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## **Report Name:** Grain and Feed Update

**Country:** Pakistan

**Post:** Islamabad

**Report Category:** Grain and Feed

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### **Report Highlights:**

Pakistan's MY 2021/22 wheat production is estimated at a record 27 million metric tons (MMT). The government has currently procured 5.8 MMT of wheat from this year's harvest against its target of 6.3 MMT. The government is allowing the importation of up to 3 MMT of wheat duty free. The actual volume of wheat imports during MY 2021/22 will depend on the response of the private sector and market conditions in the country. The MY 2021/22 wheat import estimate is increased from 1 MMT to 2 MMT. MY 2020/21 and MY 2021/22 wheat exports are increased to 500,000 and 600,000 tons, respectively, in response to enhanced cross border trade with Afghanistan. Pakistan has so far exported around 2.2 MMT of rice during MY 2020/21 (November-October). The rice forecast remains unchanged.

## Wheat

### Pakistan Harvest Record Wheat Production

Preliminary government estimates suggest that Pakistan's MY 2021/22 (May-April) wheat production will be a record 27 million metric tons (MMT), an increase of eight percent over last year's production of 25 MMT. The wheat crop is sown in October and November and harvested in April. The breakdown of wheat production by province is as follows:

**Table1: Pakistan's MY 2021/22 Wheat Production by Province**

Province	Quantity (MMT)
Punjab	20.8
Sindh	4.0
KPK	1.2
Baluchistan	1.0
Total	27.0

Source: Agriculture Departments of Punjab, Sindh, KPK, and Baluchistan

Farmers responded to better government support by increasing area planted. Government support included an increase in the minimum support price as well as subsidies on fertilizer which increased its use and contributed to greater crop yields. Favorable weather conditions also played a significant role in the record output. During the preceding two years, the wheat crop was adversely affected by a rise in temperature during March followed by untimely rains and storms caused by climate change induced shifting weather patterns during the harvest months of April and May. This year, the shifting weather patterns did not occur during the critical phases of wheat crop growth and harvesting, thereby contributing greatly to the record wheat production.

It should be noted that this is the initial government estimate for this year's wheat crop. The final numbers will be released by the end of the year. The government currently has procured 5.8 MMT of wheat from the MY 2021/22 harvest against its target of 6.3 MMT. Although Pakistan's MY 2021/22 wheat production is an all-time record, the increase in production is still insufficient to meet domestic consumption requirements and maintain large strategic reserves. At 2 percent, Pakistan's annual population growth rate is among the highest in the world and the country needs to sustain significant increases in wheat production to meet domestic demand and government goals for its wheat stocks in the next few years.

## **Government Approves Import of 3 MMT Wheat**

The Government of Pakistan (GOP) has allowed the import of up to 3 MMT duty free wheat during the MY 2021/22 to boost the country's strategic reserves. Pandemic-induced demand and the threat of locust attacks in 2020 led to the government's realization of the importance of maintaining large wheat stocks. The decision to import up to 3 MMT in MY 2021/22 was taken by the Economic Coordination Committee (the main federal body to make decisions on economic and other matters) in a meeting held on June 16, 2021. The GOP continues to waive the 60 percent duty on wheat imports, a decision it first took in June 2020 as a result of demand surges caused by the pandemic and dwindling stocks.

The mechanism of imports along with the decision of how much quantity will be imported by the government and the private sector is still to be determined. The actual volume of wheat imports during MY 2021/22 will be monitored using data from the Pakistan Customs Department but will ultimately depend on the response of the private sector and market conditions in the country. Although the threat of large-scale damage to the wheat crop from locust attacks is unlikely and the pandemic appears to be nearing its end, both could resurface to put pressure on the supply and demand situation. When these two threats are combined with the low wheat output of the last two years, the result has been a complete shift in government policy on wheat imports and stocks. For this reason, the MY 2021/22 wheat import estimate has increased from 1 MMT to 2 MMT. Post will monitor the situation and make further adjustments, as necessary.

According to industry sources, the unofficial cross-border wheat trade between Pakistan and Afghanistan has been growing steadily since MY 2020/21, due to lack of enforcement at border control posts. Consequently, both the MY 2020/21 and MY 2021/22 wheat export estimates are increased to 500,000 and 600,000 tons, respectively.

Pressure on the demand and supply situation since last year suggest that the current wheat consumption estimates are higher than initially expected. High population growth rate and lack of affordability for milk, meat and fruits has increased dependence on wheat. The MY 2020/21 and MY 2021/22 consumption estimates are thus revised upward to 26.0 and 26.8 MMT, respectively.

**Table 2: Production, Supply and Demand Data Statistics:**

Wheat Market Year Begins Pakistan	2019/2020		2020/2021		2021/2022	
	May 2019		May 2020		May 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	8678	8798	8825	8810	9200	9200
Beginning Stocks (1000 MT)	2533	2533	1291	1242	4137	3242
Production (1000 MT)	24349	24300	24946	25000	26000	27000
MY Imports (1000 MT)	1	1	4000	3500	1000	2000
TY Imports (1000 MT)	1	1	4000	3500	1000	2000
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	26883	26834	30237	29742	31137	32242
MY Exports (1000 MT)	392	392	300	500	300	600
TY Exports (1000 MT)	173	173	300	500	300	600
Feed and Residual (1000 MT)	1000	1000	1000	1000	1000	1100
FSI Consumption (1000 MT)	24200	24200	24800	25000	25200	25700
Total Consumption (1000 MT)	25200	25200	25800	26000	26200	26800
Ending Stocks (1000 MT)	1291	1242	4137	3242	4637	4842
Total Distribution (1000 MT)	26883	26834	30237	29742	31137	32242
Yield (MT/HA)	2.8058	2.762	2.8267	2.8377	2.8261	2.9348

(1000 HA) ,(1000 MT) ,(MT/HA)

## **Rice**

The MY 2021/22 (November-October) rice production forecast is unchanged at 8.3 MMT. The crop is sown in May and June and harvested in October and November.

### **Normal Monsoons Rains Predicted**

From July through September, the southwest monsoon dominates life in Pakistan and accounts for 70 percent of the annual rainfall. Rice in Pakistan is a monsoon crop and ample rains during the growing season are considered an important factor in a good rice crop. The Pakistan Metrological Department has predicted normal monsoon rainfall during 2021 in the rice producing areas of the country. Monsoon rainfall is expected to remain near to normal during July to September 2021 in Pakistan. The upper half of Punjab, northern Baluchistan, and Kashmir are the regions that are likely to receive moderately above normal rainfall during the season. The onset of the monsoon is forecast for the last week of June. About half of the water requirements of rice are fulfilled through irrigation sourced from the Tarbela and Mangla dams, while the other half is fulfilled by monsoon rains.

Rice planting is proceeding normally and there were no disruptions in the planting operations due to the pandemic. The rice crop is transplanted from the nursery. By June, half of the rice crop has been transplanted and, by July, 90 percent has been transplanted. The overall COVID-19 situation in the country has significantly improved and agricultural operations are proceeding without any hindrance.

### **Threat of Locust Attacks Receding**

At present there have been no reports of locust attacks anywhere in Pakistan in 2021. The Department of Plant Protection in the Ministry of National Food Security and Research monitors the situation with regular surveillance of the potential hot spot areas to avert any sudden outbreak. Data from regional countries also suggest that the incidence of the pest along the migratory routes is low.

### **Rice Exports**

Pakistan's MY 2020/21 rice exports are unchanged at 4.3 MMT. Pakistan has exported around 2.2 MMT of rice during the first six months of the current marketing year (Table 3). The bulk of the imports consist of non-basmati varieties. Despite efforts from the government, the volume of basmati exports has not increased this year, due to stiff competition from India, which does a better job of marketing its product globally; and higher domestic consumption rates of Pakistani basmati rice. China is emerging as a new market for Pakistani non-basmati rice varieties. Other major export destinations include East Africa, Gulf region and EU.

**Table 3: Pakistan Rice Exports MY 2020/21 (Nov/October)**

<b>Months</b>	<b>MY 19/20</b>	<b>MY 20/21</b>
November	440,488	458,104
December	403,923	459,714
January	364,169	324,254
February	360,950	315,625
March	380,194	385,978
April	392,832	315,056
<b>Total</b>	<b>2,342,556</b>	<b>2,258,731</b>

Source: Pakistan Bureau of Statistics

### **Pakistani, Indian Exporters Agree to Share Basmati Rice Ownership**

Sources indicate that India and Pakistan have agreed to share ownership of the European Union's (EU) geographical indication (GI) for basmati rice. The EU is expected to make an official announcement soon. In 2020 India petitioned the EU for a GI for basmati rice, claiming that the rice's unique flavor was directly tied to local Indian geography. Granting this GI to just India was opposed by Pakistan, which shares these unique growing conditions. A similar GI petition was later filed by Pakistan with the EU.

The origins of basmati rice have historically been a source of dispute between Pakistan and India. Basmati rice is produced in the Punjab region which was divided between the two countries in 1947.

### **Russia Allows Imports of Pakistani Rice**

In a significant development, Russia has allowed the import of rice from Pakistan. Russia banned the import of rice from the country in May 2019 after Khapra beetle was detected in a Pakistani rice consignment. Both governments were in negotiations for the past year on this issue. Pakistan used to annually export around 35,000 tons of rice, valued at \$40 million, to Russia. The Russian government has approved the import of rice from four Pakistani establishments located in Karachi, Lahore and Chiniot.

### **Attachments:**

No Attachments