

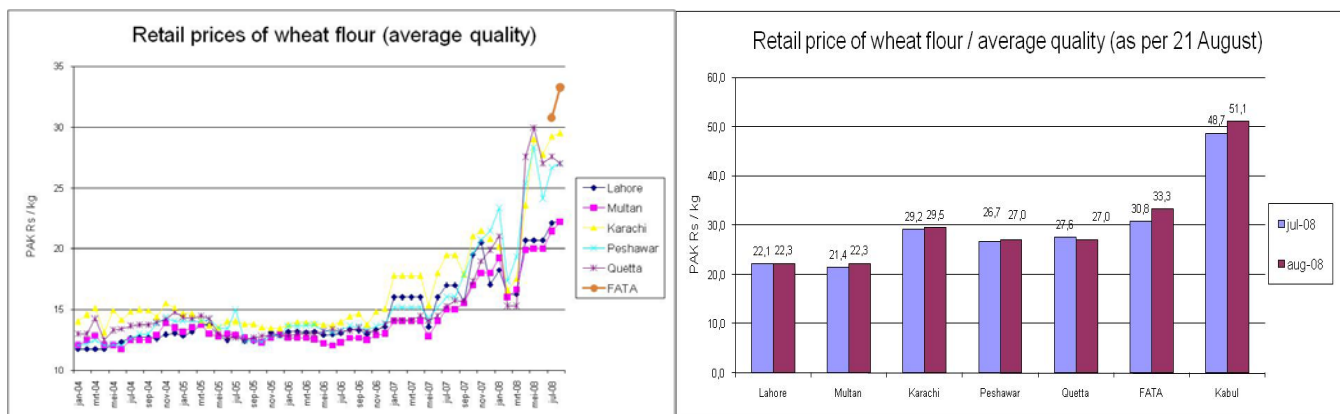
Pakistan WFP - VAM Unit Food Security-Market Monitoring Bulletin, August 2008

Summary

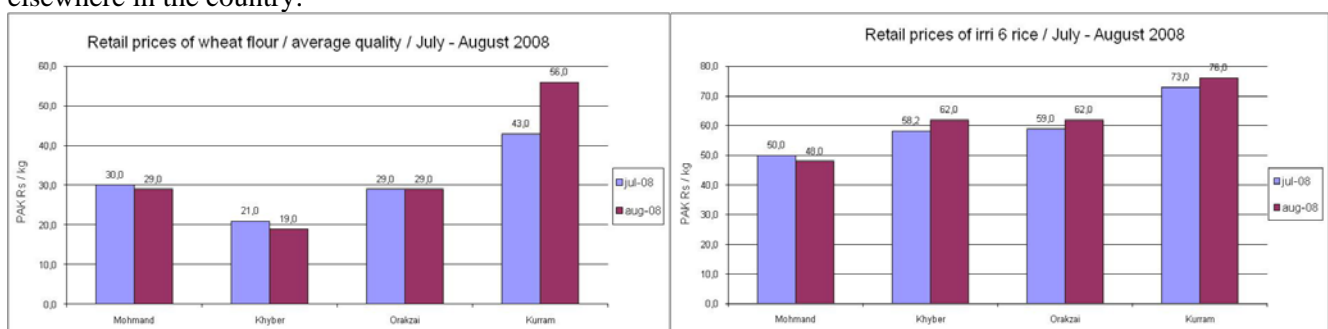
The average retail price of wheat flour reached in July-August the record level of May 2008; the Coarse (IRRI-6) rice price decreased slightly in July-August. The price hike translated into an estimated 9.6 million new food insecure persons. Food prices are generally higher in FATA than elsewhere, in particular in Kurram, when the local food availability situation can be qualified as very bad (whereas in Mohmand, Khyber and Orakzai the situation is average/good). World market prices for wheat continued to ease. However, the depreciation of the Pakistani rupee and the increasing transport cost have augmented the cost of importing wheat from the international market. Prices would have to increase by another 10-15 Pak rupees to make importing from abroad into Karachi attractive for traders. Although there continues to be a large price differential between Afghanistan and Pakistan, the government interventions seem to have reduced the wheat flour export since July.

Retail prices at record levels, adding 10 million food insecure people since 2005-6

The unprecedented price rises of wheat flour and Coarse (IRRI-6) rice – with 88% and 190% since July 2005 – has led to an estimated **9.6 million new food insecure people**, according to the July UN Interagency Mission report. The Government and its partners are taking various steps to support the most food insecure people. **Prices have largely stabilized in August** (wheat flour at Pak Rs 25.6 /kg; Coarse (irri-6) at Pak Rs 47.4/kg), though at record levels. Wheat flour and rice prices are lowest in the producing zones, higher in the deficit zones, and highest in FATA.

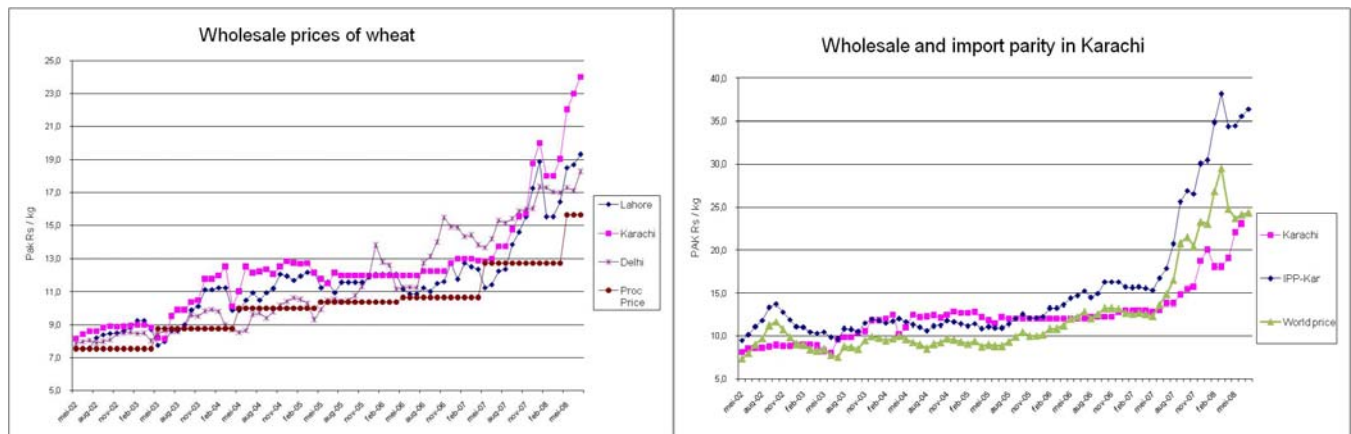


WFP started collecting food price data in FATA from 20 locations in four agencies in July 2008, to complement the existing FBS data. Within FATA, prices vary substantially over time, and by location, adapting to the evolving trader access to the areas. According to local traders, Khyber prices are lower due to government intervention including the sale at PAK Rs 375 per 20 kg bag. Prices in Orakzai and Mohmand are above the national average, and influenced by the government interventions including the added electricity taxes and marketing costs. Prices in Kurram are substantially higher than in the rest of the country because of the blockage of roads to continue supply the zone from Pakistan, and higher cost of Afghani supplies. The low terms of trade of wheat flour-to-wage in Kurram (6 kg of flour per day of labor) may signal even more extreme food access problems than elsewhere in the country.



Price differentials with the world market remain large

Pakistani wholesale prices of wheat grain have increased over the last few years to approximately Pak Rs 22 / kg in July 2008. The price differential between India 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 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). International freight cost have more than tripled during the last two years. **Prices would have to increase by another 10-15 Pakistani rupees to make importing from abroad into Karachi attractive.**



Wheat flour prices in Kabul remain approximately twice as high as in Pakistan, offering an attractive margin for traders. However, the transport ban in Punjab and the Pakistani export ban seem to be relatively effective for the moment (July-August) and **little export of wheat flour through FATA is believed to be taken place**. The supply to the border agencies of FATA is controlled by the government, aiming to provide permits to only cover the local needs.

In Orakzai, Mohmand and Khyber, market supply can currently be qualified as average to good. It seems that in the last two agencies, the reinforced surveillance by the Government of wheat supply into FATA has led to lower informal exports to Afghanistan, but not (yet) to lower local availability, possibly also helped by the subsidized sale of wheat flour by the government.

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.

Wheat balance sheet May 08-April 09	
Domestic availability	21 900
Production	21 800
Stocks draw-down	100
Utilization	24 650
Food use	20 070
Feed use	400
Seed use	765
Losses	1 415
Exports	2 000
Import requirements	2 750

The wheat supply-demand balance, as estimated by the UN assessment, is reproduced below, and will be updated regularly in the food security bulletin (for details, see assessment report). Although exports have been low in July, the estimate of total exports of 2 million is retained, as future increases in exports are expected. The government plans to import 2.5 million mt to fill the gap: at the end of July 616,000 mt had been contracted for. The government of Pakistan has also announced to provide the Afghanistan government with 50,000 mt. Based on the current market conditions – and distortions, **it is unlikely that the remaining deficit of 250,000 mt will be covered by the private sector.**

Sources: Federal Bureau of Statistics (FBS), WFP Afghanistan, WFP Pakistan estimates, MINFAL, United Nations, High Food Prices in Pakistan – Impact Assessment and the Way Forward, July 2008, FAO Wheat price data, India Ministry Of Consumer Affairs, USDA.

Appendix: Price tables

Retail prices for Pakistan, FATA and Kabul 2008										
Commodities	till August 21					till August 17				Till Aug 24
	Lahore	Multan	Karachi	Peshawar	Quetta	Mohamnd	Khyber	Orakzai	Kurram	Kabul
1. Wheat Flour	22.3	22.3	29.5	27.0	27.0	28.7	18.8	29.5	55.5	51.1
2. Broken Rice	56.1	51.0	51.6	58.8	59.0	40.0	47.0	61.0	62.4	124.9
3. Irri-6 Rice/ kg	47.4	43.0	47.4	54.5	44.5	48.4	62.0	62.0	76.0	56.3
4. Fine rice / sella plain / kg	-	-	-	-	-	90.8	115.0	126.5	123.0	-
5. Dal Channa (Yellow Peas) / kg	63.0	65.0	68.2	66.5	70.0	64.2	65.0	75.0	80.0	68.5
6. Pakwan Edible oil/ Liter	159.2	159.2	159.2	159.1	159.2	127.9	116.9	161.9	137.8	56.3
7. Pakwan Ghee/ kg	158.0	158.0	158.0	158.0	158.0	125.1	142.5	148.0	142.5	-
8. Dalda Ghee / kg	-	-	-	-	-	125.1	142.5	148.0	142.5	-
9. Sugar / kg	32.0	32.0	32.9	33.4	32.5	41.6	33.1	44.8	40.7	-
10. Maize / kg	-	-	-	-	-	22.3	37.6	33.5	38.9	-
11. Potatoes / kg	30.9	31.0	19.4	26.7	21.0	15.0	20.0	25.5	20.3	-
12. Onion / kg	29.1	27.0	22.4	28.9	21.0	17.0	17.6	25.5	18.1	-
13. Tea / kg	376.0	376.0	376.0	376.0	376.0	249.0	239.0	250.0	285.0	-
14. Chicken / kg	96.9	97.0	106.0	111.0	115.0	138.0	120.0	113.0	214.0	-
15. Beef / kg	143.2	133.3	155.0	130.0	140.0	142.8	128.9	216.0	171.0	-
16. Mutton / kg	267.9	240.0	275.0	240.0	270.0	270.0	356.0	253.0	215.0	-

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

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