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Report Name: Sugar Semi-annual

Country: Pakistan

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Report Highlights:

Pakistan's marketing year 2019/20 (MY Oct/Sept) refined sugar production is forecast at 5.2 million metric tons (MMT), down five percent from the current year's revised estimate due to a decrease in planting area. During 2018/19, sugar exports are estimated at 600,000 metric tons, while consumption will continue to grow modestly in MY 2019/20 and is projected 4 percent higher than last year. Since the start of MY 2019/20, sugar prices in the local markets have risen due to inflationary pressures in the economy. Sugar prices in August 2019 rose 36 percent compared to the same period last year. Pakistan's sugar market is insulated from international competition due to a 40 percent tariff levied on imports.

Sugarcane/Sugar Production Expected Lower

Pakistan's sugarcane production for marketing year 2019/20 (MY Oct/Sept) is forecast at 64.5 million metric tons (MMT), four percent lower than the current year's level mainly due to a decrease in planting area. Farmer's discontent with lower procurement prices and delayed payments contributed to the decline in output. Some farmers shifted to planting other crops like cotton, rice and corn to capitalize on better prices and quicker returns. Per hectare sugarcane yield in Pakistan is relatively low, which is about 60 tons per hectare. According to experts, water shortages, a lack of high yielding varieties, and irregular fertilizer and pesticide applications also contribute to lower yields. MY 2018/19 sugarcane production is stable and estimated at 67 MMT based on final provincial estimates from the provinces (see Table 1).

MY 2019/20 refined sugar production is forecast at 5.2 MMT, down five percent from the 2018/19 estimate of 5.5 million metric tons. The lower estimate is based on an 82 percent crushing and 10.10 percent sugar recovery rates.

Modest Rise in Consumption

Sugar consumption in Pakistan continues to grow modestly, largely because of a growing population and an expanding domestic food-processing sector. MY 2019/20 sugar consumption is projected at 5.6 MMT, four percent higher than last year. Bulk sugar consumers such as bakeries, candy, ice cream, and soft drink manufacturers account for 60 percent of total sugar demand. A 40 percent tariff deters sugar imports. Analysis of data shows that consumption forecast during MY 2019/20 surpassed production and this cycle is likely to repeat after 10 years. Reported consumption and export forecast are based on the availability of significant opening stocks of 2.7 MMT.

Dwindling Exports Based on Lower Production

Sugar exports during MY 2018/19 are expected to be in line with declining sugar production. Pakistan achieved its highest sugar exports of 1.6 MMT in 2017/18 and has fallen to 600,000 tons in 2018/19 and forecast to decrease further to 500,000 tons in 2019/20. During MY 2017/18, robust sugar production reached 7.2 MMT, decreased to 5.5 MMT in MY 2018/19 and is expected to be around 5.2 MMT in MY 2019/20.

Export levels during MY 2019/20 will depend on government policies. Based on a significant availability of existing stocks and the forecast of modest sugar production during MY 2019/20, FAS Islamabad forecasts a sizable surplus with an export forecast of 500,000 MT.

Export Policy Outlook for 2019/20 Requires Government Support

Pakistani sugar is trading well above international prices. The average wholesale sugar price in Akbari Mandi Lahore on September 24, 2019 stood at Rs.74,000 (\$474 per metric ton - MT), whereas sugar prices on the same date in London market were quoted at \$330 per MT. Since the sugar market is insulated from imports by a 40-

percent tariff, the prevailing domestic price should be stimulating sugar imports. Under the government's current price regime, however, sugar exports to markets other than Afghanistan are unlikely unless a new quota and subsidy is announced by the government. Sugar mills are carrying large inventories and are unlikely to purchase new supplies from the new harvest unless they reduce their stocks. Considering historical patterns, FAS Islamabad forecasts 2019/20 sugar exports at 500,000 tons.

Table 1: Sugarcane Area and Production by Province

Province	Area ('000' Hectares)			Production ('000' Tons)		
	MY	MY	MY	MY	MY	MY
	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Punjab	860	711	670	55,070	44,900	43,500
Sindh	332	280	265	20,610	16,700	15,900
NWFP	148	111	105	7,610	5,400	5,100
Baluchistan	-	-	-	-	-	-
Total	1,340	1102	1,040	83,290	67,000	64,500

Sources: MNFSR, PSMA and FAS/Islamabad

Table 2: Procurement Prices of Sugarcane by Province

YEAR	PUNJAB	SINDH	KPK	BALUCHISTAN
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	-
2017-18	180	182	180	-
2018-19	180	182	180	-
2019-20				

(Rs. per 40 kg. \$1.00=Rs.156)

Source: Provincial Agriculture Departments and PSMA

Table 3: Monthly Average Retail Prices of Sugar

YEAR/MONTH	2013	2014	2015	2016	2017	2018	2019
JANUARY	52.47	51.39	53.92	59.80	64.80	53.12	58.47
FEBRUARY	52.58	51.25	54.23	62.80	63.12	51.50	59.13
MARCH	52.71	53.35	54.28	62.93	60.41	51.33	61.15
APRIL	53.11	52.40	56.92	63.76	59.97	52.85	65.63
MAY	53.27	52.27	59.53	63.75	58.46	52.64	67.99
JUNE	54.15	53.84	62.49	64.37	56.48	53.69	70.83
JULY	54.35	55.92	65.41	67.34	55.04	54.71	72.38
AUGUST	54.28	57.83	65.36	71.17	56.88	55.59	75.38
SEPTEMBER	53.84	60.49	64.75	71.03	55.45	55.99	
OCTOBER	55.68	59.17	61.55	71.04	54.28	54.78	
NOVEMBER	58.86	56.78	59.56	71.80	53.68	54.87	
DECEMBER	54.12	54.12	57.14	63.68	53.91	55.63	
AVERAGE	54.12	54.90	59.59	66.12	57.70	53.89	66.37
	\$0.54	\$0.55	\$0.58	\$0.64	\$0.55	\$0.45	\$0.42
	USD=Rs.99	USD=Rs.100	USD=Rs.102	USD=Rs.104	USD=Rs.105	USD=Rs.120	USD=Rs.155

(Rs. per kg)

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

Table 4: Sugar Import and Export (MT)

Sugar Imports and Exports								
	Imports				Exports			
Months	My 2015/16	My 2016/17	My 2017/18	My 2018/19	My 2016/17	My 2016/17	My 2017/18	My 2018/19
Oct	1,458	889	1,120	667	0	0	49,448	0
Nov	1,023	2,258	655	545	0	0	187,237	0
Dec	852	1,014	438	531	0	0	156,194	70,614
Jan	1,054	1,519	582	481	27,344	0	133,983	23,637
Feb	865	1,448	800	592	119,845	15,885	150,484	33,236
Mar	650	1,758	650	1,140	125,033	107,558	249,416	68,373
Apr	1,060	662	718	445	0	67,186	178,605	86,234
May	800	750	683	749	0	112,130	170,026	100,155
June	490	820	705	341	0	5,080	111,036	127,926
July	600	998	683	415	0	58,555	119,286	32,641
Aug	467	1,347	290	419	0	9,774	48,088	13,726
Sept	724	864	619		0	23,632	14,768	
Total	10,043	9,339	7,943	6,325	272,222	399,800	1,568,571	556,542

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

Table 5: Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal Market Begin Year Pakistan	2017/2018		2018/2019		2019/2020	
	Oct 2016		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1340	1340	1102	1102	0	1040
Area Harvested	1340	1340	1102	1102	0	1040
Production	83290	83290	67000	67000	0	64500
Total Supply	83290	83290	67000	67000	0	64500
Utilization for Sugar	83290	83290	67000	67000	0	64500
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	83290	83290	67000	67000	0	64500
(1000 HA) ,(1000 MT)						

Table 6: Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Market Begin Year Pakistan	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	2805	2805	3140	3140	2090	2690
Beet Sugar Production	25	25	40	40	40	40
Cane Sugar Production	7200	7200	5500	5500	5200	5200
Total Sugar Production	7225	7225	5540	5540	5240	5240
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	10	10	10	10	10	10
Total Imports	10	10	10	10	10	10
Total Supply	10040	10040	8690	8690	7340	7940
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	1600	1600	1200	600	500	500
Total Exports	1600	1600	1200	600	500	500
Human Dom. Consumption	5300	5300	5400	5400	5600	5600
Other Disappearance	0	0	0	0	0	0
Total Use	5300	5300	5400	5400	5600	5600
Ending Stocks	3140	3140	2090	2690	1240	1840
Total Distribution	10040	10040	8690	8690	7340	7940
(1000 MT)						

Attachments:

No Attachments