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Pakistan

Grain and Feed Update

Pakistan: Grain and Feed Update

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Report Highlights:

The Government of Pakistan procured 6.0 million metric tons (MMT) of wheat from the recently concluded wheat harvest, significantly lower than the 7.05 MMT target announced prior to the onset of harvest, but 1.0 MMT higher than a year ago. 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. Pakistan is maintaining a steady momentum of rice exports and has so far exported around 3.1 MMT during the current marketing year. Pakistan's rice export forecast for MY 2015/16 is revised upward from 4.2 to 4.4 MMT. PSD estimates for corn remains unchanged from previous reporting.

Post:
Islamabad

Author Defined:
Government of Pakistan Procures Six Million Tons of Wheat

The Government of Pakistan procured 6.0 million metric tons (MMT) of wheat from the recently concluded wheat harvest (Table 1), significantly lower than the 7.05 MMT target that was announced prior to the onset of harvest, but approximately 1.0 MMT higher than a year ago. Total procurement is just 24 percent of the estimated total crop. Over the past four years, public sector wheat procurement has ranged between 5-6 MMT annually. With around 4.0 MMT in carryover stocks this year's procurement will boost public stock levels to around 10 million tons shortly after the start of the marketing year, similar to the levels reached during the past two years.

The estimate of 2016 wheat production is unchanged at 25.3 MMT. 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 24 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 encourages wheat production. The Government of Pakistan maintained the wheat support price for the MY2016/17 crop, at Rs. 1,300 per 40 Kilogram (\$310 per metric ton). The government spent approximately \$1.8 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 communities that have been displaced 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, 2016 Crop

Province	Quantity (metric tons)
Punjab	4,000,000
Sindh	1,075,000
Khyber Pakhtunkhwa	79,000
Baluchistan	46,000
PASSCO*	800,000
Total	6,000,000

*Federally-run Pakistan Agricultural Storage and Services Corporation

As global wheat prices have declined, Pakistan's high sales price for publicly-held stocks has resulted in limited export buyer interest. In January 2015, the Economic Coordination Committee (ECC) of the Cabinet approved a subsidy of \$55 per ton for Punjab and \$45 per ton for Sindh for

three months to cover exports of up to 1.2 million tons of wheat. The deadline was extended twice until Sept 30, 2015. The ministries of Food Security and Commerce and the provincial food departments approached the Finance Ministry to extend the subsidy for wheat exports but the latter declined. Currently, no export subsidy has been announced or approved.

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. Given the present trend, Pakistan's MY 2016/17 wheat flour exports to Afghanistan are forecast to be 700,000 metric tons (wheat equivalent).

The domestic wheat market has been insulated from imports by a 40 percent regulatory duty. With a high tariff and high domestic prices, Pakistan continues to be isolated from the international wheat market. The tariff is well below Pakistan's bound tariff rate (the maximum tariff rate Pakistan can establish) for wheat of 150 percent. Consequently, Pakistan is not likely to import any significant quantity of wheat during MY 2016/17.

Rice

Farmers are engaged in transplanting rice with better than average irrigation water supplies. The Meteorological Department has forecasted that summer monsoon rainfall is likely to be 10-20% above normal over the country. The glacier melt rate will also be more than normal, which means that overall availability of water for the Kharif (summer) crops should be satisfactory.

Based on preliminary official data, Pakistan is maintaining a steady momentum of rice exports and has so far exported around 3.1 MMT during the current marketing year (Table 2). Hence, Pakistan's export forecast for MY 2015/16 is estimated at 4.4 MMT. 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 2: Pakistan Rice Exports MY 2015/16 (Nov/October)

Months	MY 15/16
November	547,286
December	475,346
January	390,223
February	450,689
March	415,463
April	421,235
May	384,016
Total	3,084,258

Source: Pakistan Bureau of Statistics

Production, Supply and Demand Data Statistics:

Rice, Milled	2014/2015		2015/2016		2016/2017	
Market Begin Year	Nov 2014		Nov 2015		Nov 2016	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2850	2850	2740	2740	2800	2800

Beginning Stocks	1329	1329	1559	1500	1129	900
Milled Production	6900	6900	6700	6700	6900	6900
Rough Production	10351	10351	10051	10051	10351	10351
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666
MY Imports	30	0	20	0	20	0
TY Imports	30	0	20	0	20	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8259	8229	8279	8200	8049	7800
MY Exports	4000	4000	4400	4400	4250	4200
TY Exports	4000	4000	4400	4400	4250	4200
Consumption and Residual	2700	2729	2750	2900	2800	2950
Ending Stocks	1559	1500	1129	900	999	650
Total Distribution	8259	8229	8279	8200	8049	7800
Yield	3.6319	3.6319	3.6682	3.6682	3.6968	3.6968
(1000 HA) ,(1000 MT)						

Corn

Reports from the field suggest that the weather conditions remained favorable for the corn crop during this year. PSD estimates for corn remains unchanged from what was previously reported.