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Report Highlights:

Planting for the next wheat crop will start by mid-October amid reports that water availability for irrigation during the upcoming Rabi (winter) season is good. Pakistan is expected to import around one million tons of wheat during the current marketing year. Pakistan is importing wheat to build its strategic reserves in wake of COVID-19 and locusts attacks. Pakistan's MY 20/21 rice production forecast is unchanged at 7.4 MMT. MY19/20 and 20/21 rice exports estimate is revised downwards from 4.4 MMT to 4.0 MMT due to increase in domestic rice price, lock down impact in Pakistan and effects of COVID-19 in certain export markets. Pakistan has so far exported around 3.4 MMT of rice during the ten months of the current marketing year.

Wheat:

Above Average Monsoon Rains Improves Water Availability for Upcoming Wheat Planting

Planting for the next wheat crop will start by mid-October amid reports that water availability for irrigation during the upcoming Rabi (winter) season are good. The monsoon rains this year from July to September were about twenty percent higher than normal filling the major water reservoirs in the country. It was the first time in ten years that the two major water reservoirs – the Mangla and Tarbela dams -- were filled to capacity. These two dams are major sources of irrigation water for crops in the agricultural belt across Pakistan. Rains have also recharged underground water levels, providing better prospects for the upcoming wheat crop.

Pakistan Expected to Import Around One Million Tons of Wheat

Pakistan is expected to import around one million tons of wheat during the current marketing year. Pakistan is importing wheat to build its strategic reserves in the wake of COVID-19 and locusts attacks. This year's production fell short of the government target of 27 million tons. The carryover stocks from last year were also low. Heavy government domestic wheat procurement, low carryover stocks, and less than anticipated production pushed up the prices of wheat flour in the domestic market. As wheat is a staple and any rise in prices is politically sensitive, the government waived off the import duty and allowed the importation of wheat. So far, during the current marketing year, Pakistan has imported around 600,000 tons of wheat. The wheat is mainly being sourced from Russia and Black Sea origins at an average price of \$230 per ton.

Production, Supply and Demand Data Statistics:

Wheat Market Year Begins	2018/2019		2019/2020		2020/2021	
	May 2018		May 2019		May 2020	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	8800	8800	8798	8798	9130	9130
Beginning Stocks (1000 MT)	4746	4746	2583	3551	1292	1851
Production (1000 MT)	25100	25100	24300	24300	25700	25700
MY Imports (1000 MT)	2	5	1	100	1000	1000
TY Imports (1000 MT)	2	5	1	5	1000	800
TY Imp. from U.S. (1000 MT)	0	0	0	5	0	0
Total Supply (1000 MT)	29848	29851	26884	27951	27992	28551
MY Exports (1000 MT)	1965	1000	392	600	300	300
TY Exports (1000 MT)	1649	800	173	600	300	300
Feed and Residual (1000 MT)	1200	1200	1000	1200	1100	1200
FSI Consumption (1000 MT)	24100	24100	24200	24300	24500	24400
Total Consumption (1000 MT)	25300	25300	25200	25500	25600	25600
Ending Stocks (1000 MT)	2583	3551	1292	1851	2092	2651
Total Distribution (1000 MT)	29848	29851	26884	27951	27992	28551

Yield (MT/HA)	2.8523	2.8523	2.762	2.762	2.8149	2.8149
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice:

Pakistan's MY20/21 rice production forecast is unchanged at 7.4 MMT. Although there are reports of locust attacks, particularly in certain areas of Sindh, good monsoon rains across Pakistan are expected to offset the production losses caused by locusts.

The MY19/20 and 20/21 rice export estimates are both revised downwards to 4.0 MMT, due to an increase in the domestic rice price, the pandemic lock down impact in Pakistan, and the effects of COVID-19 in certain export markets. Rice millers stated to increase the price of rice due to reports of locust attacks, particularly in Sindh. Rice millers raised the prices of rice varieties for commercial exporters who, in turn, failed to export as much as they did in June, July and August of last year. Even the mills that directly export rice failed to get the large buying orders as they did during the June to August timeframe last year: their own cost of rice processing increased owing to the general inflationary trend and due to higher forward paddy prices paid to growers who were anticipating the crop's damage under the locust attack.

Pakistan has so far exported around 3.4 MMT of rice during the ten months of the current marketing year (Table 1).

Table 1: Pakistan Rice Exports MY 2019/20 (Nov/October)

Months	MY 18/19	MY 19/20
November	385,311	440,488
December	468,599	403,923
January	495,280	364,169
February	417,572	360,950
March	476,131	380,194
April	421,115	392,832
May	422,102	353,931
June	284,670	285,665
July	340,983	266,206
August	249,070	167,793
Total	3,960,833	3,416,151

Going Forward: Basmati vs Non-Basmati Exports

The magnitude of Pakistan's rice export depends on whether exporters can manage to export one million tons of Basmati rice and three million tons or more of non-Basmati varieties during the marketing year. In 2018-19 and 2019-20, total rice shipments remained above 4 million tons. The exports of Basmati rice stood at 791,000 tons and 890,000 tons in 2018-19 and 2019-20, respectively. Rice Exporters Association of Pakistan (REAP) expect that during this year Basmati rice exports could reach one million tons.

The average export price of Pakistani Basmati rice now hovers around \$955 per ton whereas that of non-Basmati rice is around \$453 per ton. Exporters believe that with some effort, the average export price for

Basmati and non-Basmati could be raised to \$1,100-1,200 per ton and \$500-600 per ton, respectively. For this to happen exporters need to raise the quality and perception of Pakistani rice. If this happens — and exporters, particularly those of Basmati rice, say they are working seriously to make this happen — then rice export earnings for Pakistan could be enhanced substantially even with a slight decrease in export volume. According to REAP statistics, the average export price of Basmati rice had risen to \$1,153 per tons back in 2013-14. This level could not be sustained in subsequent years owing to fierce competition in global markets and, in recent years, to a huge depreciation in the local currency.

Major Exports Market Analysis and Export Trend

The competition in global markets this year is expected to remain tough — with Vietnam having a larger exportable surplus and with stricter rules in place for clearance of import consignments at ports of buying countries amidst Covid-19 safety measures. Maintaining growth momentum in rice exports during the rest of the marketing year will depend on whether brisk shipments to the United Arab Emirates and Saudi Arabia remain intact. They are among Pakistan’s most important markets, with Pakistan’s rice export earnings from these two countries accounting for 18 percent of total rice export earnings in the last marketing year.

During the current marketing year, rice exports to China — the second largest market after the United Arab Emirates — suffered due to Covid-19-triggered lockdowns earlier in China and, later, in Pakistan. The China factor would also determine to a great extent how Pakistan’s rice exports could grow in 2020-21. Exporters say that, unlike the United Arab Emirates, Saudi Arabia, United States, and the United Kingdom, where demand for Pakistan’s rice is not solely factored on price, it is China’s primary consideration. This means that to boost rice exports to China, exporters will have to be more price competitive than they are in the other countries. That is not an easy task because in China there is far greater demand for non-Basmati rice than Basmati varieties. The increase in transportation costs, after a massive rise in domestic fuel prices, has pushed up the cost of procurement of non-Basmati varieties for commercial and industrial exporters.

Production, Supply and Demand Data Statistics:

Rice, Milled Market Year Begins	2018/2019		2019/2020		2020/2021	
	Nov 2018		Nov 2019		Nov 2020	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	2880	2880	3000	3000	3000	3000
Beginning Stocks (1000 MT)	1424	1424	931	924	731	1124
Milled Production (1000 MT)	7300	7300	7200	7200	7500	7400
Rough Production (1000 MT)	10951	10951	10801	10801	11251	11101
Milling Rate (.9999) (1000 MT)	6666	6666	6666	6666	6666	6666
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	0	0	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8724	8724	8131	8124	8231	8524
MY Exports (1000 MT)	4493	4500	4400	4000	4300	4000

TY Exports (1000 MT)	4550	4600	4400	3900	4300	3900
Consumption and Residual (1000 MT)	3300	3300	3000	3000	3100	3100
Ending Stocks (1000 MT)	931	924	731	1124	831	1424
Total Distribution (1000 MT)	8724	8724	8131	8124	8231	8524
Yield (Rough) (MT/HA)	3.8024	3.8024	3.6003	3.6003	3.7503	3.7003
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2020/2021 = January 2021 - December 2021						

Attachments:

No Attachments