

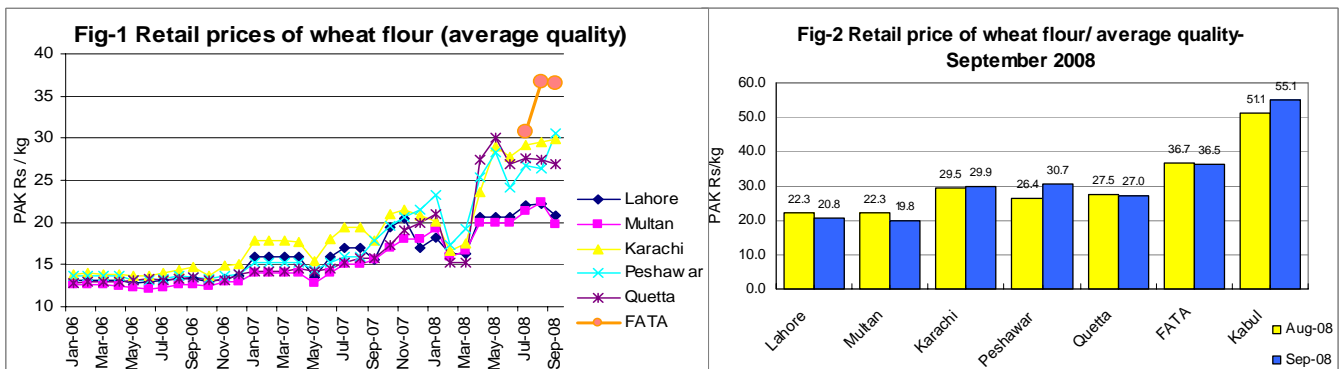
FOOD SECURITY MARKET PRICE MONITORING BULLETIN

Summary

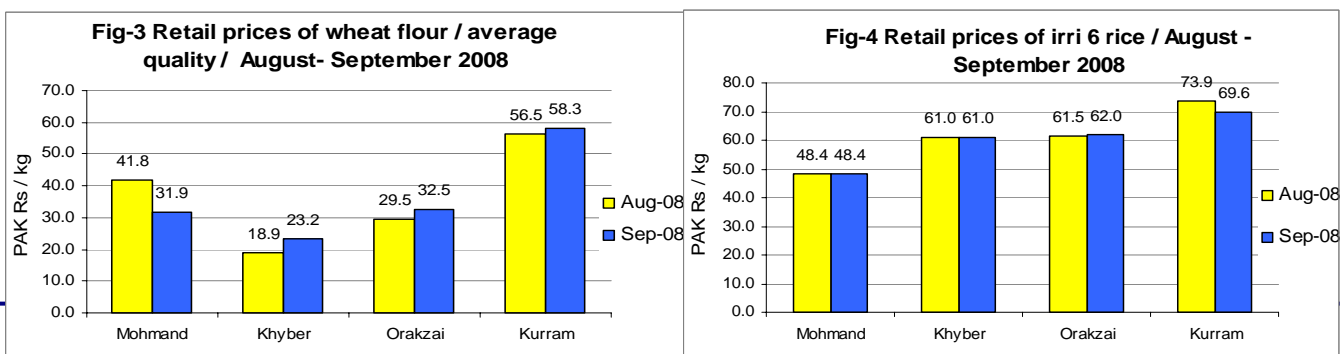
- Government of Pakistan has increased the wheat support price to Rs. 940 per 40 kg bag (USD 309/MT) for the new wheat crop harvest in order to encourage the farmers to increase its cultivation. However, experts expect a decline by 15-20% in the wheat crop area during 2008-09. It is not sure either the production will increase or not, but consumers will buy wheat flour on a much higher rate. On the other hand, the price increase will encourage import of wheat to the country. However, increase in the transportation cost and appreciation of dollar against rupee make it a little difficult.
- During September, the average retail price of wheat flour reached to a record level at PAK Rs. 25.8/kg; the Coarse (IRRI-6) rice price decreased slightly in September.
- The price hike translated into increase in the already estimated 9.6 million new food insecure persons.
- Food prices are generally higher in FATA than elsewhere, in particular in Kurram, where supply line has been broken, and no food is available in the market (whereas in Mohmand, Khyber and Orakzai the situation is average/good). The price of wheat flour was declined in FATA during September as compared to last month.
- World market prices for wheat continued to ease. However, the depreciation of the Pakistani rupee and the increasing transport cost has augmented the cost of importing wheat from the international market.
- Trade of food items to Afghanistan has been increased by more than 100% during August as compared to July 2008.

1. Retail prices impact among regions since last month

Increase in price of wheat flour and Coarse (IRRI-6) rice at national level– with 47.72% and 84.14% since Sep 2007 has significantly worsened the already food deficit area like FATA. **Prices have largely stabilized in September** (wheat flour at Pak Rs 23.93 /kg; Coarse (irri-6) at Pak Rs 43.64/kg), though at record levels according to FBS Sep 25, 2008 report. Wheat flour and rice prices are lowest in the producing zones- Multan, higher in the deficit zones- Peshawar & Karachi, and highest in FATA.



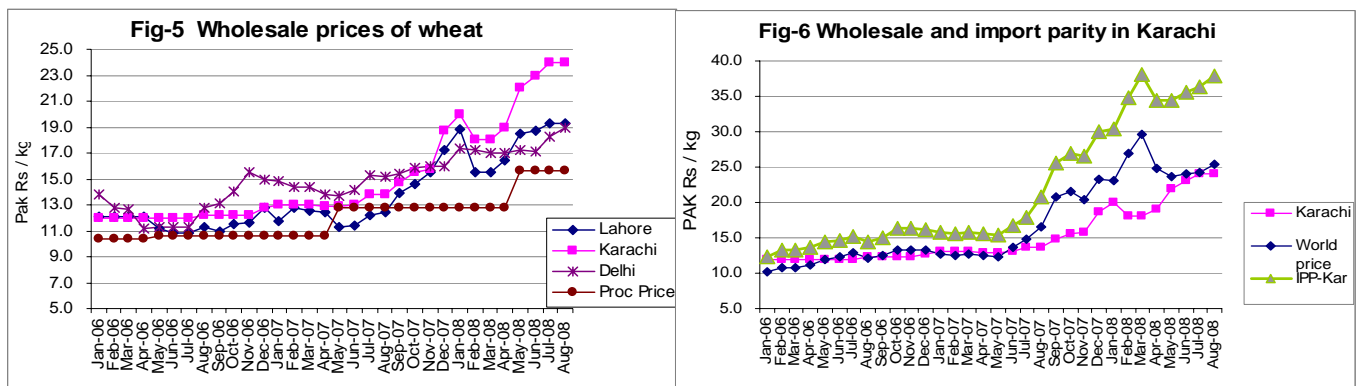
WFP started collecting food price data in FATA from 20 locations, **Mohammad** (Haleemzai, Baizai, Lakaro, Yekka Ghund), **Orakzai** (Sangra, Meshti mela, Kalaya, Ghiljo, Feroz Khel), **Khyber** (Jamrud, Shalman, Bara, Landi kotal, Mulagori), **Kurram** (Sholozan, Burki, Melana, Sadda, Alizai) of four agencies since July 2008, to complement the existing FBS data. Within FATA, prices vary substantially over time, and by location. Highest increase in wheat flour price was observed in Khyber about 22.8% higher as compared to the last month, while continuous high price of flour was recorded in Kurram since last three months. According to local traders, Khyber prices were higher due to the shortage of supply in the market during September. However in Orakzai and



Mohmand wheat flour prices are above the national average at Pak 32.5/kg and Pak 31.9/kg (1USD=Pak Rs. 71) respectively, and influenced by the higher purchase prices and higher transport cost. Prices in Kurram are significantly higher than in the rest of the country because of the blockage of roads to continue supply the zone from Pakistan. The lower terms of trade of wheat flour-to-wage was observed in Kurram (6 kg of flour per day of labor). It may signal even more extreme food access problems than elsewhere in the country as in Lahore (13 kg of flour/ day of labor), (11) in Multan, (15) in Karachi, (9) in Peshawar and (13 kg of flour per day of labor) in Quetta. However, dropdown trend of IRRI-6 rice prices was recorded in FATA, like other parts of the country as compared to the last month.

2. Wholesale wheat Price difference with the world market

Wholesale prices of wheat grain have increased over the last few months to approximately Pak Rs 22 / kg and remains same in August 2008. The price differential between India (Delhi-Pak Rs19/kg) and Pakistan has become smaller, whereas the price differential with Kabul (not shown) remains large. On the world market USD prices have decreased substantially over the last few months, but the sharp depreciation of the Pakistani rupee and the ever-increasing transport cost have countered the reduction of the potential cost of importing wheat from the international market (import parity price). Regional disparity among the region becomes wider as time passes- wholesale prices since July 2005 were increased 72% in Lahore and 104% increase in Karachi whereas 91% increased in Delhi. As we compare August 2008 prices with July 2007 a different trend of increase in prices was observed among the regions- 58% in Lahore, 75% in Karachi and 24% in Delhi. Wholesale wheat price around the world is fluctuating between Pak Rs 24.3/kg in July 2008 to Pak Rs 25.3/kg in August 2008.



3. Cross border trade

Acute food shortages exist in Kurram Agency. Since the last week of July, the availability of food in the area has worsened and can be qualified as very bad. In some locations, wheat flour, oil, ghee, rice and dal channa have temporarily not been for sale in the local markets. With supply from Pakistan blocked since November 2007, Kurram depends on Afghanistan supplies. Although the Afghani government generally facilitates the provisioning of the agency, violence in Afghanistan disturbed the trade occasionally leading to acute temporary food shortages.

The wheat flour is exported from Mohmand Agency to Jalalabab at Rs 52.2 per kg (including transport cost of Rs 26.5/kg) in August, while in the month of July the sale price was a bit lower at Rs 40/kg. Export from Khost (Afghanistan) to Parachinar was at Rs 63/kg this month while the sale price in July was Rs. 49/kg. Due to the higher sale price of wheat flour the trend of trade has become fast and an increase in export to Afghanistan was witnessed during August. Wheat flour prices in Kabul remain approximately twice as high as in Pakistan, offering an attractive margin for traders. Export of food items and especially of wheat flour is on increase since last month. Export of wheat and wheat flour to Afghanistan was increased by more than 100% during August compared to July 2008.

FATA is amongst the most poorly-developed and food-insecure regions of Pakistan. The decline in rainfall over the past decade has reduced agricultural income and employment opportunities. WFP assists over four million food insecure people annually. However, increasing food prices have the potential to pull more people into poverty, and to deepen food insecurity among already vulnerable groups. This contribution will help address severe food shortages and improve access to health and education services and livelihood opportunities in these areas.

APPENDIX: PRICE TABLES

RETAIL PRICES FOR PAKISTAN, FATA AND KABUL 2008											
Commodities	Unit	SEPTEMBER ,08									till 1st Sep,08
		Lahore	Multan	Karachi	Peshawar	Quetta	Mohamnd	Khyber	Orakzai	Kurram	Kabul
1. Wheat Flour	Kg	20.8	19.8	29.9	30.7	27.0	31.9	23.2	32.5	58.3	55.1
2. Broken Rice	Kg	54.0	50.8	50.9	55.6	59.0	40.0	45.0	68.0	63.0	59.3
3. Irri-6 Rice	Kg	47.4	40.5	47.1	51.8	44.5	48.4	61.0	62.0	69.6	125.7
4. Fine rice / sella plain	Kg	-	-	-	-	-	96.0	150.0	130.0	126.0	-
5. Dal Channa (Yellow Peas)	Kg	61.0	63.5	66.4	66.4	68.6	64.0	65.0	80.0	82.5	69.23
6. Pakwan Edible oil	Liter	159.2	159.2	159.2	159.2	159.2	132.0	115.0	164.4	135.6	121.5
7. Pakwan Ghee	Kg	158.0	158.0	158.0	158.0	158.0	116.0	122.0	114.0	123.6	-
8. Dalda Ghee	Kg	-	-	-	-	-	118.8	138.3	148.2	142.7	-
9. Sugar	Kg	33.3	32.8	33.5	34.2	33.5	34.2	35.2	44.8	39.4	-
10. Maize	Kg	-	-	-	-	-	18.5	38.8	31.0	42.5	-
11. Potatoes	Kg	32.0	30.3	20.0	27.0	22.6	15.0	23.6	30.4	26.2	-
12. Onion	Kg	29.8	29.8	30.2	27.6	21.8	20.0	19.6	48.0	30.6	-
13. Tea	Kg	376.0	376.0	376.0	376.0	376.0	306.0	237.0	280.0	316.0	-
14. Chicken	Kg	100.8	97.3	120.0	108.4	106.9	155.0	120.0	115.8	193.0	-
15. Beef	Kg	143.2	134.6	155.0	133.5	148.8	141.0	133.3	248.0	177.5	-
16. Mutton	Kg	268.9	240.0	275.0	240.0	278.8	225.0	360.0	278.0	217.5	-

INTERNATIONAL AND WHOLESALE PRICES FOR WHEAT				
	Lahore	Karachi	Delhi	Int. Price \ a
	(PAK Rs/kg)	(PAK Rs/kg)	(PAK Rs/kg)	(USD/mt)
Aug-07	12.4	13.8	15.2	273.0
Sep-07	13.9	14.8	15.4	342.5
Oct-07	14.6	15.5	15.9	353.5
Nov-07	15.5	15.7	16.0	334.6
Dec-07	17.3	18.8	16.0	380.7
Jan-08	18.9	20.0	17.3	376.8
Feb-08	15.5	18.0	17.3	438.6
Mar-08	15.5	18.0	17.0	481.5
Apr-08	16.4	19.0	17.0	388.8
May-08	18.5	22.0	17.3	350.2
Jun-08	18.7	23.0	17.1	357.5
Jul-08	19.3	24.0	18.2	342.8
Aug-08	19.3	24.0	19.0	343.0

\ a: Wheat (red, hard winter, no. 2, US golf FOB)