



FOOD SECURITY MARKET PRICE MONITORING BULLETIN-3

Summary

- Government of Pakistan has arranged to import 1.75 million tons of wheat from international market. So far, 1.6 million tons have arrived in Pakistan. Of total receipt from abroad, government has dispatched 0.84 million tons of wheat to the provinces.
- During October 2008, the average retail price of wheat flour in the country reached to PAK Rs. 30.2 per kg. This represents an increase of 18 percent compared to September. The price of coarse rice (IRRI-6) declined slightly to PAK Rs. 44 per kg.
- Price of processed palm oil has declined in the international market to USD 612 per mt (fob), which also lowered local market price for edible oil. A 46% decline in international market is forecasted by year 2009.
- Prices of crude oil/petroleum are on decline since last two months and reached to USD 55 per barrel. The Government has announced a relief of Rs. 5 and 4 per liter on petrol and diesel respectively. Additional price reductions are being considered.
- Food prices were higher in FATA during September 2008 than **anywhere** else. Situation in Kurram is quite alarming due to scarcity of food in the markets as a result of road blockages.
- International wheat prices continued to decline. A record world production in 2008 with large exportable supplies, removal of most export restrictions and falling petroleum prices have contributed to the decline.
- Export of wheat to Afghanistan appears to have slightly declined during October, while exports for other food items increased as compared to the previous month.

1. Wheat imports in Pakistan

In order to ensure wheat availability in the country, import of 1.75 million mt of wheat, from international market, has been ordered by the government. Till 1st of November 2008, 1,586 million mt of wheat from different countries has arrived. About 0.842 million mt of wheat have been dispatched to the provinces.

Government is providing subsidies on import of wheat to stabilize prices in domestic market. Wheat imports are on the rise since the beginning of the year, to meet the demand till next harvest.

2. Retail prices impact

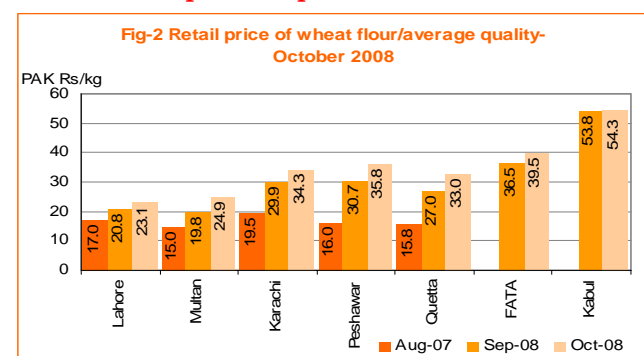
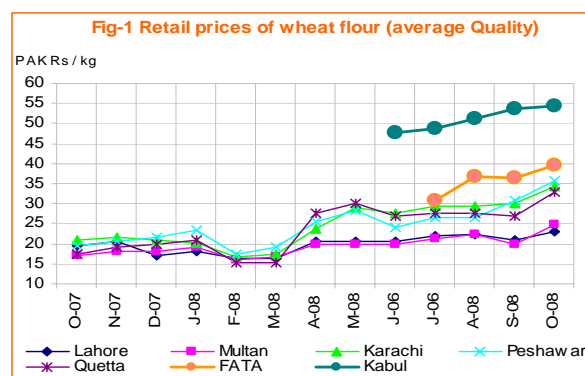
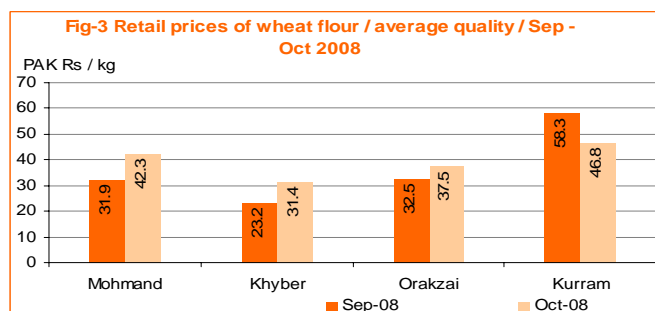


Fig-3 shows the trend of wheat flour prices in FATA¹ agencies. The price of wheat flour declined in Kurram agency during October 2008, however, it remained substantially higher than in the rest of the country because of the continuous blockage of roads. Other agencies of FATA recorded a sharp increase in wheat flour price. In Khyber agency wheat flour was about 35.3 percent higher



Price of Average quality of wheat flour during October 2008 has increased by 18 percent as compared to September 2008 (PAK Rs. 30.2 per kg). The price of wheat flour in FATA is 30% higher than the national average.

Wheat flour prices in Kabul remained approximately twice as high as in Pakistan, offering an attractive margin for traders.

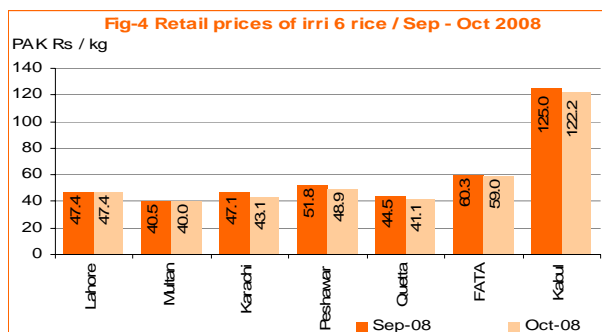


¹ WFP started collecting food price data in FATA from 20 locations, **Mohammad** (Haleemzai, Baizai, Lakaro, Yekka Ghund), **Orakzai** (Sangra, Meshti mela, Kalaya, Ghiljo, Feroz Khel), **Khyber** (Jamrud, Shalman, Bara, Landi kotal, Mulagori), **Kurram** (Sholozan, Burki, Melana, Sadda, Alizai) of four agencies since July 2008, to complement the existing FBS data.



as compared to September 2008. Prices of food commodities are significantly higher in FATA as compared to the rest of the country, due to security problem in the area and increase in the inland transportation charges. The rise in electricity and gas tariffs is also responsible for the commodity’s price hike.

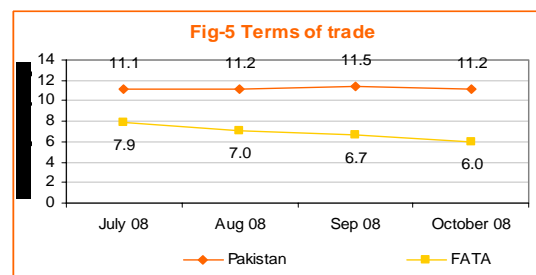
Downward pressure in Irri-6 rice prices was observed during the month of October 2008. The price of Irri-6 rice was recorded at PAK Rs. 44 per kg, about 5 percent lower from September 2008. The expected bumper rice crop has resulted in decline in rice price. The decline is expected to continue in the next couple of months. Pakistan is among the world’s major rice exporter countries. In order to increase export, government has removed a minimum export price condition on basmati and non-basmati rice.



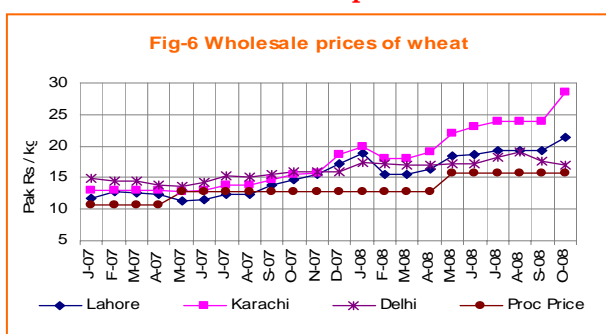
Price of **edible oil** is falling in local markets, due to a sharp decline in palm oil prices in the international market. However, price of edible oil in FATA has not shown a decline during October 2008.

3. Falling Purchasing Power

Within Pakistan, the population of FATA faces the lowest terms of trade, i.e. the quantity of wheat flour that can be bought with the income of one day of unskilled work. This signals an extreme food access problem in this sensitive border area. Compared to last month in October 2008, purchasing power has declined by 10 percent in FATA and 2.6 percent at the national level.



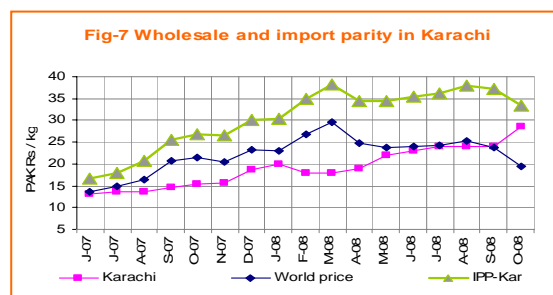
4. International wheat prices on the decline



International wheat prices continue to decline. A record world production in 2008 with large exportable supplies, removal of most export restrictions, falling crude oil prices and decline in petroleum prices have contributed to the decrease in food prices including wheat. The US wheat (No.2 Hard Red Winter, f.o.b. Gulf) averaged USD 257 in the first three weeks of October, about 47 percent below its peak in March, and 27 percent down from the October average of last year.

wheat price in the local market, during October 2008, was recorded at Pak Rs. 25/kg, about 15 percent higher from the September 2008. In Delhi, wholesale price dropped by 4 percent this month. The wholesale wheat price in Delhi is now considerably lower than in Pakistan. Pakistan export parity price for wheat is now higher than the FOB international price.

Average wholesale



5. Cross border trade

The tribal area witnessed a severe wheat flour crisis in the recent past due to higher prices in neighboring countries, particularly in Afghanistan. However, cross border trade of wheat and wheat flour appears to have slightly declined during September 2008. The strict check imposed on the transport of wheat into FATA by the Government has led to lower informal export to Afghanistan.

Kurram Agency is still suffering from the shortage of food. Wheat flour, oil, ghee, rice and dal channa are not available in some of the markets of Kurram Agency. Food commodities still need to be imported from Afghanistan to Upper Kurram.

The wheat production during 2008-09 is not expected to reach the target of 25 million tons. The shortfall is due to an expected decrease in the cropped area of wheat, high production cost, in particular due to higher fertilizer prices, shortage of water and energy crisis.



APPENDIX: PRICE TABLES

RETAIL PRICES FOR PAKISTAN, FATA AND KABUL OCTOBER 2008											ANNEX-1
Commodities	Unit	Lahore	Multan	Karachi	Peshawar	Quetta	Mohamnd	Khyber	Orakzai	Kurram	Kabul
1. Wheat Flour	Kg	23.1	24.9	34.3	35.8	33.0	42	31	37	47	54.3
2. Broken Rice	Kg	50.3	50.0	49.0	52.5	59.0	41	47	70	62	62.6
3. Irri-6 Rice	Kg	47.4	40.0	43.1	48.9	41.1	48	63	55	70	122
4. Fine rice / sella plain	Kg	-	-	-	-	-	100	121	124	120	-
5. Dal Channa (Yellow Peas)	Kg	60.1	60.3	61.9	66.9	64.5	66	65	80	85	70
6. Pakwan Edible oil	Liter	156.9	156.9	156.9	156.9	156.9	133	115	159	140	124
7. Pakwan Ghee	Kg	154.0	154.0	154.0	154.0	154.0	109	123	108	137	-
8. Dalda Ghee	Kg	-	-	-	-	-	118	138	146	150	-
9. Sugar	Kg	37.8	36.6	37.3	38.5	37.5	42	36	47	42	-
10. Maize	Kg	-	-	-	-	-	17	37	24	42	-
11. Potatoes	Kg	32.5	33.8	18.6	27.9	19.5	25	20	29	25	-
12. Onion	Kg	25.6	22.6	19.6	25.0	21.8	31	20	39	24	-
13. Tea	Kg	382.0	382.0	382.0	382.0	382.0	303	291	273	310	-
14. Chicken	Kg	90.7	98.5	119.8	114.2	121.5	140	127	132	267	-
15. Beef	Kg	143.2	137.9	165.0	135.0	157.5	131	142	211	204	-
16. Mutton	Kg	272.1	240.0	285.0	240.0	280.0	274	376	256	240	-

**INTERNATIONAL AND WHOLESALE PRICES FOR WHEAT
ANNEX -2**

	Lahore (USD/mt)	Karachi (USD/mt)	Delhi (USD/mt)	Int. Price \ a (USD/mt)
Aug-07	204.7	227.3	250.5	273.0
Sep-07	228.8	243.3	254.1	342.5
Oct-07	241.0	255.4	261.4	353.5
Nov-07	254.2	257.5	261.8	334.6
Dec-07	281.8	306.3	261.7	380.7
Jan-08	308.3	326.7	282.7	376.8
Feb-08	253.2	294.0	282.3	438.6
Mar-08	252.7	293.5	277.4	481.5
Apr-08	257.9	298.1	266.4	388.8
May-08	273.7	325.5	255.7	350.2
Jun-08	277.4	341.4	253.7	357.5
Jul-08	272.0	338.3	257.2	342.8
Aug-08	261.5	325.0	257.2	343.0
Sep-08	253.8	315.4	231.8	308.0
Oct-08	280.06	374.51	222.4	257.0

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