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## **Pakistan**

### **Grain and Feed**

# **Wheat Update: Production and Trade Reviewed 2003**

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#### **Report Highlights:**

**Pakistan's MY 2003/04 wheat production forecast has been reduced 800,000 MT to 18.2 million metric tons due to lower than anticipated yields especially in Punjab province, due to temperature fluctuation at grain formation and maturity stage and attack of aphids. Although a 18.2 MMT crop is not less than the last year harvest, the import forecast has been increased to 2.0 MMT due to low stocks, lower-than-expected procurement and the potential for increased demand as a result of the continuing cross-border trade with Afghanistan and Iran.**

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Includes PSD changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Islamabad [PK1], PK

## Production

Pakistan's MY 2003/04 wheat production had suffered from wide fluctuation in temperature from rains in late February and early March, especially in Punjab province which produces around 80 percent of the total wheat harvest. Reports from Punjab indicate significant amounts of shriveled kernels due to the high temperatures and wide fluctuations in temperature during filling. Therefore, grain weight had been low in most of the areas of Punjab. This year crop had less serious shortage of irrigation water compared to the last two seasons. The loss in national average yield is estimated to be less significant because yields in rainfed areas of Punjab have been significantly higher this year. Because crop in rainfed areas is always planted around 4 weeks early than in the irrigated areas. Therefore, rainfed wheat crop in Punjab province has survived any loss from temperature fluctuations. About 85% of Pakistan's wheat crop is irrigated. Pakistan depends on snow melt for about two-thirds of its irrigation supplies and rainfall for the remainder. Although the snow pack is reported to be normal to above normal, irrigation supplies have improved this year.

**Table: Wheat Production, Supply and Demand**

PSD Table						
Country	Pakistan					
Commodity	Wheat				(1000 HA)	(1000 MT)
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		05/2001		05/2002		05/2003
Area Harvested	8250	8100	8057	8057	8000	8000
Beginning Stocks	3628	3628	2591	2591	1567	1467
Production	19023	19023	18226	18226	19000	18200
TOTAL Mkt. Yr. Imports	235	235	250	250	250	2000
Jul-Jun Imports	250	235	250	250	250	2000
Jul-Jun Import U.S.	46	46	0	0	0	1000
TOTAL SUPPLY	22886	22886	21067	21067	20817	21667
TOTAL Mkt. Yr. Exports	495	495	900	1000	400	300
Jul-Jun Exports	643	643	900	1000	600	0
Feed Dom. Consumption	400	400	400	500	400	400
TOTAL Dom. Consumption	19800	19800	18600	18600	18850	20000
Ending Stocks	2591	2591	1567	1467	1567	1367
TOTAL DISTRIBUTION	22886	22886	21067	21067	20817	21667

The Ministry of Food, Agriculture and Livestock (MinFAL) will review the wheat production situation during June 2003. Provinces are waiting for the final acreage report of the Federal Bureau of Statistics (FBS) to finalize the production estimates. Reports from Sindh indicate that grain quality is not a serious problem in Sindh province because generally crop is planted 4-6 weeks early in Sindh compared to Punjab province. MinFAL has released its second crop estimate of 19.3 million metric tons (MMT)—which is still a large crop—but well below the targeted 20 MMT. MinFAL's initial estimates have historically been high.

### **Wheat Procurement**

MinFAL also is experiencing difficulties procuring the MY 2003/04 crop. Several months ago, MinFAL decided to procure 5.3 MMT of crop. Thus far, six weeks into the procurement campaign, MinFAL has procured only 3.48 MMT as of June 1, 2003 about 220,000 MT behind the corresponding period procurement of last year. Procurement is important, independent of total output, because it (along with imports) allows the government to regulate the market and moderate flour (and bread) prices. There are several reasons for the slow procurement pace thus far. Flour mills and the trade has been very active to pay better than the food department. Bureaucratic and other transaction problems make farmers reluctant to sell to the government, if they can get the comparable price from the market. Secondly, the banks have extended finances to the trade and flour mills at very competitive rates like the government food departments, first time in the history. This has enabled the market forces to be active in procurement drive. Many observers, however, believe the major reason for the slow procurement pace of MinFAL is less than the initially estimated harvest.

### **Consumption**

During MY 2003/04 market prices of wheat have increased significantly within four weeks of the completion of the harvest. If the GOP restricts commercial exports then the unaccounted trade with Afghanistan will restart, after a pause of about three years. To account for the estimated cross-border trade with Afghanistan and growth in domestic demand the consumption estimates for Pakistan has been increased to 20 MMT.

### **Trade**

Pakistan's MY 2003/04 import forecast has been increased 500,000 MT to 2.0 MMT, based on the forecast of decline in production and potential increases in demand. Industry observers generally consider this to be the minimum necessary to maintain a minimal margin of safety. Observers indicate the government's strategy not to buy several months ago (at low world prices) but instead to draw stocks down very nearly may result in a disaster. Pakistan is not in a position to flirt with a disaster by deferring needed imports for long.

### **Stocks**

Stocks have been adjusted downward based on drop in production and adjustments in consumption.