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Report Highlights:

Pakistan's MY 2021/22 sugar production is forecast at 6.8 million metric tons (MMT), up 14 percent from the current year's revised estimate, due to significant increases in area and sugarcane yields. Sugar consumption for the same year is forecast at 5.9 MMT, three percent higher than last year's estimates and exports are forecast at 800,000 tons. MY 2020/21 imports are estimated at 350,000 tons mainly to control rising prices and build up supplies. To facilitate the availability of sugar to end users the government has eliminated all duties on sugar imports. Sugar prices increased 21 percent since last year due to tight supplies in the market. Instability in sugar availability for end users and sugar prices is expected to continue mainly due to government pricing and management policies influencing the decisions of sugar producers to distribute product. Ending stocks are projected at 2.4 MMT.

Production:

SUGARCANE

Pakistan is the world's fifth largest producer of sugarcane, the sixth largest producer of cane sugar and the eighth largest consumer of sugar. Sugarcane is grown on approximately 1.2 million hectares and provides the raw material for 90 sugar mills. The sugar industry is the country's second largest agriculture-based industry after textiles. In addition to sugar, sugarcane is used in the production of pharmaceuticals, ethanol, bagasse for paper and chip board manufacturing, and press mud - a source of organic fertilizer used in crop production. Sugarcane is typically grown on the high delta away from flood areas along Pakistan's major rivers.

Pakistan's marketing year (MY Oct/Sep) 2021/22 sugarcane production is forecast at 83 million metric tons (MMT), up ten percent from the revised 2020/21 estimate, due to increase in area and sugarcane yields. Sugarcane planting that will be harvested in the fall of 2021 has been completed and total area planted increased by eight percent compared to last year. This year, sugarcane farmers received good procurement prices. The government also supported farmers by directing sugar mill owners to pay sugarcane producers for the outstanding product that had been delivered to mills over the past few years.¹ Based on the assurances of receiving a minimum support price (MSP) and on an increase in the procurement price, more area is being planted as farmers shift away from other crops, especially cotton, to plant sugarcane in MY 2021/22².

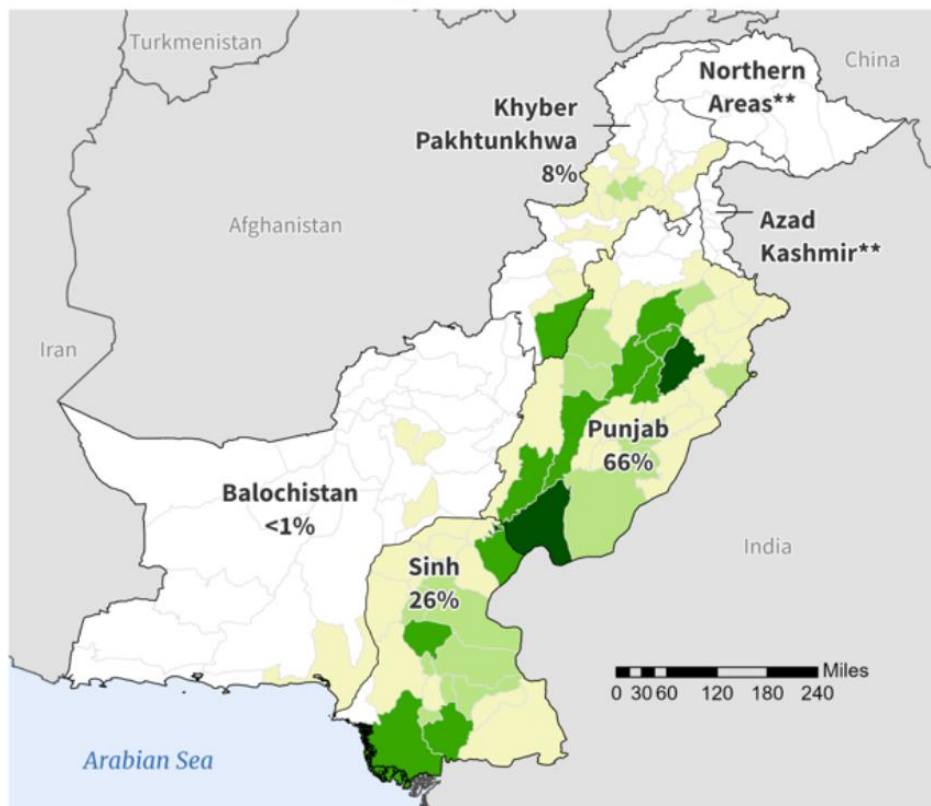
In Pakistan, sugarcane production rises and falls in a 3-to-5-year cycle, depending on how the level of government support influences farmers' planting decisions, and on crop yields. For example, MY 2015/16 sugarcane production was 65 MMT, rising to 75 MMT in MY 2016/17 and to 83 MMT MY 2017/18, before dropping to 67 MMT and 66 MMT in MY 2018/19 and MY 2019/20, respectively. The cycle continued with increased production in the following years, with 76 MMT in MY 2020/21 and a forecast of 83 MMT in MY 2021/22

The MY 2020/21 sugarcane production is estimated at 75.5 MMT, up 13 percent due to an increase in area planted. The MY 2019/20 estimate is revised based on official data from the Ministry of National Food Security and Research (MNFSR) and the Pakistan Sugar Mills Association (PSMA).

¹ In 2020, The Punjab provincial government changed the Sugar Factories Control Act of 1950 and promulgated the Sugar Factories Amendment Ordinance of 2020 to allow for mill forfeiture and imprisonment of and fines to sugar mill owners for delayed payment to sugarcane producers as well as delays to the start of the crushing season.

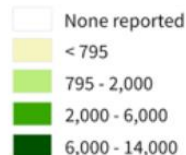
² The minimum support price (MSP) is the price fixed by the government, whereas the procurement price is the price agreed upon between the sugar industry and the sugarcane farmer. The MSP generally acts as a floor price for producers unless there is oversupply.

Pakistan: Sugarcane Production



Estimated production by district 3-year average*

2015-2018, '000 metric tons



*Based on 2015-2018 province data distributed to each district by most recently reported percentage.

** Data N/A

The Punjab province accounts for 66 percent of sugarcane production, Sindh 26 percent, Khyber Pakhtunkhwa (KPK) 8 percent and Baluchistan less than one percent. There is also a small volume of sugar beet production in the more temperate higher elevations of KPK. Farmers generally opt to plant sugarcane in the autumn or spring; with autumn planting providing better results due to the longer growing season. Punjab and KPK farmers 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, which helps to marginally increase the plant's sucrose contents, thereby potentially netting them a better price from sugar mills. Per hectare yields of sugarcane in Pakistan are relatively low. According to experts, water shortages, a lack of high yielding varieties, and uneven fertilizer and pesticide applications contribute to lower yields. Many observers agree that Pakistan would benefit from additional sugarcane research and development initiatives to bring sugarcane yields more in line with international standards. 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 2019/20	MY 2020/21	MY 2021/22	MY 2019/20	MY 2020/21	MY 2021/22
Punjab	670	784	845	44,115	51,778	57,152
Sindh	265	280	310	17,222	17,865	19,800
KPK	102	110	114	5,716	5,810	6,150
Balochistan	1	1	1	47	47	48
Total	1,038	1,175	1,270	67,100	75,500	83,150

Sources: MNFSR, PSMA and FAS/Islamabad

Production Policy:

The provincial governments set procurement prices for sugarcane in consultation with representatives from both the sugar industry and farmers' organizations and based on recommendations from MNFSR and the provincial ministries of agriculture, food, and industry. During the MY 2020/21 crushing season, the provincial governments of Punjab and KPK increased the minimum support price (MSP) by Rs. 10 (\$.065) per 40 kg of cane to Rs. 200 (\$32.47/ton), and for Sindh Rs. 202 per 40 Kg (\$32.79/ton). Mills are typically bound to pay farmers the MSP; however, based on the supply demand situation, buyers and sellers usually agree to procure sugarcane at a price above or, infrequently, below the MSP. The steady rise in sugarcane procurement prices (see Table 2) has made it difficult for mills to profitably produce sugar. Data analysis shows that procurement prices, as determined by the provinces, have increased 400 percent during the period from 2005 to 2021. Sugarcane processing occurs after harvest when producers deliver their product to the mills and expect payment. However, the timeframe to crush the sugarcane crop and then process it into refined sugar spans 110 days. With sugar sales spread throughout the year, this makes it challenging for mill owners to manage their finances, when they must pay for sugarcane deliveries before they can sell it.

The provincial governments support research, development, training of farmers and transfer of new technologies to growers in order to raise cane yields and sugar recovery rates. Agricultural universities and a few sugar mills also support research and development (R&D) activities. However, public sector spending on R&D for sugarcane remains low. More private sector investment in R&D activities is needed, especially in the propagation of high yielding and early maturing varieties with optimum sucrose recovery to meet the need of both farmers and millers. The following table shows the history of minimum support prices for sugarcane for each province over the past 16 years.

Table 2: Minimum Support Prices of Sugarcane by Province

(Rs. per 40 Kg. - \$1.00=Rs.154)

YEAR	PUNJAB	SINDH	KPK	BALUCHISTAN
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	-
2017-18	180	182	180	-
2018-19	180	182	180	-
2019-20	190	192	190	-
2020-21	200	202	200	-
2021-22				

Source: Provincial Agriculture Departments and PSMA

SUGAR, CENTRIFUGAL

MY 2021/22 refined sugar production is forecast at 6.8 MMT, up 14 percent from the revised 2020/21 estimate due to significant increase in area and sugarcane yields. Estimated MY 2020/21 sugar production is up 11 percent due to a 13 percent increase from MY 2019/20 in area planted. Noticing a continuous increase in sugar prices, mill owners extended extension and credit support initiatives to enable their contract farmers to deliver more volume as well as a product with higher sucrose content. Simultaneously, stakeholders in both the public and private sectors agreed to increase the sugarcane MSP. Both factors helped in increasing area dedicated to sugarcane production. MY 2019/20 production now reflects official data from the MNFSR and PSMA. The estimate is based on 78 percent crushing and a 10.2 percent sugar recovery rate.

Sugar prices have risen 60 percent in the last two years (March 2019 to March 2021), mainly due to government pricing policies that have kept the MSP high for producers but prices low for consumers, thereby minimizing profit for sugar mills. Sugar producers have responded by restricting domestic supply by exporting, stockpiling or price gouging on the black market. This, in turn, has prompted the government to eliminate sugar duties and import more sugar to free up supplies and control prices. Sugar in Pakistan's domestic market continues to be priced well above the international market. March

2021 sugar retail prices stood at \$637 per metric ton, an estimated 47 percent higher than the international market pegged at \$334/metric ton.

Table 3 shows that the monthly average retail prices of sugar for March 2021 increased 21 percent compared to the prices in March 2020. During MY 2020/21, from October 2020 to February 2021, the government imported 251,103 tons of sugar from the international market to control prices in the domestic market. However, despite sufficient volumes of sugar available in the domestic market, sugar prices continue to rise, mainly due to government pricing and management policies that impact producers' distribution of sugar to end users. For its part, the government considers sugar producers to be unsupportive of temporary government interventions to control rising prices and creating an unnecessary distribution problem by stockpiling product and by under reporting crushing and sucrose recovery rates. In February 2020, the government ordered an investigation into the issues surrounding sugar production, supply, distribution, and pricing. The findings of the inquiry were issued in May 2020, with the government subsequently ordering the implementation of the inquiry's recommendations. However, sugar producers have now taken the matter to court.

Consumption:

Consumption continues to grow modestly, largely as a result of a growing population, income groups and a slowly developing domestic food processing sector. MY 2021/22 sugar consumption is projected at 5.9 MMT. 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 MMT of sugar, 90 percent of which is sourced domestically. The Pakistan beverage industry pays 13 percent Federal Excise Duty (FED) and 17 percent General Sales Tax (GST) on finished beverage products, but an additional 1.5 percent FED has been proposed on just carbonated beverages. It is unclear how this proposed additional increase will affect domestic soft drink consumption and sugar demand from major beverage manufacturers.

The government is providing an untargeted subsidy through state-controlled Utility Stores by selling sugar to those members of the general public in geographic proximity to a Utility Store at Rs. 68 per Kg (\$442 per ton) whereas industry end users and other members of the general public without access to a Utility Store, must pay significantly more -- approximately Rs. 98.12 per Kg (\$637 per ton) at prevailing open market prices. While Pakistan's Competition Commission is the authority that enforces economic competition laws in the country, market interventions do happen. In sugar, such interventions have resulted in a gap of US\$195/ton between Utility Store prices and open market prices.

Table 3: Monthly Average Retail Prices of Sugar

	(Rs. per kg)						
YEAR/MONTH	2015	2016	2017	2018	2019	2020	2021
JANUARY	53.92	59.80	64.80	53.12	58.47	75.83	91.25
FEBRUARY	54.23	62.80	63.12	51.50	59.13	79.56	92.96
MARCH	54.28	62.93	60.41	51.33	61.15	80.92	98.12
APRIL	56.92	63.76	59.97	52.85	65.63	81.57	

YEAR/MONTH	2015	2016	2017	2018	2019	2020	2021
MAY	59.53	63.75	58.46	52.64	67.99	81.37	
JUNE	62.49	64.37	56.48	53.69	70.83	80.92	
JULY	65.41	67.34	55.04	54.71	72.38	84.19	
AUGUST	65.36	71.17	56.88	55.59	75.38	94.90	
SEPTEMBER	64.75	71.03	55.45	55.99	75.02	94.79	
OCTOBER	61.55	71.04	54.28	54.78	73.78	99.32	
NOVEMBER	59.56	71.80	53.68	54.87	72.61	99.17	
DECEMBER	57.14	63.68	53.91	55.63	71.08	83.27	
AVERAGE	59.59	66.12	57.70	53.89	68.62	78.70	94.11
	\$=Rs.0.58	\$=Rs.0.64	\$=Rs.0.55	\$=Rs.0.45	\$=Rs.0.44	\$=Rs.0.54	\$=Rs.0.60
	\$=Rs.102	\$=Rs.104	\$=Rs.105	\$=Rs.120	\$=Rs.155	\$=Rs.160	\$=Rs.154

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

Trade:

Based on expectations of large sugar supplies in MY 2021/22, exports are forecast at 800,000 MT after meeting consumption requirements and maintaining sufficient stocks. International sugar prices will also determine the level of export. Absent government subsidies to export generally higher priced Pakistani sugar when international sugar prices are lower, it is unclear how much volume Pakistan can actually export.

MY 2021/22 imports are forecast at 20,000 MT, due to sufficient sugar supplies. MY 2020/21 imports are estimated at 350,000 tons mainly to secure adequate supplies to control rising sugar prices. The government has withdrawn all duties (25 percent regulatory duty, 12 percent sales tax and 2 percent withholding tax) on the importation of sugar.

Table 4: Sugar Import and Export (MT)

Months	IMPORTS				EXPORTS			
	My 2017/18	My 2018/19	My 2019/20	My 2020/21	My 2017/18	My 2018/19	My 2019/20	My 2020/21
Oct	1,120	667	301	196,541	49,448	0	45,593	0
Nov	655	545	1,027	26,879	187,237	0	16,230	0
Dec	438	531	364	27,187	156,194	70,614	10,788	0
Jan	582	481	551	245	133,983	23,637	0	0
Feb	800	592	413	251	150,484	33,236	0	0
Mar	650	1,140	353		249,416	68,373	0	
Apr	718	445	1,001		178,605	86,234	0	

May	683	749	281		170,026	100,155	0	
June	705	341	1,326		111,036	127,926	0	
July	683	415	631		119,286	32,641	0	
Aug	290	419	917		48,088	13,726	0	
Sept	619	385	28,587		14,768	62,469	0	
Total	7,943	6,710	38,752	251,103	1,568,571	619,011	72,611	0

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

Stocks:

The Trading Corporation of Pakistan (TCP), a government entity that supplies the state-owned Utility Stores Corporation (USC)³, maintains reserves by procuring sugar from domestic sources or through imports pursuant to government policy. This arrangement helps in maintaining adequate sugar supplies and in controlling sugar prices in the domestic market. Ending stocks in MY 2021/22 are expected to increase to 2.4 MMT, due to higher production and supplies acquired by aggressively importing in MY 2020/21.

Table 5: Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal Market Year Begins	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2021		Oct 2022	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	1038	1038	1175	1175	0	1270
Area Harvested (1000 HA)	1038	1038	1175	1175	0	1270
Production (1000 MT)	67100	67100	75500	75500	0	83150
Total Supply (1000 MT)	67100	67100	75500	75500	0	83150
Utilization for Sugar (1000 MT)	67100	67100	75500	75500	0	83150
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	67100	67100	75500	75500	0	83150
(1000 HA) ,(1000 MT)						

³ USC operates chain stores that provide basic commodities to the to the general public at prices which are lower than the open market because of government subsidies.

Table 6: Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Market Year Begins	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	1920	1920	1350	1685	0	2245
Beet Sugar Production (1000 MT)	60	60	60	60	0	60
Cane Sugar Production (1000 MT)	5200	5340	5930	5950	0	6780
Total Sugar Production (1000 MT)	5260	5400	5990	6010	0	6840
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	120	40	10	350	0	20
Total Imports (1000 MT)	120	40	10	350	0	20
Total Supply (1000 MT)	7300	7360	7350	8045	0	9105
Raw Exports (1000 MT)	0	0	0	0	0	0
Refined Exp.(Raw Val) (1000 MT)	350	75	300	50	0	800
Total Exports (1000 MT)	350	75	300	50	0	800
Human Dom. Consumption (1000 MT)	5600	5600	5650	5750	0	5900
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	5600	5600	5650	5750	0	5900
Ending Stocks (1000 MT)	1350	1685	1400	2245	0	2405
Total Distribution (1000 MT)	7300	7360	7350	8045	0	9105
(1000 MT)						

Attachments:

No Attachments