

Pakistan Sesame Crop Prospects Marred by Weather Anomalies

Mr Ashok Kumar, K K Group of Companies



Mr Ashok Kumar (K.K)
Director, K K Group of Companies

Introduction

K.K Commodities which stands for “Perfection at its Best”, is part of the K.K Group of Companies, where K.K Rice Mills focuses on the Rice Industry, and K.K Commodities focuses on other Agro-Commodities such as Sesame, Maize and Guar. K.K. Group’s family is in the third generation of business. The driving force of K.K Commodities is created by the people that spend their days working towards excellence and dreaming about new ways to excel. These all led to K.K Group being the largest exporter of Sesame and Rice in Pakistan. Our head office is in Karachi, the Sesame & Guar Gum factory is in Nooriabad and the Rice plant is in Port Qasim.

About their Exports, Trade Challenges and Future Plans

Last year K.K. commodities exported about 20,000

tons of sesame seed, about 25 per cent of Pakistan’s overall 2021 crop size. This year owing to the crop shortage, they may not be able to replicate the last year’s performance but have maintained the same percentage as last year.

To mitigate the risks of trading only one agro-commodity, we exported around 20,000 tons maize last year. We are also looking to explore the possibility of exporting guar gum, which has good export potential.

KK Commodities is planning to set up its hulling factory, which is likely to be operational by next year, and planning to export hulled sesame to other countries. We are also exploring the possibility of establishing a sesame oil factory and exporting the same in our brand name.

Sesame Types in Pakistan

In Pakistan, four types of sesame are available, Hybrid white, Farmi white, Black and mixed sesame. The hybrid Seed comes from Punjab and Sindh, respectively, whereas the Black seed is only grown in Punjab Region, and the mixed Sesame is from Sindh (Tharparkar & Mehar district).

Sesame Crop Overview

Pakistan was initially anticipating a bumper sesame crop during 2022 season. The area under sesame has increased as farmers were more benefited from growing sesame compared to other crops during 2021 season. Owing to floods and late rains in the entire Sindh province during the months of July, August, and September, got crops flooded, with water logging in fields, which accounts for 40 per cent of the overall Pakistan sesame crop. The tharparkar region of Sindh province produces around 5000-10000 tons of mixed sesame, is not impacted by floods, and is free from aflatoxin, bringing its huge demand to Japan Market. Punjab province also had flooded, but not to the extent of Sindh; hence the crop quality could have been better, mostly water damaged.

Normally Pakistan's sesame crop starts in July (Punjab province), but this year it started late during the last week of August and ended in November. Pakistan has a big advantage in the sesame export market as its crop arrives in August-September, with no other competitor's crop comes during this window.

Production Prospects and Exports

From August to December, Pakistan exported about 65,000-75,000 tons of sesame seed. Overall crop size (good quality) is likely in the region of 100,000 and 110,000 tons. The remaining quantity available in the market (about 15,000 tons) is of rain-marred quality, unsuitable for exports. Last year Pakistan's sesame seed production was around 160,000 tons.

With the easing of lockdowns in China (first week of December), demand is good with many buyers' enquiries. Pakistan may be left with an exportable quantity of 10,000 to 12,000 tons, which will be exported in the coming months. Cross-border export from Quetta to Iran accounts for 10,000-12,000 tons.

Consumption

Pakistan's domestic sesame consumption is very less in the region of one to two per cent of the overall crop size. In Pakistan, only five to seven hulling factories are located and not doing much on value-added products like Chikki or Tahina.

Importance of China and the Current Market Scenario

Pakistan exported sesame seed worth \$59.09 million in the first 11 months of the last calendar year, which is about 50 per cent growth on a year-to-year basis. "The main reasons for the increasing trade of this product is China-Pakistan Free Trade Agreement signed and big orders with good price advantage. Also, the transit time to China is less, and it takes 21 days to reach Qingdao port. The issue of documents by banks for exporting to China from Pakistan is very fast when compared to other countries. The current freight rate from Pakistan to Qingdao, China is USD 5 per ton, and in December 2022, even it went into negative freight as well, compared to USD 25-30 per ton last year. But Pakistan exporters could not capitalise on lower freight rates as they could not export more like last

year as their local crop fell short of their expectations.

In Pakistan, the bank's cost of working capital loan is 17 per cent, which is quite high, and instability in the country's governance has made doing business tougher than usual.

In the last Korean tender of sesame, most was won by African countries (Uganda, Nigeria and Burkina Faso). African countries will also grab the forthcoming Jan/ Feb tender as the Indian sesame prices are high locally. Pakistan has a shortage of good crop, and they may be unable to compete with them.

