

Required Report: Required - Public Distribution

Date: March 15, 2022

Report Number: PK2022-0004

Report Name: Sugar Annual

Country: Pakistan

Post: Islamabad

Report Category: Sugar

Prepared By: Rashid Yaqoob Raja

Approved By: Christopher Rittgers

Report Highlights:

Due to slight increases in area and sugarcane yields, sugar production in 2022/23 is forecast to reach 7.2 million metric tons (MMT), a marginal increase over the good 2021/22 crop. Sugar consumption for 2022/23 is forecast at 6.1 MMT, which would be a 3.3 percent increase, reflecting population growth and demand from the expanding food processing sector. The production estimate for 2021/22 is increased reflecting the excellent crop last year. As a result, ending stocks are higher, leading to a larger exportable surplus entering 2022/23. Due to the large stocks, and competitive prices, sugar exports are forecast to reach one million tons in 2022/23.

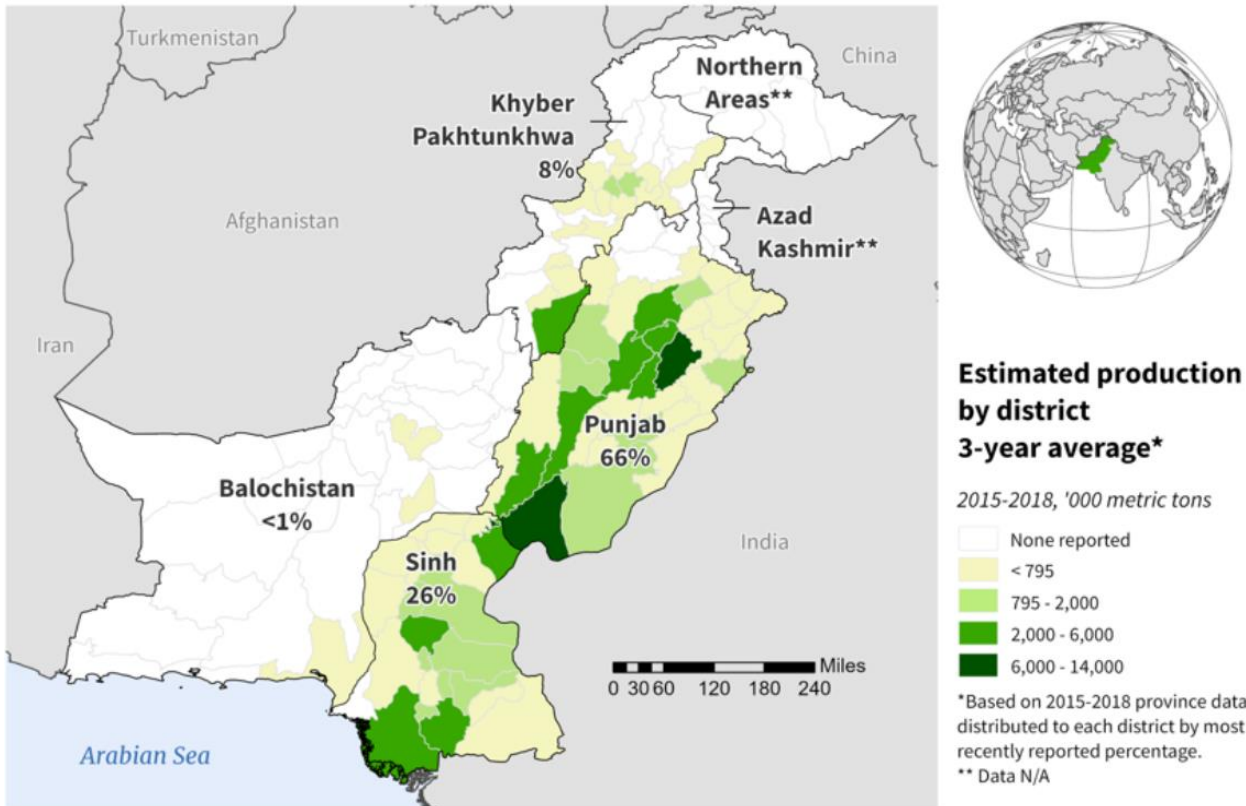
Production:

SUGARCANE

Marketing year (MY) (Oct/Sep) 2022/23 sugarcane production is forecast at 89.5 MMT, a marginal increase over the previous year. Producers have already completed planting the cane that will be harvested in the fall of 2022, and reports indicate a slight increase in planted area. As a result, harvested cane area is forecast to grow to just under 1.3 million hectares (HA). The government's assurances of paying a minimum support price (MSP), and the increase in the procurement price, has driven the 11 percent increase in the planted area during the past two years. In late 2021 and early 2022, farmers received good procurement prices, providing more incentive to expand area and apply sufficient inputs. In addition, the government directed sugar mill owners to pay sugarcane producers overdue payments for the outstanding deliveries to mills over the past few years¹. Harvested area and production for 2020/21 and 2021/22 are adjusted based on recently available 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.

Pakistan: Sugarcane Production



USDA Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

Source: Agricultural Marketing Information Service;
Pakistan Bureau of Statistics;
Crop Reporting Service

Punjab province accounts for 67 percent of sugarcane production, Sindh 25 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. Punjab and KPK farmers 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 content; thereby, potentially netting them a better price from sugar mills. The harvest generally runs from October to May, with the bulk completed by December.

Table 1: Sugarcane Area and Production by Province

Province	Area ('000 Hectares)			Production ('000 Tons)		
	2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Punjab	780	900	905	54,778	59,777	60,077
Sindh	276	280	280	20,365	22,365	22,565
KPK	108	109	109	5,810	6,810	6,810
Balochistan	1	1	1	47	48	48
Total	1,165	1,290	1,295	81,000	89,000	89,500

Sources: MNFSR, PSMA, and FAS/Islamabad

Production Policy:

During the 2021/22 crushing season, the Punjab and KPK provincial governments increased the minimum support price (MSP) by Rs. 25 per 40 kg of cane to Rs. 225 (\$1.27/ton), and Sindh set it at Rs. 227 per 40 Kg (\$1.29/ton). Depending on the supply-demand situation, buyers and sellers usually agree to procure sugarcane above the MSP. As shown in Table 2, the MSP has risen steadily in recent years.

Table 2: Sugarcane MSP by Province (Rs. per 40kg)

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	225	227	225	-

Source: Provincial Agriculture Departments and PSMA

The provincial governments support research, development, training of farmers, and technology transfer 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.

CENTRIFUGAL SUGAR

Refined sugar production in 2022/23 is forecast at 7.2 MMT, marginally up from the revised 2021/22 estimate. The estimated 2021/22 sugar production is up 10 percent due to an 11 percent increase in the planted area during 2020/21. With higher returns, mill owners continue to support producers through extension and credit initiatives. The mills' support, combined with the increase in the cane MSP, continues to drive higher area and output. Production for 2020/21 is also revised to reflect official data from the MNFSR and PSMA. The estimate is based on 78 percent crushing and a 10.2 percent sugar recovery rate.

Consumption:

Driven by population growth and an expanding food processing sector, 2022/23 sugar consumption is projected to grow at about a 3.3 percent annual rate, reaching 6.1 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. The beverage industry is taxed heavily: 1) 13 percent Federal Excise Duty (FED); 2) 7 percent General Sales Tax (GST) on finished beverage products; and 3) additional 1.5 percent FED for carbonated beverages.

The government subsidizes sugar sales at State-controlled Utility Stores. Prices at the stores are Rs. 85 per Kg (\$483 per ton). Industry end-users and other members of the general public without access to a Utility Store, must pay significantly more: approximately Rs. 90 per Kg (\$511 per ton) at prevailing open market prices.

Prices

After a long period of continuously rising prices, sugar prices are expected to moderate somewhat in 2022, weighed down by the high level of domestic stocks. The fundamental domestic supply and demand factors should bring prices down to international levels, allowing for Pakistan to export without subsidy.

Table 3: Monthly Average Retail Prices of Sugar (Rs. per kg)

YEAR/MONTH	2016	2017	2018	2019	2020	2021	2022
JANUARY	59.80	64.80	53.12	58.47	75.83	91.25	92.18
FEBRUARY	62.80	63.12	51.50	59.13	79.56	92.96	89.28
MARCH	62.93	60.41	51.33	61.15	80.92	98.12	
APRIL	63.76	59.97	52.85	65.63	81.57	97.08	
MAY	63.75	58.46	52.64	67.99	81.37	97.43	
JUNE	64.37	56.48	53.69	70.83	80.92	98.35	
JULY	67.34	55.04	54.71	72.38	84.19	102.24	
AUGUST	71.17	56.88	55.59	75.38	94.90	105.46	
SEPTEMBER	71.03	55.45	55.99	75.02	94.79	107.59	
OCTOBER	71.04	54.28	54.78	73.78	99.32	103.13	
NOVEMBER	71.80	53.68	54.87	72.61	99.17	96.60	
DECEMBER	63.68	53.91	55.63	71.08	83.27	91.52	
AVERAGE	66.12	57.70	53.89	68.62	78.70	98.48	90.73
	\$0.64	\$0.55	\$0.45	\$0.44	\$0.49	\$0.56	\$0.51
	\$=Rs.104	\$=Rs.105	\$=Rs.120	\$=Rs.155	\$=Rs.160	\$=Rs.176	\$=Rs.176

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

Trade:

Based on expectations for larger exportable supplies 2022/23, exports are forecast to reach 1 MMT. As stated above, moderating domestic prices in 2022/23 should result in Pakistan being able to export without subsidy.

As has been the case in 2021/22, adequate domestic supplies are expected to result in no need to import during 2022/23. There are currently no import duties on sugar.

Table 4: Sugar Import and Export (MT)

Months	IMPORTS				EXPORTS			
	2017/18	2018/19	2019/20	2020/21	2017/18	2018/19	2019/20	2020/21
Oct	1,120	667	301	90,195	49,448	0	45,593	0
Nov	655	545	1,027	59,874	187,237	0	16,230	0
Dec	438	531	364	945	156,194	70,614	10,788	0
Jan	582	481	551	245	133,983	23,637	0	0
Feb	800	592	413	255	150,484	33,236	0	0
Mar	650	1,140	353	826	249,416	68,373	0	0
Apr	718	445	1,001	773	178,605	86,234	0	0

May	683	749	281	443	170,026	100,155	0	0
June	705	341	1,326	508	111,036	127,926	0	0
July	683	415	631	33,620	119,286	32,641	0	0
Aug	290	419	917	66,328	48,088	13,726	0	0
Sept	619	385	28,587	57,857	14,768	62,469	0	0
Total	7,943	6,710	38,752	311,869	1,568,571	619,011	72,611	0

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

Stocks:

With expectations for increase output 2022/23, stocks are forecast to 3.6 MMT. The Trading Corporation of Pakistan (TCP), a government entity that supplies the state-owned Utility Stores Corporation (USC)², procures sugar. TCP then sells into the market to dampen prices when necessary.

Table 5: Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal	2020/2021		2021/2022		2022/2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	1,175	1,165	1,270	1,290		1,295
Area Harvested (1000 HA)	1,175	1,165	1,270	1,290		1,295
Production (1000 MT)	75,500	81,000	83,150	89,000		89,500
Total Supply (1000 MT)	75,500	81,000	83,150	89,000		89,500
Utilization for Sugar (1000 MT)	75,500	81,000	83,150	89,000		89,500
Total Utilization (1000 MT)	75,500	81,000	83,150	89,000		89,500

² 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	2020/2021		2021/2022		2022/2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	1,625	1,685	2,245	2,752	0	3,512
Beet Sugar Production (1000 MT)	60	60	60	60	0	60
Cane Sugar Production (1000 MT)	5,960	6,445	6,615	7,080	0	7,120
Total Sugar Production (1000 MT)	6,020	6,505	6,675	7,160	0	7,180
Refined Imp.(Raw Val) (1000 MT)	400	312	50	0	0	0
Total Imports (1000 MT)	400	312	50	0	0	0
Total Supply (1000 MT)	8,045	8,502	8,970	9,912	0	10,692
Refined Exp.(Raw Val) (1000 MT)	50	0	500	500	0	1,000
Total Exports (1000 MT)	50	0	500	500	0	1,000
Human Dom. Consumption	5,750	5,750	5,900	5,900	0	6,100
Total Use (1000 MT)	5,750	5,750	5,900	5,900	0	6,100
Ending Stocks (1000 MT)	2,245	2,752	2,570	3,512	0	3,592
Total Distribution (1000 MT)	8,045	8,502	8,970	9,912	0	10,692

Attachments:

No Attachments