

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Despite the Government of Pakistan's lower than targeted wheat procurements this season, Pakistan is not expected to face any wheat related food security issues because of adequate carryover stocks, however, increases in flour prices are anticipated. MY 12/13 wheat production forecast remains unchanged at 23 million tons. Pakistani wheat exports are unlikely with the possible exception to Afghanistan because of Pakistani wheat prices. Pakistani rice exports during MY 2011/12 have picked up momentum, albeit gradually, as the season progresses and are likely to reach 3.7 million tons by the end of the marketing year.

General Information:

Government Wheat Procurement Target Not Achieved

In February 2012, the Government of Pakistan set a target to procure 7.7 million tons of wheat for the MY 12/13 crop but only procured 5.7 million tons by the close of procurement season June 1, 2012. The breakdown of the procured wheat is shown in Table 1.

Table1: Wheat Procurement by Province/Agency

Province/ Agency	Quantity (Million Tons)
Punjab	2.781
Sindh	1.152
KPK	0.27
Baluchistan	0.087
PASSCO	1.366
Total	5.656

A combination of various factors contributed to the lower than targeted wheat procurement level. The government's initial wheat production estimate was too ambitious and available funding for wheat procurement was too low. Large carryover stocks estimated at over 3.5 million tons and continued storage capacity constraints also contributed to the lower procurement level.

The Pakistan Ministry of National Food Security and Research (MNFSR) published an ambitious wheat production target of 25 million tons at the beginning of this year in spite of claims from producers that their planting intentions were going to be lower. Subsequently, production reports from the field indicate MY12/13 wheat production to be around 23.5 million tons, in line with FAS Islamabad's earlier forecast of 23 million tons.

The GOP was anticipating greater production in response to its decision to raise the procurement price of wheat. The procurement price for the current year's crop was raised from Rs.950 per 40 kg (\$276/ton) to Rs.1,050 per 40 Kg (\$292/ton). Farmer response to plant wheat due to the increased procurement price was less than expected as many felt that the price increase was too low to cover the increase cost of inputs. As reported earlier, Pakistan's wheat planted area has declined by five percent over the last two years. Decreases in the use of inputs and increased water shortages also affected yields and, thus overall production. Still, the production figure of 23 million tons is only five percent less than last year's record production level of 24.2 million tons.

No Food Security Issues but Increases in Flour Prices Anticipated

Despite the lower than expected production level and less than targeted wheat procurement, Pakistan is not likely to face any wheat related food security issues mainly because of the 3.5 million tons of carryover stocks.

It should, however, be noted that Pakistani consumers are currently paying about ten percent more than average world prices for wheat and wheat flour. The present market price of wheat in Pakistan is around \$295/MT against the world price of \$270/MT, while the average flour price in Pakistan is around \$315/MT.

Wheat flour prices are likely to increase by another ten percent come August as the government begins supplying wheat to the millers at the increased issue price (procurement price + some storage and handling cost).

The GOP's lack of a coordinated commodity policy, unreliable production data and an inability to respond to global market dynamics has resulted in an inefficient wheat marketing system. In spite of successive good

harvests over the past three years, Pakistani consumers continue to pay one of the world's highest prices for wheat and wheat flour. The disparity between domestic and world wheat prices is just one manifestation of the flawed wheat procurement policy. The government is the primary buyer of Pakistani wheat and controls the market by setting the procurement and issue prices. Government decisions are more often based on political needs rather than fundamental economic factors.

Pakistani Wheat Exports

Pakistan has not exported wheat since August 2011 and is not likely to export during the current marketing year except for around 300,000 tons of wheat flour to Afghanistan. The main reason is that Pakistani wheat is priced above the average world market price and quality for much of the stored wheat is of inferior quality. Pakistan has been negotiating with Iran for the possible export of wheat, through a barter transaction, but nothing to date has been finalized. Iran has questioned the quality of Pakistani wheat making it difficult to agree on a fixed value. Furthermore, Iran is currently in discussions with India exploring other options for obtaining wheat.

Rice

Rice Transplanting In Progress Amid On-Going Water Shortages

Farmers across Pakistan are engaged in transplanting rice, while facing water shortages which are increasing every year. The Indus River System Authority (IRSA) reported a 15 percent water shortage for this year's summer sowing season. In spite of the water shortage, farmers are opting for rice against other competing crops, such as sugarcane, due to more favorable prices in both Pakistan and world markets.

The extent and distribution of monsoon season rains will be the ultimate factor determining the production level of the rice crop. The monsoon is expected to start on time in early July and extend until the middle of September. Pakistan receives about 70 percent of its total annual precipitation during this period. Pakistan Metrological Department has forecasted a normal monsoon season. For the last two consecutive years Pakistan's rice crop has been adversely affected by unprecedented floods resulting from monsoon rains.

Pakistani Rice Exports

Pakistani rice exports during MY 2011/12 have picked momentum gradually as the season progress and are likely to touch 3.7 million tons by the end of the marketing year. Pakistan rice sector have recovered well from two consecutive years of floods. The damaged infrastructure especially rice mills in Sindh have largely been restored. Despite continuing energy crises and a discouraging law and order situation rice industry demonstrated resilience and maintained steady exports. This was made possible by discovering new export markets. According to Rice Exporters Association of Pakistan (REAP), Pakistan is now exporting Basmati and coarse varieties to more than 110 countries around the globe. Among these new markets China is importing significant quantity of rice from Pakistan this year.