



# FOOD SECURITY MARKET PRICE MONITORING BULLETIN- 6

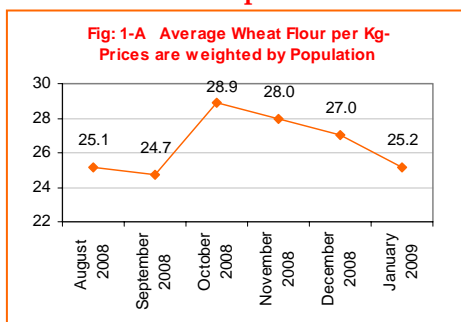
## Summary

- The price of average-quality wheat flour is 26 rupees per kg in Pakistan, a decline of 6 percent in comparison to the previous month. However, the current price of wheat flour is nearly twice the price of May 2007 (Rs 14 per kg), prior to the onset of the global food price increases. Further decline in wheat flour prices is expected to be modest, as the procurement price set by the Government of Pakistan remains high in relation to the international prices.
- Food prices in FATA also declined in comparison to last month. However, in some agencies the wheat flour price remains significantly higher than in other parts of Pakistan. Prices are particularly high in Kurram and Mohamand, where roads have been blocked due to conflict, severely constraining delivery of food commodities.
- The population of Swat District in NWFP faces severe food access problems due to conflict. Most of the markets to the north and north-west of Mingora town are not functioning. In major towns of Swat, the price of wheat flour exceeds twice the price in Peshawar.
- International wheat prices increased during the month of January, although abundant supply continued downward pressure on prices through December 2008. The US wheat (No.2 Hard Red Winter, f.o.b. Gulf) averaged USD 256 in January 2009, seven (7) percent higher than the December average but 33 percent lower than the average price one year ago.
- Sugar prices have increased in the country by 10 percent during January 2009 (average PAK Rs 38.8 per kg) when compared with last month, due to a shortfall in sugarcane production. The Government of Pakistan is planning to import sugar to meet the demand of local markets.

## 1. Wheat procurement

Government of Pakistan has fixed a wheat procurement target of 6.5 million tones for the current year, based upon an expectation of a good harvest. Wheat procurement price has been set at Rs. 950 per 40 kg. This target is 20% greater than the previous year, increasing national reserves in case of another wheat price shock.

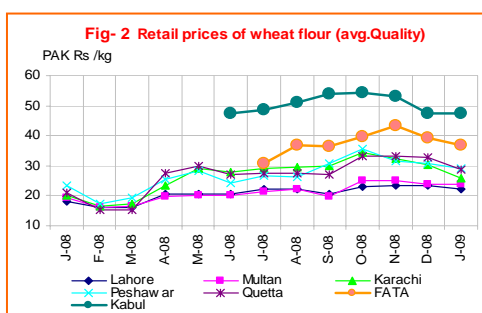
## 2. Retail cereal prices continue to decline



The price of average-quality wheat flour, in Pakistan, is Rs. 26 per kg, a decline of 6 percent in comparison to the previous month. However, the current price of wheat flour is nearly twice the price of May 2007 (Rs. 14 per kg), prior to the

onset of the global food price increases.

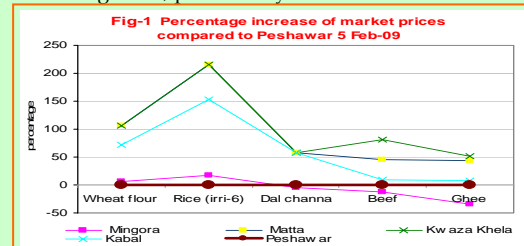
In FATA, the price of wheat flour declined, but remained 41% higher than the national average. In Kabul, wheat flour prices remained stable, averaging Rs. 47 per kg. The price in Kabul is significantly higher than in Pakistan, offering an attractive margin for traders.



### Food crisis in Swat

In Swat District of NWFP, the price of food commodities has increased severely due to conflict. In major towns of Swat, the price of wheat flour is 100% more expensive than Peshawar, reaching Rs. 60 per kg. Only in Mingora, the district capital, the price difference is relatively modest (6% higher than Peshawar). The greatest price differential was observed for Kwaza Khela where rice costs Rs 150 per kg as compared to Rs 47 per kg in Peshawar.

Most markets in the vicinity of Khawaza Khela Behrain, Kalam, Matta and Kabal are not functioning and food items are scarce. Buyers have reportedly been negotiating with those traders having some remaining stock, presumably hidden.

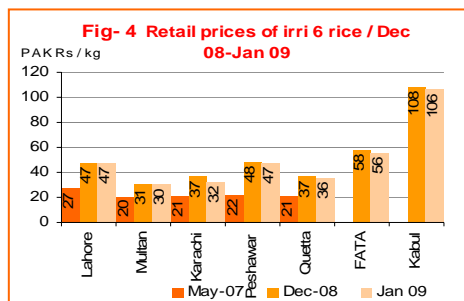


The transport rates from Peshawar to Mingora have not changed significantly. However, roads beyond Mingora leading to the North and North-west are mostly blocked. Transporters are reluctant to go beyond Mingora. There is fear of militant attacks on the trucks. During breaks in the curfew, small traders use pick-up trucks from Mingora, often paying three times the usual transport rates.

The situation might improve if there is a cease-fire and/or negotiated solution to the conflict.

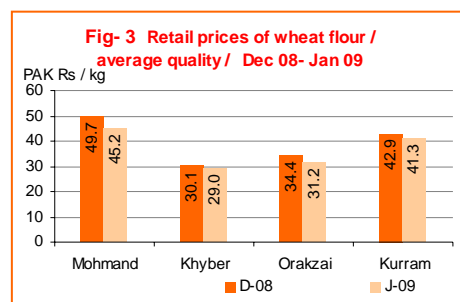


In Federally Administered Tribal Areas (FATA)<sup>1</sup> the prices of food commodities are still significantly higher than the rest of the country, mainly due to security problems. The price of wheat flour is particularly high in Kurram and Mohmand agencies because roads have been blocked due to conflict, severely constraining delivery of food commodities. Wheat flour prices declined by 9 percent in Mohmand and Orakzai agencies, but declined only slightly in Kurram and Khyber agencies.

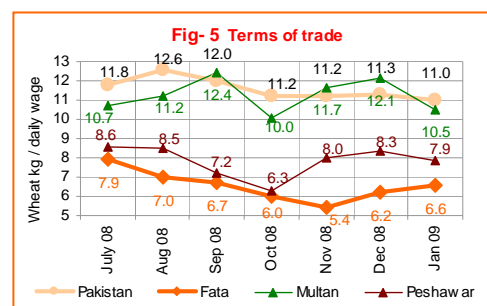


### 3. Purchasing Power

Terms of trade in Peshawar (NWFP) and Multan (Punjab) declined in comparison to the previous month. The population of FATA faces the lowest terms of trade in all of Pakistan, although, there was a slight increase compared to the previous month. The terms of trade in Fig-5 have been defined as the quantity of wheat flour that can be bought with the income derived from one day of unskilled labor. The terms of trade indicates the ability of poor households to access food.

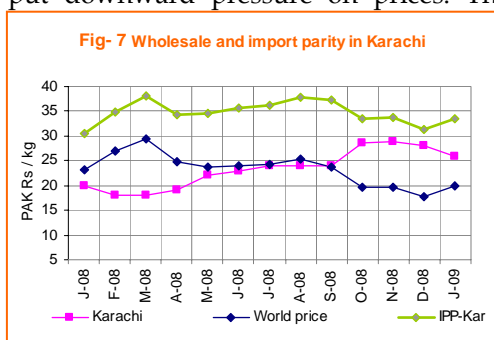
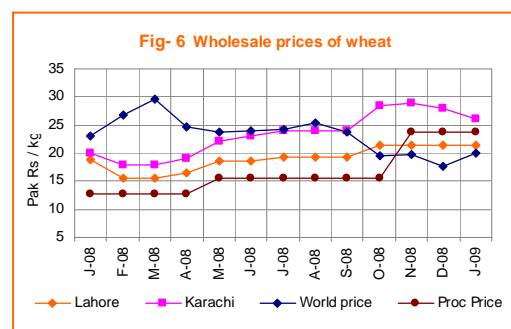


The price of IRRI-6 rice in the country was 74 percent higher than May 2007. However, the rice price was 3.6 percent lower than the previous month, at Rs. 39 per kg. The current bumper rice crop has put downward pressure on domestic rice prices. A continued decline in the price of rice is expected over the next couple of months. The Government of Pakistan has commenced procurement of rice and has also encouraged traders to export.



### 4. International wheat prices fluctuating

International wheat prices increased during the month of January, although they remained quite volatile. The increase reflects a smaller than expected wheat harvest in Argentina, where the Government has suspended new export permits, and a reported decline in the area planted to wheat in 2009 by some large producing and exporting countries, including the EU and the United States. However, abundant supplies following the record world wheat harvest in 2008 continue to put downward pressure on prices. The US wheat (No.2 Hard Red Winter, f.o.b. Gulf) averaged



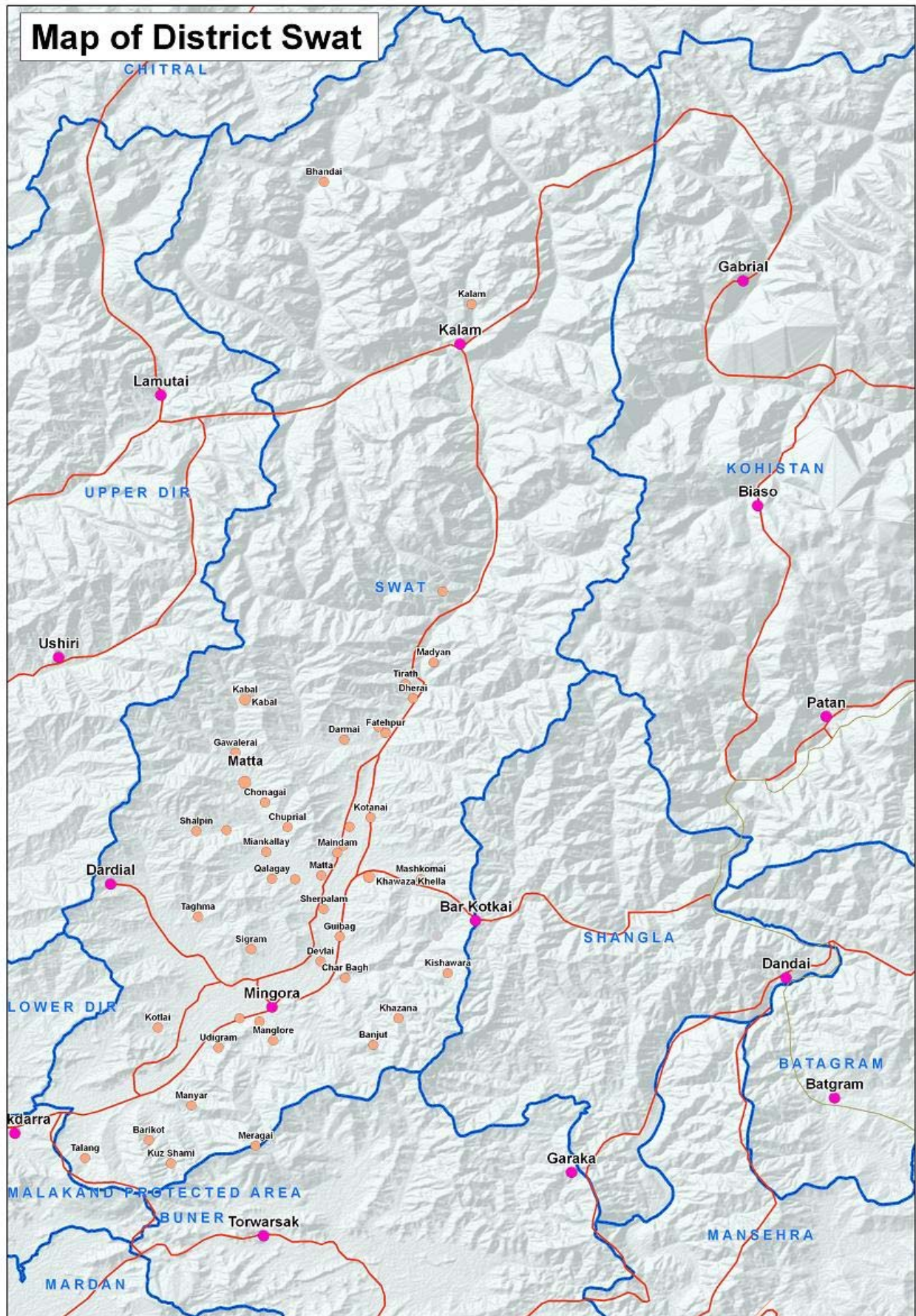
USD 256 in January 2009, seven (7) percent higher than the December average but 33 percent lower than the average price one year ago and 50 percent below the peak price of February 2008.

Average wholesale wheat price in the local market was Rs. 23.7/kg, during January 2009, a decline of four (4) percent compared to the previous month. While a two percent increase was reported for Delhi, wholesale wheat prices in India remain considerably lower than in Pakistan.

### 5. Cross border trade

FATA witnessed a food crisis in the recent months due to security problems and higher prices in neighboring Afghanistan. The cross-border trade of wheat, wheat flour, rice and edible oil appears to have increased during January 2009, as reported by traders and monitoring of trade volume.

<sup>1</sup> 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.



## APPENDIX: PRICE TABLES

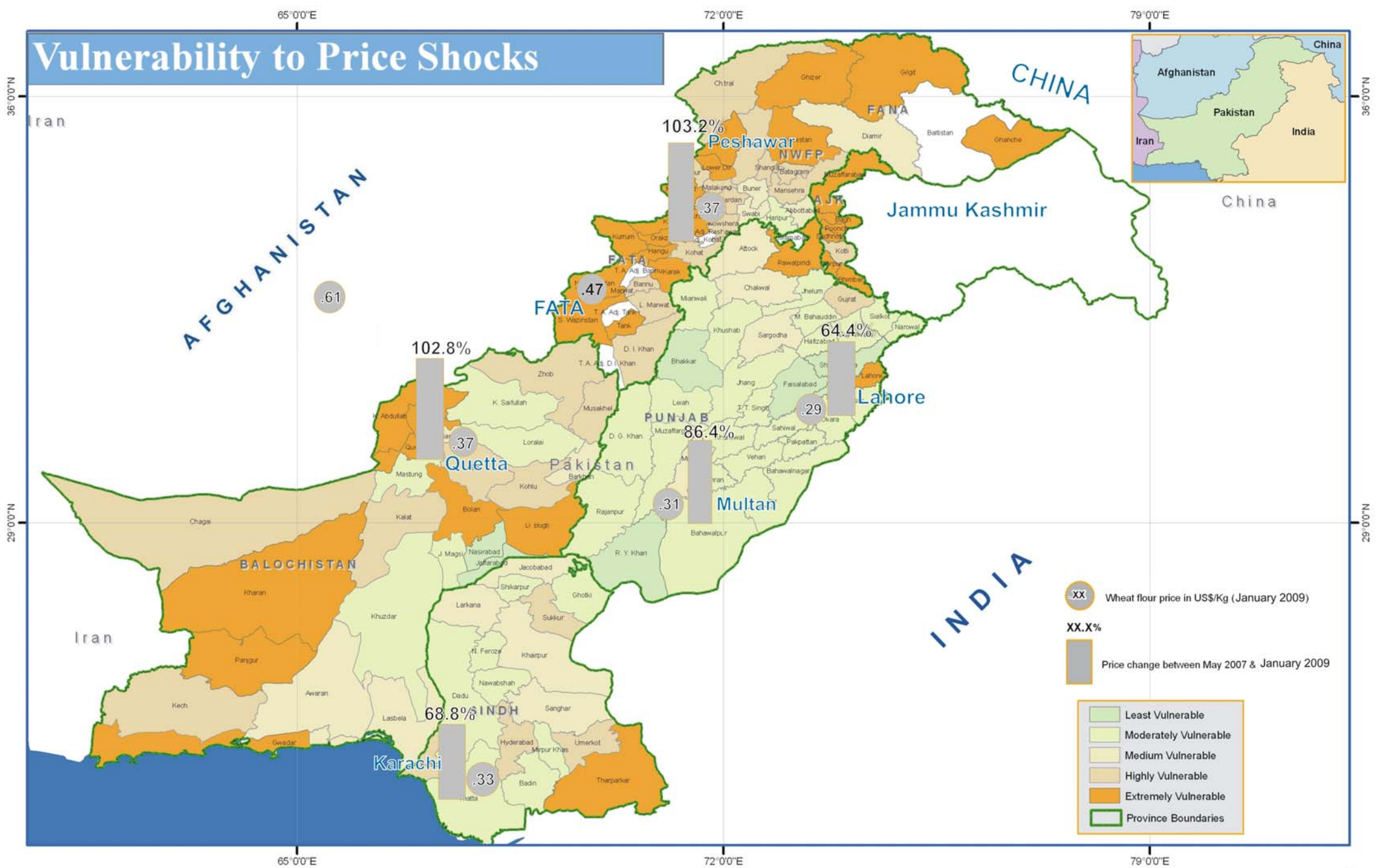
Retail prices for Pakistan, FATA and Kabul - January 2009												
Commodities	Unit	Lahore	Multan	Karachi	Peshawar	Quetta	Mohamnd	Khyber	Orakzai	Kurram	*Pakistan	Kabul
1. Wheat												
Flour	Kg	22.3	23.8	25.9	29.1	28.6	45	29	31	41	25.2	47.2
2. Broken	Kg											
Rice		46.1	50	44.4	51.9	47.5	-	42	72	45	47.8	52
3. Irri-6 Rice	Kg	47.4	30.4	32.3	47.5	35.5	49	50	51	75	38.8	105.9
4. Fine rice / sella plain	Kg	-	-	-	-	-	100	90	112	89	97.8	-
5. Dal												
Channa (Yellow Peas)	Kg	58	60.1	60.9	63.4	59.5	70	65	76	72	60.4	77.3
6. Pakwan	Liter	140.8	140.8	140.8	141.3	141.3	133	82	104	123	110.5	98.1
7. Pakwan	Kg											
Ghee		130	130	130	138.4	136.7	91	91	92	88	130.6	-
8. Dalda	Kg											
Ghee		-	-	-	-	-	110	138	111	108	140.3	-
9. Sugar	Kg	39.5	38.6	38.2	39.6	38.1	46	38	45	43	39	-
10. Maize	Kg	-	-	-	-	-	16	44	33	39	33	-
11. Potatoes	Kg	15.8	14.2	15.6	19.7	18.2	25	24	24	25	16.2	-
12. Onion	Kg	23.4	19.6	21	27.1	22.4	35	23	31	26	22.4	-
13. Tea	Kg	400	400	400	400	400	306	317	291	298	397.7	-
14. Chicken	Kg	77.2	89.6	118.8	92.8	98.9	128	151	127	194	95.3	-
15. Beef	Kg	141.6	141.7	165	137.7	160	130	151	219	147	147.9	-
16. Mutton	Kg	285.4	246	285	240	280	-	377	285	197	267.8	-

\* Prices are weighted by Population

INTERNATIONAL AND WHOLESALE PRICES FOR WHEAT				
	Lahore (USD/mt)	Karachi (USD/mt)	Delhi (USD/mt)	Int. Price \ a (USD/mt)
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
Jan-09	273.8	334.0	242.6	256.0

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

# Vulnerability to Price Shocks



Data Source: Food Security in Rural Pakistan, WFP VAM Unit Islamabad 2003



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