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Pakistan

Grain and Feed

Wheat and Rice Annual Report

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Report Highlights:

Pakistan's MY 1998/99 wheat imports are estimated at more than 2.8 MMT, of which the United States' share was 1.1 MMT--its lowest in recent years. The private sector is taking advantage of the availability of highly subsidized EU and Turkish wheats to import as much as 500,000 MT this marketing year and possibly more next. These subsidized sales directly displace U.S. sales.

Pakistan's MY 1999/00 import requirement is forecast to increase to 3.7 MMT due to a forecast decline in production. U.S. programs will need to become more competitive to compete with subsidized EU and Turkish wheat and the predatory pricing practices of the Australian Wheat Board if the United States is to increase sales to this traditional U.S. market.

Includes PSD changes: Yes
Includes Trade Matrix: No
Annual Report
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WHEAT

PSD Table						
Country:	Pakistan					
Commodity:	Wheat					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		05/1997		05/1998		05/1999
Area Harvested	8110	8110	8355	8355	0	8300
Beginning Stocks	2651	2651	3211	3211	0	3810
Production	16650	16650	18694	18694	0	17600
TOTAL Mkt. Yr. Imports	4180	4180	2500	2875	0	3700
Jul-Jun Imports	4000	4000	2500	2875	0	3700
Jul-Jun Import U.S.	2500	2500	1500	1100	0	2000
TOTAL SUPPLY	23481	23481	24405	24780	0	25110
TOTAL Mkt. Yr. Exports	10	10	20	20	0	0
Jul-Jun Exports	10	10	20	20	0	0
Feed Dom. Consumption	350	350	350	400	0	400
TOTAL Dom. Consumption	20260	20260	20950	20950	0	22000
Ending Stocks	3211	3211	3435	3810	0	3110
TOTAL DISTRIBUTION	23481	23481	24405	24780	0	25110

PRODUCTION:

Pakistan's Marketing Year (MY) 1999/2000 (May-April) wheat crop is forecast at 17.6 million metric tons (MMT) or about 5 percent below last year's harvest due largely to lower yields. Major factors contributing to the yield decline include: an estimated 40 percent decrease in the use of phosphatic fertilizers (due to higher prices and late availability), prolonged dry weather in rain-fed areas (which comprise about 16 percent of total wheat production) and late planting (particularly in areas where wheat follows sugarcane due to the late start of the crushing season). On the positive side, overall the MY 99/00 crop was sown more timely than the MY 98/99 crop, particularly in the rice and cotton areas of Punjab. Relatively cool weather through the first week of March also helped to improve prospects for the late-planted crop.

Pakistan does not have a comparative advantage in wheat production. Most observers expect output to remain stable around current levels for the foreseeable future due to competition from alternative crops and problems with salinization, input supply and seed quality. The Ministry of Food, Agriculture and Livestock (MinFAL) continues to maintain what is generally considered to be a very optimistic MY 1999/00 production forecast of 19 MMT.

Bread is the staple food and wheat is a strategic commodity. The Government of Pakistan (GOP) encourages

wheat production and supplies fertilizers, seeds and irrigation to growers. Input subsidies have declined or been eliminated in recent years as part of ongoing IMF reforms. The GOP also procures about 25 percent of the domestic crop via a procurement price, which acts as a support price. The MY 1998/99 procurement price is Rs. 6,000 per metric ton (MT) or about \$120 at the free market exchange rate (\$1 = Rs. 50). Free market wheat prices generally are higher--currently about Rs. 7,000 per MT.

Press reports indicate MinFAL is considering increasing its wheat procurement price by as much as 25 percent but the increase is not official and its timing is not clear. Generally, the government increases the procurement price at harvest if it intends to increase procurement or at planting if it intends to increase production.

The government uses local procurement plus imports to augment wheat supply in urban areas. The government restricts free market wheat movement between provinces and may extend these restrictions to the district level to regulate the local market more tightly.

CONSUMPTION:

Aggregate consumption is increasing as a function of Pakistan's 2.8 percent population growth rate. Per capita consumption also may be increasing due to declines in consumers' purchasing power as a result of both the Asian financial crisis and economic sanctions imposed following nuclear tests. Consumer preferences are shifting as well from traditional flat bread to western-style loaf-bread, particularly in urban areas as a convenient breakfast food. Demand for specialized products also is expected to increase with the recent introduction of western-style fast food chains. [Consumption is difficult to gauge. Figures include a conservative estimate of .4 MMT of wheat diverted to poultry feed as well as another .6 MMT (grain-equivalent basis) of wheat and flour smuggled into Afghanistan.]

Pakistan's wheat milling industry is privately owned. The two main milling products are "midda" (or 72 percent extraction flour used for loaf bread and other products) and "atta" (or 82 percent extraction flour used for flat breads). The government regulates the price of flour. The current ceiling price for "atta" is Rs. 690 for 79 kilograms and the market price ranges between Rs. 620 and Rs. 650 ex-mill, depending on quality.

The government allocates its wheat stocks to mills based on a number of factors, including the mill's historic grind. This allocation is issued or released to the mills at a subsidized price--currently Rs. 6,500 per MT (for both imported and local wheat) and is the same for all mills throughout the country. There is no set subsidy. The subsidy derives from the fact that the release price is less than the government's total cost and does not fully include storage, handling and transport costs. The GOP has agreed to phase out this subsidy as part of its reform package with the World Bank.

In general, the government's subsidized allocation does not cover a mill's entire requirement. As a result, mills also buy from the local market and recently from the international market. For quality and price reasons, millers prefer to mix local semi-hard white wheat with imported soft white wheat in a 60:40 ratio. Although consumers traditionally prefer white bran wheats, millers can blend up to 20 percent red-bran wheats to produce "atta" and up to 10 percent to produce "midda" and apparently produce an acceptable product.

TRADE:

Pakistan is expected to remain a major wheat market for the foreseeable future. Sources expect MY 1999/00 imports will increase nearly 1 MMT from the previous year's level due to the combination of increased consumption and decreased production. Details of Pakistan's MY 1998/99 wheat imports are provided in the following table.

Table 1: MY 1998/99 (Jul-Jun) IMPORTS by ORIGIN ('000 MT)

ORIGIN	US	AWB	CWB	EU	TMO	Other	TOTAL
Public	1,100	1,100	150	–	–	--	2,350
Private	50	50	–	225	200	--	525
TOTAL	1,150	1,150	150	225	200	–	2,875

US: Includes 800,000 under GSM-102 and 300,000 under 416(b).

AWB: Australian Wheat Board, CWB: Canadian Wheat Board, EU: European Community, and TMO: Turkish Cereals Office

The major change in Pakistan's import regime is the significant role the private sector has played in MY 1998/99 trade. Although private importation has been permitted for several years, it has not been attractive given relatively strong international prices and the availability of subsidized wheat from the government. Private imports, however, are now attractive given bearish world prices and especially the availability of highly subsidized wheat (recently priced around 100 per MT CNF Karachi) on the world market, notably from Turkey and the EU. Thus far, the government has encouraged this trade by providing foreign exchange at the official rate (\$1 = Rs. 46.20).

While the recent flurry of private activity results mainly from current market conditions, changes in the GOP's pricing policies, including higher support prices and lower consumption subsidies, could increase the incentive for private importation. Some observers estimate the private sector may import as much as 1 MMT next year, mainly for the Karachi market. In addition, market observers believe there are increased opportunities for sales of non-traditional red wheats for blending, feed and the Northwest Frontier Provinces (where a higher protein is required to make traditional thick breads).

The United States traditionally has been the primary supplier to the Pakistani market due to the quality and reliability of its wheat supply as well as to the important partnership it maintains with Pakistan. Australian wheat, however, recently has made significant inroads into this market following recent large Australian harvests through the use of predatory pricing, cheap freight and credit, and other nonmarket tactics. Canada is an occasional supplier.

Both public and private wheat imports are exempt from duty and the 15 percent sales tax. Flour imports are subject to a 10 percent import duty and the 15 percent sales tax.

STOCKS:

MY 1998/99 ending stocks are forecast to increase to 3.8 MMT, of which 1.1 MMT are held by the government.

MinFAL currently is assessing the quantity and quality of its stocks.

RICE

PSD Table						
Country:	Pakistan					
Commodity:	Rice, Milled					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		11/1997		11/1998		11/1999
Area Harvested	2316	2316	2373	2373	0	2400
Beginning Stocks	438	438	122	122	0	222
Milled Production	4333	4333	4650	4650	0	4600
Rough Production	0	0	0	0	0	0
Milling Rate(.9999)	6666	6666	6666	6666	0	6666
TOTAL Imports	0	0	0	0	0	0
Jan-Dec Imports	0	0	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	4771	4771	4772	4772	0	4822
TOTAL Exports	2099	2099	2000	2000	0	2000
Jan-Dec Exports	1982	1982	2000	2000	0	2000
TOTAL Dom. Consumption	2550	2550	2600	2550	0	2600
Ending Stocks	122	122	172	222	0	222

PRODUCTION:

Pakistan's Marketing Year (MY) 1999/2000 (November-October) rice crop is forecast at 4.6 (MMT) or about the same as last year's harvest, assuming normal weather. Sources expect returns to rice production will remain attractive and do not foresee a shift from rice to competing crops--mainly sugarcane and cotton. The composition of production also is expected to remain fairly steady--an estimated 52 percent of rice area is expected to be Basmati and the remainder will consist of IRRI and other local varieties.

As with wheat, the Government of Pakistan (GOP) encourages rice production and supplies fertilizers, seeds and irrigation to growers. Input subsidies have declined or been eliminated in recent years as part of ongoing IMF reforms. The GOP plays a much smaller role in the rice market than in the wheat market. Although the GOP announces a procurement price (which acts as a support price), it has not procured rice since 1995. The MY 1999/00 procurement price is expected to be announced around planting time in May.

CONSUMPTION:

Per capita consumption is small as wheat, not rice, is the staple grain. As a result, aggregate consumption is

stable or growing slowly. The rice milling industry is privately owned. A little over half of the crop is destined for local consumption and the remainder is exported. The government does not maintain a consumer subsidy for rice.

TRADE:

Pakistan is a major rice exporter and annually exports about 2 MMT or about 10 percent of world trade. Exports consist of about 75 percent of IRRI rice and 25 percent of Pakistan's famous, fragrant Basmati rice. Rice is Pakistan's second leading source of export earnings. There is no subsidy or tax on rice exports. Exporters compete in the market for exportable supplies. Details of Pakistan's MY 1998/99 rice exports are provided in the following tables.

Table 2: TOTAL RICE EXPORTS by DESTINATION ('000 MT)

	MY96/97	MY97/98 1/	CY1997	CY1998 1/
Africa NES	312,935	248,711	321,708	145,926
Kenya	215,480	274,237	249,848	209,373
U.A.E.	202,410	154,375	198,815	129,768
Sri Lanka	120,596	111,804	160,068	21,257
Rep. Azerbaijan	102,777	18	100,060	18
Saudi Arabia	89,412	46,213	65,222	37,614
South Africa	76,969	134,200	103,647	107,522
Afghanistan	73,481	50,574	76,656	41,630
Oman	56,143	67,332	58,829	55,488
Kuwait	51,932	16,373	51,766	13,249
Others	524,070	741,986	565,353	698,687
USA	7,897	19,160	19,235	6,226
Total	1,834,102	1,864,983	1,971,207	1,376,758

Source: Federal Bureau of Statistics

1/ MY 1997/98 export data is for November 97 through July 98. CY 1998 exports data is for January - July 1998.

Table 3: IRRI RICE EXPORTS by DESTINATION ('000 MT)

	MY96/97	MY97/98 1/	CY1997	CY1998 1/
Africa NES	311,348	247,888	319,937	145,287
Kenya	205,971	260,117	237,617	198,147
Sri Lanka	117,596	110,029	158,063	20,213
Rep Azerbaijan	102,581	18	99,903	18
South Africa	76,424	133,041	102,918	106,547
Afghanistan	73,203	46,706	76,350	37,795
U.A.E.	66,643	27,582	63,267	22,779
Tanzania	38,111	34,694	39,273	25,807
Kuwait	37,983	1,671	38,007	1,190
Malagasy	27,462	2,000	19,885	0
Others	307,747	563,467	345,239	464,361
USA	726	11,362	11,829	215
Total	1,365,795	1,438,575	1,512,288	1,022,359

Source: Federal Bureau of Statistics

1/ MY 1997/98 export data is for November 97 through July 98. CY 1998 exports data is for January - July 1998.

Table 4: BASMATI RICE EXPORTS by DESTINATION ('000 MT)

	MY 96/97	MY97/98 1/	CY1997	CY1998 1/
U.A.E.	135,767	126,793	135,548	106,989
Saudi Arabia	87,075	44,746	62,713	36,512
Oman	51,893	62,721	53,616	52,463
Qatar	29,623	17,575	30,414	11,677
Iran	24,678	13,782	24,738	13,722
Bahrain	17,669	16,031	19,977	11,031
Kuwait	13,949	14,702	13,759	12,059
Mauritius	13,250	4,358	13,103	3,905
Kenya	9,509	14,120	12,231	11,226
Mauritania	9,334	12,737	11,992	10,079
Others	68,389	91,045	73,422	78,725
USA	7,171	7,798	7,406	6,011
Total	468,307	426,408	458,919	354,399

Source: Federal Bureau of Statistics

1/ MY 1997/98 export data is for November 97 through July 98. CY 1998 exports data is for January - July 1998.

Pakistan does not import rice. The import tariff on rice is 25 percent. In addition, imported rice is subject to a 15 percent sales tax, as are all rice sales in theory.

STOCKS:

Most rice is held by private traders, generally in small lots.