

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Pakistan

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### Grain and Feed Update

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**Report Highlights:**

The Government of Pakistan procured 5.0 million metric tons of wheat from the recently concluded harvest, well below the 6.2 million ton target. Larger than expected government-held stocks at the outset of the procurement campaign appeared to limit government purchases. As global wheat prices continue to fall, widening the gap between Pakistan's effective domestic price floor and foreign prices, the government increased the temporary import tariff on wheat from 25 to 40 percent. At this stage, barring a major policy change or rise in foreign prices, it appears that Pakistan is largely removed from the international wheat market. 2014/15 rice exports are off to a faster than expected start and exports are expected to reach 4.0 million metric tons, up 200,000 metric tons from the previous estimate.

## **Government of Pakistan Procures Five Million Tons of Wheat**

The Government of Pakistan procured 5.0 million metric tons (MMT) of wheat from the recently concluded wheat harvest, significantly lower than the 6.2 MMT target that was announced prior to the onset of harvest, and approximately 1.0 MMT lower than a year ago. Total procurement is just 20 percent of the estimated total crop, less than the 25 percent share of the crop that the government has procured in recent years. Carryover stocks of government-held wheat were reportedly larger than expected and had prompted the government to announce a wheat export subsidy of \$45 and \$50 per MT from the provinces of Sindh and Punjab respectively. However, the subsidy was not large enough to encourage sales, and exports of wheat have been minimal (see Table 3). The subsidy has been extended through July 31, 2015, but is not expected to result in significant sales.

Weak exports coupled with large carryover stocks appear to have led to a less aggressive purchasing campaign. At an estimated 25 MMT, Pakistan's wheat crop is also lower than the optimistic early season forecasts that suggested the crop could be as high as 26.5 MMT. Lower production is a result of late rains and hail storms that reduced yields in some areas as the crop was in the final stages of ripening.

About 25 percent of Pakistani wheat growers produce a marketable surplus that amounts to an estimated 50 percent of the crop or 12-13 MMT. The government and private sector typically split the surplus with each purchasing about half of the marketed crop, although, as mentioned above, government procurement was just 20 percent of the crop this year. The balance of the crop remains on farm for local consumption. The government's role in the procurement of the harvest is generally sufficient to influence market prices, creating an effective price floor in the domestic wheat market.

The Government of Pakistan, through the provincial food departments and the federal Pakistan Agricultural Storage and Services Corporation (PASSCO), procures wheat from farmers at the support price and then releases wheat for sale to flour mills at the government's fixed issue price. The system aims to protect farmers from price fluctuations and ensure a minimum return to farmers and encourage wheat production. The Government of Pakistan increased the wheat support price for the MY2015/16 crop, fixing the price at Rs. 1,300 per 40 Kilogram (\$319 per metric ton). The government spent approximately \$1.6 billion for wheat procurement this year, much of it financed through loans that will be paid back when the wheat is sold to the private sector. Some wheat stocks are used to feed to communities that have been removed from their homes due to conflict and some is sold as flour at reduced rates to consumers via low-priced, government-run utility stores.

**Table 1: Wheat Procurement by Province, 2015 Crop**

<b>Province</b>	<b>Quantity (Million Tons)</b>
Punjab	3.234
Sindh	0.877
Khyber Pakhtunkhwa	0.008
Baluchistan	0.057
PASSCO*	0.799
<b>Total</b>	<b>4.975</b>

\*Federally-run Pakistan Agricultural Storage and Services Corporation

### **Regulatory Duty on the Import of Wheat Enhanced from 25 to 40 percent**

On June 18, 2015, the Government of Pakistan increased the regulatory duty (a temporary import tariff, but it is not clear how long it will be in place) on the import of wheat from 20 to 40 percent. The increase is well below Pakistan's bound tariff rate (the maximum tariff rate Pakistan can establish) for wheat of 150 percent. The decision comes as the gap between Pakistan's domestic wheat prices and international prices continues to widen. The government increased the tariff from zero to 20 percent in November in effort to halt wheat imports. However, as global prices have fallen further below Pakistan's effective market price floor, an additional increase was needed to discourage imports. At this point, Pakistan is effectively cut off from the international wheat market as high procurement prices make exports uncompetitive and a high tariff prevents imports. Barring a significant reduction in the procurement and sales prices of domestic wheat or a cut in the import tariff, Pakistan is expected to be isolated from the international wheat market as long as global prices remain low or domestic stock levels fall.

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 2, this official data is subject to eventual revision. Wheat flour exports to Afghanistan are progressing at the normal pace. Pakistan is expected to export around 600,000 tons of flour (wheat equivalent) to Afghanistan during the current marketing year.

**Table 2: Pakistan Wheat Imports MY 2014/15 (May/April)**

<b>Month</b>	<b>Metric Tons</b>
May	0
June	0
July	0
August	44,832
September	230,000
October	371,177
November	81,798
December	2,650
January	8,830
February	840
March	941
April	541
<b>Total</b>	<b>741,609</b>

Source: Pakistan Bureau of Statistics

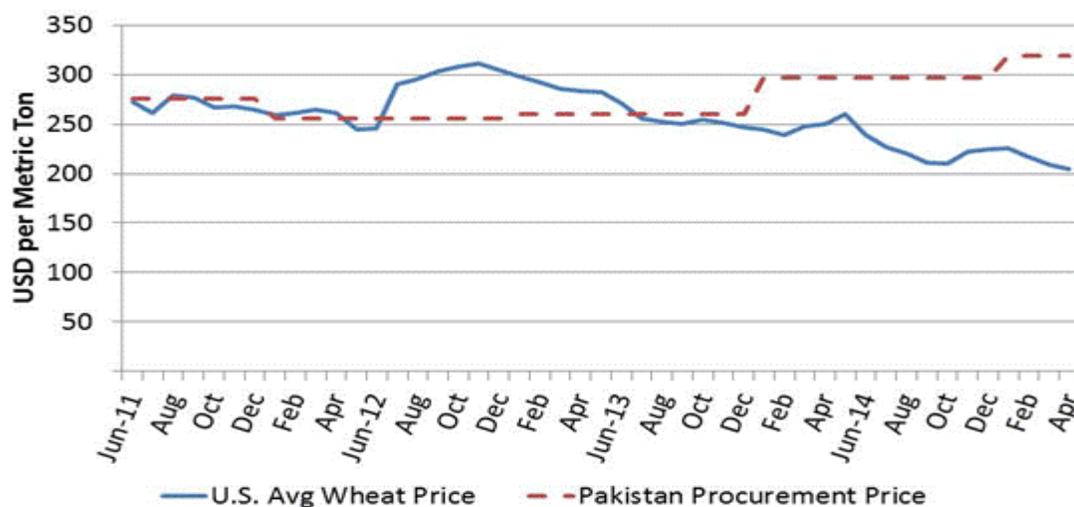
**Table 3: Pakistan Wheat Exports MY 2014/15 (May/April)\***

<b>Month</b>	<b>Metric Tons</b>
May	0
June	0
July	0
August	0
September	27
October	0
November	0
December	152
January	176
February	3,501
March	2,716
April	5,341
<b>Total</b>	<b>11,913</b>

\*Excludes estimated flour exports to Afghanistan

Source: Pakistan Bureau of Statistics

**Fig. 1: Rising Procurement Prices and Increased Tariffs Leave Pakistan Out of Global Wheat Market**



**Rice**

Farmers are engaged in transplanting rice with better than average irrigation water supplies. The Meteorological Department has forecasted that the total amount of rainfall during the upcoming monsoon season (July-September) will remain slightly below normal and glacier melt rate will be slightly more than normal, which means that overall availability of water in the country for the Kharif (summer) crops should be satisfactory.

Based on preliminary official data that is subject to revision, Pakistan’s MY 2014/15 rice exports are off to a faster than expected start, climbing to 2.5 MMT through the first six months of the marketing year. Exports are now expected to reach 4.0 MMT, assuming a pace of 250,000 MT per month. Export volumes tend to fade as harvest approaches, but stocks are adequate to push exports higher if demand materializes. Long grain rather than Basmati rice has accounted for the bulk of exports thus far.

**Table 3: Pakistan Rice Exports MY 2014/15 (Nov/October)**

Month	Metric Tons
November	459,419
December	490,371
January	419,153
February	355,747
March	472,357
April	360,446
<b>Total</b>	<b>2,557,493</b>

Source: Pakistan Bureau of Statistics

<b>Production, Supply and Demand Data Statistics:</b>							
<b>Rice, Milled</b>	<b>2013/2014</b>		<b>2014/2015</b>		<b>2015/2016</b>		
<b>Market Begin Year</b>	<b>Nov 2013</b>		<b>Nov 2014</b>		<b>Nov 2015</b>		
<b>Pakistan</b>	<b>USDA Official</b>	<b>New post</b>	<b>USDA Official</b>	<b>New post</b>	<b>USDA Official</b>	<b>New post</b>	
<b>Area Harvested</b>	2,780	2,780	2,850	2,850	2,850	2,850	
<b>Beginning Stocks</b>	500	500	1,431	1,400	1,761	1,500	
<b>Milled Production</b>	6,700	6,700	6,900	6,900	6,900	6,900	
<b>Rough Production</b>	10,051	10,051	10,351	10,351	10,351	10,351	
<b>Milling Rate (.9999)</b>	6,666	6,666	6,666	6,666	6,666	6,666	
<b>MY Imports</b>	31	0	30	0	20	0	
<b>TY Imports</b>	22	0	30	0	20	0	
<b>TY Imp. from U.S.</b>	13	0	0	0	0	0	
<b>Total Supply</b>	7,231	7,200	8,361	8,300	8,681	8,400	
<b>MY Exports</b>	3,200	3,200	3,800	4,000	3,800	3,800	
<b>TY Exports</b>	3,300	3,200	3,900	4,000	3,800	3,800	
<b>Consumption and Residual</b>	2,600	2,600	2,800	2,800	2,950	2,900	
<b>Ending Stocks</b>	1,431	1,400	1,761	1,500	1,931	1,700	
<b>Total Distribution</b>	7,231	7,200	8,361	8,300	8,681	8,400	
<b>Yield</b>	3.641	3.615	3.533	3.631	3.631	3.631	
1000 HA, 1000 MT, MT/HA							