



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 4/2/2002

GAIN Report #PK2007

## **Pakistan**

## **Sugar**

## **Annual**

## **2002**

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### **Report Highlights:**

**Pakistan continues to face a serious shortage of irrigation supplies. MY 2002/03 sugar production is forecast to increase to 3.2 million metric tons due to expected increase in area. To protect the domestic sugar industry, the Government of Pakistan increased the duty on imported sugar to 30 percent on March 1, 2002.**

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Includes PSD changes: Yes  
Includes Trade Matrix: No  
Annual Report  
Islamabad [PK1], PK

## SUGARCANE

### PRODUCTION

Pakistan's agriculture sector continues to face a serious shortage of irrigation supplies due to the long-term drought. As a result, sugarcane production remains uncertain. The country is experiencing the worst drought in its history. Major reservoirs have been drawn down to critically low levels to irrigate the MY 2002/03 winter ('rabi') crops and little supplies currently are available for this summer's crops. The primary short-term reasons for the current acute irrigation shortage are two consecutive weak monsoons and inadequate glacier and snow melt. The reservoirs, which depend largely on snow melt, will not be recharged to any significant level until late June. Thus the success of the MY 2002/03 sugarcane crop will be a function of late winter rains and warm and clear spring weather that promotes snow melt to help increase water supplies.

The longer-term cause for the irrigation shortage is poor resource management and planning. Since the irrigation system was completed, demand has increased more than 50 percent while storage capacity has decreased by one-third due to silting, leaving per capita availability at a fraction of its original level. As a result, chronic irrigation shortfalls are expected to play an increasingly important part in Pakistan's agricultural production. In addition to increasing storage capacity and adapting new irrigation techniques, many observers believe Pakistan will need to alter cropping patterns significantly to conserve scarce water resources by shifting out of water-intensive crops, particularly sugarcane and rice.

However, despite the irrigation shortage, MY 2002/03 cane area is forecast to increase 5 percent to 1.06 million hectare due mainly to (i) attractive returns from cane last year (ii) decreasing cotton returns due to a decline in yields because of pest attack and lower sale prices and (iii) decreasing returns from wheat cultivation as majority of the farmers last year could get only 80 percent of the support price for their wheat sales. MY 2002/03 cane production is expected to increase more than 6 percent to 51.33 million metric tons (MMT) in response to increase in area and some improvement in yield.

The MY 2001/02 cane production is estimated up 11 percent to 48.32 MMT, as a result of the increase in area and higher yields.

**Table 1: Sugarcane Area and Production by Province**

Province	Area ('000' hectares)			Production ('000' MT)		
	MY2000/01	MY01/02	MY02/03	MY2000/01	MY01/02	MY02/03
Punjab	615.5	657.0	700.0	26,740	31,803	34,000
Sindh	238.8	241.0	250.0	12,050	11,679	12,500
NWFP	106.0	106.0	107.0	4,785	4,813	4,800
Baluch	0.7	0.7	0.6	32	32	32
Total	961.0	1004.7	1057.6	43,607	48,327	51,332

Source: Ministry of Food and Agriculture and FAS/Islamabad

## PRODUCTION POLICY

The Government of Pakistan (GOP) encourages cane production and announces a support price prior to planting. The support price, which is well above world price levels, is set below domestic market prices and acts as minimum guaranteed price. As a result, the government generally does not procure cane. The MY 2002/03 support price is expected to remain unchanged at Rs. 42 per 40 kilograms for Punjab and NWFP and Rs. 43 per 40 kilogram for Sindh, both adjusted for sugar recovery levels (\$1 = Rs. 60). Current market prices are nearly 50 percent above the support price and are expected to remain strong during MY 2002/03 due to strong demand from the sugar industry.

## SUGAR

### SUGAR PRODUCTION

MY 2002/03 refined sugar production is forecast to increase about 7 percent to 3.2 MMT (raw value), based on the forecast increase in cane production and improvement in sucrose recovery. The sucrose content is expected to increase due to decreased production of Indian variety COL 1148, which is characterized by low sucrose levels, as well as adequate and timely fertilizer usage.

**Table 2: Refined Sugar Production, Supply and Demand**

Commodity	Centrifugal Sugar		Preliminary	2002	(1000 MT)	
	Revised	2001			Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Beginning Stocks	397	397	940	940	0	696
Beet Sugar Production	10	10	10	10	0	10
Cane Sugar Production	2638	2638	2996	2996	0	3200
TOTAL Sugar Production	2648	2648	3006	3006	0	3210
Raw Imports	600	600	0	0	0	0
Refined Imp.(Raw Val)	695	695	200	200	0	200
TOTAL Imports	1295	1295	200	200	0	200
TOTAL SUPPLY	4340	4340	4146	4146	0	4106
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	0	0	0	0	0	0
Human Dom. Consumption	3400	3400	3450	3450	0	3450
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	3400	3400	3450	3450	0	3450
Ending Stocks	940	940	696	696	0	656

TOTAL DISTRIBUTION	4340	4340	4146	4146	0	4106
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## CONSUMPTION

The MY 2002/03 sugar consumption forecast remains unchanged at 3.45 MMT (raw value), due mainly to a decline in consumers' purchasing power due slowing economic growth. Recently, retail sugar prices have fallen to Rs. 22 per kilogram (\$1=Rs. 60) due to the expectation of a good crop. Trade sources report that the Government of Pakistan (GOP) would like to see the sugar industry maintain retail sugar prices at Rs. 25 per kilogram or less.

## TRADE

MY 2002/03 sugar imports are forecast to remain at last years level of 200,000 MT, based on the expected increase in domestic production. In response to complaints that imported sugar was harming domestic mills and growers, the government increased the import duty on refined and raw sugar from 20 percent to 30 percent. According to mill owners, this increase was necessary to 'protect' the local industry, whose cost of production for refined sugar is about \$320 per MT, compared to \$220 per MT for imported sugar C&F Karachi. Some observers believe that without government control, domestic prices for refined sugar will increase following the end of the May-June crushing season and imports will flood the market, resulting in excess stocks.

## STOCKS

MY 2002/03 stocks are forecast at 656,000 MT as a residual of supply and demand factors. Of the total stocks, about 350,000 MT are reported to held by the mills and the remaining stocks are in marketing channels.