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Pakistan

Sugar Semi-annual

Sugar Semi-annual 2017

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Report Highlights:
Sugar production is forecast at a record 6.5 million metric tons for 2017/18, up six percent from the initial forecast of 6.0 million tons due to an increase in area, better cane yields, and improved sugar recovery rates. Record production is expected in the face of record stocks and is likely to present a challenge for the industry if it is unable to export its high-priced sugar stocks. While the government did not announce an export subsidy during 2016/17, exporters still managed to find a home for 400,000 metric tons of Pakistani sugar. The government has established an export quota for 2017/18, but with domestic prices well in excess of international prices, significant export volumes appear unlikely prior to the onset of the cane harvest unless an export subsidy is established.

Commodities:
Sugar, Centrifugal

Production:
Record Sugarcane/Sugar Production Expected:
Pakistan's marketing year (MY Oct/Sept) 2017/18 sugarcane production is forecast at a record 78.0 million metric tons (MMT), reflecting an increase in area of seven percent and improved yields. Sugarcane can be planted in the fall or late winter, offering farmers planting flexibility and it enjoys the protection of high tariffs and government intervention to support cane prices, making it a relatively safe option for farmers seeking to minimize price risks and generate secure income. The 2017 monsoon was adequate and weather conditions and water availability have been conducive to crop development and yields. 2016/17 sugarcane production is estimated at 73.4 MMT based on final provincial estimates (see Table 1).

MY 2017/18 refined sugar production is forecast at a record 6.5 MMT, up six percent from the revised 2016/17 estimate. The estimate of MY 2016/17 sugar production is up 165,000 MT from the previous assessment, and now reflects official data from the Pakistan Sugar Mills Association (PSMA). The estimate is based on an 82 percent crushing and 10.1 percent sugar recovery rate. The MY 2015/16 estimate also reflects official data.

Consumption:
Consumption Rising:
Despite the relatively high cost of sugar in Pakistan, consumption is expected to rise as the food processing industry, which accounts for about 60 percent of consumption slowly expands via bakeries confectioners, dairy products, and soft drinks.

Trade:
Industry Manages Exports in 2016/17 without Subsidy:
2016/17 sugar exports are estimated at 400,000 MT based on the pace of exports which reached 376,000 MT at the end of August. During the marketing year, the Government of Pakistan allocated export quotas to each of Pakistan's 84 sugar mills in two tranches totaling 725,000 MT. However, unlike in recent years, the government did not establish an export subsidy to facilitate exports. Trade sources reveal that current marketing years exports were shipped to Afghanistan at a government established minimum export price of $425 per metric ton. Additionally, at times, international prices climbed high enough to attract interest in high-priced Pakistani sugar resulting in commercial exports without the use of an export subsidy. However, at this stage, it appears the mills will not exhaust the current export quota before the end of the marketing year.

Stocks:
Stocks on the Rise:
Barring significant exports, record 2016/17 ending stocks are expected to rise further in 2017/18. The carrying charges and reduced cash flow associated with the accumulating stocks in the face of rising production suggest that mills could have difficulty making timely payments to farmers.

Policy:

Export Policy Outlook for 2017/18 Unclear:

For 2017/18, Pakistan's inter-ministerial Economic Coordination Council has announced an export quota of 500,000 MT, but no decision has been made with regard to an export subsidy. Currently, Pakistani sugar is trading well above prices in the international market, suggesting that exports to markets other than Afghanistan are unlikely over at least the next few months. Mills are currently carrying large stocks of sugar and will be hard pressed to pay for new crop sugarcane if they cannot unload some of their stocks. Given the current uncertainty surrounding the establishment of an export subsidy, the 2017/18 export forecast of 150,000 MT reflects exports to Afghanistan.

Production, Supply and Demand Data Statistics:

Table 1: Sugarcane Area and Production by Province

Province	**Area ('000' Hectares)**			**Production ('000' Tons)**		
	MY 2015/16	**MY 2016/17**	**MY 2017/18**	**MY 2015/16**	**My 2016/17**	**My 2017/18**
Punjab	705	792	862	41,988	49,600	54,350
Sindh	313	320	330	17,984	18,200	18,400
NWFP	117	113	118	5,498	5,600	5,250
Baluchistan	-	-	-	-	-	-
Total	**1,135**	**1,225**	**1,310**	**65,470**	**73,400**	**78,000**

Sources: Provincial Agriculture Departments 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	2011	2012	2013	2014	2015	2016	2017
JANUARY	72.57	52.39	52.47	51.39	53.92	59.80	64.80
FEBRUARY	67.02	50.31	52.58	51.25	54.23	62.80	63.12
MARCH	66.95	54.89	52.71	53.35	54.28	62.93	60.41
APRIL	67.14	55.56	53.11	52.40	56.92	63.76	59.97
MAY	65.77	54.39	53.27	52.27	59.53	63.75	58.46
JUNE	69.19	54.82	54.15	53.84	62.49	64.37	56.48
JULY	70.74	54.25	54.35	55.92	65.41	67.34	55.04
AUGUST	74.65	53.93	54.28	57.83	65.36	71.17	56.88
SEPTEMBER	76.03	52.76	53.84	60.49	64.75	71.03	
OCTOBER	72.01	53.28	55.68	59.17	61.55	71.04	
NOVEMBER	67.25	54.07	58.86	56.78	59.56	71.80	
DECEMBER	55.52	53.04	54.12	54.12	57.14	63.68	
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**	**66.12 \$0.64 USD=Rs. 104**	**59.40 \$0.56 USD=Rs. 105**

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 2014-15	My 2015-16	My 2016-17
Oct	1,246	1,458	889	51,657	0	0
Nov	2,638	1023	2,258	4,158	0	0
Dec	830	852	1,014	75	0	0
Jan	1,180	1,054	1,519	49,342	27,344	0
Feb	288	865	1,448	99,330	119,845	15,885
Mar	1,254	650	1,758	99,676	125,033	107,558
Apr	652	1,060	662	98,167	0	67,186
May	375	800	750	123,002	0	112,130
June	499	490	820	35,003	0	5,080
July	1,720	600	998	19,116	0	58,555
Aug	1,775	467	1,347	0	0	9,774
Sept	3,856	724		0	0	
Total	**16,313**	**10,043**	**8,475**	**579,526**	**272,222**	**376,168**

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

Table 5: Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal	2015/2016		2016/2017		2017/2018	
Market Begin Year	**Oct 2015**		**Oct 2016**		**Oct 2017**	
Pakistan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	1168	1135	0	1225	0	1310
Area Harvested	1168	1135	0	1225	0	1310
Production	65470	65470	0	73400	0	78000
Total Supply	65470	65470	0	73400	0	78000
Utilization for Sugar	65470	65470	0	73400	0	78000
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	65470	65470	0	73400	0	78000
(1000 HA) ,(1000 MT)						

Table 6: Production, Supply and Demand Data Statistics:

Sugar, Centrifugal	2015/2016		2016/2017		2017/2018	
Market Begin Year	**Oct 2015**		**Oct 2016**		**Oct 2017**	
Pakistan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks	1270	1270	1570	1470	2685	2120
Beet Sugar Production	25	25	25	25	25	25
Cane Sugar Production	5240	5240	5950	6115	6000	6500
Total Sugar Production	5265	5265	5975	6140	6025	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	6545	6545	7555	7620	8720	8655
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	275	275	70	400	0	155
Total Exports	275	275	70	400	0	155
Human Dom. Consumption	4700	4800	4800	5100	5000	5400
Other Disappearance	0	0	0	0	0	0
Total Use	4700	4800	4800	5100	5000	5400

Ending Stocks	1570	1470	2685	2120	3720	3100
Total Distribution	6545	6545	7555	7620	8720	8655
(1000 MT)						