USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 10/3/2018
GAIN Report Number: PK1829

Pakistan

Sugar Semi-annual

Sugar Semi-annual Pakistan

Approved By:
Casey Bean

Prepared By:
FAS Islamabad Staff

Report Highlights:
Refined sugar production is forecast at 6.5 million metric tons (MMT) for marketing year 2018/19 (MY Oct/Sept), down 12 percent from the current year's estimate of 7.4 million metric tons due to a projected 10 percent decrease in area. During 2017/18, record sugar exports of 1.8 MMT are estimated with a government supported export subsidy of $97 per metric ton in order to reduce sugar stocks. Consumption will continue to grow modestly in MY 2018/19 and is projected at 5.5 MMT, 4 percent higher than last year. Record sugar production in 2017/18 drove stocks to a record 3.1 MMT despite exports of 1.8 MMT.

Commodities:
Select

Production:
Sugarcane/Sugar Production Expected Lower

Pakistan's marketing year 2018/19 (MY Oct/Sept) sugarcane production is forecast at 72.0 million metric tons (MMT), 16 percent lower than the current year's level mainly due to 10 percent decrease in area. Farmer's dissatisfaction in not receiving procurement prices followed by delayed payments for their produce explain the output decline. Farmers shifted to other crops like cotton and corn due to better prices and faster return on their investment. Per hectare sugarcane yield in Pakistan is relatively low. According to experts, water shortages, a lack of high yielding varieties, and irregular fertilizer and pesticide applications contribute to lower yields. MY 2017/18 sugarcane production is estimated at 83.2 MMT based on final provincial estimates from the provinces (see Table 1).

MY 2018/19 refined sugar production is forecast at 6.5 MMT, down 12 percent from the 2017/18 estimate of 7.4 million metric tons. The estimate is based on an 87 percent crushing and 10.16 percent sugar recovery rate. The MY 2016/17 estimate also reflects official data.

Consumption:
Modest Rise in Consumption

In Pakistan, sugar consumption continues to grow modestly, largely because of growing population and a developing domestic food-processing sector. MY 2018/19 sugar consumption is projected at 5.5 MMT, four percent higher than the last year. Bulk sugar consumers such as bakeries, candy, ice cream, and soft drink manufacturers account for 60 percent of total sugar demand. With the added protection of a 40 percent tariff on imported sugar, higher market prices are likely to discourage an increase in consumption.

Trade:
Industry Manages Record Exports in 2017/18

Since MY 2013/14, Pakistan's robust sugar production resulted in accumulating stocks. In order to reduce stock levels, the Pakistan Sugar Mills Association (PSMA) asked for government intervention through sugar quotas and subsidies. During MY 2017/18, the Government increased the sugar export quota from 500,000 metric tons to 2.0 million metric tons in order to reduce domestic stocks, generate additional revenue for the millers, and speed payments to growers. A freight subsidy of up to $97 per metric ton (Rs.10.7 per kg) was also announced for the entire quota amount. These programs brought total expenditures on sugar export subsidies to about $194 million. According to official data through

August 2018, Pakistan exported more than 1.5 MMT of sugar. At this export pace, around 1.8 MMT of sugar will be exported by the end of the marketing year.

Export levels during MY 2018/19 will depend on government policies. Based on a significant decline in opening stocks and modest sugar production during MY 2018/19, FAS Islamabad forecasts a sizable surplus in the mills.

Policy:
Export Policy Outlook for 2018/19 Unclear

With the beginning of the new government in August 2018, Pakistan's export policies are unclear. A proposal to export one MMT of sugar was discussed in the Sugar Advisory Board in the Ministry of Industries and Production (MOIP). A final decision is pending by the inter-ministerial Economic Coordination Committee of the Cabinet (ECC). Currently, Pakistani sugar is trading well above prices in the international market, suggesting that exports to markets other than Afghanistan are unlikely unless a new quota and subsidy is announced. Sugar mills are carrying large stocks of sugar and will be unlikely to pay for new crop sugarcane if they cannot reduce their stocks. Taking into account historical perspectives, FAS Islamabad forecasts 2018/19 exports at 1.3 MMT.

Production, Supply and Demand Data Statistics:

Table 1: Sugarcane Area and Production by Province

Province	Area ('000' Hectares)			Production ('000' Tons)		
	MY 2016/17	MY 2017/18	MY 2018/19	MY 2016/17	MY 2017/18	MY 2018/19
Punjab	782	860	800	49,700	55,070	47,200
Sindh	320	332	300	20,200	20,610	19,000
NWFP	118	148	110	5,600	7,610	5,800
Baluchistan	-	-	-	-	-	-
Total	**1,220**	**1,340**	**1,200**	**75,500**	**83,290**	**72,000**

Sources: MNFSR, PSMA and FAS/Islamabad

Table 2: Procurement Prices of Sugarcane by Province

(Rs. per 40 kg. $1.00=Rs. 105)

YEAR	PUNJAB	SINDH	KPK	BALUCHISTAN
2003-04	40	41	42	43
2004-05	40	43	42	43

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`	-
2016-17	180	182	180	-

Source: Provincial Agriculture Departments and PSMA

Table 3: Monthly Average Retail Prices of Sugar

(Rs. per kg)

YEAR/MONTH	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
JANUARY	52.47	51.39	53.92	59.80	64.80	53.12
FEBRUARY	52.58	51.25	54.23	62.80	63.12	51.50
MARCH	52.71	53.35	54.28	62.93	60.41	51.33
APRIL	53.11	52.40	56.92	63.76	59.97	52.85
MAY	53.27	52.27	59.53	63.75	58.46	52.64
JUNE	54.15	53.84	62.49	64.37	56.48	53.69
JULY	54.35	55.92	65.41	67.34	55.04	54.71
AUGUST	54.28	57.83	65.36	71.17	56.88	55.59
SEPTEMBER	53.84	60.49	64.75	71.03	55.45	
OCTOBER	55.68	59.17	61.55	71.04	54.28	
NOVEMBER	58.86	56.78	59.56	71.80	53.68	
DECEMBER	54.12	54.12	57.14	63.68	53.91	
AVERAGE	54.12 $0.54 USD=Rs.99	54.90 $0.55 USD=Rs.100	59.59 $0.58 USD=Rs.102	66.12 $0.64 USD=Rs.104	57.70 $0.55 USD=Rs.105	53.18 $0.44 USD=Rs.120

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

Table 4: Sugar Import and Export (MT)

Sugar Imports and Exports								
	Imports				**Exports**			
Months	**My 2014/15**	**My 2015/16**	**My 2016/17**	**My 2017/18**	**My 2014/15**	**My 2015/16**	**My 2016/17**	**My 2017/18**

Oct	1,246	1,458	889	1,120	51,657	0	0	49,448
Nov	2,638	1,023	2,258	655	4,158	0	0	187,237
Dec	830	852	1,014	438	75	0	0	156,194
Jan	1,180	1,054	1,519	582	49,342	27,344	0	133,983
Feb	288	865	1,448	800	99,330	119,845	15,885	150,484
Mar	1,254	650	1,758	650	99,676	125,033	107,558	249,416
Apr	652	1,060	662	718	98,167	0	67,186	178,605
May	375	800	750	683	123,002	0	112,130	170,026
June	499	490	820	705	35,003	0	5,080	111,036
July	1,720	600	998	683	19,116	0	58,555	119,286
Aug	1,775	467	1,347		0	0	9,774	
Sept	3,856	724	864		0	0	23,632	
Total	**16,313**	**10,043**	**9,339**	**7,034**	**579,526**	**272,222**	**399,800**	**1,505,715**

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

Table 5: Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal	**2016/2017**		**2017/2018**		**2018/2019**	
Market Begin Year	**Oct 2016**		**Oct 2016**		**Oct 2018**	
Pakistan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	1225	1225	1315	1340	1200	1210
Area Harvested	1225	1225	1315	1340	1200	1210
Production	75450	75450	82000	83290	72000	72000
Total Supply	75450	75450	82000	83290	72000	72000
Utilization for Sugar	75450	75450	82000	83290	72000	72000
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	75450	75450	82000	83290	72000	72000
(1000 HA) ,(1000 MT)						

Table 6: Production, Supply and Demand Data Statistics:

Sugar, Centrifugal	**2016/2017**		**2017/2018**		**2018/2019**	
Market Begin Year	**Oct 2016**		**Oct 2017**		**Oct 2018**	
Pakistan	**USDA**	**New**	**USDA**	**New**	**USDA**	**New**

	Official	Post	Official	Post	Official	Post
Beginning Stocks	1470	1470	2805	2805	3840	3140
Beet Sugar Production	25	25	25	25	25	25
Cane Sugar Production	6800	6800	7400	7400	6500	6500
Total Sugar Production	6825	6825	7425	7425	6525	6525
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	10	10	10	10	10	10
Total Imports	10	10	10	10	10	10
Total Supply	8305	8305	10240	10240	10375	9675
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	400	400	1000	1800	0	1300
Total Exports	400	400	1000	1800	0	1300
Human Dom. Consumption	5100	5100	5400	5300	5700	5500
Other Disappearance	0	0	0	0	0	0
Total Use	5100	5100	5400	5300	5700	5500
Ending Stocks	2805	2805	3840	3140	4675	2875
Total Distribution	8305	8305	10240	10240	10375	9675
(1000 MT)						