

Farmers expect wheat yield to rise by 5-10% in CY22

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Background

- Considering the recent news flow regarding concerns on 2022 wheat crop due to low availability / application of fertilizer, we conducted several interviews in the agricultural value chain to understand where things stand.
- To give some background DAP offtake during Oct-Nov CY21 fell 5.6% YoY due to record high prices approaching PKR~10,000/bag. While Urea offtake rose 15%, actual urea availability to farmers is likely to have been much lower due to alleged smuggling, resulting from local urea prices being at an 80% discount to international prices. Resultantly, urea prices in the black market also surged to PKR~3,000/bag against official rates of PKR1,770/bag.

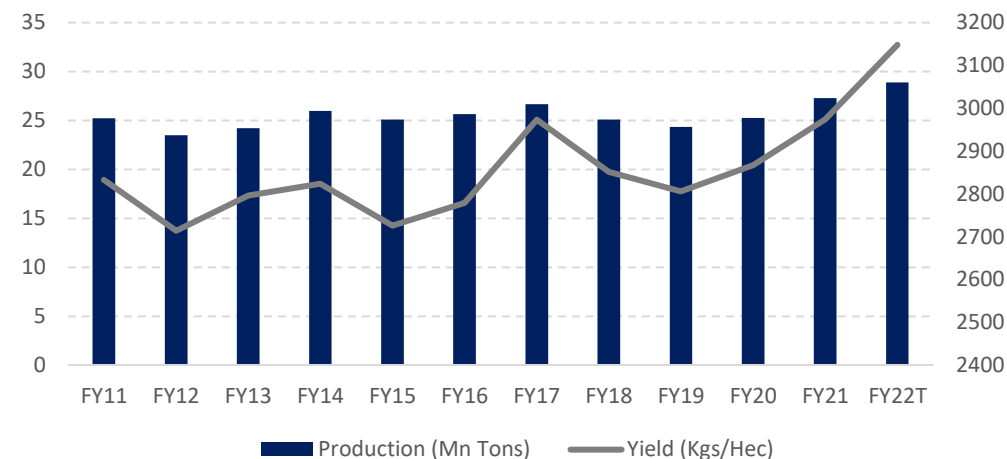
Farmers' view

- Farmers in Punjab and Sindh are optimistic about 2022 wheat crop. While they confirm less-than-optimal DAP and urea application to the wheat crop, they believe that the unexpected rains during the ongoing Rabi season and resulting increase in moisture have more than compensated for the low fertilizer application.
- The current state of wheat crop is healthier than last year. As such, farmers expect 2022 wheat yield to rise by ~5-10% YoY. This would mean that the government will comfortably achieve its wheat production target of 28.9mn tons.

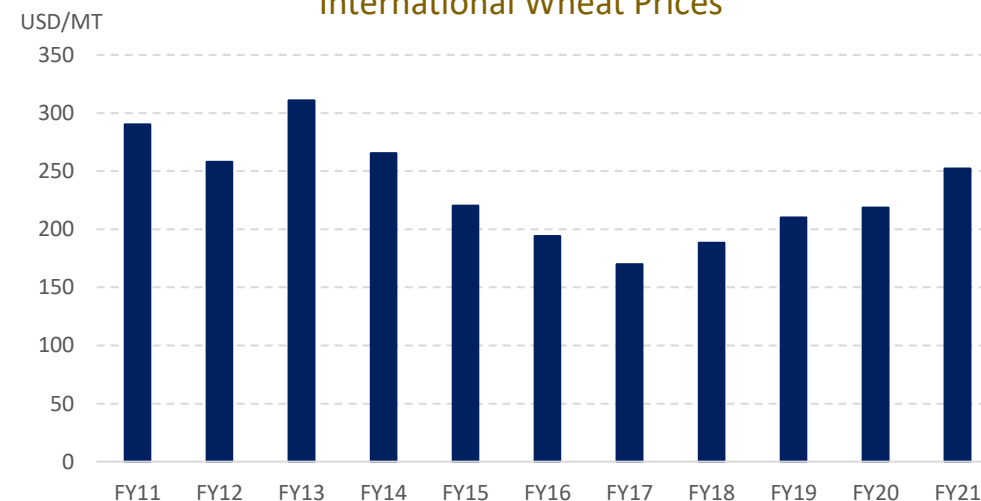
Fertilizer dealers' view

- Fertilizer dealers suggest that farmers initially reduced DAP application and planned to replace it with higher urea application. However, with urea shortage in Dec-21, urea application also fell short of the desired quantum.
- As such fertilizer dealers expect wheat yield to decline by 10-15%. In Sindh, wheat is trading at PKR 2,700/40kg against the government notified price of PKR 2,200/40kg.

Wheat



International Wheat Prices



Source: PBS, WB, Akseer Research

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