

USDA Foreign Agricultural Service

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Global Agricultural Information Network

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Pakistan

Sugar Annual

Sugar Annual 2015

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Report Highlights:

Pakistan's sugar stocks are on the rise as several years of robust production have boosted stocks of sugar. In an effort to move stocks out of the country, the government announced a \$100 per metric ton export subsidy and imposed a 25 percent tariff on imports. 2014/15 sugar exports are expected to double to 600,000 metric tons and, while the future of the subsidy beyond June 15, 2015, is uncertain, exports are forecast at 700,000 metric tons in 2015/16 given the expectation of continued exportable supplies. Pakistan's marketing year (MY) 2015/16 sugar production is forecast at 5.4 million tons, up slightly from the revised 2014/15 estimate. Sugarcane area and production are largely unchanged over the past few years despite increases in the cane procurement price.

Sugarcane

Production:

Pakistan is the world's sixth largest producer of sugarcane in terms of acreage, and the eighth largest producer of sugar. Sugarcane is grown on approximately 1.1 million hectares and provides the raw material for 88 sugar mills. The sugar industry is the country's second largest agriculture-based industry after textiles.

Pakistan's marketing year (MY Oct/Sep) 2015/16 sugarcane production is forecast at 65.5 million metric tons (MMT), up slightly from the revised 2014/15 estimate which is based on preliminary official data. Planting for the crop that will be harvested in the fall of 2015 is complete and area is largely unchanged from the past two years. Farmers are concerned about the ability of the sugar mills to make timely payments. That issue combined with low market prices for most commodities has left farmers with little incentive to expand sugarcane area relative to other crops.

MY 2014/15 sugarcane production is estimated at 63 million tons, down six percent from the year prior, both estimates are based on official data. The decline in production was due to a slight decrease in area as farmers shifted to more remunerative crops like corn and cotton. The late-season monsoon floods of 2014 may have had some effect on yields, but 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 an estimated 15 percent over the past 10 years.

The major sugar crop is sugarcane, but there is a small sugar beet industry at the higher elevations of Khyber Pakhtunkhwa (KPK) province. The Province of Punjab accounts for 65 percent of area, Sindh 28 percent, and KPK 8 percent. 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 in 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 yields of sugarcane in Pakistan are 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 2013/14	MY 2014/15	MY 2015/16	MY 2013/14	My 2014/15	My 2015/16
Punjab	756	696	750	43,710	40,200	43,000
Sindh	298	310	300	18,360	17,550	17,500
NWFP	117	117	117	5,360	5,360	4,940
Baluchistan	1	1	1	30	30	30
Total	1,172	1,124	1,168	67,460	63,140	65,470

Sources: Provincial Agriculture Departments and FAS/Islamabad

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 2014/15 crushing season, the provincial governments of Punjab and Khyber Pakhtunkhawah (KPK) announced the minimum support price (MSP) of Rs. 180 per 40 Kg (\$45/ton), whereas, Sindh announced a price of Rs. 182 per 40 Kg (\$46/ton). Mills are typically bound to pay farmers the MSP, however, buyers and sellers 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 at current market rates.

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
2003-04	40	41	42	43.00
2004-05	40	43	42	43.00
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	-

Source: Provincial Agriculture Departments

Commodities:

Sugar, Centrifugal

Production:

MY 2015/16 refined sugar production is forecast at 5.4 MMT, up slightly from the revised 2014/15 estimate, reflecting an increase in sugarcane production. The estimate of MY 2014/15 sugar production is up 500,000 MT from the current estimate (unchanged from the previous FAS Islamabad estimate), and now reflects official data from the Ministry of National Food Security and Research. The estimate is based on an 84 percent crushing and 9.9 percent sugar recovery rate. The MY 2013/14 estimate also reflects official data.

Consumption:

Consumption continues to grow due to rising demand from an expanding population and the emerging processed food sector. Bulk sugar consumers such as bakeries, candy, ice cream, and soft drink manufacturers account for about 60 percent of total sugar demand. Despite continued growth in demand, sugar stocks are accumulating as robust production in recent years has led to an increase in domestic supply.

Trade:

In an effort to move stocks off the domestic market, generate additional revenue for the millers, and speed payments to growers, the Government of Pakistan established a sugar export subsidy of \$100 per metric ton which has resulted in an increase in exports. The subsidy is in effect through June 15, 2015. Pakistan's next federal budget will be implemented on July 1, 2015. At this stage it is not clear if the subsidy will be extended. Similarly, in an effort to protect domestic producers, the government announced an import tariff of 25 percent to prevent imports as international prices have declined. MY 2014/15 sugar exports are estimated at 600,000 tons and had reached 200,000 MT through February. The government has also procured 500,000 MT of sugar through the government-run Trading Corporation of Pakistan (TCP) to maintain its supply for the publicly-run sales outlets. MY 2015/16 exports are forecast at 700,000 MT given that exportable supplies are expected to persist.

Table 3: Monthly Average Retail Prices of Sugar

(Rs. per kg)

YEAR/MONTH	2011	2012	2013	2014	2015
JANUARY	72.57	52.39	52.47	51.39	53.92
FEBRUARY	67.02	50.31	52.58	51.25	54.23
MARCH	66.95	54.89	52.71	53.35	
APRIL	67.14	55.56	53.11	52.40	
MAY	65.77	54.39	53.27	52.27	
JUNE	69.19	54.82	54.15	53.84	

JULY	70.74	54.25	54.35	55.92	
AUGUST	74.65	53.93	54.28	57.83	
SEPTEMBER	76.03	52.76	53.84	60.49	
OCTOBER	72.01	53.28	55.68	59.17	
NOVEMBER	67.25	54.07	58.86	56.78	
DECEMBER	55.52	53.04	54.12	54.12	
AVERAGE	68.74 \$0.78 USD=Rs.88	53.64 \$0.55 USD=Rs.98	54.12 \$0.54 USD=Rs.99	54.90 \$0.55 USD=Rs.100	54.00 \$0.54 USD=Rs.100

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

Stocks:

Ending stock estimates for 2013/14 and 2014/15 are higher than previously estimated as production has proven to be higher than originally estimated. Sugar millers have had difficulty moving the increased sugar supplies into the domestic market and are struggling as cane procurement prices have increased while domestic prices are essentially flat and world prices have dropped.

Production, Supply and Demand Data Statistics:

(Figures in '000' MT)

Sugar, Centrifugal Market Begin Year Pakistan	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	859	859	936	1,270	0	1,210
Beet Sugar Production	40	30	40	30	0	30
Cane Sugar Production	5,175	5,600	4,660	5,200	0	5,400
Total Sugar Production	5,215	5,630	4,700	5,230	0	5,430
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	12	10	10	10	0	10
Total Imports	12	10	10	10	0	10
Total Supply	6,086	6,499	5,646	6,510	0	6,650
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	700	729	300	600	0	700
Total Exports	700	729	300	600	0	700
Human Dom. Consumption	4,450	4,500	4,500	4,700	0	4,950
Other Disappearance	0	0	0	0	0	0
Total Use	4,450	4,500	4,500	4,700	0	4,950
Ending Stocks	936	1,270	846	1,210	0	1,000
Total Distribution	6,086	6,499	5,646	6,510	0	6,650

1000 MT

