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Global Agricultural Information Network

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Pakistan

Sugar Annual

Sugar Annual 2016

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Report Highlights:

Pakistan exported 275,000 metric tons of sugar during the first three months of 2016 with the help of an export subsidy of \$124 per metric ton. Exports were well below the 500,000 metric ton quota that was established. It is not clear if the subsidy will be extended. With the help of a 40 percent tariff, domestic prices are high and Pakistan's sugar imports are minimal; unsubsidized exports to markets other than Afghanistan are improbable given current domestic price levels. Marketing year 2016/17 sugar production is forecast at 5.4 million metric tons, up 5.5 percent from the revised 2015/16 estimate. Lower prices for rice and cotton have encouraged some farmers to shift to sugarcane where there is a guaranteed minimum farm price.

Commodities:

Sugar Cane for Centrifugal

Production:

Sugarcane is grown on approximately 1.1 million hectares and provides the raw material for 88 sugar mills. The sugar industry is the Pakistan's second largest agriculture-based industry after textiles. Pakistan's marketing year (MY Oct/Sep) 2016/17 sugarcane production is forecast at 65 million metric tons (MMT), up four percent from the revised 2015/16 estimate which is based on preliminary official data. Planting for the crop that will be harvested in the fall of 2016 is complete and area has increased by 3.8 percent as compared to last year. Lower market prices of competing crops such as cotton and rice led to an increase in sugarcane area as farmers sought income predictability via the provincial procurement prices. Sugarcane and sugar benefit from generous support prices and high tariffs providing a desirable planting option for farmers.

According to preliminary official estimates, the MY 2015/16 sugarcane production is estimated at 62 million tons, slightly down from the previous year. The 2014/15 estimate is based on official data. The late-season monsoon floods of 2015 damaged some low lying fields of sugarcane and may have had some effect on yields. 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.

Punjab accounts for 62 percent of area, Sindh 28 percent, and KPK 10 percent of sugarcane area. There is a small sugar beet industry in the higher elevations of Khyber Pakhtunkhwa (KPK) province.

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 sugarcane in the 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 yield of sugarcane in Pakistan is 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 2014/15	MY 2015/16	MY 2016/17	MY 2014/15	My 2015/16	My 2016/17
Punjab	710	705	732	41,075	39,530	41,730
Sindh	317	312	324	16,610	17,470	17,500
NWFP	123	118	122	5,515	5,310	5,740
Baluchistan	-	-	-	-	-	-
Total	1,149	1,135	1,178	63,200	62,310	64,970

Sources: Provincial Agriculture Departments and FAS/Islamabad

Production 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 2015/16 crushing season, the provincial governments of Punjab and KPK) announced the minimum support price (MSP) of Rs. 180 per 40 Kg (\$43/ton), whereas, Sindh announced a price of Rs. 182 per 40 Kg (\$44/ton). Mills are typically bound to pay farmers the MSP, however, buyer and seller 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 industry is currently protected by a 40 percent import tariff designed to boost domestic sugar prices and protect millers from imports.

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.

The following table shows the history of procurement prices for each province over the past 13 years.

Table 2: Sugarcane Procurement Prices by Province

(Rs. per 40 kg)

YEAR	PUNJAB	SINDH	KPK	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	-
2015-16	180	182	180	-

Source: Provincial Agriculture Departments

Commodities:

Sugar, Centrifugal

Production:

MY 2016/17 refined sugar production is forecast at 5.36 MMT, up 5.5 percent from the revised 2015/16 estimate, reflecting a forecast increase in sugarcane production. The estimate of MY 2015/16 sugar

production is down 340,000 MT from the previous estimate, and now reflects official data from Pakistan Sugar Mills Association (PSMA). The estimate is based on an 80 percent crushing and 10.15 percent sugar recovery rate. The MY 2014/15 estimate also reflects official data.

Sugar in Pakistan's domestic market continues to be priced well above the international market and the market is insulated from imports by a tariff of 40 percent. While mills enjoy a high price in the domestic market, millers are still squeezed between high provincial and federal minimum cane prices and their returns from selling sugar in the domestic market.

Consumption:

Consumption continues to grow modestly, largely as a result of growing population and a slowly developing domestic food processing sector. Bulk sugar consumers such as bakeries, candy, ice cream, and soft drink manufacturers account for about 60 percent of total sugar demand. With the added protection of 40 percent tariff on imports, market prices, which have risen steadily during 2015, could remain firm and discourage a larger increase in consumption. Despite modest growth in demand, sugar stocks are accumulating as robust production in recent years has led to an increase in domestic supply.

Table 3: Monthly Average Retail Prices of Sugar

(Rs. per kg)

YEAR/MONTH	2011	2012	2013	2014	2015	2016
JANUARY	72.57	52.39	52.47	51.39	53.92	59.80
FEBRUARY	67.02	50.31	52.58	51.25	54.23	62.80
MARCH	66.95	54.89	52.71	53.35	54.28	62.93
APRIL	67.14	55.56	53.11	52.40	56.92	
MAY	65.77	54.39	53.27	52.27	59.53	
JUNE	69.19	54.82	54.15	53.84	62.49	
JULY	70.74	54.25	54.35	55.92	65.41	
AUGUST	74.65	53.93	54.28	57.83	65.36	
SEPTEMBER	76.03	52.76	53.84	60.49	64.75	
OCTOBER	72.01	53.28	55.68	59.17	61.55	
NOVEMBER	67.25	54.07	58.86	56.78	59.56	
DECEMBER	55.52	53.04	54.12	54.12	57.14	
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	59.59 \$0.58 USD=Rs.102	61.84 \$0.59 USD=Rs.104

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

Trade:

In an effort to move stocks off of the domestic market, generate additional revenue for the millers, and speed payments to growers, during December 2015, the Government of Pakistan established a sugar export subsidy of \$124 per metric ton to cover exports of up to 500,000 metric tons through March 31, 2016. Trade data shows that just 275,000 MT were exported. PSMA may seek government approval to extend the subsidy period through June of 2016 (the end of the current fiscal year). During MY 2014/15 Pakistan exported 579,526 metric ton of sugar as exports were supported by a \$100 per metric ton subsidy. Exports during 2016/17 are currently forecast at zero given the high price of sugar and the absence of an announced quota and subsidy.

Table 4: Sugar Import and Export (MT)

Sugar Imports and Exports				
	Imports		Exports	
Months	My 2014-15	My 2015-16	My 2014-15	My 2015-16
Oct	1,246	1,458	51,657	0
Nov	2,638	1023	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		98,167	
May	375		123,002	
June	499		35,003	
July	1,720		19,116	
Aug	1,775		0	
Sept	3,856		0	
Total	16,313	5,902	579,526	272,222

Source: Pakistan Bureau of Statistics

Stocks:

Export subsidies have helped to move supplies off the domestic market and hold stock levels in check. 2016/17 ending stocks are sufficiently high to result in another possible round of export subsidies. Until a new set of subsidies are announced, these supplies are best accounted for in ending stocks.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Market Begin Year Pakistan	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	1270	1270	1210	1270	0	1395
Beet Sugar Production	30	24	30	25	0	25
Cane Sugar Production	5200	5140	5400	5060	0	5340
Total Sugar Production	5230	5164	5430	5085	0	5365
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	10	16	10	15	0	15
Total Imports	10	16	10	15	0	15
Total Supply	6510	6450	6650	6370	0	6775
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	600	580	250	275	0	0
Total Exports	600	580	250	275	0	0
Human Dom. Consumption	4700	4600	4800	4700	0	4800
Other Disappearance	0	0	0	0	0	0
Total Use	4700	4600	4800	4700	0	4800
Ending Stocks	1210	1270	1600	1395	0	1975
Total Distribution	6510	6450	6650	6370	0	6775
(1000 MT)						

