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Pakistan

Grain and Feed Annual

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Report Highlights:

Pakistan's soon-to-be harvested 2015/16 wheat crop is forecast at 25.5 million tons, unchanged from the revised 2014/15 record production estimate. The Government has established a procurement target of 6.6 million metric tons which is expected to raise government-held stocks to a hefty 10.0 million metric tons at the completion of the procurement season in a few months. Wheat trade estimates are largely unchanged from year to year and Afghanistan remains Pakistan's largest export market, taking 600,000 metric tons of wheat (in the form of flour). 2015/16 rice exports are forecast at 3.8 million metric tons, up slightly from the revised current year estimate. 2013/14 proved to be a disappointing year for rice exports and rice stock levels are expected to continue accumulating reaching a record 2.0 million metric tons at the end of 2015/16 as Basmati exports face stiff competition and export demand remains soft.

Commodities:
Wheat

Production:

Wheat is one of the main agricultural crops in Pakistan, with 80 percent of farmers growing it on an area of around nine million hectares (close to 40 percent of the country's total cultivated land) during the winter or "Rabi" season. This crop alone contributed about 10.3 percent of value added in agriculture and 2.2 percent of the country's gross domestic product (GDP) in 2014. MY2015/16 wheat production is forecast at 25.5 million metric tons, unchanged from last year's revised record production. The increase in production is due to timely planting, greater availability and use of irrigation water, improved quantity and quality of inputs and favorable weather conditions. MY 2014/15 production is adjusted upwards to 25.5 million metric tons, in accordance with latest government of Pakistan figures.

The Government of Pakistan has decided to buy 6.6 million metric tons of wheat from the next harvest. Public procurement agencies have been buying on average around six million tons for the past few years and this decision seems to be an intention on the part of the government to continue that trend. The Government increased the wheat support price for the MY 2015/16 crop by eight percent, fixing the price at Rs. 1,300 per 40 kilogram ($318 per metric ton). This was the first increase in two years and was aimed at boosting farm income and giving farmers an incentive to maintain planted area. Wheat production area by province is shown in Table 1.

Table 1: Wheat Area by Province MY2014/15

Province	Area (Million Hectares)	Percentage of Total Area
Punjab	6.9	75
Sindh	1.1	12
KPK	0.8	9
Baluchistan	0.4	4
Total	9.2	100

Cumulative fertilizer nutrient offtake from October 2014 to February 2015 was 2.1 million tons, up 20 percent compared with corresponding previous period. Nitrogen offtake increased by 13 percent and phosphate offtake increased by 45 percent. Weather conditions during the current Rabi season were conducive for good crop production. Temperatures during December and January remained lower-than-average; however, major wheat growing areas did not receive significant rainfall until February. The lower precipitation was compensated with relatively better supplies of irrigation water provided by one of the world's largest networks of canals and sub-canals.

About two-thirds of the country's water for irrigation is sourced from snow and glacier melts, with the balance supplied by 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. During the last two years supplies of irrigation water have been relatively better, but over the long term, Pakistan is likely to face water related challenges. These

water challenges, if not addressed, could become a key factor affecting wheat production. Dated farming methods, reduced water availability, dam silting, and an increasing population in the catchment areas of Chenab, Jhelum and Indus rivers have reduced the per capita water availability from 5,000 cubic meters in 1951 to less than 1,000 cubic liters in 2010. The situation is accentuated as 85 percent of Pakistan's wheat production is dependent upon irrigated water.

The effect 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 to supplement the canal irrigation, the crop was generally considered to be in normal condition as of March 2015. The MY 2015/16 crop output forecast of the Ministry of National Food Security and Research is (MNFSR) is 26 MMT, largely based on an expected harvest of 19 MMT in Punjab. Heavier than normal late season in March and early April could affect yields as Pakistan readies for harvest.

Consumption:

Wheat is Pakistan's dietary staple. Pakistan has a variety of traditional flat breads, often prepared in a traditional clay oven called a tandoor. The tandoori style of cooking is common throughout rural and urban Pakistan. Wheat flour currently contributes 72 percent of Pakistan's daily caloric intake with per capita wheat consumption of around 124 kg per year, one of the highest in the world. MY 2014/15 consumption estimates are revised down to 24.1 million metric tons unchanged from 2013/14. MY 2015/16 consumption is forecast at 24.2 million metric tons. As incomes increase and a stronger middle class emerges, consumers are gradually shifting towards more dairy, meat, and other higher-value food products in their diet. Over the long term, this shift to a more balanced diet has the potential to limit the pace of growth in wheat consumption. During 2014, domestic wheat prices declined and price of wheat flour in December 2014 was six percent lower than in December 2013 mainly due to higher stocks and imports. Out of the total demand of 24.1 million metric tons, only 2.4 percent will be used in the feed industry, and the remaining 97.6 percent will be used for planting and human consumption.

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. The disbursement of government-owned wheat to flour mills is managed in an effort to ensure that sufficient wheat is available throughout the year.

In urban areas and among affluent consumers, consumer preference is shifting from higher whole grain to lower extraction flour and traditional flat bread to western-style, loaf bread. Traditional home-ground flour is also losing favor to commercially milled flour. Specialized products like cereals suited to the changing life styles in the urban areas are also gaining demand.

Trade:

MY 2014/2015 wheat exports are estimated at 700,000 metric tons with Afghanistan being the main market. Pakistan's wheat flour exports to Afghanistan during MY 2014/2015 are estimated at 600,000 metric tons (wheat equivalent) with the remainder being exported to regional markets. MY 2015/16 wheat exports are forecasted at 1.0 million metric tons. Given the present trend, Pakistan's MY 2015/16 wheat flour exports to Afghanistan are forecast to be around 600,000 to 700,000 metric tons. Afghanistan has been the main wheat export market for Pakistan for many years mainly due to easy

accessibility and traditional trade linkages between the two countries. While Pakistan has announced an export subsidy of $50 per ton for wheat purchased for export from government-held stocks, exports have been limited to Afghanistan and Sri Lanka. The subsidy is effective through June 30. As global wheat prices have declined, Pakistan's high sales price for publicly-held stocks has resulted in limited buyer interest. While that price differential is likely to persist, small additional quantities of Pakistani wheat are expected to make their way to regional markets like Sri Lanka, where Pakistan enjoys a lower tariff than other suppliers because of the provisions of the South Asian Agreement for Regional Cooperation, a trade agreement among South Asian countries.

Pakistan's MY 2014/2015 wheat imports are estimated at around 750,000 metric tons. Pakistan's wheat imports during the current marketing year are provided below in Table 1, this official data is subject to eventual revision. The wheat was sourced from Black Sea ports at an average price of $275/ton (C&F Karachi). Pakistan is not likely to import additional wheat during the current marketing year and prospects of imports during MY 2015/16 are also low, mainly due to the expected bumper harvest and high government stocks. In a recent development, the GOP increased the regulatory duty on imports of wheat and wheat products from 20 to 25 percent. The increase is well below Pakistan's bound tariff rate (the maximum tariff rate Pakistan can establish) for wheat of 150 percent. The tariff on wheat imports was increased from zero to 20 percent during November 2014 resulting in a significant reduction in the volume of imported wheat. The tariff expires on June 30 and it is not clear if Pakistan will extend the tariff.

Table 1: Pakistan Wheat Imports MY 2014/15 (May/April)

Month	**Metric Tons**
May	0
June	0
July	0
August	44,832
September	230,000
October	371,177
November	81,798
December	2,650
January	8,830
Total	**739,287**

Source: Pakistan Bureau of Statistics

Most of the imported wheat is used in the southern Karachi region which is farther away from wheat producing areas. Imported wheat is usually mixed with local wheat by the milling industry.

Stocks:

MY 2014/15 ending stocks are estimated at 3.7 million tons. Wheat is procured and maintained through provincial food departments and the federal agency known as the Pakistan Agricultural Storage and Services Corporation (PASSCO). In 2014, the GOP procured around 6.0 million tons of wheat from the local harvest. Over the past three years, the public sector wheat procurement has averaged around six million tons annually. The procurement target for the upcoming harvest has been set at 6.6 million

metric tons which will likely boost public stock levels to 10 million tons shortly after the start of the marketing year. The GOP has come under pressure from international and domestic sectors to end its wheat procurement operations and let the markets and the private sector handle the efficient allocation of resources. The Government continues to support the policy citing national and food security concerns.

Policy:

Pakistan maintains a largely government controlled wheat marketing system and the GOP considers wheat as the key strategic commodity. The federal government sets a minimum guaranteed support price or procurement price and an issue price for wheat sold to flour mills. Through provincial food departments, the GOP procures wheat from farmers at the support price and then releases wheat to the flour mills at the government fixed issue price. The issue price is set at a rate that captures much of the cost of buying and storing the wheat, but there are implicit costs that are not fully captured. Wheat prices and the movement of wheat are controlled at the provincial and district levels. 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.

Farmers in Pakistan retain about 60 percent of their wheat production for seed and village and household food consumption. For wheat that is marketed, the government is the main buyer of farmers' wheat, with actual volumes of government procurement often reaching 25 to 30 percent of total production, driven by both food security and market intervention objectives. The remaining 15 percent of the harvest is purchased by the private sector. While food security is an important concern in Pakistan, high volumes of state wheat procurement make it harder for to attract private sector trade and investment in the postharvest supply chain.

Production, Supply and Demand Data Statistics:

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	May 2013		May 2014		May 2015	
Pakistan	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	8,640	8,640	8,830	9,100	0	9,100
Beginning Stocks	2,622	2,622	2,160	2,222	0	3,672
Production	24,000	24,000	25,000	25,500	0	25,500
MY Imports	388	400	750	750	0	100
TY Imports	388	400	750	750	0	100
TY Imp. from U.S.	28	28	0	0	0	0
Total Supply	27,010	27,022	27,910	28,472	0	29,272
MY Exports	750	700	700	700	0	1,000
TY Exports	750	700	700	700	0	1,000
Feed and Residual	600	600	1,200	1,000	0	1,000
FSI Consumption	23,500	23,500	23,900	23,100	0	23,200
Total Consumption	24,100	24,100	25,100	24,100	0	24,200
Ending Stocks	2,160	2,222	2,110	3,672	0	4,072
Total Distribution	27,010	27,022	27,910	28,472	0	29,272
Yield	2.777	2.777	2.831	2.802		2.802
1000 HA, 1000 MT, MT/HA						

Commodities:

Rice, Milled

Production:

Rice is Pakistan's third largest crop in terms of area sown, after wheat and cotton. About 11 percent of Pakistan's total agricultural area is rice during the summer or "Kharif" season. Pakistan is a leading producer and exporter of Basmati and IRRI rice (white long grain rice). Rice ranks second among the staple food grain crops in Pakistan and exports are a major source of foreign exchange earnings. Pakistan grows a relatively high quality of rice to fulfill domestic and export demand. Rice accounts for 2.7 percent of the value added in agriculture and 0.6 percent of gross domestic product. Pakistan has two major rice-producing provinces, namely Punjab and Sindh. Both provinces account for more than 88 percent of total rice production. Punjab, due to its agro-climatic and soil conditions, is producing 100 percent of the Basmati rice in the country. Pakistan's "Kalar" bowl area, a local term that refers to a

type of soil suitable for Basmati production, is famous for producing Basmati rice and is located between the Ravi and Chenab rivers in Punjab. IRRI rice is grown in both Punjab and Sindh.

MY 2015/16 rice production is forecast at 6.9 million tons, unchanged from the current year's updated production. Area is not expected to change from the revised official 2014/15 estimate as prices for all summer crops have declined and farmers are not expected to shift to other crops. Yield is forecast at 3.6 tons per hectare, a good yield, but not a record. MY 2014/15 production is also adjusted upwards to 6.9 million tons, in accordance with Government of Pakistan figures, tying the previous record rice production level. The rise in production is mainly due to an increase in area and the deposit of a nutrient rich top layer of soil as a result of successive floods in recent years. After the 2014 monsoon floods in September, there was a growing fear that rice crop would be adversely affected as rice fields especially in the basmati growing areas. The increase in production suggests that the initial flood damage reports were exaggerated and the rice crop actually benefitted from the floods.

Rice in Pakistan is a monsoon crop but the introduction of hybrid varieties in recent years has influenced the timing of sowing and transplanting. Hybrid varieties are sown as early as March and April instead of June and July. However, sowing timing is heavily influenced by the extent and spread of monsoon rains, and the availability of underground and irrigated water. Irrigation water is mostly sourced from the runoff of the Himalayan glacier melt into the Indus river basin, so temperatures during the months of May and June are critical in determining the season's water availability.

Rice Growing areas of Pakistan are broadly classified into following four zones;

Zone I	Northern high mountainous areas of KPK (Swat and Khagan) with sub-humid climate, average rainfall of 750-1000 mm
Zone II	Lies between the Ravi and Chenab rivers in the central Punjab. Sub-humid, sub-tropical climate with average rainfall of 400-700mm. This is the famous premium zone and Basmati rice is exclusively produced in this zone along the Kalar tract consisting of Sailkot, Sheikhupura, Narowal, Gujranwala, Hafizabad and Lahore Districts
Zone III	West bank of Indus river in upper Sindh and Balochistan. Larkana, Jacobabad (Sindh), Nasirabad and Jaffarabad (Balochistan). High temperature and sub-tropical climate with average rainfall of 100 mm make it best suited for medium long rice.
Zone IV	Indus delta basin in Lower Sindh (Badin and Thatta Districts). Its climate is arid tropical and is suited for coarse varieties.

Consumption:

MY 2014/15 consumption is adjusted upwards at 2.8 million tons and MY 2015/16 consumption is forecast at 2.9 million tons. The slight increase in consumption is due to better availability as a result of higher stocks. Unlike many other Asian countries, rice is not considered a staple food crop in Pakistan. Traditionally, 40 to 45 percent of the crop is used for local consumption, with the balance exported. Pakistanis, in general, prefer the higher priced Basmati rice if they can afford it, if not they consume long grain IRRI rice, but wheat is the favored staple. In 2014, domestic rice prices displayed a downward trend and the price of rice in December 2014 was four percent lower than in December 2013

mainly due to higher stocks. According to trade sources an estimated 200,000 tons of 40-100 percent broken rice is used in poultry and animal feed annually.

Trade:

Pakistan's MY 2013/14 rice exports are adjusted downwards at 3.2 million metric tons in accordance with the most recent Pakistan Bureau of Statistics data. While this estimate is subject to revision, it generally mirrors the consensus among market observers in Pakistan. While MY 2014/15 exports are off to a good start, exports are now expected to reach just 3.7 million metric tons for the year due to weaker export demand especially for Basmati exports. Pakistan's exporters are concerned about China's import quota on Pakistani rice and Kenya's recent decision to hike its rice import tariff significantly. 2015/16 exports are projected at 3.8 million tons due to higher exportable supplies and an increase in production. Pakistan's rice exports during the current marketing year are provided below in Table 2, this data may be subject to eventual revision.

Table 2: Pakistan Rice Exports MY 2014/15 (Nov/October)

Month	**Metric Tons**
November	459,419
December	490,371
January	419,153
February	355,747
Total	**1,724,690**

Source: Pakistan Bureau of Statistics

Rice is a major Pakistani export to the United States. Out of $118 million in Pakistani agricultural products exports to the United States in 2014, rice exports comprised $37.5 million (32 percent of the total). This was the highest ever Pakistani rice exports to the United States.

Stocks:

MY 2014/15 ending stocks are forecast at 1.8 million metric tons while MY 2015/16 ending stocks are projected at 2.0 million metric tons. Pakistan's previous highest stock levels were around 1.4 million metric tons, making these forecasts successive records. Rice millers are concerned about the large stocks at their mills, citing less than expected purchases from exporters and significant carrying costs. The higher level of stocks is mainly due to successive good harvests and a declining basmati exports which are due in part to strong competition from India. According to trade sources, basmati stocks exceeded 1.0 million metric tons at the close of the 2013/14 marketing year.

Policy:

Rice trade in Pakistan is carried out by the private sector with little or no intervention from the government. Since the publicly-run Rice Export Corporation of Pakistan was disbanded 20 years ago, Pakistan's rice traders have responded well to market liberalization and over the years have become major players in world rice trading. The milling industry made significant investments in state-of-the-art processing machinery, but Pakistan exports most of its rice in bulk with no modern packaging and branding. Export companies could be doing more to develop brands and a more significant presence in foreign markets. However, the export industry is comprised of a large number of relatively small firms

that are often family-run and accustomed to traditional trading practices. However, that is changing and Pakistan's rice exporters are becoming increasingly active advocates for their industry and their trade interests. With time, the industry is expected to adopt more strategic and brand-based approaches to rice exporting.

Production, Supply and Demand Data Statistics:

Rice, Milled	2013/2014		2014/2015		2015/2016	
Market Begin Year	Nov 2013		Nov 2014		Nov 2015	
Pakistan	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	2,760	2,780	2,760	2,850	0	2,850
Beginning Stocks	500	500	1,200	1,400	0	1,800
Milled Production	6,700	6,700	6,500	6,900	0	6,900
Rough Production	10,051	10,051	9,751	10,351	0	10,351
Milling Rate (.9999)	6,666	6,666	6,666	6,666	0	6,666
MY Imports	30	0	30	0	0	0
TY Imports	30	0	30	0	0	0
TY Imp. from U.S.	13	0	0	0	0	0
Total Supply	7,230	7,200	7,730	8,300	0	8,700
MY Exports	3,400	3,200	3,900	3,700	0	3,800
TY Exports	3,400	3,200	3,900	3,700	0	3,800
Consumption and Residual	2,630	2,600	2,700	2,800	0	2,900
Ending Stocks	1,200	1,400	1,130	1,800	0	2,000
Total Distribution	7,230	7,200	7,730	8,300	0	8,700
Yield	3.641	3.615	3.533	3.631		3.631
1000 HA, 1000 MT, MT/HA						