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# GAIN Report

Global Agricultural Information Network

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## **Pakistan**

### **Grain and Feed Annual**

### **Grain and Feed Annual 2012**

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**Report Highlights:**

Pakistan's wheat production in marketing year (MY) 2012/13 (May/April) is estimated at 23.0 million tons, down five percent relative to previous year's record harvest of 24.2 million tons. Wheat area harvested is witnessing a declining trend and has decreased by five percent during the last two years. In MY2012/13 Pakistan is forecast to export 300,000 tons of wheat. Pakistan's MY 2011/2012 rice production is estimated at 6.5 million tons, thirty percent higher than the 2010/11 flood affected production level of 5.0 million tons. MY 2012/13 production is forecast at 6.8 million tons. Rice exports in MY 2012/13 are projected at 4.0 million tons based on the expectation of a good harvest.

**Executive Summary:**

Pakistan's wheat production in marketing year (MY) 2012/13 (May/April) is estimated at 23.0 million tons, down five percent relative to previous year's record harvest of 24.2 million tons. Wheat area harvested is witnessing a declining trend and has decreased by five percent during the last two years. Last year, the Government of Pakistan (GOP) procured 6.4 million tons of wheat from the local production, but has yet to announce a procurement target for this year's harvest. Trade sources estimate that Pakistan exported 1.5 million tons in MY 2010/11 and around 800,000 tons in MY 2011/12. Wheat exports in MY 2012/13 are forecasted at 300,000 tons mainly to Afghanistan. Pakistan's wheat prices are presently ten percent higher than the world prices and the GOP is considering a proposal for subsidizing wheat exports.

During 2011, Pakistan experienced floods for the second year in a row. But unlike 2010 catastrophic floods, 2011 flooding was localized and restricted to lower Sindh and affected mostly rice and cotton crops in the flood affected areas. The rice crops in Punjab and upper Sindh remained unaffected. Pakistan's MY 2011/2012 rice production is now estimated at 6.5 million tons, thirty percent higher than the 2010/11 flood affected production level of 5.0 million tons. MY 2012/13 production is forecast at 6.8 million tons. Post's estimate of Pakistan's rice exports in MY 2010/11 is increased 28 percent to 3.2 million tons mainly due to the increased demand and better prices in the world market. Pakistan's rice exports also benefited from India's ban on rice exports, earlier in the marketing year. MY 2011/12 rice exports are estimated at 3.7 million tons, three percent higher than last year's export estimate. Rice exports in MY 2012/13 are projected at 4.0 million tons based on the expectation of a good harvest.

**Commodities:**

Wheat

**Production:**

Wheat is Pakistan's most important agricultural crop, which is grown by about 80 percent of all farmers, and covers close to 40 percent of the total cultivated area. Wheat production in marketing year (MY) 2012/13 (May/April) is forecast at 23.0 million tons, down five percent from a record production level of 24.2 million tons. The forecasted production level is almost at par with the average of last five year's production. The projected decrease in production is due to a reduction in crop area, reduced availability and use of irrigation water and production inputs and low rainfall pattern. The 23.0 million ton production forecast represents potential production and assumes no further deterioration in the condition of the crop before harvest scheduled to begin in April.

The Government of Pakistan raised the procurement price for the current year's crop from Rs.950 per 40 kg (\$276/ton) to Rs.1050 per 40 Kg (\$292/ton) but the farmer's organizations still maintain that the increase in the procurement price is not in line with the increase in input prices. The previous government procurement price for wheat was set during MY 2009/10 at Rs.950 per 40 kg (\$276/ton), and was maintained at that level for the 2010 crop and for the 2011 procurement season (April-June).

Area harvested is three percent lower than last year and is estimated at 8.66 million hectares. Wheat area harvested by province is shown in Table 1. Wheat area harvested is witnessing a declining trend and has decreased by five percent during the last two years. Government reluctance to raise the procurement price in accordance with the increase in input prices and recent trend of early sowing of cotton (February-March) are the main reasons for the reduction in the planted area for wheat.

**Table 1: Wheat Area Harvested by Province**

Province	Area (Million Hectares)	Percentage of Total Area
Punjab	6.509	76
Sindh	1.047	12
KPK	0.725	8
Baluchistan	0.381	4
Total	8.662	100

The use of fertilizer during the 2011/12 wheat crop season registered a declining trend due to shortage of urea and high cost of phosphate fertilizer. Total fertilizer use during the October-January decreased significantly compared with the same period during last season. The use of fertilizer during the 2011 wheat growing season decreased by 19 percent as compared to last year. In product terms, urea use decreased by 13 percent while DAP decreased by 27 percent.

Water availability for irrigation during the 2011-12 winter growing or “Rabi” season was 16 percent below normal compared to 12 percent during last year’s season. Low rainfall during November and December last year was not very conducive for wheat germination and could ultimately impact yield. Wheat sown in the arid zones will be more susceptible to the low rainfall pattern. Stored water for irrigation is held mainly in two large reservoirs, Tarbela and Mangla, for use during the summer and “Rabi” seasons. About two-thirds of the country’s irrigation water is sourced from snow and glacier melts, with the balance supplied by tube wells and seasonal monsoon rains.

Since the completion of the nation’s irrigation system in the 1970s, demand for water has increased by more than 50 percent, while storage capacity has decreased by about one-third due to silting. This has left per capita water availability at a fraction of its earlier levels. As a result, chronic shortfalls in water available for irrigation are expected to impose an increasingly larger constraint on Pakistan’s agricultural prospects.

The impact of water shortages is traditionally more severe in the Sindh province than in the Punjab region. Many parts of Sindh’s ground water are alkaline and not fit for irrigation, thereby necessitating a greater reliance on canal water. In the Punjab province, where extensive tube well irrigation is utilized, the crop is generally considered to be in normal condition as of March 2012. With the bulk of the Punjab crop about to enter the grain-formation stage, moderate temperatures and sunlight during the month of March will be critical for the success of this year’s output.

**Consumption:**

Pakistanis eat breads made of wheat flour as a staple part of their daily diet. Pakistan has a variety of breads, often prepared in a traditional clay oven called a tandoor. The tandoori style of cooking is common throughout rural and urban Pakistan and has strong roots in the region. Wheat flour or ‘atta’ is

the staple food for most Pakistanis, supplying 72 percent of caloric energy in the average diet. Per capita wheat consumption has traditionally been estimated at around 124kg/year which is among the highest in the world.

Pakistan's wheat supply situation remained stable throughout MY2011/12 mainly because of two successive good harvests and steady wheat stocks. Wheat/flour prices were also relatively stable, during MY2011/12 thus enabling Pakistan to avoid issues of food insecurity during a year of high inflation. According to Post's current estimates, Pakistan's wheat consumption is increasing at a slower rate than population growth. The present market price of wheat flour in Pakistan is around \$314/ MT which is about ten percent higher than prevailing world prices.

Pakistan's wheat milling industry is privately owned. There are about 1,000 flour mills in Pakistan, which meet the consumption needs of about 40 percent of the population, with the balance met by on farm consumption. Principal milled products include "midda" (which is a 72 percent extraction flour used for loaf bread and other products) and "atta" (which is an 82 percent extraction flour used for flat breads). The disbursement of government-owned wheat to flour mills is managed in an effort to ensure that sufficient wheat is available throughout the year.

Consumer preference is shifting from higher whole grain to lower extraction flour and traditional flat bread to western-style, loaf bread, particularly in urban areas where western bread is viewed as a convenient breakfast food. Traditional home-ground flour is also losing favor to commercially milled flour. Demand for specialized products is also increasing in response to changing lifestyles which are more receptive to western-style fast food chains recently introduced into Pakistan.

**Trade:**

The Government of Pakistan lifted its ban on the export of wheat in December 2010 and allowed the private sector to export wheat. According to trade sources, during 2010/2011 Pakistan exported 1.5 million tons of wheat. The export momentum continued during the first half of MY 2011/2012. However, due to declining world wheat prices during the latter half of the marketing year, Pakistan's wheat became uncompetitive in the world market and the pace of exports could not be sustained. Pakistan's MY 2011/2012 wheat exports are estimated at 800,000 tons (Table 2). Post estimates that during MY 2012/13 Pakistan will export approximately 300,000 tons mainly to Afghanistan. Afghanistan has been a traditional wheat export market for Pakistan. It should however be noted that due to inconsistent trade policies Pakistan has not proved itself as a reliable supplier for Afghanistan. As a result, Afghanistan traders turned to alternate suppliers mainly Central Asian Republics. Pakistan's wheat prices are presently ten percent higher than the world prices and the GOP is considering a proposal for subsidizing wheat exports.

After a recent visit by Iran's President to Pakistan the media has reported a possible agreement between Iran and Pakistan to trade Iranian fertilizer for Pakistani wheat. No details of the terms of the deal or timeline have been released.

**Table 2: Pakistan's MY2011/12 Wheat Exports by Destination**

Country	Quantity in Tons
Afghanistan	300,000
Kenya	150,000

Gulf (UAE, Qatar, Oman)	150,000
Sudan	50,000
Yemen	50,000
Bangladesh	60,000
Sri Lanka	40,000
Total	800,000

**Stocks:**

The GOP holds most wheat stocks through various provincial food departments and the federal agency known as the Pakistan Agricultural Storage and Services Corporation (PASSCO). Due to an increase in exports, MY 2010/11 ending stocks are adjusted downwards to 3.0 million tons. Last year the GOP procured 6.2 million tons of wheat from the local harvest and is expected to have an estimated 3.5 million tons of carryover stocks by the end of MY 2011/2012. On February 28, stocks were reported at 5.8 million tons, while last year at the same time stocks were 5.3 million tons. The breakdown of current stock level by area is: PASSCO 1.77 million tons; Punjab 3.3 million tons; Sindh 500,000 tons; KPK 150,000 tons; and Baluchistan 140,000 tons.

The government traditionally fixes a procurement target of wheat every year assigning PASSCO and the provinces their respective procurement share. This year so far the government has not announced the procurement target raising concerns about the sustainability of the entire government procurement system.

**Policy:**

The Ministry of Food and Agriculture (MinFA) used to be the government agency responsible to conceive, implement and coordinate all policy regarding wheat production, procurement and marketing. In October each year, the Federal Committee on Agriculture (FCA) under MINFA, held a meeting for making key decisions regarding procurement price and targets just before the wheat planting season. FCA reviewed input supply and demand, water availability and weather forecasts. Wheat area, production and procurement targets were also fixed by the committee with input from provinces, farmer organizations and other stake holders. This year after the devolution of MinFA under the 18<sup>th</sup> amendment, FCA did not meet in October 2011. To help address this issue, and other policy issues, the Ministry of National Food Security and Research (NFSR) was created in November 2011. While a decision to raise the wheat procurement price to 1,050 rupees/40 kilos was made in December, NFSR was not involved. The new Ministry as of March 1, 2012 still did not have a budget or staff which raises the question of how effective the Ministry will be.

Pakistan maintains a largely government controlled wheat marketing system. Wheat prices and the movement of wheat are controlled at the provincial and district levels. The Federal government sets a minimum guaranteed support price or procurement price and an issue price for wheat sold to flour mills. Grain stocks are procured and maintained by the provinces. The system aims to protect farmers from price fluctuations and to ensure a minimum return during cyclical post harvest low prices.

The government intervenes to finance the purchase of wheat and fixes their prices prior to sowing in an effort to provide good returns to cultivators and keeping the commodity markets intact. It is also assumed responsibility for the storage of millions of tons of wheat. The government wheat procurement storage and distribution system is financed through borrowed money from commercial banks. The measures adopted by the federal and provincial governments are largely inconsistent with the tenants of a free market system, but the government considers it pivotal to keep supplies and price of wheat under

check. Past evidence however, indicates that the government is slow to react to changing market conditions sometimes resulting in greater shocks in the market due to lack of timely and effective decisions taken pertaining to pricing and marketing. These government initiatives fuel inflation and enlarge the fiscal deficit by creating high levels of public debt. Bank loans are utilized to procure, hold, and maintain stocks of wheat. Provincial governments need loans to buy wheat from the new harvest every year. The borrowed amount is in addition to the outstanding loans and mark up from last year. This has resulted in a situation where the outstanding amount continues to increase, creating the phenomena of circular debt. Almost twenty banks are engaged in commodity financing, with the top five banks holding a sizable average share of 92 percent.

**Production, Supply and Demand Data Statistics:**

**Wheat: Production Supply and Demand**

Wheat Pakistan	2010/2011		2011/2012		2012/2013	
	Market Year Begin: May 2010		Market Year Begin: May 2011		Market Year Begin: May 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9,030	9028	9,000	8,900		8,662
Beginning Stocks	3,556	3,400	3,306	3,000		3,500
Production	23,900	23,900	24,000	24,200		23,000
MY Imports	150	200	200	200		200
TY Imports	111	200	200	200		200
TY Imp. from U.S.	72	0	0	0		0
Total Supply	27,606	27,500	27,506	27,400		26,700
MY Exports	1,100	1,500	800	800		300
TY Exports	1,700	1,500	300	800		300
Feed and Residual	400	400	400	400		400
FSI Consumption	22,800	22,600	23,000	22,700		22,800
Total Consumption	23,200	23,000	23,400	23,100		23,200
Ending Stocks	3,306	3,000	3,306	3,500		3,200
Total Distribution	27,606	27,500	27,506	27,400		26,700
Yield	2.65	2.65	2.67	2.69		2.67
TS=TD						

**Commodities:**

Rice, Milled

**Production:**

Rice in Pakistan is a monsoon crop and mostly sown in the irrigated area adjacent to Indus River and its tributaries. The ultimate production level is influenced by the extent and spread of monsoon rains.

Irrigation water is mostly sourced from the glacier melt and temperatures during the months of May and June are important in determining the water available for irrigation. During 2011 Pakistan experienced floods for the second year in a row. But unlike 2010 catastrophic floods, 2011 flooding was localized and restricted to lower Sindh, damaging rice crop in the flood affected areas. Rice crop in Punjab and upper Sindh remained unaffected. Pakistan's MY 2011/2012 rice production is now estimated at 6.5 million tons, thirty percent higher than the 2010/11 flood affected production level of 5.0 million tons. MY 2012/13 production is forecast at 6.8 million tons. The average production of rice for the last five years is 5.97 million tons.

About 11 percent of Pakistan's total agricultural area is planted to rice. It is the third largest crop in Pakistan (after wheat and cotton), and is grown under diverse climatic conditions. Unlike other South and South Asian countries, rice is not considered a staple crop in Pakistan. Pakistan is known for producing and exporting Basmati and IRRI rice. Basmati is grown in Punjab and IRRI is grown in both Punjab and Sindh. The major varieties of Basmati rice exported are; Super Kernel Basmati Rice, Parboiled Super Kernel Basmati Rice, Basmati Pk 385 Rice, D 98 Basmati Rice, etc. Coarse varieties exported are IRRI-6 and IRRI -9 Medium Grain Rice etc.

Prospects for the 2012 crop will depend on water availability during the critical May-August period. Reduced water availability during this period would have a greater impact on the crop prospects for IRRI rice, as IRRI is mostly grown in Sindh and largely dependent on canal irrigation. Meanwhile Basmati is grown in Punjab, where large-scale tube well irrigation is available. Based on the source of water input and current water availability, both types of rice are expected to be sown on time.

**Consumption:**

Rice is not a staple food in Pakistan. Traditionally about 45 percent of the crop is used for local consumption, with the balance exported. Pakistanis, in general, prefer the higher priced Basmati rice which is mainly consumed by the more affluent. IRRI and other varieties are largely consumed by the less affluent due to the price differential.

The GOP does not maintain official grade standards for rice. Traditionally, an estimated 150,000 tons of 40-100 percent broken rice is used in poultry feed annually.

**Trade:**

Rice is Pakistan's second largest export revenue earner after textiles. Post's estimate of Pakistan's rice exports in MY 2010/11 is increased 28 percent to 3.2 million tons mainly due to the increased demand and better prices in the world market. Pakistan's rice exports also benefited from the Indian government ban on rice exports earlier in the marketing year. MY 2011/12 rice exports are estimated at 3.7 million tons, three percent higher than last year exports estimate. Rice exports in MY 2012/13 are projected at 4.0 million tons based on the expectation of a good harvest.

Pakistan's major Basmati rice export markets are U.A.E, Saudi Arabia, UK, Yemen, Qatar, Bahrain, Kuwait, Malaysia, and USA and major non – basmati markets include Afghanistan, Iran, Ivory Coast, Dubai, Bangladesh, Kenya, Malagasy, Iraq, Indonesia, Morocco, Malaysia, Cameroon, Kuwait, Mauritius, Nigeria, Portuguese Guinea, Qatar, Benin, South Africa, Sri Lanka, Sudan, Oman, and Togo. Pakistan's competing countries for non basmati rice include Thailand, India, Vietnam and Myanmar. In case of Basmati rice the only competing country is India. Pakistan produces about 2/3 of the world's Basmati rice crop, while the balance being grown in India.

The EU and the United States are also important markets. Rice is a major Pakistani export to United States. Out of \$81 million in Pakistani agricultural exports to the United States during 2011, rice exports comprised \$17 million (21 percent) of the total. Khapra beetle was detected in some rice consignment from Pakistan to United States and if effective measures are not taken by Pakistan, this can cause significant problems for the future Pakistan rice exports to US.

The supreme varieties of Pakistan Basmati, Super and Kernel, sell on highest prices followed by Basmati 385. Varieties of rice are subdivided into grades based mainly in the proportion of broken rice on a consignment. Moreover, a consignment may contain different varieties under an agreement between buyer and seller.

**Stocks:**

Stocks for MY 2011/2012 are estimated at 0.8 million tons. Based on the prospects of a good harvest the stocks for MY 2012/13 are projected at 1.0 million tons.

**Policy:**

Rice trade in Pakistan was liberalized in the 1990’s after disbandment of the state run Rice Export Corporation of Pakistan (RECP). Since then the government intervention in rice market has been minimal. In 2009, however, in the wake of a record harvest and concerns over a slump in market prices the government intervened in the rice market and started procurement from farmers through PASSCO and Trading Corporation of Pakistan (TCP). However, there was strong criticism of the government intervention by the trade. Consequently government has not intervened in the rice market during 2010 and 2011.

Pakistan’s rice traders have responded well to market liberalization and have taken a leading role in rice market. Exporters made huge investments in rice processing equipment installing state-of-the-art imported machinery to improve the quality of rice. Private sector investment in milling improved the quality of rice available for exports, thus enhancing the competitiveness of Pakistan’s rice in the world market. As a result Pakistan’s Rice exports have witnessed significant growth during the last decade.

**Production, Supply and Demand Data Statistics:**

**Rice, Milled: Production Supply and Demand**

Rice, Milled Pakistan	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: Nov 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,100	2,100	2,750	2,750		2,800
Beginning Stocks	1,100	1,100	500	500		800
Milled Production	5,000	5,000	6,550	6,500		6,800
Rough Production	7,501	7,501	9,826	9,750		10,200
Milling Rate (.9999)	6,666	6,666	6,666	6,666		6,666
MY Imports	50	50	0	0		0
TY Imports	50	50	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	6,150	6,150	7,050	7,000		7,600

MY Exports	3,200	3,200	3,750	3,700		4,000
TY Exports	3,000	3,000	3,750	3,700		4,000
Consumption and Residual	2,450	2,450	2,800	2,500		2,600
Ending Stocks	500	500	500	800		1,000
Total Distribution	6,150	6,150	7,050	7,000		7,600
Yield (Rough)	3.57	3.57	3.57	3.54		3.64
TS=TD						
Comments						