



THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 11/5/2013

GAIN Report Number:

Pakistan

Sugar Semi-annual

Approved By:

Clay Hamilton

Prepared By:

Clay Hamilton

Report Highlights:

Pakistan's marketing year MY 2013/14 (October/September) sugar production forecast has been revised to a record 4.97 million tons, up 9.5 percent from the initial forecast of 4.54 million tons, owing to the increase in area by 7 percent and improvement in sugar recovery rate. Current year's (MY 2012/13) production estimates are revised up 110,000 tons to 4.78 million tons, a two percent increase due to enhanced productivity and improved sucrose contents. MY 2013/14 sugar consumption is forecast at 4.45 million tons, slightly higher than last year's estimates. Due to Government interventions, MY 2012/13 exports have been revised up 1.1 million tons from the previous estimates of one million ton in tandem with increase in sugar production. My 2013/14 sugar exports are forecast at 440,000 tons with ending stocks at 700,000 tons.

SUGAR SEMI ANNUAL 2013/14

Executive Summary:

This year's increase in sugarcane cropped area and opportune monsoon rains will yield a record crop, consequently Post's forecast for MY 2013/14 sugar production is increased 430,000 metric tons to 4.97 million tons. Additionally, production estimates for MY 2012/13 are revised up 110,000 tons to 4.78 million tons based on improvement in sugar recovery rate by 2 percent. Both years' forecast are based on an 83 percent crushing of the total crop produce and a 9.4 percent sugar recovery rate.

Sugar consumption in MY 2013/14 is forecast at 4.45 million tons, marginally higher over the current year's estimate of 4.4 million tons.

Current year's sugar exports are revised up to 1.1 million tons from the previous estimates of one million ton leaving behind an ending stock of 620,000 tons, down 54 percent from the preceding year's ending stock of 1.34 million tons. Sugar exports for MY 2013/14 are forecast at 440,000 tons maintaining ending stocks at 700,000 tons.

SUGARCANE

Production:

Sugarcane is an important cash crop and is mainly grown for sugar production in the country. Pakistan is the world's sixth largest producer of sugarcane in terms of acreage, and the 12th largest producer of sugar. Sugarcane is grown on approximately a million hectares and provides raw material for 84 sugar mills established in the main sugarcane producing regions. The sugar industry is the country's second largest agro-industry sector after textiles. Sugar industry byproducts are also helpful in producing other essential items for industries like chip board, paper, confectionery, uses in chemicals, plastics, paints, synthetics, fiber, insecticides and detergents. Sugarcane mud is used as a rich source of organic fertilizer for crop production. Sugarcane production in the country has increased over time.

Pakistan's MY 2013/14 sugarcane production is forecast at a record 63 million tons, up 7 percent (59 million tons) from Post's initial forecast mainly due to increase in area substituted from cotton crop. Since 2010, due to changing weather patterns, excessive rainfall / flooding has made cotton growing more risky shifting the farmers to water tolerant crops like sugarcane and rice. Country wide sugarcane has gained 7 percent area with a considerable increase of 13 percent in Sindh province. Although monsoon rains were later-than-usual, their heavy spells were critical for maintaining productivity at last year level. The heavy rains were also responsible for damages in some districts of Punjab where torrential rains created flooding that affected the sugarcane crop. However, the losses are likely to be more than compensated from the increase in sugarcane area and crop productivity.

Table 1: Sugarcane Area and Production by Province

Province	Area ('000' Hectares)			Production ('000' Tons)		
	MY 2011/12	MY 2012/13	MY 2013/14	MY 2011/12	MY 2012/13	My 2013/14
Punjab	690	680	714	40,400	41,950	42,798
Sindh	229	240	265	13,740	14,400	15,404
KPK	90	80	85	4,500	4,800	4,888
Baluchistan	1	1	1	40	50	50
Total	1,010	1,001	1,065	58,640	61,000	63,140

Sources: Provincial Agriculture Departments and FAS/Islamabad

Production Policy

The provincial governments set procurement prices of sugarcane in consultation with representatives of both the sugar industry and farmers' organizations, based on recommendations from Agricultural Policy Institute (API) and their departments of agriculture, food, and industry. During the MY 2012/13 crushing season, the provincial governments of Punjab and Khyber Pakhtunkhawah (KPK) announced a minimum support price (MSP) of Rs. 170 per 40 Kg (\$43/ ton), whereas, Sindh announced a price of Rs. 172 per 40 Kg (\$44/ton), a 13 percent increase from last year's price due to increase in inputs due to a depreciating rupee.

MY 2013/14 crushing season is going to commence from October, but the provincial governments has not announced the MSP so far. According to trade sources, this year's expectation of a record sugarcane crop may result in mills offering lower cane prices to farmers than the announced MSP as well as difficulty in timely delivery of crop. Generally, at the start of crushing season lower cane prices are acceptable to the farmers to opt for sowing wheat after harvesting sugarcane.

The provincial governments support research, development, training of farmers and transfer of new technologies to growers in its endeavor to raise cane yields and sugar recovery rates. Agricultural universities and a few sugar mills also support research and development (R&D) activities.

Table: Prices of Sugarcane by Province

(Rs. per 40 kg)

YEAR	PUNJAB	SINDH	KPK	BALUCHISTAN
------	--------	-------	-----	-------------

2002-03	40.00	43.00	42.00	43.00
2003-04	40.00	41.00	42.00	43.00
2004-05	40.00	43.00	42.00	43.00
2005-06	45.00	58.00	48.00	-
2006-07	60.00	67.00	48.00	-
2007-08	60.00	67.00	65.00	-
2008-09	80.00	81.00	65.00	-
2009-10	100.00	100.00	100.00	-
2010-11	125.00	127.00	125.00	-
2011-12	150.00	152.00	150.00	-
2012-13	170.00	172.00	170.00	-
2013-14				

Source: Federal Bureau of Statistics, Government of Pakistan

SUGAR

Production:

In MY 2013/14 refined total centrifugal sugar production is forecast at a record 4.97 million tons, 9.5 percent higher than post's initial estimate of 4.54 million tons. The increase in sugar production is based on an increase in sugarcane area and improvement in sugar recovery rate. MY 2012/13 sugar production estimates are revised up 110,000 tons to 4.78 million tons, a two percent increase over previous estimates.

Both years' forecasts are based on an 83 percent crushing of the total harvest and a 9.4 percent sugar recovery rate.

Consumption:

Sugar consumption in MY 2013/14 is forecast at 4.45 MMT, marginally higher over the current year's estimate of 4.4 million tons. Analysis of monthly retail prices shows that during 2010 and 2011, sugar prices remained volatile illustrating abrupt behavior by sugar millers and sugar hoarders. Since 2010, every year heavy rainfall followed by favorable conditions helped increase sugar production and accordingly the prices of sugar eased in the domestic market. Total consumption over the years is increasing mainly due to the growing demand by the processed food sector. Bulk sugar consumers such as bakeries, candy, ice cream and soft drink manufacturers account for about 60 percent of the total sugar demand.

Market prices of sugar during 2013/14 are expected to hover around Rs.53 per Kg (\$505 per ton); prices are expected to remain stable based on increased local sugar production coupled with ample stocks in the international market.

Table 3: Monthly Average Retail Prices of Sugar

(Rs. per kg)

YEAR/MONTH	2008	2009	2010	2011	2012	2013
JANUARY	26.06	39.38	66.44	72.57	52.39	52.47
FEBRUARY	25.73	42.63	68.55	67.02	50.31	52.58
MARCH	25.44	43.83	64.87	66.95	54.89	52.71
APRIL	25.18	44.96	62.14	67.14	55.56	53.11
MAY	28.45	45.45	61.28	65.77	54.39	53.27
JUNE	29.75	45.65	63.27	69.19	54.82	54.15
JULY	31.68	46.96	66.68	70.74	54.25	54.35
AUGUST	32.70	52.16	72.26	74.65	53.93	54.28
SEPTEMBER	33.44	48.97	80.43	76.03	52.76	
OCTOBER	37.61	45.75	81.91	72.01	53.28	
NOVEMBER	37.72	45.75	87.98	67.25	54.07	
DECEMBER	35.59	58.50	73.78	55.52	53.04	
AVERAGE	30.80 \$0.38 USD1=Rs.8 0	46.66 \$0.57 USD1=Rs.8 2	70.80 \$0.82 USD1=Rs.8 6	68.74 \$0.78 USD1=Rs.8 8	53.64 \$0.55 USD1=Rs.9 8	53.37 \$0.50 USD1=Rs.10 5

Source: Federal Bureau of Statistics (FBS), Government of Pakistan

Trade:

In MY 2013/14 sugar exports are forecast at 440,000 tons, more than double than the Post's initial estimate due to increased local production. In MY 2012/13 improved carryover stocks coupled with increased production is likely to result in a record sugar export of 1.1 million tons. This significant export is contingent on government intervention of providing inland freight subsidy of Rs. 1.75 per kilogram (\$18/MT) for the export of sugar. Trade sources reveal that sugar export is in process to UAE, Bangladesh, Iran, Sri Lanka, Yemen and some African countries etc.

Stocks:

Ending stocks in MY 2013/14 are forecast at 700,000 tons based on projected supply-demand scenarios and trade expectations.

Ending stocks in MY 2012/13 are estimated at 620,000 tons.

Production, Supply and Demand Data Statistics:

(Figures in '000' MT)

Sugar, Centrifugal	Pakistan	2011/2012		2012/2013		2013/2014	
		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Beginning Stocks	1,470	1,470	1,340	1,340	610	620
Beet Sugar Production	20	20	20	20	40	40
Cane Sugar Production	4,500	4,500	4,650	4,760	4,500	4,930
Total Sugar Production	4,520	4,520	4,670	4,780	4,540	4,970
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	450	0
Total Imports	0	0	0	0	450	0
Total Supply	5,990	5,990	6,010	6,120	5,600	5,590
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	350	350	300	1,100	200	440
Total Exports	350	350	300	1,100	200	440
Human Dom. Consumption	4,300	4,300	4,400	4,400	4,500	4,450
Other Disappearance	0	0	0	0	0	0
Total Use	4,300	4,300	4,400	4,400	4,500	4,450
Ending Stocks	1,340	1,340	1,310	620	900	700
Total Distribution	5,990	5,990	6,010	6,010	5,600	5,590
TS=TD	0	0	0	0	0	0

