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Despite anticipated record highs in world rice production in 2010, international rice prices have increased slightly following the monsoon floods in Pakistan.

Domestic cereal output in 2010/2011 declined by 4.7 million tonnes due to flood-related crop loss.

Domestic cereal supply should satisfy national requirements through April 2011.

Lower wheat opening stocks in May 2011 and reduced wheat production may require increased wheat imports in 2011/2012 marketing year.

Wholesale wheat prices remain extremely high.

Retail wheat prices remain historically high despite declines between March and August 2010.

In September, following the floods, wheat retail prices increased by as much as 21 percent in main Punjab markets.

Consumer purchasing power deteriorating since 2006.

Short-lived increase in terms of trade during the floods.

Without emergency food assistance, floods would have resulted in an additional 5 million people undernourished in Pakistan.

The 2010 monsoon floods in Pakistan were the worst experienced in a generation; they directly and indirectly affected about 21 million people and damaged or destroyed almost 2 million houses.

According to the WFP Flood impact assessment, as a result of the floods, 10 million people were in need of immediate food assistance. Without this assistance, the floods would have resulted in an additional 3 percent of the national population or about 5 million people becoming undernourished (consuming less than 2350 Kcal/day).

Among the people affected by the floods, the most vulnerable to food insecurity are the small farmers who are highly dependent on crop production as their major income source, while the people most affected by market and economic shocks are daily agriculture labourers whose purchasing power was reduced (see below).

As of October 2010, WFP is providing emergency food assistance to over 7.3 million flood-affected people.
INTERNATIONAL WHEAT AND RICE MARKET

International wheat prices increased sharply from July to September, but are expected to stabilize as supply is sufficient for 2010/2011

Despite anticipated record highs in world rice production in 2010, international rice prices have increased slightly following the monsoon floods in Pakistan

- Harvesting of rice in the major producing countries in the northern hemisphere has started. FAO predicts record high harvests.
- Rice prices have increased in the aftermath of the floods. This is reflected in the price of Thai white rice B which increased by 6.4% from 466 USD per tonne in July to 496 USD per tonne in September. Price increases reflect both:
  1. concerns over the impact of floods in Pakistan, the world third largest international rice exporter in 2009, and
  2. increased rice import demand

FLOODS IMPACT ON DOMESTIC PRODUCTION AND AVAILABILITY

Domestic cereal output in 2010/2011 declined by 4.7 million tonnes due to flood-related crop loss

- The 2010 monsoon floods damaged the standing cereal crops of the Kharif season (rice, maize, sorghum and millet). Total cereal supply losses in 2010/2011 (May/April) due to the floods are estimated at 4.7 million tonnes:
  - Rice production losses are officially estimated at about 2.4 million tonnes\(^2\), one-third of national production. As a result, 2010 rice production is estimated at 3.8 million tonnes\(^4\) (milled base) compared to 6.7 million tonnes\(^5\) in 2009.
  - Total coarse grain (maize, sorghum and millet etc.) losses are estimated at 0.8 million tonnes.
  - In addition, about 1.5 million tonnes of private and public wheat stocks are estimated to have been damaged or lost by the flood waters
  - In addition, according to the Ministry of Agriculture, 600,000 ha of sugarcane and 200 000 ha of cotton were affected by the floods, 1.2 million animals perished and 6 million poultry were lost.

\(^2\)MINFA estimates
\(^4\)Estimated by authors (WFP/VAM)
\(^5\)Source : Government of Pakistan

Domestic cereal supply should satisfy national requirements through April 2011

- Wheat is the country’s main staple food, accounting for 35 percent of the total dietary energy supply in Pakistan. From May 2010 to April 2011, the wheat supply is expected to satisfy national requirements (estimated at 25 million tonnes for this period) thanks to high beginning stocks (4.3 million tonnes in May 2010) and good pre-flood production (with 23.8 million tonnes harvested before the floods).\(^6\)
- Rice is a secondary cereal as far as consumption is concerned but is a substantial export earner. Pakistan

\(^6\)The Commonwealth of Independent States (CIS)

\(^2\)Prices in the first 3 weeks of October: 08.10.2010 – 281 USD; 15.10.2010 – 300 USD; 22.10.2010 – 293 USD,
Lower wheat opening stocks in May 2011 and reduced wheat production may lead to increased imports in 2011/2012 marketing year

- Because of the floods, winter season (Rabi) wheat production for the 2010/2011 marketing year could be reduced by as much as 16 percent compared to 2009/2010 (a wheat planting survey is needed to provide a better estimate). Declines in wheat production combined with lower opening stocks could result in wheat import requirements for the 2010/2011 marketing year.
- The recovery of agriculture sector in the flood affected areas will take at least five years.

DOMESTIC STAPLE FOOD PRICES

Wholesale wheat prices remain extremely high

- During the 2007/2008 global food crisis, wheat import parity prices in Lahore increased to 530 USD per tonne, but wheat wholesale prices remained much lower at 270 USD per tonne. Since then, however, domestic wheat wholesale prices have risen, overtaking world prices from July 2009 to July 2010.
- In contrast to international wheat export prices, wholesale wheat prices in Pakistan remained stable from June to September 2010. Despite this stabilization, however, wholesale wheat prices still remain very high compared to previous years.

Retail wheat prices remain historically high despite declines between March and August 2010

- The average wheat retail price in the main Punjab markets continuously increased between 2006 and 2009 and reached its highest level at 29 Rs/kg in December 2009. Prices then briefly stabilized (between January and March 2010) at twice the mid-2007 price before showing consistent declines to 25 Rs/kg in August. Observed price declines between March and August 2010 were largely the result of the new, large wheat crop becoming available in the market.

- In non-Punjab markets, especially during the 2008 food-price crisis, the average wheat retail price was more responsive to international prices; between March and October 2008 prices more than doubled, peaking at 33 Rs/kg in October 2008. Since then, prices have declined slightly but remain significantly higher than pre-food-price crisis levels.
- As in Punjab, wheat retail prices in the main non-Punjab markets slightly decreased between March and August 2010.

Overall, in 2010, average wheat retail prices in major non-Punjab markets was only a few rupees higher than in main Punjab markets, suggesting relatively good integration between the main markets in Pakistan (this might however not to be the case with less accessible markets, especially in less accessible markets in wheat deficit areas). In September...
In September, following the floods, wheat retail prices increased by as much as 21 percent in main Punjab markets

- Between August and September 2010, wheat retail prices increased on average by a couple of rupees. This was due to stock losses among households and traders in flood-affected areas which generated an expected increase in domestic demand.
- The impact of the floods on average wheat retail prices was less visible in non-Punjab markets than it was in Punjab. While prices declined in all Punjab markets between March and August, retail wheat prices bounced back in September, with the highest increases observed in Gujranwala and Sialkot (+21 percent). The average wheat retail price in the main non-Punjab markets in September 2010 was 30 Rs per kg, similar to prices observed in September 2009. Notably, however, prices in 2009 and 2010 remain double the pre-2008 food price crisis.

WAGE RATES AND CONSUMER PURCHASE POWER

Consumer purchasing power deteriorating since 2006

- Wages play an important role in the household economy in Pakistan, especially in urban areas where they account for almost half of the household income (compared to one quarter in rural areas).
- Overall, between mid 2007 and 2010, labour wages increased in Pakistan with some inequalities between provinces (wages in Balochistan did not increase). In June 2010, the daily wage rate for unskilled labour ranged from Rs 325/day in Lahore, Rs 270/day in Multan, Rs 275/day in Peshawar, Rs 300/day in Quetta and Rs 375/day in Karachi.

- Since 2006, and especially during the 2008 food price crisis, the amount of wheat flour or rice that could be purchased with one day of wages (Terms of Trade - ToT- between daily wage labour and retail wheat flour and rice prices) has decreased significantly;
- In September 2010, with one day of wages, labourers in Lahore could get 12 kg of average quality wheat flour, reduced from 18 kg in September 2006. Similarly the amount of wheat flour that could be purchased with one day of wages declined from 13 kg to 9 kg in Multan, from 17 kg to 12 kg in Karachi, from 12 kg to 10 kg in Peshawar, and from 19 kg to 13 kg in Quetta.

The ToT between daily wage rates and IRRI-6 rice prices also deteriorated during the same period: Lahore from 13 kg to 9 kg in Lahore, Multan from 10 kg to 7 kg in Multan, Karachi from 16 kg to 11 kg in Karachi, Peshawar from 10 kg to 7 kg in Peshawar, and Quetta from 16 kg to 10 kg in Quetta.
Population Distribution in Flooded Areas with Wheat Flour Prices - 2010

For Information and details contact Vulnerability Analysis & Mapping (VAM) Unit of World Food Program (WFP)