



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 6/7/2004

GAIN Report Number: PK4011

Pakistan

Grain and Feed

Wheat Update

2004

Approved by:

Michael Henney, Regional Director
US Consulate, Dubai

Prepared by:

Asif Farrukh, Agri. Marketing Specialist
US Embassy, Islamabad, Pakistan

Report Highlights:

MY 2004/05 Pakistan wheat import forecast increases to 500,000 MT with expectation the amount could climb as high as 1.5 Million Metric Ton (MMT) to stabilize wheat prices reacting to a smaller, poorer quality harvest, smaller procurement levels by government food departments and rising wheat product prices.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Islamabad [PK]
[PK]

Production

MY 2004/05 Pakistan wheat production is forecast at 19 MMT as the March/April heat wave caused plants in the main production areas of Sindh and Punjab provinces to mature several weeks prematurely resulting with smaller, shriveled grains at harvest. In the Punjab Province, limited irrigation water supplies and deficient sub-soil moisture compounded the heat's negative effect on plant maturity.

The Ministry of Food, Agriculture and Livestock (MINFAL) maintain a forecast of 19.7 MMT based on an anticipated more positive impact from the increased use of fertilizers and herbicides and expanded planted acreage this growing season. Industry sentiments hold MINFAL's optimism as too high.

Table: Wheat Production, Supply and Demand

Pakistan Wheat						
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		05/2002		05/2003		5/2004
Area Harvested	8057	8057	8094	8094	8200	8200
Beginning Stocks	2591	2591	1438	1438	1630	1730
Production	18226	18226	19192	19192	19000	19000
TOTAL Mkt. Yr. Imports	186	186	100	50	200	500
Jul-Jun Imports	181	181	100	50	200	500
Jul-Jun Import U.S.	160	160	0	0	0	400
TOTAL SUPPLY	21003	21003	20730	20680	20830	21230
TOTAL Mkt. Yr. Exports	1185	1185	200	50	50	100
Jul-Jun Exports	1137	1137	100	50	50	100
Feed Dom. Consumption	400	400	400	400	400	375
TOTAL Dom. Consumption	18380	18380	18900	18900	19300	19300
Ending Stocks	1438	1438	1630	1730	1480	1830
TOTAL DISTRIBUTION	21003	21003	20730	20680	20830	21230

Wheat Procurement

The Government of Pakistan (GOP), through the MINFAL and provincial food departments, procured about 3.2 MMT of wheat as of June 1, 2004. The GOP target wheat procurement is 5 MMT but it is finding commercial market competition extremely keen thus far this year.

In mid-May the Government of the Punjab Province (where 80 percent of Pakistan's wheat is produced) banned inter-district and inter-provincial movement of wheat in effort to sway farmers to sell to provincial food departments. Despite this government action district food departments have been unable to accelerate procurement for logistical reasons. Early market involvement by the flour milling industry and trade has ensured many mills around the country will be amply stocked with wheat for a several months. However, most flour

mills could not procure enough stocks to satisfy their full year requirements which translates to an active role of food departments in controlling local market prices the later part of this year absent imports.

Consumption

Domestic wheat consumption continues to expand two-three-percent per annual driven by population growth, in the process creating ever keen competition between the food and feed sectors for available supplies. Domestic corn production, however, is finally starting to react to feed sector demand and corn prices are finally beginning to fall below that for wheat. As a result, reduced pressure on wheat supplies for food consumption thus prices should be witnessed in the nearer future.

Trade

Pakistan would need to import 500 TMT to 1.5 MMT of wheat to improve domestic supply availability thus hold market prices in check. For a second year in row carry-in wheat stocks did not meet government expectations. Open market prices for wheat and wheat-based products, as a consequence, have increased 30 percent over the last year. News that the Pakistan Cabinet authorized up to one million metric tons of wheat for purchase by the Government buying agency, Trading Corporation of Pakistan (TCP), temporarily arrested recent market gyrations but with market recognition of the current tight supply prices are expected to vacillate until the situation settles. The GOP, therefore, may have to actually import upwards of 1.0-1.5 MMT through its various buying arms in order to avoid problems with this politically sensitive commodity (wheat).

In MY 2003/04, rumors of farmer hoarding proved misleading after causing significant dishevel in the market. If the GOP wishes to avoid similar problems in MY 2004/05, it would need to import wheat with arrival starting in July/August in order to stabilize domestic supplies, prices and work towards rebuilding ending stocks, which would have a placating effect on the market next year. If the market stabilizes significantly, boarder restrictions with Afghanistan would likely be loosened resulting in greater movement of wheat to that country.