



FOOD SECURITY MARKET PRICE MONITORING BULLETIN- 5

Summary

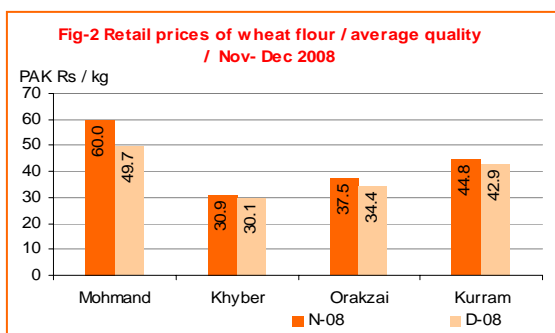
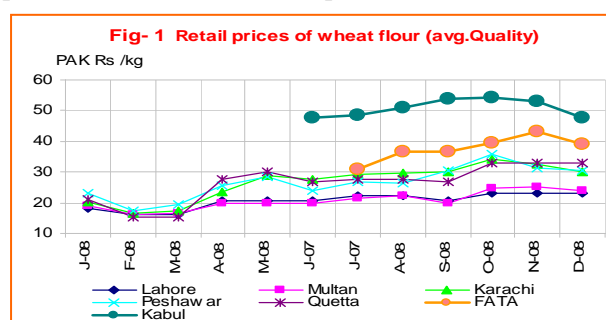
- Price of average quality wheat flour, during December 2008, decreased by 3 percent as compared to last month. However, with Rs 28.2 per kg, the wheat flour price is still double the level before the beginning of food price hikes (Rs 14 per kg in May 2007).
- Although FATA also experienced declining food prices in December, in some agencies wheat flour is still significantly higher (40% on average) than in other parts of Pakistan. Prices are particularly high in Kurram and Mohamand where food supplies are severely hampered due to road blockage and insecurity.
- Government of Pakistan has announced import of additional 1.3 million tonnes of wheat by end of February 2009, to ensure the availability of a sufficient quantity of wheat in country. With the imports from late last year total Government imports add up to three million for the crop year 2008/09.
- International wheat prices declined during December 2008, because of a record level of world wheat production and weakening of crude oil prices. The US wheat (No. 2 Hard Red Winter, f.o.b. Gulf) averaged USD 231 per mt.
- Export of food items especially of wheat, rice and edible oil to Afghanistan appears to have increased during December as compared to the previous month.
- While crude oil rocketed to record high of above 147 USD a barrel in the first half of year 2008, by December prices slumped to just 33 USD, the lowest in the past four and a half years period. However, the impact of the price drop on the cost of fertilizer and transportation in the country was insignificant.
- Edible oil prices showed an upward trend, increasing to Rs. 106 per kg in December 2008 as compared to Rs. 97 per kg last month.

1. Availability of wheat

Government of Pakistan has announced to import additional 1.3 million tonnes of wheat by end of February 2009, in addition to the 1.764 million tones already imported since last harvest. The aim to import additional quantity of wheat is to ensure the availability of sufficient quantity of wheat in the country. However, by the time all of the imported wheat has reached the markets, the wheat harvest in Sindh province will also have started. In that case the differential between the increased Government procurement price of Rs 950 per 40 kg and the cheaper rate of commercially imported wheat (Rs 700-750 per kg) may cause problems and opportunities for undesirable profits.

2. Retail prices

The price of average quality wheat flour during December 2008, although three percent below the previous month, still remained twice as high as in May 2007, i.e. before the start of the food price hikes (Rs28.2 vs Rs14 per kg). The price of wheat flour in FATA was 40% higher than the national average.



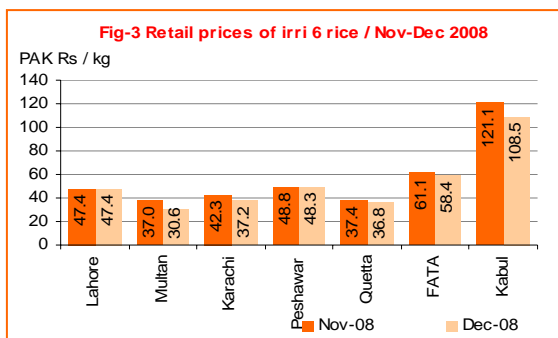
Wheat flour prices in Kabul declined by more than 10 percent since last month but remained significantly higher than in Pakistan, still offering an attractive margin for traders.

Fig-2 shows the wheat flour prices within Federally Administered Tribal Areas' (FATA)¹. Prices declined online slightly in Kurram and Khyber agencies, whereas Mohmand and Orakzai saw more significant reductions of 10 and 8 percent respectively. Even though, prices of food commodities are significantly higher in FATA than in the rest of the country, mainly due to security problems. The rise in

¹ WFP started collecting food price data in FATA from 20 locations, **Mohmand** (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.



electricity and gas tariffs also put upward pressure on the commodity prices. Prices remain particularly high in Kurram and Mohamand, where food supplies are severely hampered due to road blockage and insecurity.



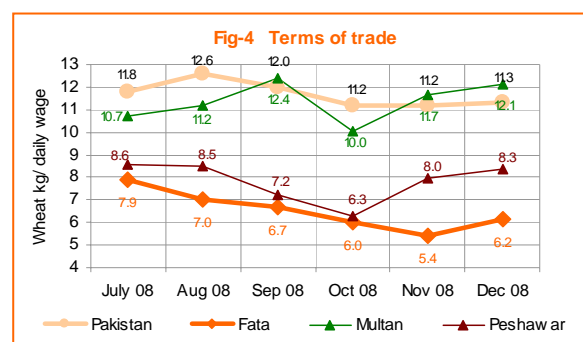
The price of Irri-6 rice in the country was 80 percent higher than in May 07. However, compared to the previous month, at Rs. 40 per kg, rice was 5.9 percent lower. The current bumper rice crop has put downward pressure on domestic rice prices. The decline is expected to continue over the next couple of months. Government has started the procurement of rice and encouraged traders to export.

3. Edible oil and ghee prices continue to swell

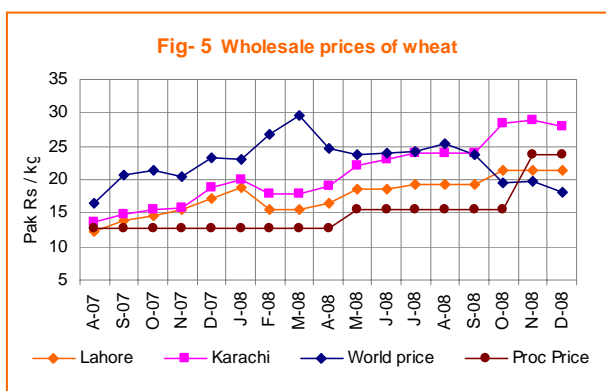
Taking advantage of the ghee shortage in the local wholesale market, shopkeepers have raised the price of ghee by Rs 6.25 per kg during December 2008. The shortage of the ghee was being witnessed in the local markets and prices continued to swell, reaching Rs 106.2 per kg at the end of December 2008.

4. 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 severe food access problem in this sensitive border area. Although, compared to last month, purchasing power has shown a slight increase, it is still significantly lower than in other parts of the country.



5. International wheat prices on the decline

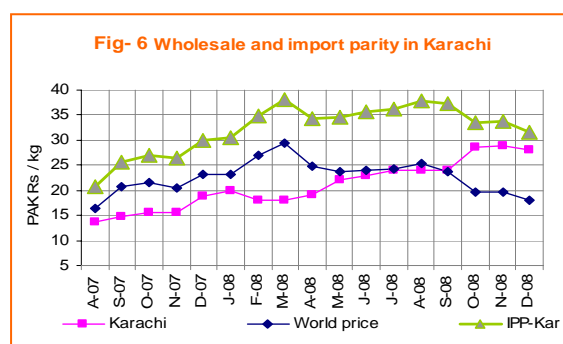


International wheat prices declined further in the past few weeks. The main fundamental behind the weakening of prices since March is the record level of world wheat production that has been achieved this year, but further to this, also a significant rise in the amount of exportable supplies that are available, facts that have become firmer as the year progressed and more of major crops were gathered around the globe. However, also adding to downward price pressure in the past few months has been the firmer US dollar, weakening of crude oil prices and the world financial crisis. The US wheat (No.2 Hard Red Winter, f.o.b. Gulf) averaged USD 227 during December, USD 20 per ton below the November average and 40 percent down from the December average last year.

Average wholesale wheat price in the local market, during December 2008, slightly declined to Pak Rs. 24.7/kg, while a five percent increase was observed in Delhi as compared to the previous month. However, wholesale wheat prices in Delhi are still considerably lower than in Pakistan.

6. Cross border trade

The tribal area (FATA) witnessed a food crisis in the recent months due to security problems and higher prices in neighboring Afghanistan. Interviews with traders and monitoring indicate that cross border trade of wheat and wheat flour appears to have increased during December 2008. Similar is the case for other food commodities, like rice and edible oil.



APPENDIX: PRICE TABLES

RETAIL PRICES FOR PAKISTAN, FATA AND KABUL DECEMBER 2008											ANNEX-1	
Commodities	Unit	Lahore	Multan	Karachi	Peshawar	Quetta	Moham		Khyber	Orakzai	Kurram	Kabul
							nd					
1. Wheat Flour	Kg	23.3	24.0	30.3	30.7	32.8	43.4	31.4	34.0	42.9	43.8	
2. Broken Rice	Kg	46.1	50.0	46.5	52.6	49.9	85.9	32.8	84.5	45.7	51.6	
3. Irri-6 Rice	Kg	47.4	30.6	37.2	48.3	36.8	50.0	44.7	52.3	76.6	108.6	
4. Fine rice / sella plain	Kg	-	-	-	-	-	78.9	83.2	125.8	88.8	-	
5. Dal Channa (Yellow Peas)	Kg	54.0	56.4	61.9	62.4	54.0	59.5	55.1	82.0	72.7	75.6	
6. Pakwan Edible oil	Liter	150.0	150.0	150.0	150.0	150.0	91.8	65.7	110.4	121.7	102.6	
7. Pakwan Ghee	Kg	142.0	142.0	142.0	142.0	142.0	80.8	82.9	95.3	85.6	-	
8. Dalda Ghee	Kg	-	-	-	-	-	91.4	95.5	106.3	114.5	-	
9. Sugar	Kg	35.3	34.4	35.3	36.6	34.6	33.7	25.3	45.2	40.2	-	
10. Maize	Kg	-	-	-	-	-	75.3	40.0	25.2	36.1	-	
11. Potatoes	Kg	23.2	22.3	21.2	23.3	20.6	19.7	23.4	30.0	28.8	-	
12. Onion	Kg	29.2	26.3	24.1	30.0	23.0	24.0	15.6	40.0	31.1	-	
13. Tea	Kg	440.0	440.0	440.0	440.0	440.0	211.9	238.5	282.0	294.8	-	
14. Chicken	Kg	83.6	88.2	92.5	96.0	90.8	108.9	113.4	116.3	181.2	-	
15. Beef	Kg	143.2	141.7	165.0	138.5	160.0	111.2	99.2	244.0	140.1	-	
16. Mutton	Kg	277.5	250.0	285.0	240.0	280.0	93.5	252.8	270.0	201.3	-	

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	280.0	374.5	222.4	257.0
Nov-08	268.3	365.0	221.8	268.3
Dec-08	272.9	358.5	237.3	227.0

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

Vulnerability to Price Shocks

