USDA United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** April 14,2020

Report Number: PK2019-0030

Report Name: Sugar Annual

Country: Pakistan

Post: Islamabad

Report Category: Sugar

Prepared By: Muhammad Shafiq Ur Rehman

Approved By: Rey Santella

Report Highlights:

Pakistan's Marketing Year (MY) 2020/21 sugar production is forecast at 5.9 million metric tons (MMT), a six percent increase from the current year's revised estimate due to an expected increase in sugarcane area. Sugar consumption for the same year is forecast at 5.8 MMT, moderately higher than last year's estimates, and exports are forecast at 400,000 metric tons. Ending stocks are expected to decrease to 1.9 MMT. The current year's production estimates are revised up slightly from last year mainly due to increase in productivity. MY 2018/19 sugar exports stand at 600,000 tons mainly due to a subsidy of $35 per metric ton provided to sugar exporters. Sugar prices jumped 33 percent in March 2020 compared to the same period last year.

SUGARCANE

Production:

Pakistan is the world's fifth largest producer of sugarcane and the eighth largest producer and consumer of sugar. Sugarcane is grown on approximately 1.2 million hectares and provides the raw material for 89 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 for 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) 2020/21 sugarcane production is forecast at 72 million metric tons (MMT), up six percent from the revised 2019/20 estimate. Planting that will be harvested in the fall of 2020 has been completed and total area increased by 11 percent compared to last year. This year, sugarcane farmers received good price whereas cotton farmers suffered a loss due to failure of cotton crop. Based on support price mechanism and increase in procurement prices, cotton farmers are expected to shift to sugarcane during MY 2020/21.

Sugarcane production in Pakistan fluctuates every 2 to 5 years. In MY 2018/19, sugarcane acreage decreased by 18 percent and is expected to decrease another six percent in MY 2019/20 mainly due to late mill payments to cane growers and better prospects offered by alternative crops such as rice and corn.

The Trading Corporation of Pakistan (TCP) is mandated to maintain strategic stocks as well as to keep its supply line in operation for public sector outlets. This arrangement helps in maintaining the sugar supply and prices in the domestic market. The MY 2019/20 sugarcane production is estimated at 68 MMT, up slightly from the previous year. The MY 2018/19 estimate is revised based on official data from the Ministry of National Food Security and Research (MNFSR) and the Pakistan Sugar Mills Association (PSMA).

The Punjab provinces accounts for 65 percent of sugarcane area, Sindh 25 percent, and Khyber Pakhtunkhwa (KPK) 10 percent. There is also a small sugar beet industry in the higher elevations of Khyber Pakhtunkhwa. Farmers opt for sugarcane planting in autumn or spring; autumn planting provides better results due to a 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. 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 application contribute to lower yields. Many observers agree that Pakistan would benefit from additional sugarcane research and development initiatives 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 2018/19	**MY 2019/20**	**MY 2020/21**	**MY 2018/19**	**MY 2019/20**	**MY 2020/21**
Punjab	711	670	750	44,900	43,500	46,725
Sindh	280	265	291	16,700	15,900	17,900
NWFP	111	105	115	5,400	5,100	7,100
Baluchistan	-	-	-		-	-
Total	**1102**	**1,040**	**1,156**	**67,174**	**67,670**	**71,725**

Sources: MNFSR, PSMA and FAS/Islamabad

Production Policy:

The provincial governments set procurement prices for sugarcane in consultation with representatives of both the sugar industry and farmers' organizations, based on recommendations from the Ministry of National Food Security and Research and the provincial ministries of agriculture, food, and industry. During the MY 2019/20 crushing season, the provincial governments of Punjab and KPK increased the minimum support price (MSP) by Rs. 10 per 40 Kg of cane to Rs. 190 ($30.65/ton), and for Sindh Rs. 192 per 40 Kg ($31/ton). Mills are typically bound to pay farmers the MSP; however, buyers and sellers will occasionally work out sales at below-MSP rates if both parties agree. 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 have increased by 375 percent during the period from 2005 to 2020 and these prices are maintained by the provinces. The sugar industry is protected by a 40 percent import tariff designed to boost domestic sugar prices and protect the local industry from imports.

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. The following table shows the history of procurement prices for sugarcane for each province over the past 15 years.

Table 2: Procurement Prices of Sugarcane by Province (Rs. per 40 kg. $1.00=Rs.155)

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	-

Source: Provincial Agriculture Departments and PSMA

SUGAR

MY 2020/21 refined sugar production is forecast at 5.9 million tons, up six percent from the revised 2019/20 estimate. Estimated MY 2019/20 sugar production is up slightly due to productivity increase in sugarcane yields. Realizing the impact of smaller sugarcane crop area, the mills extended extension and credit support initiatives to support their contract farmers. Simultaneously, the public and private stakeholders agreed to increase sugarcane procurement price by Rs.10 per 40 Kg to Rs. 190 ($30.65 per ton) for Punjab and KPK and Rs. 192 ($31 per ton) for Sindh; both of these factors increased sugarcane productivity and the sugar recovery rate. MY 2018/19 production now reflects official data from the MNFSR and PSMA. The estimate is based on 79 percent crushing and a 10.4 percent sugar recovery rate.

Sugar in Pakistan's domestic market continues to be priced well above the international market. March 2020 sugar wholesale prices stood at $507 per metric, an estimated 52 percent higher than the international market pegged at $334/metric ton. The sugar market is insulated from imports by a tariff of 40 percent.

Industry reports showed that the average wholesale prices in March 2020 increased by 46 percent compared to the prices of August 2018. While mills enjoyed a high price in the domestic market and export subsidies, the media, influencers, and consumer groups raised concerns about the country's sugar production and availability, subsidies and export mechanism, and pricing mechanisms. As a result, the current government ordered an investigation of the sugar program. The results are expected by the end of summer.

Consumption:

Consumption continues to grow modestly, largely as a result of a growing population and a slowly developing domestic food processing sector. MY 2020/21 sugar consumption is projected at 5.8 MMT. Bulk sugar consumers such as bakeries, candy, ice cream, and soft drink manufacturers account for about 60 percent of total sugar demand. With the added protection of 40 percent tariff on imports, high market prices likely discourage a larger increase in consumption.

Table 3: Monthly Average Retail Prices of Sugar

(Rs. per kg)

YEAR/MONTH	2014	2015	2016	2017	2018	2019	2020
JANUARY	51.39	53.92	59.80	64.80	53.12	58.47	75.83
FEBRUARY	51.25	54.23	62.80	63.12	51.50	59.13	79.56
MARCH	53.35	54.28	62.93	60.41	51.33	61.15	81.10
APRIL	52.40	56.92	63.76	59.97	52.85	65.63	
MAY	52.27	59.53	63.75	58.46	52.64	67.99	
JUNE	53.84	62.49	64.37	56.48	53.69	70.83	
JULY	55.92	65.41	67.34	55.04	54.71	72.38	
AUGUST	57.83	65.36	71.17	56.88	55.59	75.38	
SEPTEMBER	60.49	64.75	71.03	55.45	55.99	75.02	
OCTOBER	59.17	61.55	71.04	54.28	54.78	73.78	
NOVEMBER	56.78	59.56	71.80	53.68	54.87	72.61	
DECEMBER	54.12	57.14	63.68	53.91	55.63	71.08	
AVERAGE	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	53.89 $0.45 USD=Rs.120	68.62 $0.44 USD=Rs.155	78.70 $0.49s USD=Rs.160

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

Trade:

In an effort to reduce stocks and generate additional revenue for the millers, and to speed payments to growers, the Government of Pakistan's Economic Coordination Committee of the Cabinet allowed sugar exports totaling 1.1 MMT at the end of 2018. No freight support or subsidy was awarded for sugar export except by the government of the Punjab. Simultaneously, the government of the Punjab announced a support of Rs. 5.35 per Kg ($34 per ton) with a total outlay of Rs.3 billion ($19 million) to support the sugar sector in Punjab. As a result of the government's actions, sugar prices increased during the start of 2020. Exports during 2020/21 are projected at 400,000 tons after meeting local requirements and maintaining minimum stocks.

Table 4: Sugar Import and Export (MT)

Sugar Imports and Exports								
	Imports				Exports			
Months	**My 2016/17**	**My 2017/18**	**My 2018/19**	**My 2019/20**	**My 2016/17**	**My 2017/18**	**My 2018/19**	**My 2019/20**
Oct	889	1,120	667	301	0	49,448	0	45,593
Nov	2,258	655	545	1,027	0	187,237	0	16,230
Dec	1,014	438	531	364	0	156,194	70,614	10,788
Jan	1,519	582	481	551	0	133,983	23,637	0
Feb	1,448	800	592	413	15,885	150,484	33,236	0
Mar	1,758	650	1,140		107,558	249,416	68,373	
Apr	662	718	445		67,186	178,605	86,234	
May	750	683	749		112,130	170,026	100,155	
June	820	705	341		5,080	111,036	127,926	
July	998	683	415		58,555	119,286	32,641	
Aug	1,347	290	419		9,774	48,088	13,726	
Sept	864	619	385		23,632	14,768	62,469	
Total	**9,339**	**7,943**	**6,710**	**2,656**	**399,800**	**1,568,571**	**619,011**	**72,611**

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

Stocks:

Ending stocks in MY 2020/21 are expected to decrease to 1.9 million tons based on projected supply demand scenario.

Table 5: Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1102	1102	1040	1040	0	1156
Area Harvested	1102	1102	1040	1040	0	1156
Production	67000	67174	64500	67670	0	71725
Total Supply	67000	67174	64500	67670	0	71725
Utilization for Sugar	67000	67174	64500	67670	0	71725
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	67000	67174	64500	67670	0	71725
(1000 HA) ,(1000 MT)						

Table 6: Production, Supply and Demand Data Statistics:

Sugar, Centrifugal	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	3140	3140	2690	2690	0	2165
Beet Sugar Production	40	40	40	40	0	40
Cane Sugar Production	5500	5500	5200	5525	0	5860
Total Sugar Production	5540	5540	5240	5565	0	5900
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	10	10	10	10	0	10
Total Imports	10	10	10	10	0	10
Total Supply	8690	8690	7940	8265	0	8075
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	600	600	500	500	0	400
Total Exports	600	600	500	500	0	400
Human Dom. Consumption	5400	5400	5600	5600	0	5800
Other Disappearance	0	0	0	0	0	0
Total Use	5400	5400	5600	5600	0	5800
Ending Stocks	2690	2690	1840	2165	0	1875
Total Distribution	8690	8690	7940	8265	0	8075
(1000 MT)						

Attachments:

No Attachments