

Required Report: Required - Public Distribution

Date: April 12, 2023

Report Number: PK2023-0009

Report Name: Sugar Annual

Country: Pakistan

Post: Islamabad

Report Category: Sugar

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Report Highlights:

Sugar production in 2023/24 is forecast at 7.05 million tons, three percent above the 2022/23 estimate. The marginal increase is due to expectations for a recovery in cane area harvested compared to the flood-damaged 2022/23 crop. Sugar consumption in 2023/24 is forecast at 6.3 million tons, three percent higher than 2022/23, reflecting population growth. Sugar exports in 2023/24 are expected to be 800,000 tons, slightly less than 2022/23, as the government seeks to curb exports, fearing domestic shortages and price hikes

SUGARCANE

Production:

Sugarcane production is forecast at 83.5 million metric tons during 2023/24, three percent above the 2022/23 estimate, due to expected recovery in area. Last year harvested area and output were negatively affected by the floods. During 2022/23, sugarcane farmers are receiving good prices: at 300 rupees per 40 kg (\$27.28/ton), the support price is about 32 percent higher than 2021/22. These prices are encouraging farmers to maintain cane area vis-à-vis planting other crops. Farmers' preference to plant sugarcane is also due to the crop's resiliency to weather hazards compared to alternative crops.

During 2022/23, cane collection, which usually begins in early November, started late. Growers were badly affected by the flooding and were eager to send produce to the mills, but mills delayed procurement due to high available stocks. In addition, they were demanding approval to export surplus sugar before beginning to buy the new crop. Collection and crushing started in late November in Sindh, and then began shortly thereafter in Punjab and KPP.

Sugarcane is produced in three provinces, with Punjab accounting for 68 percent of total production, followed by Sindh with 24 percent, and Khyber Pakhtunkhwa (KPK) with 8 percent. The Bahawalpur division of Punjab and the Sukkur division of Sindh account for more than half of the total sugarcane area.

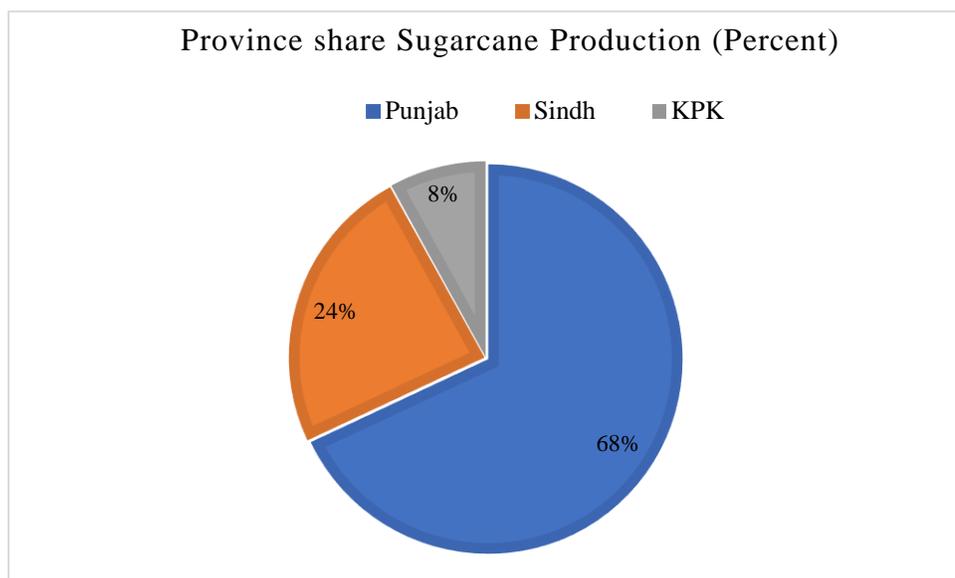
Cane is planted in two different seasons: spring planting runs from February to March and fall season is from September to October. Punjab and Sindh farmers plant sugarcane in both seasons, while in KPK most cane is planted in spring. Per hectare yields are relatively low due to lack of high yielding varieties, water shortages, and uneven fertilizer distribution.

Production Policy:

During 2022/23, the government set a minimum support price (MSP) of 300 rupees per 40 kg (\$27.28/ton), which was 32 percent higher than last year's. This was highest annual increase in the MSP in 10 years. The government increased the price to keep pace with the record inflation driving input and total production costs higher.

Mills provide technical and financial assistance to farmers as incentives both to produce more quantity and to ensure output with higher sucrose content.

Figure 1: Provincial shares of Sugarcane Production



Source: Provincial Agriculture Departments and Pakistan Sugar Mills Association (PSMA)

Table 1: Sugarcane Production, Supply and Distribution (1000 HA), (1000 MT)

Sugarcane Market Year Begins	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2024	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,290	1,290	1,230	1,280	0	1,250
Area Harvested	1,290	1,290	1,230	1,230	0	1,250
Production	89,000	89,000	82,400	81,000	0	83,500
Total Supply	89,000	89,000	82,400	81,000	0	83,500
Utilization for Sugar	89,000	89,000	82,400	81,000	0	83,500
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	89,000	89,000	82,400	81,000	0	83,500

Table 2: Sugarcane Minimum Support Price (MSP) by Province (Rs/40kg)

Year	Punjab	Sindh	KPK
2009-10	100	102	100
2010-11	125	127	125
2011-12	150	155	150
2012-13	170	178	170
2013-14	170	172	170
2014-15	180	182	180
2015-16	180	172	180
2016-17	180	182	180
2017-18	180	182	180
2018-19	180	182	180
2019-20	190	192	190
2020-21	200	202	200
2021-22	225	227	225
2022-23	300	302	300

Source: Provincial Agriculture Departments and PSMA

SUGAR, CENTRIFUGAL

Production:

Sugar production is forecast at 7.05 million tons during 2023/24, three percent above the 2022/23 estimate, reflecting expectations for higher cane area and production.

Refined sugar is the main product of sugarcane industry in Pakistan. There is significant government intervention in the sugar industry. As noted above, sugarcane prices are set by the government based on production cost of sugarcane. The cane support prices are then transmitted into retail sugar prices. In 2022/23, sugar prices have been relatively stable, reflecting sufficient domestic supplies. Sugar prices are likely to remain stable, as the government is committed to ensuring any exports don't cause higher sugar prices.

Consumption:

Sugar consumption is forecast at 6.3 million tons during 2023/24, slightly above 2022/23. Consumption continues to grow modestly, largely because of a growing population. Bulk sugar consumers such as bakeries, candy, ice cream, and soft drink manufacturers account for about 60 percent of total sugar demand. The beverage industry annually consumes about 1.2 million tons of sugar. Demand for sugar is mostly price inelastic.

The government began providing a targeted consumer subsidy in 2023. Eligible consumers can purchase sugar at Rs. 70 per Kg (\$0.25/kg) from state run stores. Unsubsidized prices are about Rs. 95-105 per Kg.

Trade:

Based on expectations for sufficient sugar supplies in 2023/24, exports are forecast at 800,000 tons, slightly below the 2022/23 estimate. The government controls exports and is reluctant to approve too much, fearing domestic price increases. For 2022/23, the government has approved export of 1 million tons of sugar. The government is monitoring the market situation on fortnightly basis to decide on the timing and quantity of exports.

During the last two years, domestic sugar supplies have been sufficient, and no imports were necessary. Similarly, no imports are forecast for 2023/24.

Stocks:

With expectations for an increase in output during 2023/24, stocks are forecast to reach 3.5 million tons, same as in 2022/23. The Trading Corporation of Pakistan (TCP), a government entity that supplies the state-owned Utility Stores Corporation (USC), does the domestic procurement, and maintains reserves.

Policy

The government increased the value-added tax from 17 to 18 percent on all goods. Also, an additional 4 percent was added to Federal Excise Duty (FED), bringing it to 17 percent. Finally, the government also

imposed a new 7 percent tax on carbonated drinks. All these tax increases will be passed on to consumers.

Figure 2: Monthly Average Retail Prices of Sugar (Rs/Kg)

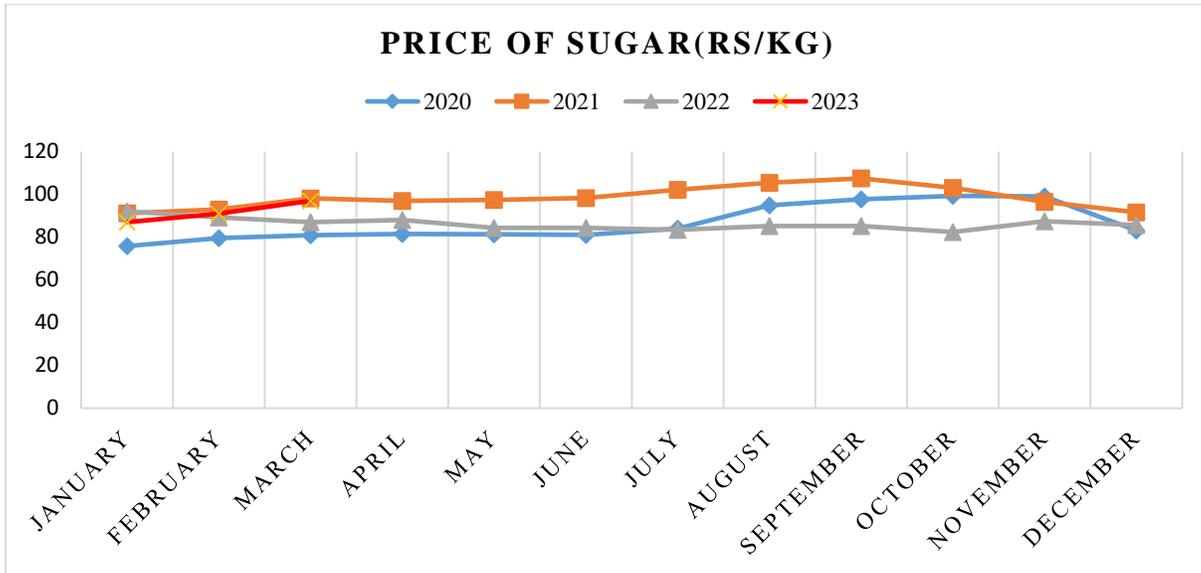


Table 3: Sugar Production, Supply and Distribution (1000 MT)

Sugar Market Year Begins	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	2,752	2,752	3,392	3,812	0	3,352
Beet Sugar Production	60	60	60	60	0	60
Cane Sugar Production	7,080	7,500	7,000	6,800	0	7,050
Total Sugar Production	7,140	7,560	7,060	6,860	0	7,110
Raw Imports	0	0	0	0	0	0
Refined Imp. (Raw Val)	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	9,892	10,312	10,452	10,672	0	10,632
Raw Exports	0	0	0	0	0	0
Refined Exp. (Raw Val)	500	500	1,000	1,000	0	800
Total Exports	500	500	1,000	1,000	0	800
Human Dom. Consumption	6,000	6,000	6,100	6,150	0	6,300
Other Disappearance	0	0	0	0	0	0
Total Use	6,000	6,000	6,100	6,150	0	6,300
Ending Stocks	3,392	3,812	3,352	3,522	0	3,532
Total Distribution	9,892	10,312	10,452	10,672	0	10,632

Table 4: Monthly Average Retail Sugar Prices (Rs/Kg)

Months	2020	2021	2022	2023
January	75.8	91.2	92.1	87
February	79.5	92.9	89.2	91
March	80.9	98.1	87.1	100
April	81.5	97.0	88.1	
May	81.3	97.4	84.3	
June	81	98.3	84.3	
July	84.1	102.2	83.5	
August	94.9	105.4	85.2	
September	97.7	107.5	85.2	
October	99.3	103.1	82.4	
November	99.1	96.6	87.5	
December	83.2	91.6	85.6	
Average	86.5	98.4	86.9	
Dollar	\$=Rs.160	\$=Rs.176	\$= Rs 226	\$= Rs 283

Source: Pakistan Bureau of statistics and Agriculture Market Information System (AMIS)

Attachments:

No Attachments