

Pakistan Market Price Bulletin

July 2015 Issue

Highlights

- In June, with the arrival of the fresh wheat harvest in markets, prices of wheat has recorded significant decrease.
- The headline CPI on a yearly basis increased by 3.2 %, while CPI for food rose by 7.4%.
- The prices of non-cereal food commodities showed a mixed trend with most commodities registering an increase.
- Due to a decrease in the wheat flour price, the Terms-of-Trade (ToT) registered some improvement in June.
- Estimates suggest an increase in global wheat supply though a decline was recorded in the estimated global wheat production in June 2015.
- The prices of petroleum products increased by 5% on average, compared to the previous month.

Inflation watch: In June 2015, the headline inflation based on Consumer Price Index (CPI) increased by 3.2% on a year-on-year (YoY) basis compared to 3.2% in the previous month and 8.2% in June 2014. On a month-on-month (MoM) basis, it has increased by 0.6% in June 2015 compared to an increase of 0.8% in the previous month and 0.6% in June 2014. Similarly, the CPI for food on a YoY basis increased by 3.2% compared to 3% in the previous month and 7.4% in June 2014. On a MoM basis, the CPI for food registered an increase of 1.2% compared to 1.8% in the previous month and 1% in June 2014¹. The weighted contribution of food group in the overall inflation increased to 41.77% in June 2015 from 39.65 % in May 2015. It was 37.67 % in June 2014².

Further decline in staple prices

The public sector wheat procurement process has been completed in May 2015 across the country. For the current wheat harvest, the Federal Committee on Agriculture (FCA) fixed the wheat procurement target at 8 million tons for execution by Provincial Food Departments and PASSCO. However, it was observed that the available wheat stock with provincial Food Departments and PASSCO in April 2015 was 4.27 million tons, therefore, the actual procurement was 4.86 million tons.

The price of staple cereals registered a further decrease in June with the arrival of the fresh harvest. The price of wheat and wheat flour registered decreases of 4% and 2% compared to the previous month. Across the five major markets³ in the country, average retail price of wheat and wheat flour per kg dropped from PKR 34.13 and PKR 38.22 in May to PKR 32.90 and PKR 37.62 per Kg respectively in June 2015. In case of rice, the price of *Irri-6*

registered a nominal decrease of about 1% while no price change was noticed for *Basmati*.

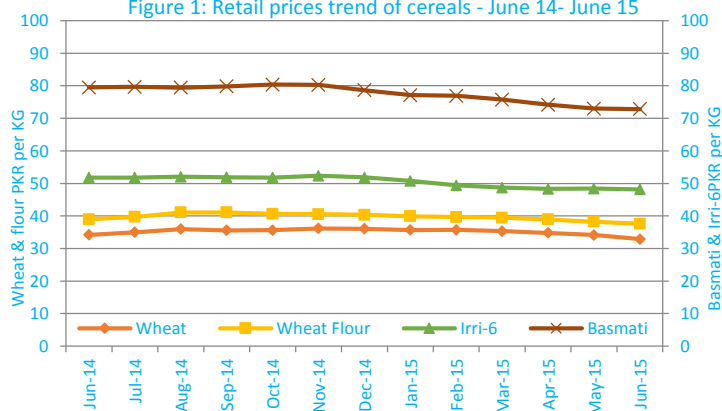
Price of wheat and wheat flour observed a significant downward trend during the past three months (Figure 1). For instance, the price of wheat decreased by 7 % while that of wheat flour by 5 % compared to March 2015. Similarly during the reference period, the price of *Basmati* and *Irri-6* varieties of rice registered decreases of 4 and 1% respectively. Comparing prices for last six months (January-June), the prices of wheat and wheat flour in June 2015 have registered a decrease of 9 and 7% respectively. During the same period, the prices of *Basmati* and *irri-6* varieties of rice also experienced a decline of 7% each.

Compared to a year ago, prices of wheat and wheat flour registered a modest decreases of 4% each in June 2015. The prices of rice *Basmati* and *Irri-6* declined by 8% and 7% respectively, during the same period. The analysis of staple cereal prices across major markets of the country shows that markets are strongly integrated except Quetta, where the prices remained relatively higher.

Increase in most non-cereal food commodity prices

Non-cereal food commodities showed a mixed trend in June 2015 with more commodities registering an increase in price compared to the previous month. Commodities that registered increase in prices include Chicken (7%), sugar (5%), *Dal Mash* (3%), eggs (5%) and lentil *Masur* (2%). On the other hand, the prices of *Dal moong*, cooking oil and vegetable ghee declined by less than 1%. Compared to three months prior, prices of commodities showed significant to modest fluctuations. Commodities that experienced an upward trend during this period include chicken (44%), sugar (16%), *Dal Mash* (11%), lentil *Masur* (4%). On the other hand, commodities that registered decreases during the same period include eggs (7%), cooking oil (7%), vegetable ghee (6%) and *Dal Moong* (1%). Looking at six monthly trends, it is revealed that most commodities registered significant increase. For instance, the prices of sugar and chicken registered increases of 17% each. Similarly, the prices of *Dal Mash*, Lentil *Masur* and *Dal Moong* also increases by 15%, 4%, and 3%, respectively. On the other hand prices of eggs, cooking oil and vegetable ghee registered decreases of 28%, 11% and 9% respectively, during the same period.

Figure 1: Retail prices trend of cereals - June 14- June 15

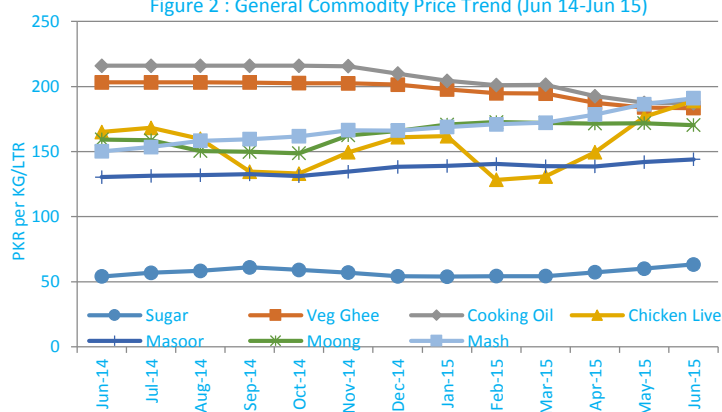


¹Pakistan Bureau of Statistics

²State Bank of Pakistan

³Lahore, Multan, Karachi Peshawar and Quetta

Figure 2 : General Commodity Price Trend (Jun 14-Jun 15)

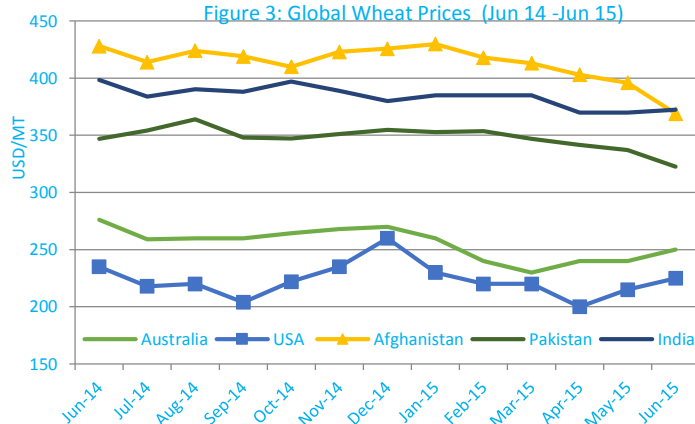


On a year-on-year basis, prices of non-cereal food commodities experienced modest to significant fluctuations. Commodities which registered price increases include *Dal Mash* (27%), sugar (17%), chicken (14%), lentil *Masur* (10%), *Dal Moong* (7%), and eggs (3%). On the other hand, during this period, prices of cooking oil and vegetable experienced a decline of 13% and 10% respectively⁴.

Increase in estimated global wheat supply, decline in production:

In June, estimates for global wheat supplies were raised by 12.1 million tons (mt) primarily due to an increase in the beginning stocks. China's beginning stocks raised by 11.4 mt, partly offsetting a decrease of 2 mt for Australia. On the other hand, estimates for global wheat production were lowered slightly as increased production in the Black Sea region was offset by reductions in EU and Canada. In July, the total global wheat production estimates are raised to 722mt, slightly lower than last year estimates of 726 mt. Global wheat consumption is also lowered by 5.4 mt primarily due to reduced feed and residual use in China. Use of wheat feed in Canada and EU has reduced by 0.7 and 0.5mt respectively. Consumption estimates for India has increased by 1.4mt. Global ending stocks for 2015/16 have been raised by 17.4mt to a record 219.8mt, mostly reflecting the 17.2mt increase in

Figure 3: Global Wheat Prices (Jun 14-Jun 15)



China⁵.

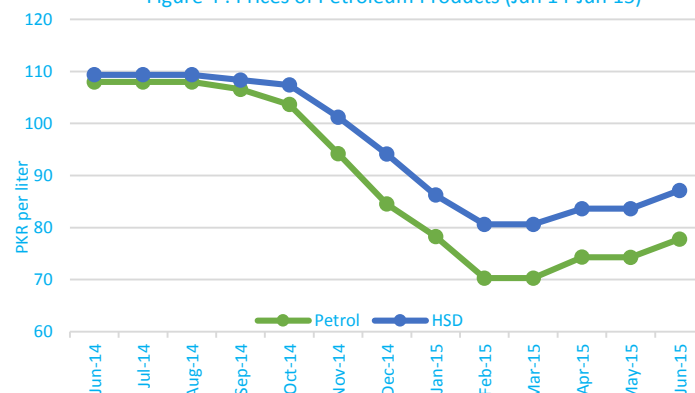
On a month-on-month basis, wheat prices in June registered an increase of 5%, 4% and 1% in USA, Australia and India⁶ respectively. On the other hand, it declined by 7% in Afghanistan⁷. In June, the domestic wheat price in Pakistan was 43% higher compared to USA, 29% higher than Australia whereas it was 13% lower than in Afghanistan.

Petroleum product prices increased

In June, the Government notified an increase of 5% and 4% in the prices of super petrol and high speed diesel (HSD) respectively. Prices of super petrol

were increased from PKR 74.3 to PKR 77.8 per liter while that of HSD increased from PKR 83.61 to PKR 87.71. Compared to prices three month prior, these prices of petrol and HSD are higher by 11% and 8% respectively. However, these are still lower by 8% and 7% respectively compared to six

Figure 4 : Prices of Petroleum Products (Jun 14-Jun 15)

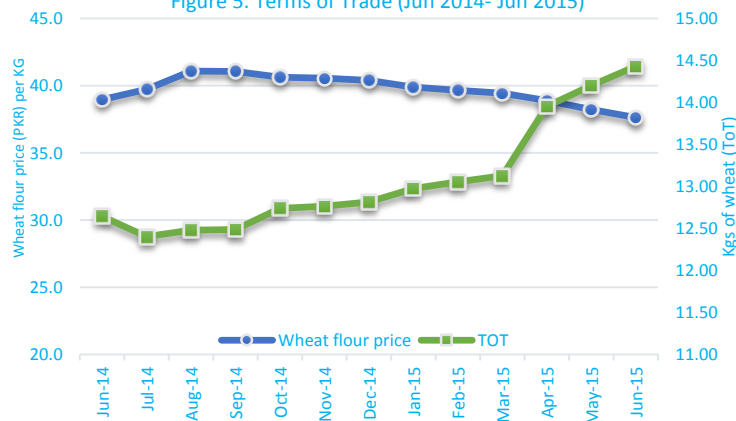


month ago. A significant decrease is seen while drawing yearly comparison. For instance, the price of petrol and HSD have recorded decrease of 28% and 20% in June 2015 over June 2014⁸. The provision of Compact Natural Gas (CNG) for vehicles in Punjab and the federal capital territory which was stopped since November 2014 continued to remain in place until June, though the Government has hinted at opening the CNG for vehicles soon.

Improvement in Terms-of-Trade (ToT)⁹:

In June, as a result of decrease in the wheat flour price, the purchasing capacity of the daily wage earners registered an improvement. The ToT between the daily wage rate¹⁰ for an unskilled laborer and wheat flour increased by 1.6% on a MoM basis (Figure 5). The amount of wheat flour that an unskilled laborer c purchase with a day's wage has increased marginally from 14.2 Kg in May 2015 to 14.43 Kg in June 2015. The ToT in June was recorded higher by about 10% compared to its level three months ago. Similarly improvements of 12.6% and 14% were recorded on ToT compared to six months and one year ago, respectively. The ToT varied across different cities due to difference in prices in the wheat flour and wage rates. The highest ToT was observed in Lahore at 16.42 Kg, while the lowest in Multan at 12.77 Kg. Even though the highest average income of a day laborer was recorded in Karachi, the ToT there was relatively lower than in other major cities due to relatively higher price of wheat flour. On the other hand, despite the lower wheat price in Multan, the ToT remained the lowest due to lower wage rates for unskilled labour in the city.

Figure 5: Terms of Trade (Jun 2014- Jun 2015)



⁴ Pakistan Bureau of Statistics

⁵ World Agriculture Supply and Demand Estimates (WASDE)-USDA

⁶ FAO Global Information and Early Warning System (GIEWS)

⁷ WFP Afghanistan Office

⁸ <http://www.psopk.com>

⁹ Amount of wheat flour that could be purchased with a day's wage of an unskilled labour

¹⁰ The income base for computation of ToT is the average wage rate of five major cities (Lahore, Multan, Karachi, Peshawar & Quetta)

Retail prices of various food commodities in major cities – June 2015

Major Commodities	Markets	Current Prices (June 2015) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	32.50	0.32	-0.48%	-7.55%	-7.80%	-1.52%	▶	▼	▼	▶
	Multan	29.75	0.29	-4.03%	-8.64%	-10.19%	-4.42%	▼	▼	▼	▶
	Karachi	35.00	0.34	0.00%	0.00%	1.45%	2.94%	▶	▶	▶	▶
	Peshawar	31.25	0.31	-6.72%	-11.97%	-19.87%	-9.42%	▼	▼	▼	▶
	Quetta	36.00	0.35	-6.49%	-6.49%	-6.49%	-6.49%	▼	▼	▼	▶
WHEAT FLOUR kg	Lahore	36.55	0.36	-1.15%	-5.98%	-8.40%	-2.79%	▼	▼	▼	▶
	Multan	35.25	0.35	-1.74%	-5.69%	-8.44%	-0.70%	▼	▼	▼	▶
	Karachi	40.31	0.40	0.00%	-2.42%	-6.43%	-5.84%	▶	▶	▼	▶
	Peshawar	36.98	0.36	0.06%	-4.31%	-5.68%	-2.58%	▶	▶	▼	▶
	Quetta	39.00	0.38	-4.88%	-4.88%	-4.88%	-4.88%	▼	▶	▶	▶
RICE IRRI-6	Lahore	62.64	0.61	-2.99%	-2.99%	-4.10%	-0.68%	▼	▶	▶	▶
	Multan	37.00	0.36	0.00%	0.00%	-8.07%	-9.76%	▶	▶	▼	▶
	Karachi	48.62	0.48	-2.92%	-5.67%	-14.01%	-20.99%	▼	▼	▼	▼
	Peshawar	42.50	0.42	0.00%	0.00%	-9.73%	-12.37%	▶	▶	▼	▼
	Quetta	50.00	0.49	4.17%	4.17%	0.00%	11.11%	▲	▶	▶	▲
RICE BASMATI BROKEN	Lahore	72.68	0.71	-1.21%	-1.21%	-3.09%	-7.61%	▼	▶	▶	▶
	Multan	70.00	0.69	0.00%	-3.45%	-9.68%	-9.68%	▶	▶	▼	▶
	Karachi	73.08	0.72	0.00%	-4.52%	-4.52%	-4.52%	▶	▶	▶	▶
	Peshawar	68.33	0.67	0.00%	-0.31%	-7.87%	-14.14%	▶	▶	▼	▼
	Quetta	80.00	0.78	0.00%	-8.57%	-11.11%	-5.88%	▶	▼	▼	▶
SUGAR	Lahore	63.28	0.62	4.25%	16.34%	13.75%	15.29%	▲	▲	▲	▲
	Multan	61.50	0.60	4.68%	15.21%	18.84%	15.75%	▲	▲	▲	▲
	Karachi	63.54	0.62	5.69%	16.33%	14.65%	19.06%	▲	▲	▲	▲
	Peshawar	63.21	0.62	4.91%	14.06%	14.32%	14.66%	▲	▲	▲	▲
	Quetta	64.75	0.63	6.58%	19.91%	22.75%	19.91%	▲	▲	▲	▲
VEG. GHEE (TIN)	Lahore	182.00	1.78	0.00%	-3.19%	-7.85%	-9.90%	▶	▶	▼	▶
	Multan	184.00	1.80	0.00%	-5.15%	-8.91%	-9.80%	▶	▼	▼	▶
	Karachi	181.20	1.78	0.00%	-5.23%	-10.30%	-10.30%	▶	▼	▼	▼
	Peshawar	180.00	1.76	0.00%	-7.22%	-10.89%	-11.76%	▶	▼	▼	▼
	Quetta	190.00	1.86	-1.04%	-7.77%	-6.86%	-6.86%	▼	▼	▼	▶
COOKING OIL (TIN)	Lahore	186.00	1.82	0.00%	-3.38%	-11.22%	-13.08%	▶	▶	▼	▼
	Multan	186.00	1.82	0.00%	-5.10%	-9.71%	-13.89%	▶	▼	▼	▼
	Karachi	187.20	1.84	0.00%	-7.33%	-11.07%	-14.13%	▶	▼	▼	▼
	Peshawar	182.00	1.78	0.00%	-12.50%	-12.50%	-15.74%	▶	▼	▼	▼
	Quetta	194.00	1.90	-1.02%	-6.73%	-10.19%	-10.19%	▼	▼	▼	▼
CHICKEN LIVE (FARM)	Lahore	164.11	1.61	5.97%	43.82%	14.67%	14.47%	▲	▲	▲	▲
	Multan	186.46	1.83	10.36%	46.24%	23.62%	17.46%	▲	▲	▲	▲
	Karachi	198.08	1.94	-1.25%	52.42%	18.87%	18.11%	▼	▲	▲	▲
	Peshawar	184.50	1.81	5.43%	40.30%	12.84%	7.89%	▲	▲	▲	▶
	Quetta	211.25	2.07	14.97%	39.67%	16.55%	14.57%	▲	▲	▲	▲
Pulse Masoor, Washed	Lahore	161.96	1.59	1.85%	3.77%	6.58%	6.33%	▶	▶	▲	▶
	Multan	137.50	1.35	0.00%	0.00%	0.00%	12.24%	▶	▶	▶	▲
	Karachi	143.08	1.40	3.62%	7.51%	11.71%	17.72%	▲	▲	▲	▲
	Peshawar	128.75	1.26	0.00%	1.98%	0.65%	7.29%	▶	▶	▶	▶
	Quetta	148.75	1.46	1.71%	5.31%	1.71%	9.38%	▲	▲	▶	▶
Pulse Moong, Washed	Lahore	176.43	1.73	0.00%	1.44%	9.54%	9.23%	▶	▶	▶	▶
	Multan	157.50	1.54	-5.97%	-3.82%	-3.08%	-4.55%	▼	▶	▶	▶
	Karachi	173.08	1.70	0.00%	-4.15%	6.13%	0.00%	▶	▶	▲	▶
	Peshawar	160.00	1.57	-1.54%	0.38%	0.52%	6.23%	▼	▶	▶	▶
	Quetta	185.00	1.81	2.78%	1.37%	0.68%	26.50%	▲	▶	▶	▲
Pulse Mash, Washed	Lahore	201.25	1.97	2.45%	5.13%	13.73%	30.82%	▲	▲	▲	▲
	Multan	177.50	1.74	0.71%	9.23%	12.70%	20.34%	▲	▲	▲	▲
	Karachi	173.08	1.70	2.97%	13.07%	13.07%	20.97%	▲	▲	▲	▲
	Peshawar	188.54	1.85	0.33%	13.24%	16.15%	32.99%	▶	▲	▲	▲
	Quetta	215.00	2.11	5.52%	14.67%	18.62%	30.30%	▲	▲	▲	▲
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 % during one year period											
Monthly price bulletins and more VAM publications are available on http://vam.wfp.org.pk/											
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