

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Pakistan**

### **Sugar Semi-annual**

### **Sugar Semi-annual 2016**

**Approved By:**

David Williams

**Prepared By:**

M. Shafiq Ur Rehman

**Report Highlights:**

Sugar production is forecast at a record 5.7 million metric tons for 2016/17, up nine percent from a year ago. Sugar has emerged as a favored crop among farmers who value the government established procurement price for sugarcane in the face of lower prices for other crops. Pakistan has announced sugar export quotas and subsidies for each of the past two marketing years. It is too early to tell if a subsidy will be announced for this year, but record sugar production is expected to lead to large sugar stocks. For now, exports are forecast at zero given the price disparity between the domestic and international markets. That estimate will likely change if a subsidy is announced. Pakistan's domestic sugar market is shielded by a 40 percent import tariff.

## **Record Sugarcane Production Expected**

Pakistan's marketing year (MY Oct/Sept) 2016/17 sugarcane production is forecast at a record 70.5 million metric tons (MMT), reflecting an increase in area of nearly eight percent. Pakistan's cotton farmers were particularly hard hit by low prices at harvest in 2016 and, in areas where agronomics permit, opted for alternate crops when preparing for winter 2016 planting. Sugar, which is planted in the fall or late winter, enjoys the protection of high tariffs and government intervention to support cane prices, making it a relatively safe option for farmers seeking to minimize price and income risk. The 2016 monsoon performed capably and weather conditions and water availability have been supportive of crop development and yields. 2015/16 sugarcane production is estimated at 65 MMT based on final provincial estimates (see Table 1).

MY 2016/17 refined sugar production is forecast at 5.7 MMT, up nine percent from the revised 2015/16 estimate. The estimate of MY 2015/16 sugar production is up 155,000 MT from the previous assessment, and now reflects official data from Pakistan Sugar Mills Association (PSMA). The estimate is based on an 80 percent crushing and 10.12 percent sugar recovery rate. The MY 2014/15 estimate also reflects official data.

## **Stocks to grow; what to do?**

Increased sugar production is expected to push stocks to nearly 2.0 MMT; 750,000 MT to 1.0 MMT above ending stock levels observed during recent years. Barring a significant increase in world sugar prices that would make Pakistani exports price competitive, millers are expected to face the difficult situation of purchasing the record supply of cane at a high public support price (see Table 2) while sugar sales are limited to the domestic market. With the aid of a 40 percent import tariff, sugar in Pakistan is priced well above the international market. While domestic sales may be remunerative (see Table 3), unless 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.

At this stage, it is too early to predict whether the Government will establish an export subsidy. During the past two marketing years, that decision was made in December or January. In 2014/15 the Government set a subsidy of \$100 per MT that led to a fully subscribed quota of 500,000 MT; in 2015/16 it set a subsidy of \$124 per MT as exports of 270,000 MT fell below the 500,000 MT quota. Lower exports appear to have been the result of abundant supplies and lower prices from other more traditional sugar export origins. If the flow of cash to the mills is poor and delays payments to farmers, pressure for a 2016/17 export subsidy may mount. For now, we have opted to forecast exports at zero given the disparity between Pakistani prices and international prices. If a subsidy is announced and the Government establishes an export quota, exports likely to begin shortly after the announcement, provided the subsidy is sufficiently large. The export quota could be as high as 1.0 MMT.

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

Province	Area ('000' Hectares)			Production ('000' Tons)		
	MY 2014/15	MY 2015/16	MY 2016/17	MY 2014/15	My 2015/16	My 2016/17
Punjab	700	705	792	41,075	41,970	47,000
Sindh	300	312	318	16,610	17,980	18,200
NWFP	110	118	113	5,515	5,500	5,300
Baluchistan	-	-	-	-	-	-
<b>Total</b>	<b>1,110</b>	<b>1,135</b>	<b>1,223</b>	<b>63,200</b>	<b>65,450</b>	<b>70,500</b>

Sources: Provincial Agriculture Departments and FAS/Islamabad

**Table 2: Procurement Prices of Sugarcane by Province**

(Rs. per 40 kg. \$1.00=Rs. 105)

YEAR	Punjab	Sindh	KPK	BALUCHISTAN
2000-01	35	36	35	36
2001-02	42	43	42	43
2002-03	40	43	42	43
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	-

Source: Federal Bureau of Statistics, Government of Pakistan

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

(Rs. per kg)

YEAR/MONTH	2011	2012	2013	2014	2015	2016
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<b>JANUARY</b>	72.57	52.39	52.47	51.39	53.92	59.80
<b>FEBRUARY</b>	67.02	50.31	52.58	51.25	54.23	62.80
<b>MARCH</b>	66.95	54.89	52.71	53.35	54.28	62.93
<b>APRIL</b>	67.14	55.56	53.11	52.40	56.92	63.76
<b>MAY</b>	65.77	54.39	53.27	52.27	59.53	63.75
<b>JUNE</b>	69.19	54.82	54.15	53.84	62.49	64.37
<b>JULY</b>	70.74	54.25	54.35	55.92	65.41	67.34
<b>AUGUST</b>	74.65	53.93	54.28	57.83	65.36	71.17
<b>SEPTEMBER</b>	76.03	52.76	53.84	60.49	64.75	
<b>OCTOBER</b>	72.01	53.28	55.68	59.17	61.55	
<b>NOVEMBER</b>	67.25	54.07	58.86	56.78	59.56	
<b>DECEMBER</b>	55.52	53.04	54.12	54.12	57.14	
<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>64.49</b> <b>\$0.61</b> <b>USD=Rs.105</b>

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

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

<b>Sugar Imports and Exports</b>				
<b>Months</b>	<b>Imports</b>		<b>Exports</b>	
	<b>My 2014-15</b>	<b>My 2015-16</b>	<b>My 2014-15</b>	<b>My 2015-16</b>
Oct	1,246	1,458	51,657	0
Nov	2,638	1,023	4,158	0
Dec	830	852	75	0
Jan	1,180	1,054	49,342	27,344
Feb	288	865	99,330	119,845
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	0	0	
<b>Total</b>	<b>16,313</b>	<b>9,319</b>	<b>579,526</b>	<b>272,222</b>

Source: Pakistan Bureau of Statistics

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

Sugar Cane for Centrifugal	2014/2015	2015/2016	2016/2017
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