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Pakistan

Sugar Semi-annual

Sugar Semi-annual 2011

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Report Highlights:
Due to the favorable effects of monsoon rains on the overall Pakistani sugarcane crop, Post revised its MY 2011/12 (Oct/Sept) sugar production forecast to 4.2 million metric tons (MMT), up 10 percent from the initial forecast of 3.8 MMT. MY 2011/12 sugar consumption is forecast at 4.3 MMT, just slightly higher than last year. The forecast for sugar imports is reduced by 50 percent to 300,000 MT. MY 2011/12 ending stocks are expected to rebound and are forecast at 830,000 MT.

Executive Summary:

Despite rain/flood damages in southern Pakistan, this year's unprecedented monsoon torrential rains are likely to support the sugarcane crop, consequently Post's estimate for MY 2011/12 sugar production is increased (400,000 MT) to 4.2 MMT. Current year forecasts are based on an 82 percent crushing level and 8.8 percent sugar recovery. Pakistan's MY 2011/12 total sugar production forecast is up 10 percent over our initial forecast mainly due to expected increases in area harvested, but also due to increases in yields in select areas. MY 2011/12 sugar consumption is forecast at 4.3 MMT due to an increase in industrial sugar demand. Sugar imports are lowered and forecast at 300,000 tons. MY 2011/12 ending stocks are forecast at 830,000 MT.

Commodities:

Sugar, Centrifugal

Production:

SUGARCANE

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 over a million hectares and provides raw material for 84 sugar mills established throughout sugarcane producing areas of the country. The sugar industry is the country's second largest agro-industry after textiles.

In MY 2011/12, Pakistan's sugarcane production is forecast at 58 MMT, up 10 percent (52.8 MMT) over the forecast quoted in the annual report. According to provincial agricultural departments, based on first crop estimates, sugarcane acreage increased in the provinces of Punjab, Sindh and Khyber Pakhtunkhawah (KPK) driven by higher prices farmers received last year coupled with strong demand from the industrial sector. In Sindh province, however, while sugarcane planted area increased from 225,000 hectares to 250,000 hectares, recent heavy rains and flooding damaged a significant portion of the crop. According to estimates from the Sindh Agricultural Department, 34 percent of Sindh's sugarcane crop has been damaged, but based on information from independent sources, however, Post assess the extent of crop damage at about 20 percent of planted area, or 50,000 hectares. Resulting losses in cane production, however, are expected to be more than compensated for as sufficient availability of moisture and increased planting in other areas will increase overall cane production and yields. Industry experts report average sugarcane yields are expected to increase by 5-8 percent based on favorable moisture conditions due to favorable monsoon rains throughout most sugarcane growing areas of the country.

Table 1: Sugarcane Area and Production by Province

Province	Area ('000' hectares)			Production ('000' MT)		
	MY 2009/10	MY 2010/11	MY 2011/12	MY 2009/10	MY 2010/11	My 2011/12
Punjab	605	680	740	31,612	35,400	40,810
Sindh	234	230	200	13,000	13,900	12,000
KPK	100	100	99	4,400	4,660	5,150
Baluchistan	1	1	1	38	40	40
Total	**940**	**1,011**	**1,040**	**49,050**	**54,000**	**58,000**

Sources: Provincial Agriculture Departments and FAS/Islamabad

Production Policy

The Pakistani federal government generally does not procure sugarcane, but it authorizes provincial governments to set respective minimum sugarcane prices in consultation with both the sugar industry and farmer organizations. During the MY 2011/12 crushing season, the provincial governments of Punjab and Khyber Pakhtunkhawah (KPK) announced a sugarcane procurement price of Rs.150 per 40 Kg ($43 per MT), whereas the Sindh government has not announced a procurement price. Consequently, as a result of the heavy rains and subsequent flooding in Sindh, the harvest and crushing season may be delayed; which may negatively impact the timely sowing of wheat in the province.

The following table shows the history of procurement prices per province since 2000/01 to date.

Table 2: Sugarcane Prices 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	-	150.00	-

Source: Federal Bureau of Statistics, Government of Pakistan

SUGAR

Production:

For MY 2011/12, refined total centrifugal sugar production is forecast at 4.2 MMT, 10 percent higher than Post's initial estimate of 3.8 MMT. Enhanced sugar production is based on an estimated increase in sugarcane harvested area and expected increases in average sugarcane productivity mentioned above. Current year forecasts are based on 82 percent crushing and 8.8 percent sugar recovery. Excessive rains have induced vegetative crop growth, therefore, sugar analyst perceive a marginal decrease in sugar recovery percentage over last year's rate of 8.9 percent.

Consumption:

Sugar consumption in MY 2011/12 is forecast at 4.3 MMT, marginally higher than last year's estimate of 4.25 MMT. Pakistan's population growth and increased industrial demand is outstripping increased production resulting in continued upward pressure on prices. In 2010, sugar prices remained volatile resulting in a higher average price settling at around Rs 0.70 per kilogram ($805 per MT). Annual average prices rose 50 percent compared with the average price in 2008. While this rapid increase in sugar prices have negatively affected household consumption, overall consumption remains constant with 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 total sugar demand.

Market prices of sugar during 2011 are expected to level off around Rs.70 per Kg ($805 per MT) based on enhanced local sugar production coupled with an easing of international sugar prices.

Table 3: Average Monthly Sugar Retail Prices (Rs. per Kg)

YEAR/MONTH	**2007**	**2008**	**2009**	**2010**	**2011**
JANUARY	31.55	26.06	39.38	66.44	72.57
FEBRUARY	30.83	25.73	42.63	68.55	67.02
MARCH	30.63	25.44	43.83	64.87	68.14
APRIL	30.25	25.18	44.96	62.14	67.44
MAY	29.85	28.45	45.45	61.28	65.77
JUNE	28.38	29.75	45.65	63.27	69.19
JULY	29.20	31.68	46.96	66.68	70.74
AUGUST	30.17	32.70	52.16	72.26	74.65
SEPTEMBER	29.85	33.44	48.97	80.43	-
OCTOBER	29.36	37.61	45.75	81.91	-
NOVEMBER	28.75	37.72	45.75	87.98	-
DECEMBER	26.89	35.59	58.50	73.78	-
AVERAGE	**29.64** **$0.49** USD1=Rs.61	**30.80** **$0.38** USD1=Rs.80	**46.66** **$0.57** USD1=Rs.82	**70.80** **$0.82** USD1=Rs.86	**69.44** **$0.80** USD1=Rs.87

Trade:

In MY 2011/12, sugar imports are forecast at 300,000 MT, 50 percent less than projected imports forecast in the annual report. Deflated imports are the result of enhanced local sugar production. Imports of refined sugar are allowed to enter duty free.

Stocks:

Ending stocks in MY 2011/12 are forecast at 830,000 MT, up 15 percent from our initial estimate due to expected increased production.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Pakistan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	550	550	830	830	680	680
Beet Sugar Production	20	20	20	20	20	20
Cane Sugar Production	3,400	3,400	3,900	3,900	3,800	4,200
Total Sugar Production	3,420	3,420	3,920	3,920	3,820	4,220
Raw Imports	0	0	100	100	200	0
Refined Imp.(Raw Val)	1,030	1,030	150	150	400	300
Total Imports	1,030	1,030	250	250	600	300
Total Supply	5,000	5,000	5,000	5,000	5,100	5,200
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	70	70	70	70	70	70
Total Exports	70	70	70	70	70	70
Human Dom. Consumption	4,100	4,100	4,250	4,250	4,300	4,300
Other Disappearance	0	0	0	0	0	0
Total Use	4,100	4,100	4,250	4,250	4,300	4,300
Ending Stocks	830	830	680	680	730	830
Total Distribution	5,000	5,000	5,000	5,000	5,100	5,200
TS=TD	0	0	0	0	0	0