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Competition in the Food Supply Chain – Contribution from Pakistan

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Competition in the Food Supply Chain

- Contribution from Pakistan -

1. Introduction

1. Agriculture is a cornerstone of Pakistan's economy, serving as the primary source of livelihood for a significant portion of the population. As of 2024, the agricultural sector contributes approximately 24% to the country's Gross Domestic Product (GDP) and employs around 37.4% of the labor force, making it the largest employment sector in Pakistan[1]. The food supply chain, encompassing activities from farm production to consumer markets, plays a critical role in ensuring food security for a population exceeding 220 million people[2].

2. The structure of Pakistan's food supply chain is complex and multifaceted, involving a myriad of stakeholders, including smallholder farmers, intermediaries, processors, distributors, and retailers. Smallholder farmers constitute about 90% of the farming community, often operating on less than five hectares of land[3]. These farmers typically rely on traditional production and marketing channels, such as local markets mandis (*mandis*), where they sell their produce through commission agents known as *arhtis*. This reliance limits their bargaining power leading to concerns about fair competition within the market.

3. The agricultural sector faces numerous challenges that impact the efficiency and competitiveness of the food supply chain. These include inadequate infrastructure, such as insufficient storage facilities resulting in post-harvest losses estimated at 15-40% for perishable commodities[4]; limited access to credit and modern technology; and a lack of transparent pricing mechanisms. Furthermore, regulatory frameworks and policies at both the federal and provincial levels play a significant role in shaping market dynamics. Agencies such as the Ministry of National Food Security & Research, provincial food authorities, and the CCP are instrumental in overseeing various aspects of the food supply chain, from quality standards to competition law enforcement.

4. In recent years, there has been growing attention on how competitive practices within the food supply chain affect not only the efficiency of markets but also the livelihoods of farmers and the affordability of food for consumers. Issues such as the dominance of intermediaries, potential anti-competitive behaviors, and regulatory barriers

[1] Pakistan Bureau of Statistics. (2024). Pakistan Economic Survey 2023-24. Ministry of Finance, Government of Pakistan. Retrieved from https://finance.gov.pk/survey/chapter_24/2_agriculture.pdf

[2] World Bank. (2021). Population, total - Pakistan. World Development Indicators. Retrieved from https://data.worldbank.org/indicator/SP.POP.TOTL?locations=PK

[3] Food and Agriculture Organization of the United Nations. (2020). Pakistan at a glance. Retrieved from http://www.fao.org/pakistan/fao-in-pakistan/pakistan-at-a-glance/en/

[4] Asian Development Bank. (2019). Post-Harvest Loss Reduction in Pakistan: Lessons and Insights for Developing Countries. ADB Briefs No. 113. Retrieved from https://www.adb.org/publications/post-harvest-loss-reduction-pakistan

have prompted discussions on the need for reforms to enhance competition and market access.

5. This research document provides a comprehensive analysis of competition issues in Pakistan's food supply chain. It covers key areas such as the dominance of intermediaries in purchasing practices from farmers, the challenges related to inadequate storage and transport infrastructure, and the regulatory impact on pricing and competition. The document also examines anti-competitive behavior in sectors like poultry, sugar, wheat flour, and essential commodities like onions and tomatoes. By exploring the role of regulatory bodies, the enforcement of competition law, and the presence of cartels, this paper highlights the structural challenges and opportunities for promoting fair competition and enhancing market efficiency.

2. Food Supply Chain in Pakistan

6. Food supply chain in Pakistan is a complex network involving multiple stakeholders at various stages, from production to consumption. Understanding its structure and the role of key players is essential for analyzing competition within the sector.

7. The supply chain starts with farmers, who are primarily smallholders operating on less than five hectares of land. These small-scale farmers, who make up about 90% of the farming community, are engaged in subsistence agriculture and contribute significantly to the national food supply (FAO, 2020). Larger producers have better access to resources and markets, enabling higher production efficiencies.

8. Intermediaries, such as *arhtis* (commission agents), are crucial in traditional agricultural markets (mandis). They facilitate sales, provide credit, and supply inputs. Due to limited formal credit access, farmers often rely heavily on *arhtis*, which affects their bargaining power and influence over pricing (Munir & Sultan, 2019). Wholesalers then buy produce from *arhtis* to supply to the processors, retailers, or exporters, influencing price formation and distribution efficiency.

9. The food processing industry is a significant part of the supply chain, involving rice mills, flour mills, sugar mills, edible oil refineries, and dairy processing plants. Major companies in this sector include Nestlé Pakistan, Engro Foods, and National Foods, which hold substantial market shares and influence supply chain dynamics.

10. Distributors handle logistics, moving processed foods from manufacturers to retailers. Traditional retail dominates in Pakistan, with small shops, street vendors, and open markets accounting for about 95% of food retail sales (Nielsen, 2018). However, modern retail formats such as supermarkets are emerging in urban areas. E-commerce platforms like Daraz and Foodpanda are also becoming increasingly influential by connecting consumers directly with producers and retailers, while cooperatives like Kissan Cooperative aim to enhance farmers' market access and bargaining power (Hussain & Perera, 2020).

2.1. Purchasing of Produce from Farmers

11. Traditional *mandis* remain the main channel for farmers to sell produce, relying on *arhtis* for price negotiations, buyer connections, and credit. This dependence on middlemen reduces farmers' bargaining power and share of profits, with studies showing that farmers typically receive only 20-25% of the consumer price, compared to 70-80% retained by intermediaries and retailers (Ali & Zafar, 2017). Regulatory frameworks, such as provincial Agricultural Produce Markets Acts, are intended to regulate *mandis* and ensure fairness,

but weak implementation has led to informal practices and monopolistic behaviors among middlemen.

12. Farmers have limited options for marketing their produce, with direct access to buyers or digital platforms still underdeveloped. Price volatility, influenced by factors like weather and transport issues, further limits farmers' ability to predict prices, creating uncertainty and reducing their negotiating power (Khan & Ghafoor, 2019).

2.2. Storage and Transport of Food

13. Inadequate storage facilities, especially in rural areas, contribute to significant post-harvest losses, estimated at 15-40% for perishable crops (Asian Development Bank, 2019). Public storage, provided by entities like the Pakistan Agricultural Storage and Services Corporation (PASSCO), is limited and mainly focused on strategic reserves for wheat. Smallholder farmers often lack access to modern storage solutions, forcing them to sell produce immediately after harvest at lower prices, leading to market gluts during harvest seasons.

14. Transport infrastructure also poses challenges, with poor road conditions, lack of refrigerated transport, and inefficiencies in logistics contributing to high costs and delays. Regulatory restrictions, such as licensing requirements and vehicle maintenance standards, further limit competition in the transport sector, disproportionately affecting small farmers who lack economies of scale.

2.3. Standards for Delivering and Packing Food Products

15. The Pakistan Standards and Quality Control Authority (PSQCA), along with provincial food authorities, sets standards for food delivery and packaging to ensure quality. However, these standards can sometimes be used by large firms to coordinate in ways that exclude smaller producers unable to meet the requirements, leading to anti-competitive behavior. Additionally, these standards can act as non-tariff barriers, hindering imports and creating disparities between domestic and foreign firms, particularly affecting smaller importers (Kiani et al., 2018).

2.4. Distributor to Retailer Negotiations

16. Distributors often impose conditions on retailers regarding pricing, advertising, and product placement. In some cases, these practices resemble resale price maintenance (RPM), where distributors set minimum prices, limiting retailers' ability to offer discounts. Such practices are generally prohibited under the Competition Act, 2010, as they restrict price competition and keep consumer prices artificially high. However, enforcement of these regulations remains inconsistent.

3. Regulatory Bodies and Key Regulations

3.1. Regulatory Bodies

17. The food supply chain in Pakistan is regulated by a combination of federal and provincial bodies, each responsible for different aspects of food production, safety, and trade.

- **Ministry of National Food Security & Research (MNFSR)**: The MNFSR is the primary federal agency responsible for policy formulation, economic coordination, and planning in respect of food grains and agriculture. Its functions include agricultural research and development, plant protection and quarantine services, regulation of agricultural imports and exports, and coordination with international organizations (MNFSR, n.d.).

- **Provincial Food Authorities**: Provincial Food Authorities, such as the Punjab Food Authority (PFA), Sindh Food Authority (SFA), Khyber Pakhtunkhwa Food Safety and Halal Food Authority, and Balochistan Food Authority, are responsible for food safety and quality control within their respective provinces. Their responsibilities include implementing food safety standards and regulations, conducting inspections and enforcing compliance among food businesses, issuing licenses and certifications, and raising public awareness about food safety (Punjab Food Authority, n.d.).
- **Competition Commission of Pakistan (CCP)**: The CCP is an independent quasi-regulatory, quasi-judicial body responsible for enforcing the Competition Act, 2010. Its mandate includes prohibiting abuse of dominant positions, preventing anti-competitive agreements—including cartels and collusions—controlling deceptive marketing practices, and promoting competition to enhance economic efficiency and protect consumer welfare (Competition Commission of Pakistan, n.d.). To meet its objectives, the Commission is empowered to conduct enquiries, investigations, inspections, research studies, and issue policy notes, opinions and orders, after following the due procedure under the rules and regulations.
- **Pakistan Standards and Quality Control Authority (PSQCA)**: PSQCA, under the Ministry of Science and Technology, develops and enforces standards for products and services, including food items. Its functions include formulating national standards, certifying products for compliance, preventing the import, manufacture, and sale of sub-standard products, and coordinating with international standardization bodies (PSQCA, n.d.).
- **Federal Seed Certification and Registration Department (FSC&RD)**: FSC&RD regulates seed quality to ensure the availability of high-quality seeds to farmers, impacting agricultural productivity. Its functions include seed certification and testing, registration of new seed varieties, and enforcement of the Seed Act, 1976 (amended in 2015) (FSC&RD, n.d.).
- **National Animal and Plant Health Inspection Service (NAPHIS)**: NAPHIS oversees sanitary and phytosanitary measures to protect animal and plant health. Its functions include implementing quarantine regulations, preventing the introduction of pests and diseases, and facilitating compliance with international trade standards (NAPHIS, n.d.).

18. Following the 18th Amendment to the Constitution in 2010, several federal powers were devolved to the provinces, including agriculture and food safety. This devolution implies that provinces have autonomy to legislate and regulate agriculture and food safety, which can lead to regulatory discrepancies between provinces, affecting inter-provincial trade and competition. There is a need for coordination between federal and provincial authorities to ensure cohesive policies.

3.2. Key Regulations

- **Competition Act, 2010**: This law provides a legal framework for promoting fair competition in all spheres of commercial and economic activity, including food supply chains. Key provisions of the Act prohibit abuse of dominant position

(Section 3), outlaw anti-competitive agreements (Section 4), address deceptive marketing practices (Section 10), and deal with mergers and acquisitions that may substantially lessen competition (Sections 11–14) (Competition Commission of Pakistan, 2010).

- **Provincial Agricultural Produce Markets Acts**: These laws regulate the functioning of agricultural markets (mandis). Each province has its own legislation, such as the Punjab Agricultural Produce Markets Ordinance, 1978, and the Sindh Wholesale Agricultural Produce Markets (Development and Regulation) Act, 2010. These laws aim to ensure fair trading practices, license market functionaries—including arhtis and commission agents—and control market fees and commissions (Government of Punjab, 1978).
- **Food Safety Regulations**: Provincial food authorities are responsible for implementing food safety regulations, which are critical for ensuring the safety and quality of food products throughout the supply chain. These regulations include hygiene requirements, labeling standards, and inspections of food establishments to ensure compliance.
- **Pakistan Standards and Quality Control Authority (PSQCA) Standards**: PSQCA sets mandatory standards for the production, packaging, and marketing of food products. Compliance with these standards is necessary to prevent the distribution of sub-standard or unsafe food products.
- **Seed Act, 1976 (Amended 2015)**: The Seed Act governs the production, certification, and sale of seeds in Pakistan. The amendments to the Act in 2015 aimed to align seed certification practices with international standards and ensure the availability of high-quality seeds to farmers, thereby boosting agricultural productivity.
- **Sanitary and Phytosanitary (SPS) Measures**: These measures, regulated by NAPHIS, are aimed at maintaining the health of animals and plants. SPS measures include quarantine regulations, quality standards for imported and exported goods, and other regulations designed to protect food safety and facilitate trade.
- **Price Control and Profiteering and Hoarding Act, 1977**: This Act allows government to fix price of essential food commodities. Accordingly, maximum prices of essential commodities as per different localities or for different classes or categories of commodity are fixed. No person is allowed to sell or re-sell any essential commodity at a price higher than the maximum fixed price. An elaborate system has been devised, which is looked into by the Controller General of Prices and Supplies. From a competition perspective, a heavy legal framework on distribution system does not encourage price competition on the basis of product quality e.g. branding and product differentiation. All the provinces enforce 'Price Control and Prevention of Profiteering and Hoarding Act'. They have similar laws but differ in implementation.

4. Competition Issues in the Food Supply Chain in Pakistan

19. The food supply chain in Pakistan faces significant competition issues, primarily related to cartelization and the dominance of intermediaries, which limit fair competition and impact both producers and consumers. The CCP has undertaken several investigations and issued orders to address these issues, with a focus on ensuring compliance with the Competition Act, 2010.

4.1. Poultry Market

20. One of the prominent cases investigated by the CCP involves the poultry sector, specifically the market for day-old broiler chicks. From 2019 to 2024, the CCP found evidence of collusion and price-fixing among eight hatcheries, including major players like Hitech Group, Islamabad Group of Companies, and Jadeed Group. These entities coordinated prices through platforms like WhatsApp and SMS, where officials would announce mutually agreed-upon rates for day-old broiler chicks. This collusion led to artificially inflated prices, reducing the ability of smaller farmers to compete effectively and impacting consumers with higher retail prices. The CCP deemed this behavior a violation of Section 4 of the Competition Act, which prohibits anti-competitive agreements that restrict competition or manipulate prices (CCP, 2024[5]).

21. The hatcheries involved in this case are also vertically integrated, controlling multiple stages of the poultry supply chain, from breeding to poultry feed production. This vertical integration enabled them to influence prices at various levels of the supply chain, affecting overall market competition and creating an unfair environment for independent producers.

Horizontal Agreements and Collusive Practices

22. Horizontal agreements—agreements between competitors operating at the same level of the supply chain—are a significant source of anti-competitive behavior in Pakistan's food sector. The CCP has highlighted that these agreements often involve price-fixing, limiting output, and allocating markets. Such agreements are considered hard-core cartels and are strictly prohibited under the Competition Act. The poultry sector serves as a critical example, where these practices led to inflated prices and reduced competition, making it difficult for small and medium enterprises (SMEs) to survive in the market (CCP, n.d.[6]).

Enforcement Actions and Regulatory Framework

23. To address these competition issues, the CCP has undertaken several enforcement actions. These include conducting searches and inspections at the premises of companies suspected of anti-competitive behavior, issuing show-cause notices, and pursuing legal proceedings to ensure compliance. In the poultry case, the CCP conducted forensic analysis of communications between hatcheries and issued show-cause notices to the involved parties. Despite these actions, many companies involved in such practices have obtained stay orders from the courts, delaying enforcement and complicating the regulatory process (CCP, 2024).

24. CCP has taken several actions to curtail cartelization within the poultry sector, particularly targeting the Pakistan Poultry Association (PPA).

- **PPA Price Fixing Case (2010 and 2016 Orders)**: In 2010[7], the CCP imposed a penalty of PKR 50 million on the PPA for colluding to reduce poultry production to inflate prices, violating Section 4 of the Competition Act. Subsequent inspections at PPA offices revealed evidence of collusive practices. In 2016, the CCP imposed an additional PKR 100 million fine on the PPA for publishing broiler chicken and

[5] https://cc.gov.pk/home/viewpressreleases/478

[6] https://cc.gov.pk/home/horizontal_agreement

[7] https://cc.gov.pk/home/vieworders/77

egg prices in advertisements, which influenced market prices. The CCP directed the PPA to cease advertising poultry product rates and submit a compliance report (CCP, 2016[8]).

- **Price Fixing in the Hatchery Sector (2024 Order)**: In 2024, the CCP investigated eight hatcheries, including Hitech Group, Islamabad Group, and Jadeed Group, for price coordination of day-old broiler chicks through daily communication via WhatsApp. The collusion led to inflated prices, negatively impacting competition and small farmers. The investigation was initiated after numerous complaints about price surges, and forensic analysis confirmed the collusion. The case is currently under adjudication (CCP, 2024[9]).

4.2. Sugar Industry

25. The CCP has been actively addressing competition issues in the sugar industry since 2009, focusing on tackling cartel activities through investigations and enforcement actions. In 2020, the CCP conducted a major inquiry that revealed collusive practices among sugar mills, including price-fixing and output restrictions. These practices were orchestrated through the Pakistan Sugar Mills Association (PSMA), which played a central role in manipulating sugar prices and controlling supply (CCP, 2020).

26. Following this inquiry, the CCP imposed significant penalties totaling approximately PKR 44 billion on multiple sugar mills for engaging in anti-competitive activities. These penalties were one of the largest fines ever levied by the CCP, underscoring the commission's commitment to dismantling cartels and enforcing competition laws. The fines were distributed based on the annual turnover of each sugar mill, with penalties equivalent to 55% of their yearly revenue, aiming to create a strong deterrent against future violations.

27. The CCP also conducted inspections of the PSMA’s offices to gather further evidence, demonstrating its commitment to rigorous enforcement of competition laws. These actions were intended to disrupt the cartel's operations, deter future collusion, and promote a more competitive market environment. Despite these efforts, the impact on sugar prices has been mixed. Initially, the CCP's interventions led to a reduction in sugar prices, signaling an improvement in market competition. However, prices continued to show volatility, influenced by factors such as changes in input costs, government price controls, and broader market disruptions. For instance, in 2022, sugar prices ranged from PKR 85 to PKR 110 per kg, depending on regional factors and market dynamics (Pakistan Bureau of Statistics, 2022).

28. In its 2021 policy note on the sugar industry[10], the CCP recommended several measures to enhance competition and transparency. These included increasing transparency in sugarcane procurement and pricing mechanisms, advocating for a market-based pricing system to ensure fair compensation for farmers, and discouraging arbitrary pricing. The CCP also suggested reducing government intervention in price setting to allow market forces to drive efficiency among sugar mills, and strengthening regulatory oversight to prevent collusion through regular monitoring and enforcement. Additionally, the policy note emphasized improving data collection and dissemination to facilitate informed

[8] https://cc.gov.pk/home/viewpressreleases/147

[9] https://cc.gov.pk/home/viewpressreleases/510

[10] https://cc.gov.pk/assets/images/policy_notes/sugar_policy_note_2021.pdf

decision-making by stakeholders, thereby fostering a more competitive and fair sugar market that benefits consumers through stable prices and improved product quality.

29. **Competition Assessment - Sugar Sector in Pakistan:** The study brings forth lack of competition that is embedded deep in the history of the sector. The disorderliness in the organization of production is an outcome of a combination of political, economic and technical factors. These factors reinforced each other and caused significant levels of inefficiency in production and trade. As a cumulative effect, the industry could not establish a competitive environment conducive to improve production and a comparative advantage. The report highlighted that some characteristics of the sugar market in Pakistan are disturbing from competition point of view: a) the role of politics remains central as politicians from both sides of the political divide - government and opposition own most of the sugar mills. The policy making process is hence prone to conflict of interest. b) Sugar is a homogenous product, hence there is an inherent suspicion for the industry to involve in collusive practices. The excessive hike in sugar prices raises many questions. The Report on the Sugar Industry was used as a base to have a closer look into the affairs of the industry and All Pakistan Sugar Mills Association (APSMA). The CCP used this work in a number of ways, for the sugar sector cartel's order, for preparing a report for the Supreme Court's Commission on sugar crises. A policy advice was issued to the Ministry of Production to refrain from an agreement with sugar industry to determine price. The CCP was able to determine that APSMA operated as a cohesive cartel.

4.3. Wheat Flour Industry

30. The CCP has taken significant steps to address anti-competitive practices in the wheat flour sector, a crucial component of Pakistan's food supply chain. In January 2020, following a sudden surge in wheat flour prices—rising by up to 20% in some areas—the CCP launched an inquiry to investigate the causes of the price hike and market shortages (Business Recorder, 2020). Recognizing the importance of wheat flour for consumers, the CCP aimed to determine if collusion among flour mills and the Pakistan Flour Mills Association (PFMA) was contributing to the crisis.

31. The CCP conducted inspection of the PFMA's premises located in Lahore, Islamabad, and Karachi to gather evidence of cartelization (Dawn, 2020). These raids led to the collection of crucial documents and communication records, suggesting that flour mills collectively decided to raise prices and control supply. The CCP issued show-cause notices to the PFMA and 84 flour mills, indicating potential violations of Section 4 of the Competition Act, 2010, including price-fixing and coordinated supply restrictions (The Nation, 2020).

32. The CCP's investigation and subsequent scrutiny contributed to the stabilization of wheat flour prices, with reports indicating a gradual decrease following CCP's interventions (Pakistan Today, 2020). By actively pursuing anti-competitive behavior, the CCP aimed to deter future collusion, ensuring wheat flour remains accessible and affordable.

33. In its policy note on the wheat flour industry[11], the CCP recommended reducing excessive government intervention by moving towards a market-based mechanism, allowing private sector participation to improve efficiency and ensure fair compensation for farmers. The CCP also emphasized improving storage and transportation infrastructure, deregulating inter-provincial wheat movement to create an integrated national market, and enhancing regulatory oversight to detect and prevent collusion among flour mills and

[11] https://cc.gov.pk/assets/images/policy_notes/policy_note_wheat_sector.pdf

traders. Implementing these measures aims to foster a competitive wheat flour industry, benefiting consumers through fair pricing and ensuring adequate rewards for farmers.

34. **Competition Assessment of the Wheat Flour Industry:** The study highlighted that ‘wheat flour’ industry is not only undocumented and informal, but it also promotes unfair competition in the market. Wheat has a higher weight in an average household budget. This makes wheat flour a sensitive commodity. Price changes and availability has a positive or negative impact on consumers, especially on the poor sections of the society. The study noted that the Pakistan Standards and Quality Control Authority has not devised a standard for wheat flour. Although the wheat flour chain apparently seems to be a competitive industry, the market activities indicate possible anti-competitive conduct that a trade association must avoid. Also, the government should not be involved in price negotiation with Pakistan Flour Mills Association (PFMA) and should fix a price of this essential commodity based on independent analysis of market situation.

35. A review of the regulatory framework indicates that the present system of wheat procurement and quota has generated excess production capacity owing to which ‘ghost mills’ have propped. This system is expensive and has inefficiencies; as a result its positive impact on both farmers and consumers – for whom the whole system is designed – is questionable in the present day circumstances. The CCP suggested that the outdated laws and rules made to control production and distribution do not facilitate and encourage establishment of modern mills, and cannot optimise the role of the private sector engaged in the flour milling. The CCP called for a revamp in policies, governance system and institutions that shape the market.

4.4. Onion and Tomato Market

4.4.1. Price Controls

36. The essential commodities sector in Pakistan, particularly for staples like tomatoes and onions, is subject to extensive price controls at the retail level. Prices for these commodities are determined daily by local authorities, such as Deputy Commissioners, with the aim of protecting consumers from price hikes and ensuring affordability. However, implementing and monitoring these price controls is challenging, and they often contradict free market principles, leading to negative consequences.

37. Price controls can discourage new entrants and investors by reducing profit margins, which acts as a disincentive for improving quality or increasing production. They can also foster black markets where goods are sold at higher prices and lead to costly rationing and supply shortages, as producers may limit output when prices are artificially low. Studies have shown that such rigid price controls often exacerbate supply-demand mismatches, particularly during peak seasons, resulting in shortages in both urban and rural markets.

4.4.2. Farmers' Exploitation through Non-Institutional Financing

38. Access to institutional financing in Pakistan is often cumbersome due to extensive processing requirements, collateral demands, and bureaucratic hurdles. As a result, many farmers turn to non-institutional, unregulated financing from village traders (beoparis) and commission agents (arthis), who provide loans in cash or kind (such as seeds, fertilizers, and pesticides).

39. This non-institutional financing often comes with exploitative conditions, such as higher commission rates and restrictive sales requirements. Farmers are frequently compelled to sell their produce exclusively through selected commission agents at the

mandi (market), circumventing transparent auctions and resulting in lower purchase prices. This system reduces farmers' bargaining power and income, trapping them in cycles of debt and dependency. Such practices undermine fair competition and contribute to inefficiencies in the agricultural supply chain.

40. To address these anticompetitive issues, the CCP has undertaken several initiatives:

- **Market Studies and Recommendations:** The CCP has conducted market studies to understand the dynamics of the tomato and onion markets. These studies highlighted the adverse effects of price controls and the exploitation of farmers through non-institutional financing.
- **Advocacy for Regulatory Reforms:** The CCP has recommended modernizing agricultural markets by introducing transparent auction systems and digital platforms to reduce the influence of middlemen. This includes promoting electronic trading platforms that can connect farmers directly with buyers, ensuring fair prices.
- **Enhancing Access to Institutional Financing:** In collaboration with the State Bank of Pakistan and other financial institutions, efforts are being made to simplify loan procedures, reduce collateral requirements, and promote microfinance initiatives tailored for smallholder farmers. This aims to reduce farmers' reliance on exploitative non-institutional financiers.
- **Policy Dialogue with Government Authorities:** The CCP is working with provincial governments to review and revise price control mechanisms. The goal is to align these mechanisms with free-market principles while safeguarding consumer interests. By advocating for a gradual shift towards market-determined pricing, the CCP seeks to encourage investment and improve the quality of essential commodities.
- **Awareness and Capacity Building:** The CCP has launched awareness campaigns to educate farmers about their rights and the benefits of participating in regulated markets. Training programs are being conducted to improve farmers' financial literacy, enabling them to make informed decisions regarding financing options.
- **Enforcement Actions:** While specific enforcement actions in the tomato and onion markets have not been extensively publicized, the CCP continues to monitor these sectors for potential violations of the Competition Act, 2010. The commission stands ready to take action against entities engaged in price-fixing, hoarding, or other anticompetitive practices.
- **Policy note to reform price determination practice for fresh milk:** The CCP issued a Policy Note to the federal government, all provincial governments, and the administration of the Islamabad Capital Territory, recommending that the present practice of price determination of fresh milk be reformed to address competition concerns. The Commission took cognizance of various news items reporting that the local authorities set the price of fresh milk after consulting dairy farmers' associations. The CCP gathered relevant information, and found that the officers involved in the price control work, survey markets to ascertain milk prices. Afterwards, negotiations between members of the Price Control Committee/government's price control staff and the respective stakeholders including associations take place and a price is agreed upon.

41. In the prevailing practice, two issues are involved: firstly, consultation among members with their respective association to reach a common agreed price, and secondly,

designating their association to negotiate with Price Control Committees to approve/consider their bench mark price – in fact by doing so the association becomes a forum for price-fixing. This practice is against Section 4 of the Competition Act, 2010. The Commission is of the view that entering into negotiation/agreement/arrangement to reach an accord to reconcile prices of their produce is beyond the role of an association and this may have negative repercussions for competition. The associations cannot negotiate selling price with Price Control Committees on behalf of its members/suppliers/sellers that are otherwise required to compete with each other.

42. By engaging in negotiations with milk sellers' associations & milk retailers' association, the government itself becomes a party to a prohibited practice. Also, such agreements under the auspices of the Government promote practices that are a violation of the Competition Act, 2010. Therefore, the Commission believes that the Government at any level must not provide any patronage to anticompetitive practice that may encourage collusive behaviour.

43. The Policy Note recommends that any members of associations, associations themselves or any stakeholders from the marketplace must not be invited to and must not participate in any formal or informal meeting in which the price of fresh milk is decided. The Commission further recommends that the price of fresh milk must be based on careful and independent analysis undertaken by respective government officers working as the members of the Price Review Committee.

- **Competition Assessment - Cooking Oil and Ghee Sector in Pakistan:** This Report presented an overview of the Cooking Oil and Ghee industry in Pakistan focusing on competition and efficiency matters. It highlighted that despite a thin diffusion of market share across about 100 firms, there are certain instances inviting concern from a competition perspective. It argued that the industry is able to thrive even while maintaining capacity utilization of less than 50%, which points to the absence of competitive pressure. The presence of countless unregistered suppliers should have created pressure on the registered firms to be more efficient and price sensitive but this has not happened. Firms do not refer to prices in their advertisements. This also indicates a lack of competitive pressure on the firms. These findings were forwarded to the Cartels Department, and an action was taken by the CCP.
- **Competition Assessment of the Tea Industry in Pakistan:** The Report identified smuggling as a major challenge faced by the tea industry. The import cost of tea imported for Pakistan is estimated to be around 32% greater than the tea imported for Afghanistan due to the various taxes paid by domestic importers. Due to the cost difference, legally imported tea cannot effectively compete with smuggled tea.

5. Conclusion

44. In conclusion, the food supply chain in Pakistan is a critical and complex network that involves multiple stakeholders, from smallholder farmers to retailers, all of whom contribute to the nation's food security and economic stability. However, this sector faces significant challenges, including inadequate infrastructure, limited access to modern technology and credit, post-harvest losses, price volatility, and the dominance of intermediaries like *arhtis*. These factors hinder competition and efficiency of the supply chain, disproportionately affecting small-scale farmers, who struggle with bargaining power and market access.

45. Regulatory bodies, such as the CCP, provincial food authorities, and the Ministry of National Food Security & Research, play essential roles in shaping market dynamics. Despite their efforts, issues of anti-competitive behavior, collusion, and monopolistic practices persist in various sub-sectors, such as poultry, sugar, wheat flour, and essential commodities like tomatoes and onions. The dominance of intermediaries and the lack of transparent pricing mechanisms exacerbate these issues, negatively impacting both producers and consumers.

46. To foster a more competitive and efficient food supply chain, several policy recommendations have been identified. These include improving infrastructure, particularly storage and transport, enhancing access to institutional credit, modernizing agricultural markets, and ensuring better enforcement of competition law. Regulatory reforms aimed at promoting fair competition, increasing transparency, and reducing the reliance on middlemen are crucial for creating a sustainable agricultural sector that benefits all stakeholders. Addressing these challenges through coordinated efforts can contribute to the long-term development of Pakistan’s food supply chain and improve livelihoods across the country.

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