

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**Date:** 4/5/2017

**GAIN Report Number:** PK1708

## **Pakistan**

### **Sugar Annual**

#### **Sugar Annual 2017**

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**Report Highlights:**

Sugar production is forecast at a record 6.0 million metric tons for 2017/18. Sugar has emerged as a favored crop among farmers who value the government established procurement price for sugarcane as prices for other commodities have declined. Pakistan's high cane support price and high import tariff are leading to rising stocks of sugar. While the government has attempted to reduce stock levels with export subsidies in recent years, it has currently announced an export quota of 425,000 metric tons, but interest has been limited due to high domestic prices and the absence of an exports subsidy. The quota is valid through May 31, but significant exports appear unlikely.

## Commodities:

### Sugar Cane for Centrifugal

#### Production:

Sugarcane is grown on approximately 1.25 million hectares and provides the raw material for 84 sugar mills. The sugar industry is the Pakistan's second largest agriculture-based industry after textiles. Pakistan's marketing year (MY Oct/Sep) 2017/18 sugarcane production is forecast at a record 72 million metric tons (MMT), marginally up from the revised 2016/17 estimate which is based on preliminary official data. Planting for the crop that will be harvested in the fall of 2017 is complete and area has increased by 2 percent as compared to last year. Lower market prices of competing crops such as cotton and rice led to an increase in sugarcane area as farmers sought income predictability via the provincial procurement prices. Since 2011/12, sugarcane and sugar has benefited from generous support prices and high tariffs.

According to preliminary official estimates, the MY 2016/17 sugarcane production is estimated at a record 71.5 million tons, up 9 percent from the previous year. The 2015/16 estimate is based on official data. Sugarcane is typically grown on the high delta away from areas that flood along Pakistan's major rivers. Farmers are shifting to cane varieties with higher sugar content and sugar recovery rates continue to improve, rising to an estimated 17 percent over the past 10 years.

Among the provinces, Punjab accounts for 61 percent of area, Sindh 27 percent, and Khyber Pakhtunkhwa 10 percent of sugarcane area. There is a small sugar beet industry in the higher elevations of Khyber Pakhtunkhwa. Farmers opt for sugarcane planting in autumn or spring; autumn planting provides better results due to a longer growing season. Punjab and KPK mostly plant sugarcane in the spring and harvest eight to ten months later. In Sindh most planting is in the autumn, allowing growth for up to 16 months. Per hectare yield of sugarcane in Pakistan is relatively low. According to experts, water shortages, a lack of high yielding varieties, and uneven fertilizer and pesticide application contribute to lower yields. Many observers agree that Pakistan would benefit from additional sugarcane research. The harvesting period follows the pattern of many other northern hemisphere crops, beginning in October/ November and ending in April/ May.

**Table 1: Sugarcane Area and Production by Province**

Province	Area ('000' Hectares)			Production ('000' Tons)		
	MY 2015/16	MY 2016/17	MY 2017/18	MY 2015/16	My 2016/17	My 2017/18
Punjab	705	792	810	41,988	48,030	48,350
Sindh	313	320	325	17,984	18,195	18,250
NWFP	117	113	115	5,498	5,275	5,400
Baluchistan	-	-	-	-	-	-
<b>Total</b>	<b>1,149</b>	<b>1,225</b>	<b>1,250</b>	<b>65,470</b>	<b>71,500</b>	<b>72,000</b>

Sources: Provincial Agriculture Departments and FAS/Islamabad

## Production Policy:

The provincial governments set procurement prices for sugarcane in consultation with representatives of both the sugar industry and farmers' organizations, based on recommendations from the Ministry of National Food Security and Research and the provincial ministries of agriculture, food, and industry.

During the MY 2016/17 crushing season, the provincial governments of Punjab, Sindh and KPK maintained the minimum support price (MSP) announced since MY 2014/15. The MSP for Punjab and Sindh is Rs. 180 per 40 Kg (\$43.3/ton), and for Sindh is Rs. 182 per 40 Kg (\$44/ton). Mills are typically bound to pay farmers the MSP, however, buyer and seller will occasionally work out sales at below-MSP rates if both parties agree. The steady rise in sugarcane procurement prices (See Table 2) has made it difficult for mills to profitably produce sugar, but the industry is currently protected by a 40 percent import tariff designed to boost domestic sugar prices and protect the local industry from imports.

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.

The following table shows the history of procurement prices for each province over the past 14 years.

**Table 2: Sugarcane Indicative Prices by Province**

(Rs. per 40 kg)

YEAR	PUNJAB	SINDH	KPK	BALUCHISTAN
2003-04	40	41	42	43
2004-05	40	43	42	43
2005-06	45	58	48	-
2006-07	60	67	48	-
2007-08	60	67	65	-
2008-09	80	81	65	-
2009-10	100	100	100	-
2010-11	125	127	125	-
2011-12	150	152	150	-
2012-13	170	172	170	-
2013-14	170	172	170	-
2014-15	180	182	180	-
2015-16	180	182	180	-
2016-17	180	182	180	-

Source: Provincial Agriculture Departments and PSMA

## Commodities:

Sugar, Centrifugal

## Production:

MY 2017/18 refined sugar production is forecast at a record 6.0 MMT, marginally up from the revised 2016/17 estimate, reflecting a forecast increase in sugarcane production. The estimate of MY 2016/17 sugar production is up 250,000 MT from the previous assessment, and now reflects official data from Pakistan Sugar Mills Association (PSMA). The estimate is based on an 82 percent crushing and 10.16 percent sugar recovery rate. The MY 2015/16 estimate also reflects official data.

Sugar in Pakistan's domestic market continues to be priced well above the international market. Current Lahore wholesale prices are \$550 per metric, an estimated 15 percent higher than the international market. The sugar market is insulated from imports by a tariff of 40 percent. While mills enjoy a high price in the domestic market, millers are still squeezed between high provincial and federal minimum cane prices and their returns from selling sugar in the domestic market along with the costs of carrying stocks of unsold sugar. Still, production continues to expand as mills offer predictable prices for cane and, at least in recent years, export subsidies have facilitated exports.

### Consumption:

Consumption continues to grow modestly, largely as a result of growing population and a slowly developing domestic food processing sector. MY 2017/18 sugar consumption is projected at 5.0 MMT. Bulk sugar consumers such as bakeries, candy, ice cream, and soft drink manufacturers account for about 60 percent of total sugar demand. With the added protection of 40 percent tariff on imports, high market prices likely discourage a larger increase in consumption.

**Table 3: Monthly Average Retail Prices of Sugar**

(Rs. per kg)							
YEAR/MONTH	2011	2012	2013	2014	2015	2016	2017
JANUARY	72.57	52.39	52.47	51.39	53.92	59.80	64.80
FEBRUARY	67.02	50.31	52.58	51.25	54.23	62.80	63.12
MARCH	66.95	54.89	52.71	53.35	54.28	62.93	60.41
APRIL	67.14	55.56	53.11	52.40	56.92	63.76	
MAY	65.77	54.39	53.27	52.27	59.53	63.75	
JUNE	69.19	54.82	54.15	53.84	62.49	64.37	
JULY	70.74	54.25	54.35	55.92	65.41	67.34	
AUGUST	74.65	53.93	54.28	57.83	65.36	71.17	
SEPTEMBER	76.03	52.76	53.84	60.49	64.75	71.03	
OCTOBER	72.01	53.28	55.68	59.17	61.55	71.04	
NOVEMBER	67.25	54.07	58.86	56.78	59.56	71.80	
DECEMBER	55.52	53.04	54.12	54.12	57.14	63.68	
<b>AVERAGE</b>	<b>68.74</b> <b>\$0.78</b> <b>USD=Rs.88</b>	<b>53.64</b> <b>\$0.55</b> <b>USD=Rs.98</b>	<b>54.12</b> <b>\$0.54</b> <b>USD=Rs.99</b>	<b>54.90</b> <b>\$0.55</b> <b>USD=Rs.100</b>	<b>59.59</b> <b>\$0.58</b> <b>USD=Rs.102</b>	<b>66.12</b> <b>\$0.64</b> <b>USD=Rs.104</b>	<b>62.78</b> <b>\$0.60</b> <b>USD=Rs.104</b>

Source: Pakistan Bureau of Statistics (PBS), Government of Pakistan

### Trade:

In an effort to move stocks off of the domestic market, generate additional revenue for the millers, and speed payments to growers, during December 2016, the Government of Pakistan established an export quota of 225,000 metric ton without an export subsidy. Official data shows that through February 2017 only 15,885 metric ton of sugar was exported mainly due to the price disparity between the domestic and international markets. During late March 2017, the government further approved exports of

200,000 metric ton of sugar, without a subsidy for a total of 425,000 tons of sugar that can be exported through May 31, 2017. At this stage, significant exports appear unlikely in 2016/17. In MY 2015/16 Pakistan exported 272,000 metric tons of sugar as exports were supported by a \$124 per metric ton subsidy. Exports during 2017/18 are currently forecast at zero given the high price of sugar and the absence of an announced quota and subsidy, though that could change if international prices rise sufficiently.

**Table 4: Sugar Import and Export (MT)**

Sugar Imports and Exports						
Months	Imports			Exports		
	My 2014-15	My 2015-16	My 2016-17	My 2014-15	My 2015-16	My 2016-17
Oct	1,246	1,458	889	51,657	0	0
Nov	2,638	1023	2,258	4,158	0	0
Dec	830	852	1,014	75	0	0
Jan	1,180	1,054	1,519	49,342	27,344	0
Feb	288	865	1,448	99,330	119,845	15,885
Mar	1,254	650		99,676	125,033	
Apr	652	1,060		98,167	0	
May	375	800		123,002	0	
June	499	490		35,003	0	
July	1,720	600		19,116	0	
Aug	1,775	467		0	0	
Sept	3,856	724		0	0	
<b>Total</b>	<b>16,313</b>	<b>10,043</b>	<b>7,128</b>	<b>579,526</b>	<b>272,222</b>	<b>15,885</b>

Source: Pakistan Bureau of Statistics

**Stocks:**

Increased sugar production in MY 2016/17 is expected to push stocks to 2.7 MMT, resulting in an estimated surplus of 1.7 MMT above a seemingly adequate ending stock level of 1.0 MMT based on recent history. Stocks during 2017/18 are projected to rise significantly unless higher world prices attract export demand or the government announces another export subsidy, mills may face the cost of carrying large stocks of unsold sugar, a prospect that could inhibit their ability to pay farmers for their cane. Under prevailing conditions, until a new set of subsidies are announced, these supplies are best accounted for in ending stocks.

**Production, Supply and Demand Data Statistics:**

**Table 5: Production, Supply and Demand Data Statistics:**

Sugar Cane for Centrifugal Market Begin Year Pakistan	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1168	1135	0	1225	0	1250
Area Harvested	1168	1135	0	1225	0	1250
Production	65470	65470	0	71500	0	72000
Total Supply	65470	65470	0	71500	0	72000
Utilization for Sugar	65470	52380	0	58600	0	60000
Utilization for Alcohol	0	0	0	0	0	0
Utilization for Seed & Feed	0	13090		12900		12000
Total Utilization	65470	65470	0	71500	0	72000

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(1000 HA) ,(1000 MT)

Source: Crop Reporting Department of Provincial Government and FAS Islamabad

**Table 6: Production, Supply and Demand Data Statistics:**

Sugar, Centrifugal Market Begin Year Pakistan	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks</b>	1270	1270	1570	1570	0	2685
<b>Beet Sugar Production</b>	25	25	25	25	0	25
<b>Cane Sugar Production</b>	5240	5240	5700	5950	0	6000
<b>Total Sugar Production</b>	5265	5265	5725	5975	0	6025
<b>Raw Imports</b>	0	0	0	0	0	0
<b>Refined Imp.(Raw Val)</b>	10	10	10	10	0	10
<b>Total Imports</b>	10	10	10	10	0	10
<b>Total Supply</b>	6545	6545	7305	7555	0	8720
<b>Raw Exports</b>	0	0	0	0	0	0
<b>Refined Exp.(Raw Val)</b>	275	275	0	70	0	0
<b>Total Exports</b>	275	275	0	70	0	0
<b>Human Dom. Consumption</b>	4700	4700	4800	4800	0	5000
<b>Other Disappearance</b>	0	0	0	0	0	0
<b>Total Use</b>	4700	4700	4800	4800	0	5000
<b>Ending Stocks</b>	1570	1570	2505	2685	0	3720
<b>Total Distribution</b>	6545	6545	7305	7555	0	8720

(1000 MT)