

## Pakistan Market Price Bulletin

June 2014 Issue

A monthly publication of the Vulnerability Analysis and Mapping (VAM) Unit, World Food Program, Pakistan

### Highlights

- The average retail price of wheat and wheat flour in May, declined by 9 and 6 percent respectively, compared to the previous month. However, prices are still higher by 12 and 11 percent respectively compared to a year ago.
- Some improvement was observed in the purchasing capacity of low income, unskilled wage earners due to improvement in their terms-of-trade (ToT) as a result of a decrease in wheat flour prices.
- Headline CPI on a yearly basis increased by 8.3 percent, while CPI for food rose by 7.4 percent.
- Estimates suggest an increase in global wheat production and supply in May 2014.
- The Government of Pakistan notified of a small decrease in the price of petroleum products.

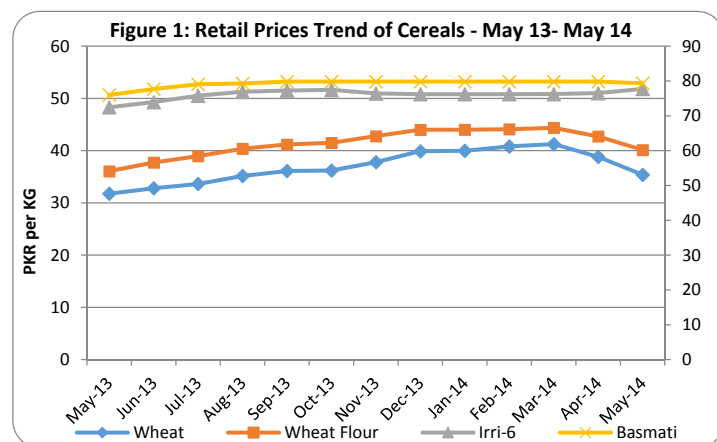
**Inflation watch:** In May, the headline CPI based inflation increased by 8.3 percent on a year-on-year basis compared to 9.2 percent in the previous month, and 5.1 percent in May 2013. On a month-on-month basis, it decreased by 0.3 percent in May 2014, compared to an increase of 1.7 percent in the previous month and increase of 0.5 percent in May 2013. The CPI for food on a month-on-month basis came down by 1.2 percent in May due to the decrease in price of various food commodities. The CPI for food was recorded at 7.4 percent in May, compared to 9.9 percent in the previous month and 6.5 percent a year ago<sup>1</sup>.

### Decline in wheat prices

In May, the wheat harvest reached maturity and procurement is expected in most parts of the country in June. The Pakistan Agriculture Storage and Service Corporation (PASSCO) has established 200 procurement centers for wheat procurement across the country. The government expects wheat production this year to be around 25 million tons, 4 percent higher than last year's production total. The final production figures will be available once the Government procurement process is finished. Figure 1 presents a one-year price trend of staple cereals, which illustrates the contrast in the recent decline in wheat price over the past two months, preceded by an almost constant increase over the past year. Across the country's five major markets<sup>2</sup>, the average retail price of wheat and wheat flour in May was lower by 9 and 6 percent respectively compared to the previous month. The

average retail price of wheat and wheat flour, per Kg, came down from Rs.39 and Rs.43 in April to Rs.35.4 and Rs.40 per Kg, in May 2014. In the case of rice, over the past month, a 2 percent increase was seen in the price of *Basmati*, while the price of *Irri-6* decreased by a nominal 1 percent. Compared with three months prior, the price of wheat and wheat flour in May were lower by 13 and 9 percent; during the same period, the price of *Basmati* increased by 2 percent while *Irri-6* only registered a nominal decline of less than 1 percent. Similarly, compared to six months ago, the prices of wheat and wheat flour in May were both lower by 6 percent, while the price of *Irri-6* rice, seen over the same six month period, only observed a nominal decline of less than 1 percent while *Basmati* increased by a modest 2 percent.

Despite the decline over the last two months, the prices of wheat and wheat flour in May were still higher by 12 and 11 percent respectively compared to their prices in the same month last year. More modest increases were noted in the prices of both types of rice - 7 and 4 percent respectively for *Basmati* and *Irri-6* - over the same period. Some variation was observed in price movements across different markets. For example, the price decrease for wheat in May was most significant in Lahore showing a 13 percent decline from the previous month, while for wheat flour, the price observed a 10 percent decline in both Peshawar and Multan on a monthly basis. During the month, the highest price for wheat flour was recorded in Quetta (Rs.44.50/Kg), while the lowest was found in Lahore (Rs.37.60/Kg).



### Non-cereal food commodity prices

In May, a mixed trend was observed in the average retail prices of non-cereal food commodities. On a monthly basis, the prices of *Dal Mash* and *Dal Moong* increased by 9 percent and 5 percent respectively, while that of lentil *Masoor* declined by 1 percent. The price of eggs and chicken decreased by 7 and 1 percent respectively while a nominal 1 percent increase was observed in the prices of sugar and vegetable ghee. Compared to three months ago, the prices of most non-cereal commodities showed modest to significant increases. Non-cereal commodities that experienced an upward trend during this period included: *Dal Moong* (11%), *Dal Mash* (9%), Sugar (2%), chicken (1%) and Lentil *Masoor* (1%). Eggs were the only commodity that showed a decline in price, which decreased by 24 percent. Compared to their prices six months prior, modest to significant fluctuations were seen in the

<sup>1</sup>Pakistan Bureau of Statistics

<sup>2</sup>Lahore, Multan, Karachi, Peshawar and Quetta

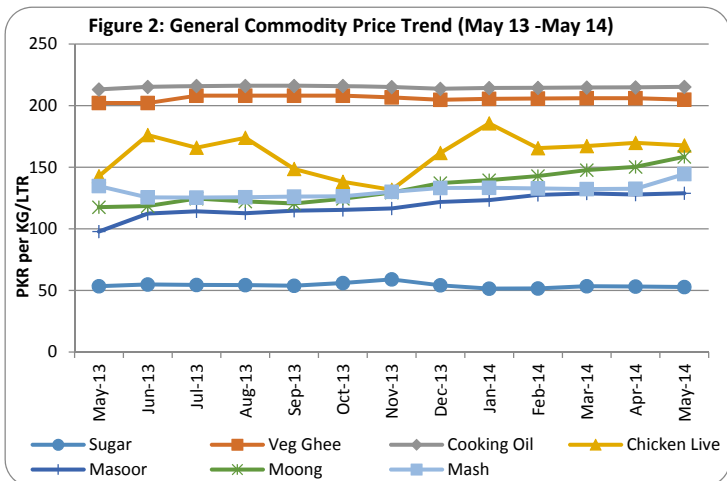
prices of these commodities. Those that experienced an upward trend included: chicken (27%), *Dal Moong* (22%), and *Lentil Masoor* and *Dal Mash* (11%). Prices that declined during the same period included: eggs (31%), sugar (11%) and vegetable ghee (1%).

On a yearly basis, a significant increase has been observed in the prices of pulses; the prices of *Dal Moong* and *Lentil Masoor* were up by 35 and 32

Afghanistan<sup>4</sup> and 3 percent in India. By contrast, the price of wheat declined by 4 percent in the U.S. but remained unchanged in Australia<sup>5</sup>. The domestic wheat price in Pakistan was 19 percent higher compared to Australia, 25 percent higher than the U.S., but was lower by 25 and 12 percent than in Afghanistan and India respectively.

#### A moderate decrease in petroleum prices

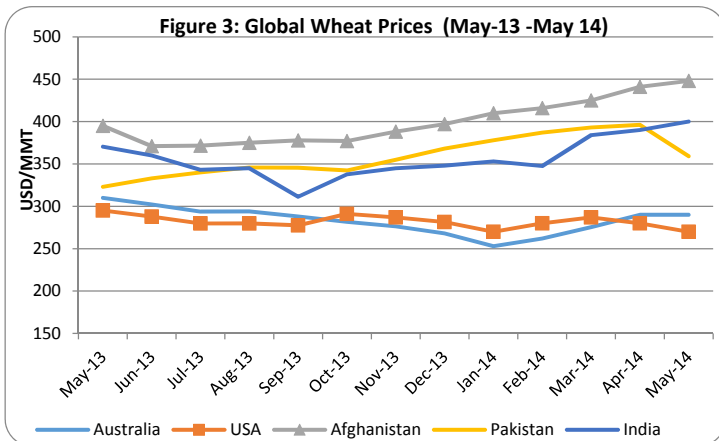
In May, the GOP notified of a 4 percent decrease in the price of High Speed Diesel, whereas the price of Super Petrol remained the same with a slight decrease of less than 1 percent. The new price of High Speed Diesel was recorded at Rs.109.34 per liter in May, down from Rs.113.85 per liter in April,



percent. The prices of vegetable ghee and cooking oil also increased, although by a nominal 2 percent, while sugar remained steady during this period.

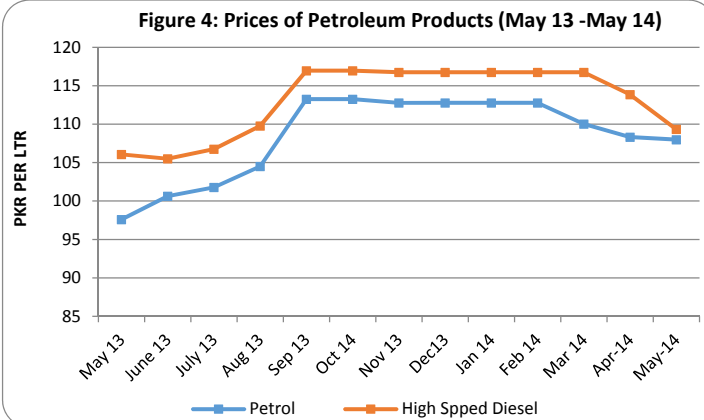
#### Global wheat supply and production estimates go up

In May, the estimate for global wheat supply (2014-15) suggested an increase of 4.1 million tons (MT) over last year due in large part to an estimated increase in production. Beginning stocks were lower for Australia, Russia, and Turkey due to increases in 2013-14 exports this month. World Global wheat production for 2014-15 is projected at 701.6 million tons, up 4.6 million from last month with increases for India, the European Union, China, and Russia offsetting a decline in U.S. output. India production is up by 1.9 million tons based on the latest official government estimate.



Production in the European Union is up by 1.4 million tons as spring and early summer rainfall supports higher yield outlooks for France, Germany, Poland, Romania, and Bulgaria. Production for China and Russia is up by 1.0 million tons each as favorable growing conditions in the two countries also support higher expected yields<sup>3</sup>. Global wheat consumption has also increased by 2.9 million tons with increases expected for China and the European Union and increased food use projected for India.

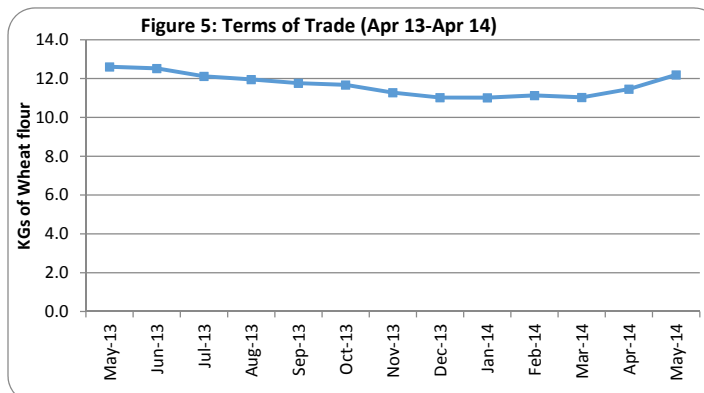
In May, global wheat prices also experienced fluctuations, compared to the previous month. The price of wheat experienced an increase of 2 percent in



whereas the price of Super Petrol came down from Rs.108.31 per liter in April to Rs.107.97 per liter in May. Compared to six months before, their prices in May were 4 and 6 percent lower, respectively, but still higher by 11 and 3 percent compared to a year ago. On the other hand, the price of Compressed Natural Gas (CNG) in May remained the same at Rs.74.25 per Kg in Region-I (Khyber Pakhtunkhwa, Balochistan, and in *Potohar*: Islamabad, Rawalpindi and Gujar Khan), and at Rs.66.14 per kg in Region-II (Sindh and Punjab excluding the *Potohar* region).

#### Terms of Trade (ToT)<sup>6</sup>:

The downward trend observed in the prices of staple cereals over the last couple of months had a positive impact on the purchasing capacity of low income earners. In May, ToT increased by 6 percent compared to the previous month, despite no commensurate change observed in the income level for casual laborers. ToT in May was up by 8 percent compared to six months ago. However, ToT was still lower by 3 percent compared to a year ago (Figure 6). The highest ToT was recorded in Lahore at 13.30 Kgs of wheat flour per day of unskilled wage labour, while the lowest was in Multan at 11.19 Kgs of wheat flour per day of unskilled wage labour<sup>7</sup>.



<sup>3</sup>World Agriculture Supply and Demand Estimates (WASDE)–USDA

<sup>4</sup>WFP Afghanistan Office

<sup>5</sup>FAO Global Information and Early Warning System (GIEWS)

<sup>6</sup>Amount of wheat flour that could be purchased with a day's wage of an unskilled labour

<sup>7</sup>Pakistan Bureau of Statistics

## Retail prices of various food commodities in major cities – May 2014

Major Commodities	Markets	Current Prices (Mar 2014) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	32.72	0.33	-12.87%	-20.44%	-14.18%	7.26%	▼	▼	▼	►
	Multan	30.88	0.32	-10.89%	-19.68%	-15.99%	3.55%	▼	▼	▼	►
	Karachi	35.75	0.36	-4.41%	-7.14%	-3.38%	3.33%	▼	▼	►	►
	Peshawar	35.88	0.33	-11.20%	-14.58%	-6.51%	13.67%	▼	▼	▼	▲
	Quetta	41.75	0.33	-5.11%	-5.11%	7.74%	28.46%	▼	▼	▲	▲
WHEAT FLOUR kg	Lahore	37.60	0.37	-4.71%	-5.29%	-5.29%	8.12%	▼	▼	▼	►
	Multan	35.75	0.36	-9.84%	-14.63%	-13.07%	5.15%	▼	▼	▼	►
	Karachi	44.31	0.43	0.00%	-7.69%	-3.68%	8.67%	►	▼	►	►
	Peshawar	38.57	0.38	-9.73%	-12.17%	-12.19%	10.00%	▼	▼	▼	▲
	Quetta	44.50	0.38	-6.32%	-5.32%	3.19%	25.35%	▼	▼	►	▲
RICE IRRI-6	Lahore	63.07	0.61	0.00%	0.00%	0.00%	4.37%	►	►	►	►
	Multan	41.00	0.43	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Karachi	61.54	0.52	6.95%	8.84%	8.84%	19.40%	▲	▲	▲	▲
	Peshawar	48.48	0.49	0.08%	0.00%	0.17%	-0.16%	►	►	►	►
	Quetta	45.00	0.45	0.00%	0.00%	-1.64%	12.50%	►	►	►	▲
RICE BASMATI BROKEN	Lahore	76.79	0.73	0.00%	0.00%	0.00%	6.12%	►	►	►	►
	Multan	77.50	0.79	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Karachi	76.54	0.78	0.00%	0.00%	0.00%	1.40%	►	►	►	►
	Peshawar	78.33	0.81	0.00%	0.00%	0.00%	-1.56%	►	►	►	►
	Quetta	87.50	0.84	-2.78%	-2.78%	-2.78%	16.67%	▼	►	►	▲
SUGAR	Lahore	54.5	0.56	0.44%	4.59%	-8.39%	0.26%	►	►	▼	►
	Multan	51.13	0.54	0.06%	1.25%	-9.71%	-1.67%	►	►	▼	►
	Karachi	52.62	0.54	-2.95%	3.95%	-10.93%	-1.87%	▼	►	▼	►
	Peshawar	53.34	0.56	-0.32%	1.93%	-9.79%	-1.09%	►	►	▼	►
	Quetta	52	0.58	-0.38%	0.00%	-13.69%	-2.31%	►	►	▼	►
VEG. GHEE (TIN)	Lahore	202	2.05	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Multan	204	2.05	0.00%	0.00%	2.41%	0.93%	►	►	►	►
	Karachi	208	2.05	0.00%	0.00%	-3.70%	2.80%	►	►	►	►
	Peshawar	204	2.05	0.00%	0.74%	0.99%	0.94%	►	►	►	►
	Quetta	206	2.05	-2.83%	-2.83%	-3.51%	1.90%	▼	►	►	►
COOKING OIL (TIN)	Lahore	214	2.17	0.00%	0.00%	0.00%	0.79%	►	►	►	►
	Multan	216	2.17	0.00%	0.00%	1.89%	0.99%	►	►	►	►
	Karachi	214	2.21	0.00%	0.00%	-2.73%	-0.40%	►	►	►	►
	Peshawar	216	2.17	0.00%	0.93%	0.93%	0.99%	►	►	►	►
	Quetta	215.5	2.19	0.70%	0.70%	0.23%	2.72%	►	►	►	►
CHICKEN LIVE (FARM)	Lahore	150.62	1.59	0.98%	7.69%	34.94%	22.04%	►	▲	▲	▲
	Multan	163.75	1.65	1.39%	4.11%	29.70%	22.85%	▲	►	▲	▲
	Karachi	185.46	1.94	-4.78%	0.82%	44.97%	24.62%	▼	►	▲	▲
	Peshawar	161	1.85	-4.39%	-1.38%	15.83%	15.92%	▼	►	▲	▲
	Quetta	177.5	1.90	1.43%	-2.74%	15.45%	9.47%	▲	►	▲	►
Pulse Masoor, Washed	Lahore	154.82	1.06	-1.59%	1.82%	34.83%	54.59%	▼	►	▲	▲
	Multan	121.63	1.14	2.21%	2.21%	5.77%	13.89%	▲	►	▲	▲
	Karachi	117.79	1.13	1.47%	-1.69%	4.17%	31.41%	▲	►	►	▲
	Peshawar	114.71	1.10	0.95%	-1.68%	3.49%	26.82%	►	►	►	▲
	Quetta	135	1.27	1.89%	3.85%	4.85%	26.06%	▲	►	►	▲
Pulse Washed Moong,	Lahore	160.71	1.08	1.88%	3.80%	29.35%	37.92%	▲	►	▲	▲
	Multan	163.54	1.21	7.83%	17.87%	29.54%	43.33%	▲	▲	▲	▲
	Karachi	165.58	1.34	6.77%	8.17%	15.73%	37.58%	▲	▲	▲	▲
	Peshawar	145.96	1.09	9.95%	16.57%	26.73%	47.29%	▲	▲	▲	▲
	Quetta	156.25	1.30	1.46%	10.04%	12.61%	21.56%	▲	▲	▲	▲
Pulse Mash, Washed	Lahore	143.57	1.50	0.00%	-0.86%	-3.34%	-8.24%	►	►	►	►
	Multan	135.84	1.19	10.89%	10.89%	13.20%	-5.67%	▲	▲	▲	►
	Karachi	139.33	1.17	11.39%	13.20%	13.20%	27.41%	▲	▲	▲	▲
	Peshawar	134.37	1.18	11.05%	10.25%	16.01%	4.62%	▲	▲	▲	►
	Quetta	168.75	1.34	12.50%	11.57%	18.42%	26.27%	▲	▲	▲	▲
1M= One month, 3M= Three months, 6M= Six months 1Y= One year				▲ Price increase above normal price fluctuation ▼ Price decrease above normal price fluctuation ► Normal price fluctuations							
Price fluctuation is considered normal if the price change is 1 % during one month, 5% during three and six months and 10 percent during one year period											
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