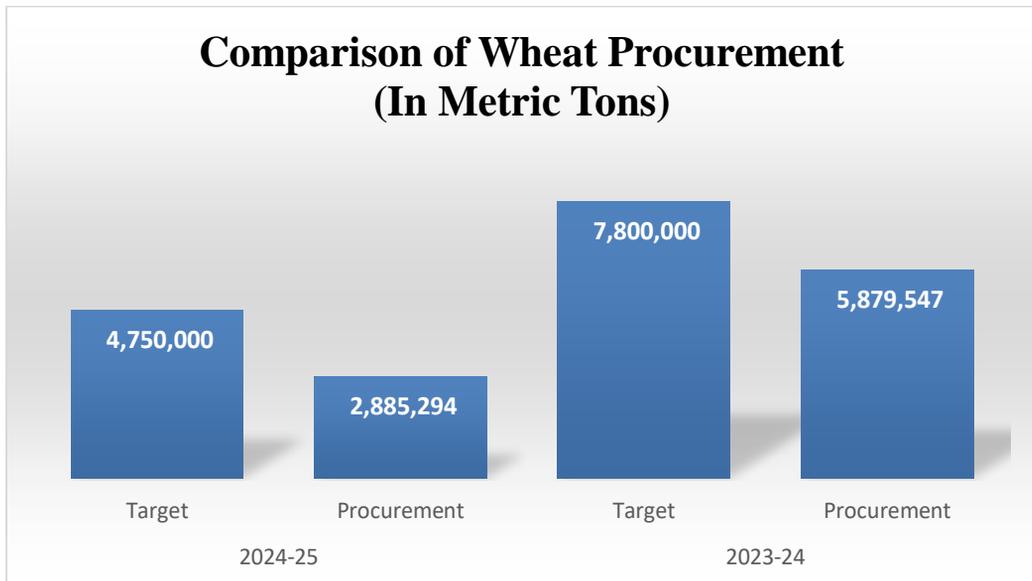
Source: Ministry of National Food Security and Research

Comparison of Wheat Production (In Metric Tons)				
2023-24		2022-23		Target % change
Target	Achievement	Target	Achievement	
32,120,000	31,472,698	28,370,000	28,175,000	13.22%



Comparison of Wheat Procurement (In Metric Tons)				
2024-25		2023-24		Target % change
Target	Achievement	Target	Achievement	
4,750,000	2,885,294	7,800,000	5,879,547	-39.10%

Comparison of Wheat Procurement (In Metric Tons)

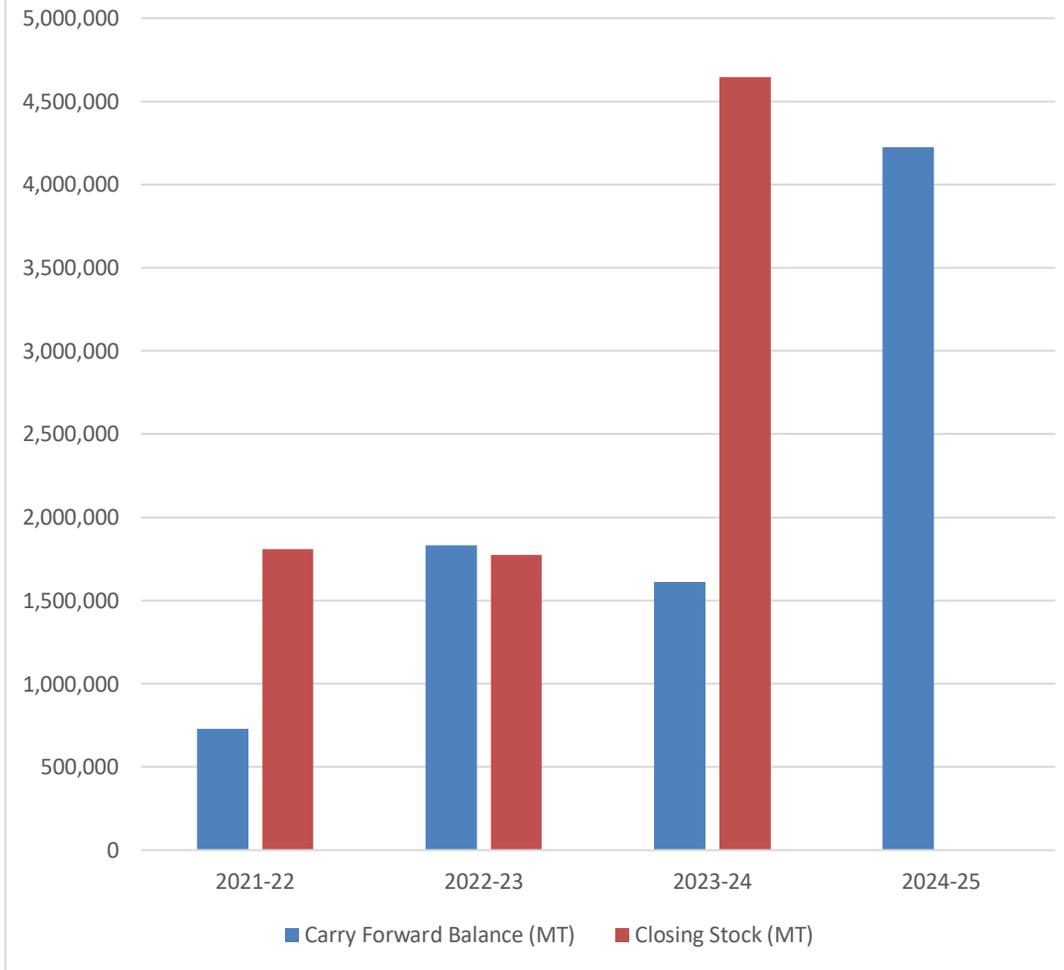


Source: Ministry of National Food Security and Research

STOCK POSITION:

Data provided by the MNFS&R		
Food year	Carry forward balance (MT)	Closing stock (MT)
2021-22	731,000	1,810,249
2022-23	1,830,700	1,772,642
2023-24	1,610,942	4,643,885
2024-25	4,225,457	

Data provided by the Ministry of NFS&R



7. FINDINGS

7.1 Impact of Wheat Procurement Plan 2024-25 on the Farmers

After the announcement of the Minimum Support Price, every province issues its Wheat Procurement Policy with the specific procurement targets. Historically, governments used to procure wheat on the announced minimum support price of wheat and farmers were bound to sell their produce at that price. However, in case of lesser wheat production in the country, the farmers were forced to sell all their produce to the Government, surplus to their personal basic needs, at the fixed support price and the Government was also authorized and justified to confiscate their produce in case of any refusal. The purpose of the Government procurement plan was to ensure the food security in the country. This Government intervention was also helpful to ensure the following:

- i. The provision of basic food necessity (Bread) at controlled price so that inflation may be controlled.
- ii. Safeguard the population against any famine.
- iii. To support the farmers, so that the basic need of agriculture production is achieved within the country and people of the country feel secured in any adverse situation of war or famine.
- iv. Circulation of money among farmers, which may become helpful in generating the overall economic activity in the country.
- v. Government and farmers may not get exploited at the hands of the middle men and hoarding mafia.

However, contrary to the situation explained above, and the objectives defined, though the Government of Pakistan announced the minimum support price of Rs. 3,900 per 40 Kg during the food year 2023-24 (May, 2023 to April, 2024), but the procurement plan proved to be a huge failure for the farmers. Pakistan got a bumper crop of wheat for the food year 2024-25, which was 31.473 Million Metric Ton (MMT). However, due to import of 3.590 MMT of wheat during the food year 2023-24 through private importers, the closing stock of wheat reached at a level of 4.640 MMT and therefore, provincial governments refrained from procuring wheat at the time of wheat harvesting season.

Food year	Carry forward balance (MT)	Closing stock (MT)
2021-22	731,000	1,810,249
2022-23	1,830,700	1,772,642
2023-24	1,610,942	4,643,885

On an average, the Government purchases around 20 percent of all the wheat produced by the local farmers at a fixed price, which ensures price stability, prevents hoarding and maintains the supply chain. However, the provinces procured wheat 5,347,649 MT, 4,748,949 MT and 1,100,306 MT for the food years 2022-23, 2023-24 and 2024-25, respectively. Punjab being the biggest province, has been procuring wheat at around 4.00 MMT in the previous years, did not procure any quantity of wheat in the food year 2024-25, therefore, creating a huge imbalance in the process.

Comparative figures of the Wheat Procurement by the provinces during the food years 2022-23, 2023-24 and 2024-25 are as under:

Province	Wheat procurement in MMT		
	2022-23	2023-24	2024-25
Punjab	4.435	3.922	0
Sindh	0.883	0.777	0.892
Khyber Pakhtunkhwa	0	0	0.208
Balochistan	0.030	0.050	0
Total	5.348	4.749	1.100

Due to less procurement and excess import of wheat in the food year 2023-24, the local farmers sustained considerable losses. Farmers trust on the Government stood shaken because of non-procurement, after the announcement of higher MSP. The non-procurement by the Government, forced the farmers to sell their product in open market on lesser price.

The poor farmers who mostly take private loans in the process of sowing and producing wheat, were forced to sell their wheat produce at a very meagre price of Rs. 2,400-2,600 per 40 Kg. The minimum support price was announced, keeping in view the factors of fertilizer supply, seed, water price and all other related expenditure. Therefore, the farmers were crushed under this apathetic act and policy of the Punjab Government which has many short-term and long-term impacts on the farmers (a few given below), agriculture of the country and the economic stability of the country.

- i. Farmers become financially bankrupt and ruined.
- ii. Food security for future is compromised.
- iii. Money circulation and economic activity stand reduced drastically.
- iv. Hoarders and middlemen mafia get strong hold, for creating instability in future.
- v. Confidence of the farmers is shaken, which may affect the other crops also.

It is important to note that at the time of the harvesting of the crop, the closing stock of wheat in April, 2024 was 4.643 MMT and therefore, Government of Punjab which has been procuring around 4.00 MMT of wheat in the previous years at the fixed support price, did not procure any quantity at all.

The presence of huge closing stock of wheat in April, 2024 and the decision of the Government of Punjab for non-procurement of wheat are questionable, and both these aspects need a thorough investigation.

It was quite clear from the data that the wheat crop was sown on a surplus area of around 1.40 Million Acres in comparison to the last food year 2022-23, and a bumper crop was expected, it needs to be probed as to why the closing stocks of wheat were so high (4.643 MMT in April, 2024) with the huge import, in the closing months of the food year. Besides, the reasons for non-procurement of wheat by the Punjab Government need to be probed, whereas, all the other provinces and PASSCO, procured the wheat to a certain extent, near to their previous years' procurement quantities.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.2 Over-import of Wheat

Import of any product effects the financial strength of any country as the import bill gets increased and the foreign exchange resources deplete.

Furthermore, dependence upon the import of the basic food need (wheat) makes a country more insecure and vulnerable.

While examining the record of the MNFS&R, it was observed that 3.59 MMT of wheat stood imported in the food year 2023-24 against an approval of 2.40 MMT. This proved totally surplus as the closing balance of wheat for the year 2023-24 was noticed at 4.643 MMT. This huge quantity of closing balance and import of wheat was a huge blow and disaster for the local farmers.

The examination of record also revealed that the estimation of wheat requirement for the food year 2023-24, which provided justification for the wheat import, was completely unreliable. Despite being undependable, the requirement was presented.

For the food year 2023-24, when the production of wheat was 31.473 MMT in comparison of 28.170 MMT and 26.500 MMT for the food years 2022-23 and 2021-22, respectively, the permission of 2.40 MMT of wheat import was given. In the last two years, the quantities of wheat imported were 2.20 MMT in 2021-22 and 2.73 MMT in 2022-23, respectively. Whereas, permitting the import of 3.59 MMT against the target limit of 2.40 MMT in 2023-24, with a bumper crop of 31.473 MMT, was questionable. Record provided by the Ministry of National Food Security and Research is as under:

Opening balance of wheat (in Metric Ton) for the last three years was as under:

2021-22	2022-23	2023-24
731,000	1,830,700	1,610,942

Wheat production (in Metric Ton) for the last three years was as under:

2021-22	2022-23	2023-24
26,402,245	28,175,000	31,472,698

Import of wheat (in Metric Ton) for the last three years was as under:

2021-22	2022-23	2023-24
2,207,000	2,729,000	3,587,000

The other factors which contributed adversely to the import decision of the wheat are:

- i. Slow release of wheat by the provinces.
- ii. Ignoring the opening and closing stocks of the wheat while preparing the estimation of wheat import.
- iii. Late import of wheat when the local produce was almost ready.
- iv. Trading Corporation of Pakistan (TCP) did not execute the assigned import quota (of wheat import), and all the import was done by the private sector.
- v. Import of excess wheat against the approved quantity.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.3 Variation in opening and closing stock balances of Wheat

The MNFS&R launched a Food Security Portal (FSP) in 2021. The FSP monitors key indicators such as prices, demand, imports, exports, and cultivated areas for 15 essential food commodities, including Wheat, with a strong focus on maintaining accurate stock positions. It provides daily, weekly, and monthly reports to support timely policy interventions, and addresses supply-demand gaps. The data maintained at the FSP is derived from the Crop Reporting Systems (CRS) monitored by the Provincial Food departments. Following are the reported carry forward balances and closing balances of wheat by the FSP:

Food year	Carry forward balance (MT)	Closing stock (MT)
2021-22	731,000	1,810,249
2022-23	1,830,700	1,772,642
2023-24	1,610,942	4,643,885

Audit observed that the carry forward balances and closing balances of wheat do not reflect the true picture of the stock positions. There is a clear discrepancy in the closing balance of 2021-22 and opening balance/carry forward balance of 2022-23, same is the case with the balance for 2023-24. Audit further observed that the Wheat stock figures presented in the Wheat Board meetings are used to decide on imports and other market interventions. If the stock figures are overstated or understated, it could lead to poor decisions, such as importing too much wheat as is the case in 2023-24 or delaying necessary imports, causing shortages.

The lack of consistency in the stock balances indicates a problem with the reliability of data provided by the Provincial Food departments through the Crop Reporting Systems (CRS), which could lead to further inaccuracies in the food security planning.

Furthermore, the discrepancies between the closing and carry forward balances highlight a need for better data management and enhanced coordination between the provincial departments and the FSP to ensure accurate wheat stock reporting and informed policy-making.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.4 Slow releases by the provinces leading to signal of an artificial shortage of Wheat

While comparing five months (05) wheat releases for 2022 and 2023 by the Punjab and Sindh Provinces to the Flour Mills, it was observed that the provinces released less wheat as compared to the last year. Comparative figures for both years are as under:

Month	Wheat releases by Punjab and Sindh Provinces to the Flour Mills (Metric Ton)					
	Punjab (June to October, 2022)	Punjab (June to October, 2023)	Difference	Sindh (June to October, 2022)	Sindh (June to October, 2023)	Difference
06.2022	401,235	636	(400,599)	-	99,781	99,781
07.2022	376,383	5,021	(371,362)	-	-	-
08.2022	406,146	-	(406,146)	-	-	-
09.2022	449,529	-	(449,529)	42,556	-	(42,556)
10.2022	453,270	-	(453,270)	186,869	-	(186,869)
Total	2,086,563	5,657	(2,080,906)	229,425	99,781	(129,644)

Audit is of the view that due to slow/less releases of wheat from the provinces, a panic was created in the local market which caused an increase of flour wheat prices.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.5 Delay in finalization of the TCP request for procurement of wheat by the Ministry of NFS&R

The Ministry of National Food Security and Research had submitted a Summary for the ECC on 10.10.2023. Therein, it was stated that “to ensure strategic reserve for the country, formal approval be accorded for import of 1.000 MMT of wheat through the TCP for PASSCO under G2G arrangements or through open tendering process, whichever is the lowest and cost efficient in a staggering manner. This Summary was approved on 23.10.2023 by the ECC”.

The Federal Cabinet vide Case No. 182/31/2023 dated 30.10.2023 ratified the Summary submitted by the Cabinet on 23.10.2023 vide Agenda item No. 1 to the

extent of permission for import of 1.000 MMT of milling wheat for the year 2023-24 to maintain strategic reserve.

Ministry of Commerce vide Office Memorandum No. F.No.1(1)/2023-Imp-II dated 25.10.2023 addressed to the Secretary, MNFS&R enclosed TCP's Letter No. TCP/MA&TD/ Wheat/G@G/2023 dated 30.10.2023 in which the TCP had sought information for arranging of 1.000 MMT of wheat from the supplier on availability of cargo, quality, shipment schedule and price upon which the supplier confirmed the delivery from Russia. In the aforementioned Letter, the TCP also requested the MoC for onward transmission of the Letter to the Ministry of Industries and Production for further necessary action and copy of the same was also forwarded to the FSC II of MNFS&R.

FSC II of the MNFS&R processed the case in noting file No. 1-3/2019/DFSC-II and in its note No. 563/N dated 07.11.2023, reiterated the stance of the TCP. Further, it was written that the MNFS&R may recommend/endorse the further necessary action to the TCP.

Audit observed that the Secretary, MNFS&R put the TCP's (Commerce's) request pending from 07.11.2023, and on the noting file, Secretary gave remarks of "Speak", and then in Para 576/N dated 04.12.2023, FSC II mentioned on note that the Secretary directed to pend the file. The reply of the requests of the MoC/TCP was given by the MNFS&R vide a Letter No. 1-3/2019/DFSC-II/Wheat Import dated 12.12.2023, and directed the TCP/Commerce to withhold the procurement of 1.000 MMT wheat, as sufficient import of wheat through private sector reached the port.

Audit also observed variations in dates of letters issued by the TCP/MoC (dated 25.10.2023 and dated 30.10.2023) and from perusal of relevant noting, it seems that the implementation of the ECC decision for import of 1.000 MMT from the TCP was intentionally delayed. Furthermore, from the perusal of the record, it is apprehended that both the Ministries of the NFS&R and MoC intentionally delayed the process for favouring private sector.

Audit is of the view that due to delay in procurement process, the private importers got a vacuum to fill and play their roles.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.6 Capping on private import of wheat and timelines

The Ministry of Commerce was requested by the Ministry of National Food Security and Research, Islamabad for comments on the proposed Summary for the Economic Coordination Committee for procurement of 1.000 million MMT of wheat. The Ministry of Commerce vide its Letter No. 1(1)/2023-Imp-II dated 25.09.2023 suggested to incorporate the following proposal in the draft summary:

- a) MNFS&R must cap the quantity of wheat imported by the private sector with timelines as well as bind them to sell imported wheat to the flour mills only, so that concessions given by the Government of Pakistan on duties /taxes and RD are passed on to the end consumers.
- b) The whole quantity of 1.000 MMT be procured as the prices are low at the moment. Staggered import may cost the average Unit Price/MT to be higher than the normal price.

The processing officer from the MNFS&R had clearly written the suggestion of the Ministry of Commerce for capping of private import in its note on 04.10.2023 at Para 527/N, Page 123 of file No. 1-3/2019-DFSC-II.

Audit observed that the Additional Secretary I, Ministry of National Food Security and Research did not agree with the Ministry of Commerce's suggestion for capping of private import and stated that (i) the capping of quantity of imported wheat through the private sector was not advisable. However, the private sector import should be time bound, i.e., closing date, and directed the processing officer to amend the summary for the ECC accordingly.

Audit further observed that the Ministry of NFS&R did not include capping and timelines in the Summary proposal submitted to the ECC.

Audit is of the view that non-capping and non-considering of timelines caused excessive imports of wheat, that shook the domestic wheat's market and ultimately affected the general public and the domestic farmers.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.7 Wheat Procurement – Targets Versus Achievements

While examining the wheat procurement targets versus actual wheat procurements, it has been observed that during the Food Year 2023-24, four provinces including PASSCO procured wheat of 5.879 Million Metric Tons against the target of 7.800 Million Metric Tons which is 25.62 % less than the target. Similarly, during the Food Year 2024-25, four provinces including PASSCO procured wheat of 2.885 Million Metric Tons against the target of 4.750 Million Metric Tons which is 40% less than the target.

Audit further observed while comparing two major provinces' procurement targets versus actual procurements, it transpired that the Province of Punjab procured 3.921 Million Metric Tons against the target of 4.500 Million Metric Tons which was 12.86 % less during 2023-24 and procured 0 Million Metric Tons during the Food Year 2024-25 against the target of 2.000 Million Metric Tons which is 100 % less than the target. Similarly, the Province of Sindh procured 0.777 Million Metric Tons against the target of 1.400 Million Metric Tons which was 44.50 % less during 2023-24 and procured 0.892 Million Metric Tons during the Food Year 2024-25 against the target of 1.000 Million Metric Tons which is 10.8 % less than the target.

The tabulated procurement versus achievements data is as under:

Agency	Public procurement targets (In Metric Tons)	Public procurement achievements (In Metric Tons)
2023-24		
PASSCO	1,800,000	1,130,800
Punjab	4,500,000	3,921,353
Sindh	1,400,000	777,394
KP	0	0
Balochistan	100,000	50,000
Total	7,800,000	5,879,547
Agency	Public procurement targets (In Metric Tons)	Public procurement achievements (In Metric Tons)
2024-25		
PASSCO	1,400,000	1,784,988
Punjab	2,000,000	0
Sindh	1,000,000	892,004
KP	300,000	208,302

Balochistan	50,000	0
Total	4,750,000	2,885,294

Audit observed while examining the record of the Ministry of National Food Security and Research that the MSP was required to be determined before sowing, so that the farmers should know well before sowing, the price of their product, but the same was determined on 01.03.2023 when harvesting was about to start.

Audit further observed that the procurement policy was announced by the Provinces but these provinces did not procure the targeted wheat according to their procurement policies. It is also worth mentioning that the Punjab Government did not even announce its procurement policy.

Audit is of the view that less procurement than targeted by the provinces, discourage the farmers to get their due reward as determined by the Government of Pakistan.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.8 Facts of Strategic Reserve of Wheat

Ministry of National Food Security and Research permitted the import of 2.400 MMT of wheat for the food year 2023-24 and the calculations for the requirement of wheat were presented as under:

Provinces	Population*	Consumption (MMT)
Punjab	127,688,922	14.680
Sindh	5,5696,147	6.410
Khyber Pakhtunkhwa	40,856,097	4.700
Balochistan	14,894,402	1.710
Islamabad	2,363,863	0.270
AJK	4,884,129	0.560
GB	1,725,033	0.200
IDPs	1,558,765	0.180
Human consumption*	249,667,358	28.710
Seed/Feed**		1.500
Strategic reserves		2.000
Grand total		32.210

**Human consumption is estimated @ 115 Kg/person/annum, i.e. average of HIES 92 Kg and food basket 124 Kg/person/annum*

***Including seeds requirement of 1.200 MMT and poultry feed/wastage @ 0.300 MMT.*

In this calculation of wheat requirement, 2.000 MMT of wheat was for the strategic reserve which is misleading representation of the facts. Based on these facts, a shortage of 2.400 MMT of wheat was reflected and the same quantity of wheat was allowed to be imported.

- a) The strategic reserve needs to be filled at the time of the local produce through procurement from the farmers. It may be consumed in the last two months of the food year before the fresh local produce is available. The strategic reserve needs to be maintained again by purchasing wheat from the local farmers at the time of the harvesting of the new crop. However, contrary to this situation, the wheat for the strategic reserve was imported in the months of the March and April, 2024, just before the arrival of the local produce. The benefit which was to be provided to the local farmers, stood granted to a particular group of importers and hoarders.
- b) The second most important aspect of the strategic resources is that the Government has only a storage capacity of 0.500 MMT and therefore, the 2.000 MMT of wheat allowed to be imported on the pretext of strategic reserve of wheat, remained in the hands of private people of the import mafia and the Government, thus, the people of the county were as vulnerable as ever in case of adversity.

Therefore, the facts about the strategic reserve were false and misleading and the sensation created about strategic reserves was not at an appropriate time. The strategic reserves need to be maintained but only through the purchases of local produce, benefiting the local farmers.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.9 Minimum Support Price Policy (MSP)

The Economic Coordination Committee (ECC) is determining the Minimum Support Price (MSP) of wheat every year before start of sowing. The National Assembly's Standing Committee on the National Food Security in its meeting held on 15.07.2022 recommended that the Provinces should finalize the support price of wheat for the next year (National Assembly Secretariat's Letter No. F.6(1)/2021-Com-III/NFS&R dated 25.08.2022).

The National Assembly's Standing Committee on Commerce recommended in its meeting held on 02.09.2022 that the Federal Government may consider the MSP of

wheat at maximum level, so that minimum wheat can be imported. The Committee further recommended that the Federal Government may announce the MSP in the mid of September and the MSP may not be less than PKR 3,000 as an incentive to our grower (Ministry of Commerce's Letter No. Council Section UO No.2(8)/2022-C dated 05.09.2022).

The Provincial Cabinets, Punjab, and KPK agreed on PKR 3,000 per 40 Kg MSP vide their Letters dated 19.09.2022 and 28.09.2022, respectively. The Agriculture Policy Institute (API) for the crop year 2022-23, has determined the cost of production PKR 2,495 per 40 Kg wheat (Annex-XI Page-54 of Wheat Policy Analysis for 2022-23). However, the ECC vide Case No. ECC-67/08/2023 dated 01.03.2023 considered the Summary dated 01.03.2023 regarding "Procurement Price of Wheat Crop 2022-23," and approved procurement price of wheat crop 2022-23 at the rate of PKR 3,900/40 Kg.

Audit observed while examining the record of the Ministry of National Food Security and Research that the MSP was required to be determined before sowing, so that the farmers should know well before sowing the price of their product, but the same was determined on 01.03.2023 when harvesting was about to start. Secondly, there was a lack of coordination amongst the Federal and Provincial Governments for determining the MSP. The Standing Committee of the National Assembly's recommendations were ignored for determining of the MSP at the earliest. Thirdly, the Provincial Cabinets, Punjab and KPK agreed to fix the MSP at the rate of PKR 3,000 in September, 2022, as other relevant Provincial authorities also agreed in September's meeting of the National Assembly's Standing Committee. But no follow up from the Federal Government was available on record for early consensus on the MSP determination, therefore, the Provincial Governments announced their own MSPs which were on the higher sides i.e., PKR 3,900 and PKR 4,000 against cost of PKR 2,495 per 40 Kg (56.36% Profit). Fourthly, the ECC approved the MSP on 01.03.2023 at PKR 3,900 at a very high profit margin instead of convincing the provinces at appropriate profit.

Audit is of the view that due to non-determining of the MSP on time, the provinces announced their own wheat prices which hampered the domestic market and caused high prices for general public.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the

Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.10 Inflated figure for yearly requirement – Afghanistan’s demand

The Ministry of National Food Security and Research presented data in the ECC for National Wheat requirement for the food year 2023-24, which is reproduced as under:

Provinces	Population*	Consumption (MMT)
Punjab	127,688,922	14.680
Sindh	55,696,147	6.410
Khyber Pakhtunkhwa	40,856,097	4.700
Balochistan	14,894,402	1.710
Islamabad	2,363,863	0.270
AJK	4,884,129	0.560
GB	1,725,033	0.200
IDPs	1,558,765	0.180
Human Consumption	249,667,358	28.710
Seed/Feed **		1.500
Strategic Reserves		2.000
Grant total		32.210
<i>* Human consumption is estimated @ 115 Kg/person/annum, i.e., average of HIES 92 Kg and Food Basket 124 Kg/person/annum.</i>		
<i>** Including seed requirement of 1.200 MMT and poultry feed/wastage @ 0.30 MMT.</i>		

While discussing the National Wheat consumption with the management, it was observed that the Afghanistan’s requirement of wheat stood included in the National Wheat requirements, which was illogical. When working/proof on the subject was requested from the management, the same was not provided.

Further, the United States Department of Agriculture (USDA)-Foreign Agricultural Service issued its Grain and Feed Annual Report No. PK2024-0003 dated 01.04.2024 for Pakistan in which USDA stated that around 500,000 Tons wheat-equivalent had been exported to Afghanistan, which stood not reflected in the official data.

The proof for inflated consumption/requirement of wheat was also confirmed from the Grain and Feed Annual Report No. PK2024-0003 issued by the United States Department of Agriculture (USDA) dated 01.04.2024.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.11 Strategic reserve at risk due to low storage capacity – PKR 148.922 billion

The ECC in August, 2022 recommended that the strategic reserve may be enhanced from 1.000 MMT to 2.000 MMM in order to deal with expected hoarding and price increase in the wake of rain falls and flood. The Federal Cabinet on 30.08.2022, allowed the PASSCO to maintain 2.000 MMT strategic reserves.

Audit observed while examining the storage capacity that the PASSCO had a maximum wheat capacity storage of 572,482 Million Tons, as per following details:

Province	Number of districts	Zones (Numbers)	Go-downs (Numbers)	Silos	Storage capacity (MT)
Punjab	12	08	315	14	475,808
Sindh	02	03	15	14	89,858
Khyber Pakhtunkhwa	01	01	3	0	4090
Balochistan	01	01	2	0	2,726
Total	16	13	335	28	572,482

Audit observed that the PASSCO had a wheat storage capacity of 572,482 MT at their 335 go-downs and 28 silos throughout the country against the targeted/assigned quantity of 2,000,000 MT of wheat which is catering only 28.62% of the total country's strategic reserve. Hence, more than 71% of the strategic reserve will always be at high-risk costing PKR 148.922 billion.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.12 Ratification of the ECC decision for procurement of 1.000 Million Metric Tons of Wheat

The Ministry of National Food Security and Research had submitted a Summary for the ECC on 10.10.2023 and in Para 8 of the Summary, the following proposals were submitted:

- a) To ensure strategic reserves for the country, formal approval be accorded for the import of 1.000 MMT of wheat through the TCP for the PASSCO under G2G arrangements or through open tendering process, whichever is the lowest and cost efficient in a staggering manner.
- b) Private Sector will be encouraged to import specified milling wheat under Notification of MinFA (Ministry of Food and Agriculture) dated 14.11.2008 and meeting the criteria envisaged in the Import Policy Order, 2022.
- c) State Bank of Pakistan may be directed to submit weekly progress to the Dashboard of MNFS&R regarding details of LCs opened for the import of wheat.
- d) Ministry of Maritime Affairs may be directed to provide priority berthing for imported wheat on arrival for both public and private sectors.

Audit observed that the Federal Cabinet vide Case No. 182/31/2023 dated 30.10.2023 ratified the Summary submitted by the ECC on 23.10.2023 vide Agenda item No.1 to the extent of permission for import of 1.000 MMT of milling wheat by the TCP for the food year 2023-24 to maintain strategic reserve.

Audit further observed that the Federal Cabinet had not offered any comments on import of wheat by the private importers. In fact, the only requirement which the Government of Pakistan was required to maintain, related to strategic reserves for which the Federal Cabinet allowed the TCP 1.000 MMT. However, due to non-regulation of the private import, an influx of 3.5900 MMT wheat took place through excessive imports.

Audit is of the view that due to non-implementation of the Federal Cabinet's decision in its true letter and spirit, the excessive wheat was imported.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.13 Excessive import permits issued by the DPP

While examining the record of issuance of import permit by the Department of Plant Protection (DPP) to the Private importers, it has been observed that 1,075 import permits were issued by the DPP during the Food Year 2023-24 through Green and Yellow channels.

Private importers committed 986.085 MMT wheat imports against wheat permit of 1,075.

During the Food Year 2023-24, because of non-regulated private import of wheats and excess issuance of import permits, an excess of 1.190 MMT, wheat was imported.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

7.14 Formulation of Wheat Board

The Ministry of National Food Security and Research, Islamabad in pursuance of the recommendations of the Senate Standing Committee on the National Food Security and Research on 23.06.2021 constituted the Wheat Board (WB) and notified its members and TORs vide the Ministry's Notifications No. F.No.1-1/2019/DFSC-II/Senate dated 16.12.2021 and 17.01.2022.

TORs of the Wheat Board (WB) are:

1. Ensure agricultural inputs for the wheat crop.
2. Evaluate cost of production of the wheat crop.
3. Recommend the Minimum Support Price of the wheat crop.
4. Examine the release policies of the provinces.
5. Watch over demand and supply situation of the wheat in the country.
6. Recommendation for the import/export of the wheat.

While examining the record of all the five (05) Wheat Board's meetings till 28.03.2024, the following discrepancies were observed:

- i. The Board was required to evaluate the cost of production of wheat and also recommend the MSP but in 2022-23, when the cost of production of wheat was PKR 2,495 per 40 Kg, the MSP was enhanced to PKR 3,900 per 40 Kg

(Profit set 56.36%), by the provinces at its own, which ultimately affected the general public by getting flour at high rate.

- ii. The Wheat Board meetings did not recommend the Minimum Support Price of Wheat during 2022-23. The Wheat Board meeting was not held from 30.06.2022 to 18.12.2023. Because of this, the Federal Government delayed determination of the MSP for 2022-23 i.e. 01.03.2023.
- iii. The wheat releases by the provinces to mills were delayed from July, 2023 to February, 2024 which was even not considered in the Board meetings and due to delay in releases, hoarders got a vacuum to play and the flour prices went up for the general public which created a panic in the country.
- iv. The Wheat Board was well aware of the excess wheat import but did not play its role to stop the influx of the imported wheat which ultimately affected the domestic wheat's market.
- v. The Wheat Board extended the February deadline of import in its 3rd Board's meeting held on 14.02.2024, without having any authority to extend it, as the Board was only a recommending body.
- vi. The WB extended import date even against the recommendation/suggestion of the provinces and National Fertilizer Development Centre.

No member from the Senate Standing Committee participated in the meetings.

The Audit communicated the Principal Accounting Officer about this finding of the Special Study on 20.01.2025 and 28.01.2025 with the request to submit the management reply, followed by record verification and convening of the Departmental Accounts Committee (DAC) meeting. However, no response stood received.

Annexure I

S. No.	Designation and status in the WB	S. No.	Designation and status in the WB
1.	Minister, NFS&R, Chairman	15.	Secretary, Food Department, AJK, Member
2.	Secretary, MNFS&R, Member	16.	Secretary, Agriculture Department, Punjab, Member
3.	Managing Director, PASSCO, Member	17.	Secretary, Agriculture Department, Sindh, Member
4.	Food Security Commissioner II, Member	18.	Secretary, Agriculture Department, KPK, Member
5.	Secretary, Food Department, Punjab, Member	19.	Secretary, Agriculture Department, Balochistan, Member
6.	Secretary, Food Department, Sindh, Member	20.	DG, Agriculture Policy Institute, Islamabad, Member
7.	Secretary, Food Department, KPK, Member	21.	DG, FSC&RD, Islamabad, Member
8.	Secretary, Food Department, Balochistan, Member	22.	Chief, NFDC, Islamabad, Member
9.	Secretary, Food Department, GB, Member	23.	Nominated member (s) of the Senate Standing Committee on the NFS&R will also be included as Coopted Member(s)
10.	Secretary, Finance, Member	24.	Chief, Meteorology Department, Islamabad, Member
11.	Secretary, Commerce, Member	25.	Director, State Bank of Pakistan, Member
12.	Secretary, Energy, Member	26.	Member, IRSA, Member
13.	Chairman, Wheat Traders Association, Karachi, Member	27.	Chairman, PFMA, Lahore, Member
14.	A representative of the Wheat Exporters Association, Karachi, Member		