Required Report - public distribution

Date: 6/30/2017

GAIN Report Number: PK1711

Pakistan

Grain and Feed Update

Pakistan Grain and Feed Update

Approved By:
David Williams
Prepared By:
Asmat Raza

Report Highlights:
The Government of Pakistan procured 6.3 million metric tons (MMT) of wheat from the recent harvest; the highest procurement level in recent years. Government-owned stocks are now at a record 10.8 MMT. Pakistan is largely disengaged from the international wheat trade as high domestic procurement prices lift market prices well above international levels and a 60 percent tariff shields the industry from imports. The pace of rice exports is somewhat slower than expected as prices have been above those of competing origins for long grain rice. Exportable supplies are reportedly good and it appears that traders may be willing to part with their stocks now that Ramadan has concluded. The rice export forecast for MY 2016/17 is unchanged at 4.0 MMT. PSD estimates for corn remains unchanged from

previous reporting.

Post: Islamabad

Commodities:

Author Defined:

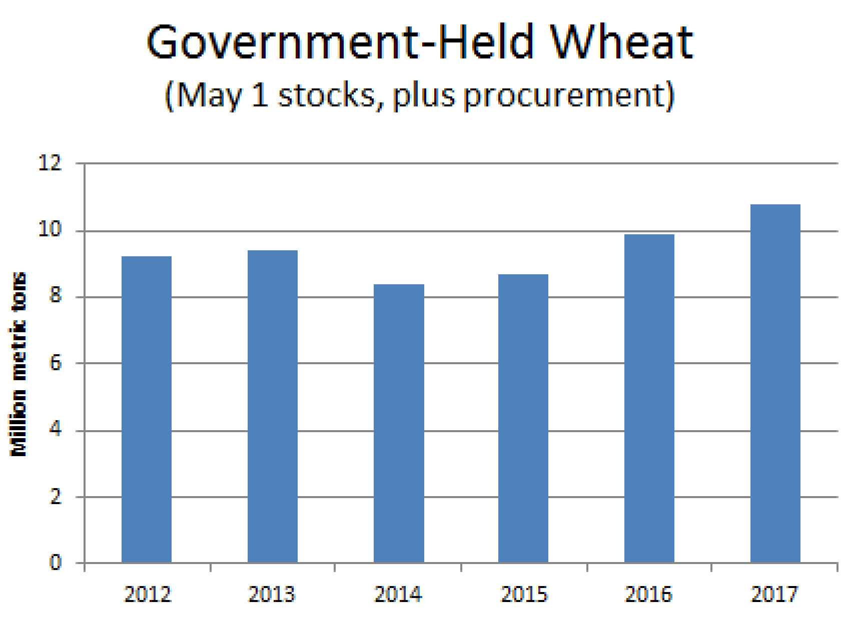
Government of Pakistan Procures Over Six Million Tons of Wheat

The Government of Pakistan has procured 6.3 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. This is the largest procurement since at least 2012 and may well be among the highest levels on record. At a procurement price of $310 per metric ton, producers who receive the government support price are among the better compensated wheat growers globally. With opening government stocks of 4.5 MMT on May 1, the government now holds nearly 11 MMT of wheat at the start of the local marketing year, which, while historical data is limited, is likely a record or near-record level of wheat stocks.

Table 1: Wheat Procurement by Province, 2016 Crop

Province	**Quantity (metric tons)**
Punjab	3.94
Sindh	1.18
Khyber Pakhtunkhwa	0.27
Baluchistan	0.0
PASSCO*	0.89
Total	**6.28**

*Federally-run Pakistan Agricultural Storage and Services Corporation



The Government of Pakistan shields producers from imports with a tariff of 60 percent on imports, still well below the World Trade Organization bound rate of 150 percent which is the tariff ceiling for wheat imports. While the government only procures about a quarter of the crop (half stays on farm for consumption and half enters commercial channels directly) the high government procurement prices help to support the pricing of the wheat that is marketed commercially, as the government is also a primary supplier of wheat to the flour milling industry. While wheat accounts for about 75 percent of the calories that Pakistanis consume, higher prices appear to be having some moderating effect on wheat consumption. The government spent approximately $1.9 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.

Pakistan has established wheat export subsidies in recent years (none of which were large enough to generate significant foreign buyer interest), but it is too early to predict whether the government will seek to move some of its stocks onto the international market via subsidies. Pakistan’s most reliable market is Afghanistan, where wheat flour is typically exported via close relationships between traders on either side of the border. However, recent closings of a number of border crossings and the high price of wheat in Pakistan appear to be curbing the flow of flour into Afghanistan. Wheat equivalent exports to Afghanistan are estimated at 400,000 mt and total exports are estimated at 600,000 mt.

FAS Islamabad continues to estimate 2017 production at 25.2 MMT, one million tons below the USDA forecast of 26.2 MMT. The government had set a target of 26 MMT, but reaching or exceeding that target would have required near-perfect conditions given the reduction in planted wheat area.

Rice

Farmers are engaged in transplanting rice with slightly lower than average irrigation water supplies. However, reservoir levels are not low enough to affect consumption levels and rice farmers can compensate with ground water when necessary. While it is still early and long-range weather forecasting is unpredictable, the Meteorological Department is expecting summer monsoon rainfall to be normal in the first half of the season and below normal in the second half.

Based on the Government of Pakistan’s preliminary trade data, exports are behind the year-ago pace. Local traders point to higher prices for Pakistani long grain ($410 per mt C&F West Africa vs. 390 per mt C&F for competing origins) as the culprit. However, supplies appear to be adequate and the market has been unusually quiet during Ramadan. Currently, there appears to be an expectation that wholesalers will loosen their supplies following the conclusion of Eid in late June, a move that could lower market prices and support additional monthly exports. At this stage, we believe it would be premature to lower the export estimate based on the pace of exports to date.

Table 2: Pakistan Rice Exports MY 2016/17 (Nov/October)

Months	**MY 15/16**	**MY 16/17**
November	547,286	438,399
December	475,346	391,161
January	390,323	390,690
February	450,689	355,633
March	415,463	271,282
April	421,235	374,250

May	384,016	220,377
Total	**3,084,258**	**2,441,792**

Source: Pakistan Bureau of Statistics