

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Pakistan

Sugar Annual

Sugar Annual 2014

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Report Highlights:

Pakistan's next year (MY) 2014/15 sugar production is forecast at 4.86 million tons, a seven percent decrease from the current year's production. Sugar consumption for the same year is forecast at 4.5 million tons, slightly higher than last year's estimates and exports are forecast at 400,000 tons. Ending stocks are expected to increase to 1.14 million tons. The current year's (MY 2013/14) production estimates are revised up 245,000 tons to a record 5.2 million tons due to increased acreage, good rains, and an improvement in sugar recovery rate. Sugar production for MY 2012/13 is revised to 4.98 million tons. MY 2013/14 sugar exports are revised at 500,000 tons.

Executive Summary:

Sugarcane is an important industrial and cash crop in Pakistan. Current year's increase in sugarcane cropped area and opportune monsoon rains provided optimum moisture, a key factor to impel a record sugarcane harvest. Consequently, Post's estimate of Pakistan's MY 2013/14 sugar production is increased by 245,000 tons to a record 5.2 million tons. Estimates are based on an 83 percent crushing rate and 9.9 percent sugar recovery. Pakistan's MY 2014/15 total sugar production is forecast at 4.86 million tons, down seven percent over the current year's estimate due to projected six percent decrease in sugarcane cropped area. Sugar consumption in MY 2014/15 is forecast at 4.5 million tons, slightly up over the previous year. Sugar exports in MY 2013/14 are revised at 500,000 tons from the previous estimates of 440,000 tons. MY 2014/15 sugar exports are forecast at 400,000 due to decrease in production estimates. MY 2014/15 ending stocks are expected to improve and are forecast at 1.14 million tons.

Commodities:

Sugar Cane for Centrifugal

Production:

Pakistan is the world's sixth largest producer of sugarcane in terms of acreage, and the 9th largest producer of sugar. In Pakistan, sugarcane is grown on approximately 1.1 million hectares and provides the raw material for 86 sugar mills. Sugar industry is the country's second largest agro-industry after textiles. In addition to sugar, sugarcane is employed in the production of pharmaceutical ethanol, fuel ethanol, bagasse for paper and chip board manufacturing, and press mud used as a rich source of organic fertilizer for crop production.

In MY 2013/14, Pakistan's sugarcane production is estimated at 63 million tons, up 7 percent over last year's harvest of 59 million tons. The higher production was due to favorable climatic conditions coupled with high prices received by the growers in the previous year. The current year's sugarcane crop benefitted from the opportune monsoon season especially in southern Punjab and Sindh Provinces. The availability of optimum moisture throughout the growing season helped achieve record harvest. Since 2011, sugar production has increased due to increase in area and improvement in sucrose contents i.e. sugar recovery rate from the planting of newly evolved high yielding sugarcane varieties. Analysis of sugar recovery data shows that sucrose contents have increased by more than 15 percent over the last ten years.

In Pakistan, sugarcane's production cycle swaps between 3 to 5 years. After four successive years of increases in sugar production (MY 2010/11 to MY 2013/14), it is likely to decrease in the ensuing year mainly due to decrease in area followed by significant acreage of ratoon crop (older crop). MY 2014/15 sugarcane acreage is expected to decrease by six percent to 1.1 million hectares, mainly due to mills late payments to cane growers and better prospectus offered by other crops like cotton, corn etc. Mills delay the payments to growers so that they will help pressure the Government for export support and increased procurement by the state enterprise, Trading Corporation of Pakistan (TCP). TCP is mandated

to maintain strategic stocks as well as to keep its supply line in operation for public sector outlets. This arrangement helps in maintaining sugar supply and prices in the domestic market. MY 2013/14 sugarcane production is estimated at 63 million tons, an increase of seven percent over the preceding year. In the following table, area and production figures are adjusted according to the data received from provincial agriculture departments.

Table 1: Sugarcane Area and Production by Province

Province	Area ('000' Hectares)			Production ('000' Tons)		
	MY 2012/13	MY 2013/14	MY 2014/15	MY 2012/13	MY 2013/14	My 2014/15
Punjab	755	800	750	40,720	42,800	40,560
Sindh	250	267	248	14,200	15,554	14,000
NWFP	104	110	102	4,280	4,950	4,200
Baluchistan	1	1	1	40	50	40
Total	1,110	1,178	1,105	59,240	63,354	58,800

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), Ministry of National Food Security and Research and the provincial Ministries of agriculture, food, and industry. During the MY 2013/14 crushing season, the provincial governments of Punjab and Khyber Pakhtunkhawah (KPK) maintained the previous year's 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). According to trade sources, this year's low sugar prices and the harvest of a record sugarcane crop resulted in mills offering lower cane prices than the announced MSP followed by delayed payments to the farmers. This is going to affect the next year planting, so it is projected that during MY2014/15 sugarcane area will decrease by six percent to 1.1 million hectares. Often, farmers harvest in October, at the beginning of the cane harvest season, even though the sugar content is still developing and cane prices are lower. The lower income is offset by the ability to plant wheat in November as a second crop.

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 2: Sugarcane Procurement Prices by Province

(Rs. per 40 kg)

YEAR	PUNJAB	SINDH	NWFP	BALUCHISTAN
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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	100	100	-
2010-11	125	127	125	-
2011-12	150	152	150	-
2012-13	170	172	170	-
2013-14	170	172	170	-
2014-15	-	-	-	-

Source: Provincial Agriculture Departments

Commodities:

Sugar, Centrifugal

Production:

MY 2014/15 refined sugar production is forecast at 4.86 million tons, seven percent lower than the current year's estimate due to a reduction in acreage. Post's estimate of MY 2013/14 sugar production is revised upward by 245,000 tons to 5.2 million tons based on record harvest following excessive rains/flooding, favorable weather conditions coupled with improved sucrose contents. Current year's estimates are based on an 83 percent crushing rate and 9.9 percent sugar recovery rate.

Consumption:

Burgeoning population requirements and strong demand from bulk consumers in Pakistan will push up domestic sugar consumption in MY 2014/15 to 4.5 million tons, slightly up over MY 2013/14 estimated demand of 4.45 million tons.

Table 3: Monthly Average Retail Prices of Sugar

(Rs. per kg)

YEAR/MON TH	2009	2010	2011	2012	2013	2014

JANUARY	39.38	66.44	72.57	52.39	52.47	51.39
FEBRUARY	42.63	68.55	67.02	50.31	52.58	51.25
MARCH	43.83	64.87	66.95	54.89	52.71	53.35
APRIL	44.96	62.14	67.14	55.56	53.11	
MAY	45.45	61.28	65.77	54.39	53.27	
JUNE	45.65	63.27	69.19	54.82	54.15	
JULY	46.96	66.68	70.74	54.25	54.35	
AUGUST	52.16	72.26	74.65	53.93	54.28	
SEPTEMBER	48.97	80.43	76.03	52.76	53.84	
OCTOBER	45.75	81.91	72.01	53.28	55.68	
NOVEMBER	45.75	87.98	67.25	54.07	58.86	
DECEMBER	58.50	73.78	55.52	53.04	54.12	
AVERAGE	46.66	70.80	68.74	53.64	54.12	51.66
	\$0.57	\$0.82	\$0.78	\$0.55	\$0.54	\$0.52
	USD1=Rs.	USD1=Rs.	USD1=Rs.	USD1=Rs.	USD1=Rs.	USD1=Rs.1
	82	86	88	98	99	00

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

Price data shows that year- to- date, sugar prices have remained stable in the domestic market. The estimated record production of sugar during MY 2013/14 and carryover stocks is expected to stabilize the prices during next year.

Trade:

MY 2013/14 sugar exports are revised up to 500,000 tons from the previous estimate of 440,000 tons. Pakistan sugar industry duly supported by government is making all out efforts to dispose of the surplus stocks but facing difficulties due to higher cost of production followed by glut like situation in the international market. Since March 2014, the appreciation of Pakistani rupee versus U.S. Dollar is likely to affect the export of commodities from Pakistan. On domestic front the industry is in close contact with the Government of Pakistan (GOP) for the purchase of sugar from mills to maintain strategic reserves and fulfil domestic supplies. In this regard, GOP has procured around half a million tons of sugar through Trading Corporation of Pakistan (TCP) to maintain its supply for the public sector outlets. This arrangement is partially helpful in ensuring the availability of sugar in the market; maintain prices as well as enabling the mills to pay off the growers. MY 2014/15 exports are forecast at 400,000 tons mainly due to drop in production.

Stocks:

Ending stocks in MY 2014/15 are forecast at 1.2 million tons based on projected supply-demand scenarios and trade expectations. Ending stocks in MY 2013/14 are estimated at 1.14 million tons.

Production, Supply and Demand Data Statistics:

(Figures in '000' MT)

Sugar, Centrifugal Pakistan	2012/2013	2013/2014	2014/2015
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	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	1,350	1,350	639	900	0	1,175
Beet Sugar Production	20	20	40	40	0	40
Cane Sugar Production	4,760	4,980	4,930	5,175	0	4,820
Total Sugar Production	4,780	5,041	4,970	5,215	0	4,860
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	9	9	10	10	0	10
Total Imports	9	9	10	10	0	10
Total Supply	6,139	6,400	5,619	6,125	0	6,045
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	1,100	1,100	440	500	0	400
Total Exports	1,100	1,100	440	500	0	400
Human Dom. Consumption	4,400	4,400	4,450	4,450	0	4,500
Other Disappearance	0	0	0	0	0	0
Total Use	4,400	4,400	4,450	4,450	0	4,500
Ending Stocks	639	900	729	1,175	0	1,145
Total Distribution	6,139	6,400	5,619	6,125	0	6,045
TS=TD	0	0	0	0	0	0