

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Pakistan

Sugar Semi-annual

Sugar Semi-annual 2012/13

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Report Highlights:

Post has revised its MY 2012/13 (Oct/Sept) sugar production forecast to a record 4.65 million tons, up 13 percent from the initial forecast of 4.1 million tons, owing to the favorable effects of the monsoon rains on the sugarcane crop. Current year's (MY 2011/12) production estimates are revised up 200,000 tons to 4.5 million tons, a four percent increase. MY 2012/13 sugar consumption is forecast at 4.4 million tons, slightly higher than last year's. Exports have been revised-up in tandem with sugarcane productivity, with 350,000 tons in FY 2011/12 and 300,000 tons in MY2012/13. MY 2012/13 ending stocks are forecast at 1.31 million tons.

Executive Summary:

This year's opportune monsoon rains will yield a bumper sugarcane crop, consequently Post's forecast for MY 2012/13 sugar production is increased 550,000 metric tons to 4.65 million tons. Additionally, production estimates for MY 2011/12 are revised up 200,000 tons to 4.5 million tons. Both years' forecast are based on an 82 percent crushing rate and a 9.2 percent sugar recovery.

Sugar consumption in MY 2012/13 is forecast at 4.4 MMT, marginally higher over the current year's estimate of 4.3million tons.

Current year's sugar exports are increased and are estimated at 350,000 tons. Sugar exports for MY 2012/13 are forecast at 300,000 tons.

MY 2012/13 ending stocks are forecast at 1.31 million tons.

Commodities:

Sugar Cane for Centrifugal

Production:

Sugarcane is an important cash crop and is mainly grown for sugar production in the country. Pakistan is the world's fifth largest producer of sugarcane in terms of acreage, and the 15th 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 production in the country has increased over time.

In MY 2012/13, Pakistan's sugarcane production is forecast at a record 61 million tons, up 10 percent (55.6 MMT) from Post's initial forecast due to increased productivity. Although monsoon rains were later-than-usual, their heavy spells were critical for increasing production. The heavy rains were also responsible for damages in some districts of Punjab and Sindh where torrential rains created flooding that affected the sugarcane crop. However, the losses are likely to be more than compensated from the increase in productivity throughout the rest of the sugarcane growing regions. Additionally, experts and farmers have expressed that these rains have been helpful in controlling a disease named Sugarcane Pirella that, otherwise, would have required pesticide sprays and would have lowered yields. However, the delayed rains are likely to delay the crushing season, which will impact negatively on the timely sowing of wheat in some areas of the country.

MY 2011/12 sugarcane production has increased due to increase in area and productivity. Accordingly, sugar estimates are revised up 200,000 tons to 4.5 million tons, a four percent increase over the initial estimates.

Table 1: Sugarcane Area and Production by Province

Province	Area ('000' hectares)			Production ('000' MT)		
	MY 2010/11	MY 2011/12	MY 2012/13	MY 2010/11	MY 2011/12	My 2012/13
Punjab	660	690	680	36,300	40,400	41,950
Sindh	220	229	240	12,760	13,740	14,400
KPK	89	90	80	4,450	4,500	4,800
Baluchistan	1	1	1	40	40	50
Total	970	1,010	1,001	53,550	58,640	61,000

Sources: Provincial Agriculture Departments and FAS/Islamabad

Production Policy

The Federal Government generally does not procure sugarcane, but it authorizes provincial governments to fix respective sugarcane prices in consultation with representatives of both the sugar industry and farmer organizations. During the MY 2011/12 crushing season, the provincial Governments of Punjab, Sindh and Khyber Pakhtunkhawah (KPK) announced a sugarcane procurement price of Rs.150 per 40 Kg (\$40 per ton). Farmers fear that due to increased production the sugar mills will not pay them the support price.

Following table shows the history of procurement prices per province, since 2000-01 to date.

Table 2: Prices of Sugarcane by Province

(Rs. per 40 kg)

YEAR	PUNJAB	SINDH	KPK	BALUCHISTAN
2000-01	35.00	36.00	35.00	36.00
2001-02	42.00	43.00	42.00	43.00
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	150.00	-

Source: Federal Bureau of Statistics, Government of Pakistan

Commodities:

Sugar, Centrifugal

Production:

In MY 2012/13 refined total centrifugal sugar production is forecast at a record 4.65million tons, 13 percent higher than post's initial estimate of 4.1million tons. The increase in sugar production is based on an increase in sugarcane productivity by 10 percent. Industry experts report that average sugarcane yield is expected to increase by 9 - 11 percent based on favorable moisture conditions due to opportune monsoon rains throughout the sugarcane growing areas. Current year forecasts are based on an 82 percent crushing of the total harvest and a 9.2 percent sugar recovery rate.

MY 2011/12 sugar production estimates are revised up 200,000 tons to 4.5 million tons, a four percent increase over initial estimates.

Consumption:

Sugar consumption in MY 2012/13 is forecast at 4.4 MMT, marginally higher over the current year's estimate of 4.3million 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. 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 2012 are expected to hover around Rs.53 per Kg (\$564 per ton), 25 percent less compared to last year prices 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
JANUARY	26.06	39.38	66.44	72.57	52.39
FEBRUARY	25.73	42.63	68.55	67.02	50.31
MARCH	25.44	43.83	64.87	66.95	54.89
APRIL	25.18	44.96	62.14	67.14	55.56
MAY	28.45	45.45	61.28	65.77	54.39
JUNE	29.75	45.65	63.27	69.19	54.82
JULY	31.68	46.96	66.68	70.74	54.25
AUGUST	32.70	52.16	72.26	74.65	53.93
SEPTEMBER	33.44	48.97	80.43	76.03	-
OCTOBER	37.61	45.75	81.91	72.01	-
NOVEMBER	37.72	45.75	87.98	67.25	-
DECEMBER	35.59	58.50	73.78	55.52	-
AVERAGE	30.80 \$0.38 USD1=Rs.80	46.66 \$0.57 USD1=Rs.82	70.80 \$0.82 USD1=Rs.86	68.74 \$0.78 USD1=Rs.88	53.82 \$0.57 USD1=Rs.94

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

Trade:

In MY 2012/13 sugar exports are forecast at 300,000 tons, double than the Post's initial estimate. In MY 2011/12 estimates for sugar exports are increased to 350,000 tons. Trade sources reveal that sugar export is in process to UAE, Bangladesh, Iran, Sri Lanka, Yemen etc. Anticipated sugar export in both years is the result of increased sugar productivity.

Stocks:

Ending stocks in MY 2012/13 are forecast at 1.31 million tons based on projected supply-demand scenarios and trade expectations.

Ending stocks in MY 2011/12 are estimated at 1.34 million tons.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Pakistan	2010/2011		2011/2012		2012/2013	
	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	830	830	1,470	1,470	1,340	1,340
Beet Sugar Production	20	20	20	20	20	20
Cane Sugar Production	3,900	3,900	4,300	4,500	4,100	4,650
Total Sugar Production	3,920	3,920	4,320	4,520	4,120	4,670
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	1,040	1,040	0	0	200	0
Total Imports	1,040	1,040	0	0	200	0
Total Supply	5,790	5,790	5,790	5,990	5,660	6,010
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	70	70	150	350	100	300
Total Exports	70	70	150	350	100	300
Human Dom. Consumption	4,250	4,250	4,300	4,300	4,400	4,400
Other Disappearance	0	0	0	0	0	0
Total Use	4,250	4,250	4,300	4,300	4,400	4,400
Ending Stocks	1,470	1,470	1,340	1,340	1,160	1,310
Total Distribution	5,790	5,790	5,790	5,990	5,660	6,010
TS=TD	0	0	0	0	0	0