



Pakistan Market Price Bulletin

July 2014 Issue

Highlights

- Wheat prices in June continued their downward trend observed since last few months. Average retail prices of wheat and wheat flour both decreased by three percent compared to the previous month.
- Compared to a year ago, average wheat and wheat flour prices in June registered a modest increase of four and three percent respectively.
- Global wheat prices also declined significantly in June, compared to the previous month.
- Further 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 price.
- In June headline CPI on a yearly basis increased by 8.2 percent, while CPI for food rose by 7.4 percent.
- Estimates suggest an increase in global wheat production and supply in June 2014.

Inflation watch

The headline inflation based on Consumer Price Index (CPI) increased by 8.2% on a year-on-year basis in June 2014, compared to 8.3% in the previous month, and 5.9% in June 2013. On a month-on-month basis, it increased by 0.6% in June 2014 compared to a decrease of 0.3% in the previous month, and an increase of 0.7% in June 2013. Similarly, the CPI for food on a monthly basis rose by one percent in June, while on a yearly basis it was recorded at 7.4 percent, compared to 7.9 percent a year ago¹.

Further decline in wheat prices

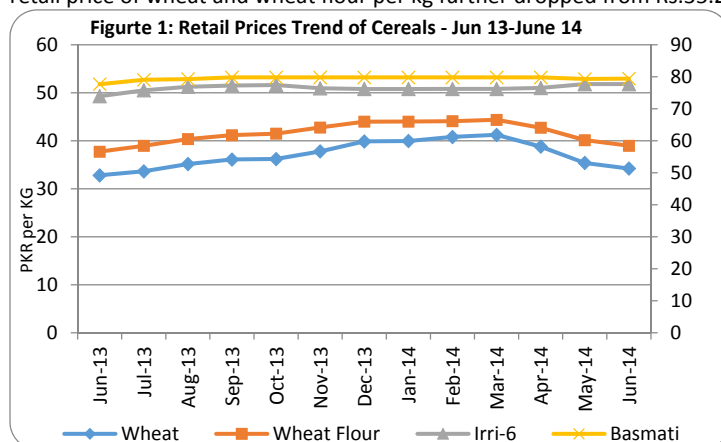
Excessive rains in May particularly in the northern parts of the country, which reduced yields somewhat, led to a slight downward revision of the 2014 wheat from the previous official forecast. Nevertheless, FAO latest estimate points to a 2014 wheat output of 25 million tons, slightly above last year's harvest and the second best on record². The wheat procurement process has been ongoing in many parts of the country. The final production figures will be available once the Government procurement process is finished. On the other hand, after a continuous increase for long, the price of staple cereals has been declining in recent months since the recent harvest. Across the five major markets³ of the country, the average retail price of wheat and wheat flour per kg further dropped from Rs.35.23

2014 (decrease of three percent each). The price of rice in June remained unchanged from the previous month. Compared to three months prior (March), prices of wheat and wheat flour have decreased significantly, by 17 percent and 12 percent respectively. During the same period, the price of rice *Basmati* increased by two percent, while that of *Irri-6* registered a nominal decline of less than one percent. Somewhat similar trend can be seen looking at the prices over the past six months (Figure 1). Wheat and wheat flour prices in June were lower by 14 and 11 percent respectively, compared to six months prior. A nominal two percent increase was observed in the price of Rice *Irri-6*, while *Basmati* declined by less than one percent.

Notwithstanding the recent decline, the prices of wheat and wheat flour in June were still higher than the same month last year by four and three percent respectively. A similar modest increase was also noted in the prices of rice, with an increment of five and two percent for *Basmati* and *Irri-6* respectively. The price trend analysis of staple cereals across major markets shows that markets are well integrated except Quetta, where the prices remained relatively higher than other markets. The lowest wheat flour price was recorded in Multan (Rs.31.13 per kg), which was lower than Quetta (Rs.38.50 per kg) by 19 percent.

Non-cereal food commodity prices

On a monthly basis, prices of most non-cereal food commodities experienced a modest increases in June. Commodities that registered increase include *Dal Mash* (4%), sugar (3%), eggs (3%) and lentil *Masur*, *Dal Moong* and cooking oil (1% each). On the other hand, prices of chicken meat and vegetable ghee declined by two and one percent respectively compared to the previous month. Compared to three months ago, prices of most commodities showed significant to modest fluctuations. Commodities that experienced an upward trend during this period included: *Dal Mash* (14%), *Dal Moong* (8%), and sugar and cooking oil (1% each). On the other hand, the price of eggs declined by 28 percent while that of chicken and cooking oil decreased by one percent each during the same period. A similar mixed trend was recorded in the prices of these commodities during the past six months. Commodities which experienced upward trend included: *Dal Moong* (16%) *Dal Mash* (13%), and Lentil *Masur* (7%) while chicken and cooking oil observed normal increases of two and one percent



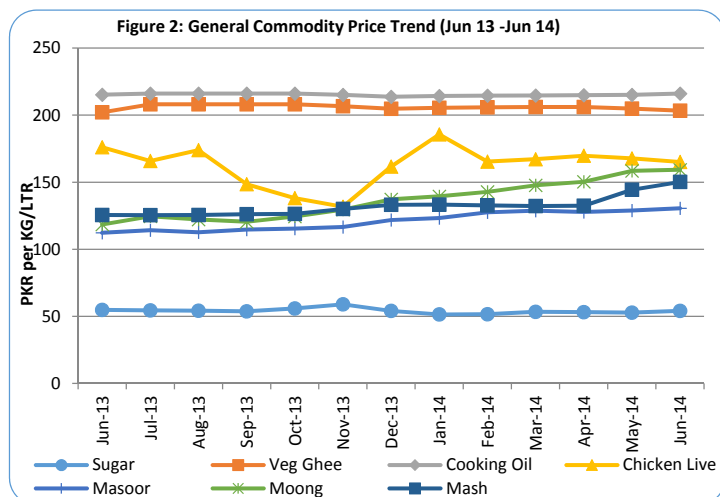
and Rs.40.15 in May to Rs.34.23 and Rs.38.97 per kg respectively in June

¹Pakistan Bureau of Statistics

²<http://www.fao.org/giews/countrybrief/country.jsp?code=PAK>

³Lahore, Multan, Karachi Peshawar and Quetta

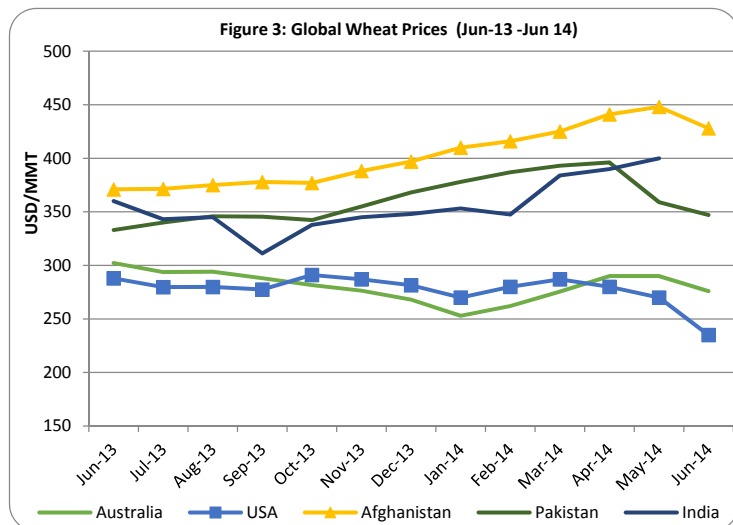
respectively. The price of eggs declined by 29 percent and that of vegetable ghee decreased by nominal one percent during the same period.



On a year-on-year basis, prices of some food commodities experienced sharp increase while others declined marginally. For instance, prices of *Dal Moong*, *Dal Mash* and lentil *Masur* were found higher by 35, 20 and 16 percent respectively compared to a year ago. On the other hand, prices of chicken meat and sugar observed a decrease of six and one percent respectively.

Global wheat supply and production estimate go up:

In June, the estimate for global wheat supplies for 2014-15 suggested an increase of 1.8 million tons (MT), mainly due to an increase in estimated production. Global production estimate is raised by 3.6 MT to 705.2 million MT. Though down by 9 million tons from last year, it is still the second highest production on record. Production estimate is raised by 1.6 MT for European Union and Ukraine each, 0.5 MT for Australia and 0.3 MT each

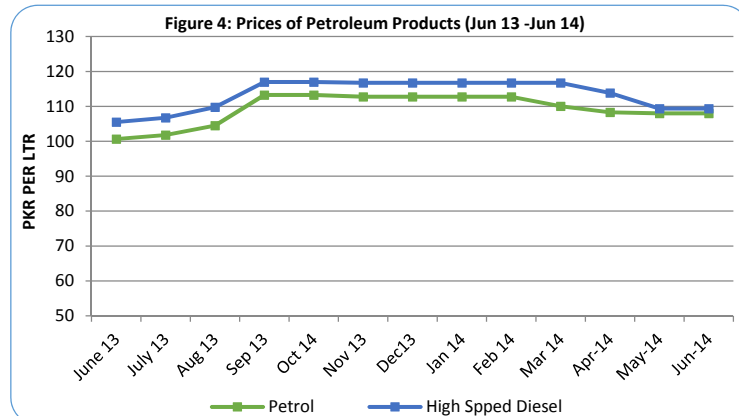


for Brazil and Serbia. Estimate for global wheat consumption is also raised by 0.9 MT with increased consumption for the EU and several other countries. EU wheat feeding is raised by 1.0 million tons while wheat quality is expected to suffer in the lower Danube region because of excessive rainfall in recent weeks. Feeding reductions for Kazakhstan, Egypt, and Thailand are partly expected to offset this increase. Food use is raised for Indonesia, Sudan, Morocco, and Bangladesh but lowered for Egypt⁴.

In June, regional as well as global wheat prices showed significant downward trend, compared to the previous month. The price of wheat observed a decrease of 13 percent in USA⁵, five percent in Australia and five percent in Afghanistan⁶. The domestic wheat price in Pakistan in June was 20 percent higher compared to Australia, 32 percent higher than the U.S., while it was 23 percent lower than in Afghanistan.

Petroleum product prices remain unchanged

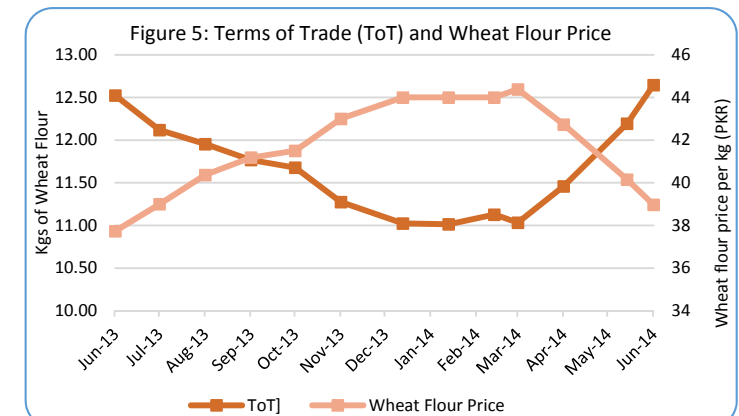
In June, the prices of the petroleum products remained unchanged from the previous month. The price of High speed diesel thus remained at Rs.109.34 while that of petrol at Rs.107.94 per liter. These prices are lower by four and six percent respectively compared to six month ago. However,



these are still higher by seven and four percent respectively, compared to a year ago. The prices of Compressed Natural Gas (CNG) in June also remained the same at Rs.74.90 per kg in Region-I (Khyber Pakhtunkhwa, Balochistan, and in *Potohar*: Islamabad, Rawalpindi and Gujar Khan), and at Rs.66.18 per kg in Region-II (Sindh and Punjab excluding the *Potohar* region)⁷.

Improvement in Terms of Trade (ToT)⁸:

The positive impact of the recent decrease in the price of wheat flour can be seen on the purchasing capacity of the low income earners (Figure 5). In June, as a result of further decrease in the price of wheat flour, the terms of trade improved by four percent compared to the previous month. The ToT in June was 15% higher than that observed three or six months ago, thus indicating a significant improvement. However, compared to the same time one year ago, the ToT in June was higher by a nominal one percent. Across the provinces, the highest ToT was recorded in Quetta at



13.41 kgs of wheat flour per day of unskilled wage labour, while the lowest was in Multan at 11.27 kgs per day of unskilled wage labour⁹.

⁴World Agriculture Supply and Demand Estimates (WASDE)–USDA

⁵FAO Global Information and Early Warning System (GIEWS)

⁶WFP Afghanistan Office

⁷Oil & Gas Regulatory Authority (OGRA) Govt. Pakistan

⁸Amount of wheat flour that could be purchased with a day's wage of an unskilled labour

⁹Pakistan Bureau of Statistics

Retail prices of various food commodities in major cities – June 2014

Major Commodities	Markets	Current Prices (June 2014) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	33.00	0.33	0.86%	-20.03%	-17.11%	2.57%	►	▼	▼	►
	Multan	31.13	0.32	0.81%	-22.19%	-19.42%	-1.78%	►	▼	▼	►
	Karachi	34.00	0.34	-4.90%	-12.82%	-8.11%	-2.86%	▼	▼	▼	►
	Peshawar	34.50	0.35	-3.83%	-17.86%	-13.75%	5.61%	▼	▼	▼	►
	Quetta	38.50	0.39	-7.78%	-12.50%	-12.50%	18.46%	▼	▼	▼	▲
WHEAT FLOUR kg	Lahore	37.60	0.38	0.00%	-5.29%	-5.29%	3.08%	►	▼	▼	►
	Multan	35.50	0.36	-0.70%	-17.44%	-14.97%	0.53%	►	▼	▼	►
	Karachi	42.81	0.43	-3.39%	-9.84%	-8.43%	1.92%	▼	▼	▼	►
	Peshawar	37.96	0.38	-1.59%	-14.62%	-15.31%	2.19%	▼	▼	▼	►
	Quetta	41.00	0.42	-7.87%	-13.23%	-12.77%	8.61%	▼	▼	▼	►
RICE IRRI-6	Lahore	63.07	0.64	0.00%	0.00%	0.00%	4.37%	►	►	►	►
	Multan	41.00	0.42	0.00%	0.00%	0.00%	-2.38%	►	►	►	►
	Karachi	61.54	0.62	0.00%	8.84%	8.84%	19.40%	►	▲	▲	▲
	Peshawar	48.50	0.49	0.04%	0.00%	0.17%	0.00%	►	►	►	►
	Quetta	45.00	0.46	0.00%	0.00%	0.00%	2.27%	►	►	►	►
RICE BASMATI BROKEN	Lahore	78.67	0.80	2.45%	2.45%	2.45%	8.72%	▲	►	►	►
	Multan	77.50	0.79	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Karachi	76.54	0.78	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Peshawar	79.58	0.81	1.60%	1.60%	1.60%	0.00%	▲	►	►	►
	Quetta	85.00	0.86	-2.86%	-5.56%	-5.56%	3.03%	▼	▼	▼	►
SUGAR	Lahore	54.89	0.56	0.72%	0.62%	0.38%	-0.40%	►	►	►	►
	Multan	53.13	0.54	3.91%	2.41%	1.43%	0.00%	▲	►	►	►
	Karachi	53.37	0.54	1.43%	0.47%	-1.08%	-0.47%	▲	►	►	►
	Peshawar	55.13	0.56	3.36%	1.23%	0.24%	0.69%	▲	►	►	►
	Quetta	54.00	0.55	3.85%	2.37%	-0.92%	-5.68%	▲	►	►	►
VEG. GHEE (TIN)	Lahore	202.00	2.05	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Multan	204.00	2.07	0.00%	0.00%	2.41%	0.99%	►	►	►	►
	Karachi	202.00	2.05	-2.88%	-2.88%	-2.88%	0.00%	▼	►	►	►
	Peshawar	204.00	2.07	0.00%	0.00%	0.99%	0.99%	►	►	►	►
	Quetta	204.00	2.07	-0.97%	-3.77%	-3.77%	0.99%	►	►	►	►
COOKING OIL (TIN)	Lahore	214.00	2.17	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Multan	216.00	2.19	0.00%	0.00%	1.89%	0.93%	►	►	►	►
	Karachi	218.00	2.21	1.87%	1.87%	1.87%	0.00%	▲	►	►	►
	Peshawar	216.00	2.19	0.00%	0.47%	0.93%	0.93%	►	►	►	►
	Quetta	216.00	2.19	0.23%	0.93%	0.93%	0.00%	►	►	►	►
CHICKEN LIVE (FARM)	Lahore	143.36	1.45	-4.82%	-1.38%	-1.55%	-8.46%	▼	▲	►	►
	Multan	158.75	1.61	-3.05%	-0.53%	-3.05%	-2.39%	▼	►	►	►
	Karachi	167.71	1.70	-9.57%	-10.23%	0.56%	-12.19%	▼	▼	►	▼
	Peshawar	171.00	1.73	6.21%	6.21%	4.11%	-6.30%	▲	▲	►	►
	Quetta	184.38	1.87	3.88%	1.03%	10.08%	-1.66%	▲	►	▲	►
Pulse Masoor, Washed	Lahore	152.32	1.54	-1.61%	-3.18%	21.17%	46.28%	▼	►	▲	▲
	Multan	122.50	1.24	0.72%	2.94%	2.94%	8.89%	►	►	►	►
	Karachi	121.54	1.23	3.18%	1.85%	5.07%	8.97%	▲	►	▲	►
	Peshawar	120.00	1.22	4.61%	2.85%	1.41%	10.77%	▲	►	►	▲
	Quetta	136.00	1.38	0.74%	3.62%	4.62%	8.80%	►	►	►	►
Pulse Washed Moong,	Lahore	161.52	1.64	0.50%	3.08%	19.80%	52.61%	►	►	▲	▲
	Multan	165.00	1.67	0.89%	10.46%	24.53%	38.50%	►	▲	▲	▲
	Karachi	173.08	1.75	4.53%	14.00%	14.94%	31.58%	▲	▲	▲	▲
	Peshawar	150.62	1.53	3.19%	14.21%	22.34%	40.11%	▲	▲	▲	▲
	Quetta	146.25	1.48	-6.40%	-1.52%	1.04%	14.26%	▼	►	►	▲
Pulse Mash, Washed	Lahore	153.84	1.56	7.15%	7.15%	3.55%	4.43%	▲	▲	►	►
	Multan	147.50	1.49	8.58%	20.41%	20.41%	25.53%	▲	▲	▲	▲
	Karachi	143.08	1.45	2.69%	16.25%	16.25%	24.10%	▲	▲	▲	▲
	Peshawar	141.77	1.44	5.51%	16.52%	15.73%	22.39%	▲	▲	▲	▲
	Quetta	165.00	1.67	-2.22%	10.00%	10.92%	25.48%	▼	▲	▲	▲
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											
Monthly price bulletins and more VAM publications are available on http://vam.wfp.org.pk/											
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