

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 10/3/2017

GAIN Report Number: PK1716

Pakistan

Grain and Feed Update

Approved By:

David Williams

Prepared By:

Asmat Raza

Report Highlights:

Based on the latest official estimate, Pakistan's 2017 wheat production was 25.7 million metric tons, the second largest harvest on record. Despite successive near record harvests, Pakistan is isolated from the international wheat market because its high domestic wheat prices – a result of its high government procurement prices. Expectations that rice prices would moderate following Ramadan have not materialized and domestic rice prices remain high relative to competing suppliers. As a result, 2017/18 rice exports are expected to be lower at 3.6 million metric tons.

Post:
Islamabad

Executive Summary:
Wheat:

Wheat Production Figures revised Upward to Second Highest on Record

Pakistan's MY 2017/18 wheat crop is estimated at 25.7 million metric tons (MMT) in accordance with the Government of Pakistan's latest estimate. This makes the current harvest the second highest on record. In spite of a marginal decrease in area, generally good weather and expanded fertilizer use supported yields.

Wheat Planting for the Next Season Set to Begin

Farmers in the key wheat producing provinces of Punjab and Sindh are just a few weeks away from the start of planting the Rabi (winter) wheat crop that will be harvested in the spring of 2018. Planting in the warmer southern province of Sindh starts in the middle of October and planting slowly moves north to Punjab where most of the planting is done in November. Pakistan's wheat crop is dependent on the supply and reaches of irrigation water from canals, winter rains, and pumped ground water for its moisture. Total irrigation water availability for the upcoming Rabi season is estimated at 28.8 million acre feet (MAF) against the 10-year average of 36.4 MAF and the year ago availability of 30.9 MAF. This reduction in reservoir levels is not thought to be large enough to have a significant effect on planted area or yields. Even when at capacity, Pakistan's reservoirs hold only three to four months of supply and rely on winter rains and snow for replenishment. Many wheat farmers are accustomed to augmenting surface irrigation with ground water when necessary.

Pakistan Continues to be Isolated from International Wheat Market

With a high tariff and high domestic prices, Pakistan continues to be isolated from the international wheat market. The domestic market is insulated from imports by a 60 percent "regulatory duty." 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 2017/18.

At \$310 per metric ton, the procurement price and the effective price floor that it creates in the commercial market places Pakistani wheat among the most expensive in the world. Pakistan's most reliable export 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, other exports are likely to be to regional trading partners. With record government procurement this year (6.3 MMT) plus large carryover stocks (4.5 MMT) and no significant exports in sight, ending stocks for the current marketing year are set to cross 5.0 MMT mark.

Production, Supply and Demand Data Statistics:

Wheat	2015/2016	2016/2017	2017/2018
-------	-----------	-----------	-----------

Market Begin Year	May 2015		May 2016		May 2017	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9200	9200	9200	9200	9050	9050
Beginning Stocks	3710	3710	3829	3829	4332	4379
Production	25100	25100	25600	25600	26200	25700
MY Imports	19	19	3	50	30	50
TY Imports	9	9	3	50	30	50
TY Imp. from U.S.	7	7	0	0	0	0
Total Supply	28829	28829	29432	29479	30562	30129
MY Exports	600	600	600	600	600	600
TY Exports	600	600	600	600	600	600
Feed and Residual	800	800	800	800	900	800
FSI Consumption	23600	23600	23700	23700	24500	23700
Total Consumption	24400	24400	24500	24500	25400	24500
Ending Stocks	3829	3829	4332	4379	4562	5029
Total Distribution	28829	28829	29432	29479	30562	30129
Yield	2.7283	2.7283	2.7826	2.7826	2.895	2.8398
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice:

Rice Exports on a Downward Trajectory

Pakistan is moving towards another good harvest as monsoon rains this year have been generally good in rice producing areas. The rice production forecast for MY 2017/18 is unchanged at 6.9 MMT.

Based on preliminary official data, Pakistan has so far exported around 2.9 MMT during the current marketing year compared to 3.6 MMT during the corresponding period last year (Table 1). Given the pace of exports thus far, exports are now expected lower at 3.6 MMT. Observers of the local rice market expected domestic prices to fall following the conclusion of Ramadan a few months ago, but domestic prices have remained firm and competing suppliers such as Thailand, Vietnam, and India continue to supply rice more competitively than Pakistan. Landed prices for Pakistani rice in West Africa are estimated at \$400 per MT compared to an estimated \$375 per MT from competing origins.

Table 1: 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
June	316,177	257,881
July	166,203	200,995
August	152,198	--
September	181,350	--
October	385,434	--
Total	4,285,720	2,900,668

Source: Pakistan Bureau of Statistics

*Data are preliminary and final PS+D estimates may differ.

Production, Supply and Demand Data Statistics:

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Nov 2015		Nov 2016		Nov 2017	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2740	2740	2687	2687	2700	2700
Beginning Stocks	1209	1209	1119	1119	1129	1279
Milled Production	6800	6800	6800	6850	6900	6900
Rough Production	10201	10201	10201	10276	10351	10351
Milling Rate (.9999)	6666	6666	6666	6666	6666	6666
MY Imports	10	10	10	10	0	0
TY Imports	10	10	10	10	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8019	8019	7929	7979	8029	8179
MY Exports	4100	4100	3900	3600	4100	3800
TY Exports	4000	4000	3900	3600	4100	3800
Consumption and Residual	2800	2800	2900	3100	3000	3200
Ending Stocks	1119	1119	1129	1279	929	1179
Total Distribution	8019	8019	7929	7979	8029	8179
Yield (Rough)	3.723	3.723	3.7964	3.8243	3.8337	3.8337
(1000 HA) ,(1000 MT) ,(MT/HA)						