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Pakistan

Sugar

Semi-Annual

2000

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Report Highlights:

Pakistan is forecast to import 700,000 metric tons (MT) of sugar in MY 2000/2001 due to the continuing unattractiveness of cane production. The MY 1999/2000 import estimate has been revised upward to 550,000 MT, based on trade to date. The Government of Pakistan has reduced the import duty on sugar from 45 percent to 10 percent and now permits the duty free import of raw sugar in an effort to moderate retail sugar prices.

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

SUGARCANE PRODUCTION

MY 2000/01 cane production is forecast to decrease about 2 percent to 45.24 million metric tons (MMT), based on a 6-percent decrease in area and 5-percent increase in yields. Farmers shifted from cane to rice and cotton during the past year due to the relatively lower returns to cane production as a result of increasing cost of electricity for tubewell irrigation and continuing payment problems with the mills. Sources report the condition of the crop generally is good in both Punjab and Sindh with little disease or pest problems reported.

Table 1: Sugarcane Area and Production by Province

Province	Area ('000 hectares)			Production ('000 MT)		
	MY98/99	MY99/00	MY2000/01	MY98/99	MY99/00	MY2000/01
Punjab	780.3	672.1	581.0	33,383	27,081	24,000
Sindh	270.8	230.6	263.3	17,051	14,291	16,500
NWFP	103.3	106.3	103.0	4,720	4,917	4,700
Baluch	0.7	0.8	0.8	38	43	43
Total	1,155.1	1,009.8	948.1	55,192	46,332	45,243

Source: Ministry of Food and Agriculture and FAS/Islamabad

SUGAR PRODUCTION

MY 2000/01 refined sugar production forecast has been revised down to 2.5 MMT (raw value), based on the forecast decrease in cane production. Despite a 2-percent decrease in cane production, sugar production is expected to match last year's level thanks to an expected improvement in sugar recovery. During last season the sugar industry actively discouraged the use of the low recovery Indian variety COL 1148 by imposing heavy discounts and, in some cases, by refusing outright to purchase it. As a result, area under this variety has decreased considerably and farmers have started planting new, higher recovery varieties of cane.

CONSUMPTION

MY 2000/01 sugar consumption is forecast at 3.25 MMT (raw value), based on a 2.8-percent increase in population and a decline in consumers' purchasing power. Over the past 6 months, retail sugar prices have increased more than 50 percent, from Rs. 19 to Rs. 30 per kilogram due to reduced supplies and higher total costs (including duty) for imported sugar ($1 = Rs. 56.80).

Table 2: Refined Sugar Production, Supply and Demand

PSD Table						
Country	Pakistan					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Beginning Stocks	503	503	552	552	347	447
Beet Sugar Production	11	11	10	11	10	10
Cane Sugar Production	3780	3780	2675	2584	3424	2500
TOTAL Sugar Production	3791	3791	2685	2595	3434	2510
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	8	8	320	550	0	700
TOTAL Imports	8	8	320	550	0	700
TOTAL SUPPLY	4302	4302	3557	3697	3781	3657
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	540	540	0	0	0	0
TOTAL EXPORTS	540	540	0	0	0	0
Human Dom. Consumption	3210	3210	3210	3250	3250	3250
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	3210	3210	3210	3250	3250	3250
Ending Stocks	552	552	347	447	531	407
TOTAL DISTRIBUTION	4302	4302	3557	3697	3781	3657

TRADE

MY 2000/2001 sugar imports are forecast at 700,000 MT, due mainly to lower domestic production. The MY 1999/2000 sugar imports has been revised upward to 550,000 MT. There is no shortage of sugar in the country but retail sugar prices have increased more than 50 percent to Rs. 30 per kilogram. The main problem is that the government failed to realize the extent of the production shortfall until the end of the crushing season. Some traders imported sugar in May at around $200 per MT C&F Karachi. However, since then the world price has increased to the point that imported sugar is as high as $315 per MT C&F Karachi (again excluding duty). China and Thailand are the main suppliers.

In an effort to stabilize domestic sugar prices of sugar, the Government of Pakistan (GOP) has reduced the duty on refined sugar from 45 percent to 10 percent and also has allowed the duty free import of raw sugar. The GOP also has tasked the Trading Corporation of Pakistan (TCP), a public sector organization, to import 100,000 MT of sugar. Reports suggest TCP is negotiating with Indian suppliers for 25,000 MT at $308 per MT C&F (Indo-Pak border). This represents a major turnaround from last year when Pakistan exported about 500,000 MT of sugar to India..

STOCKS

MY 2000/01 stocks are expected to decline to 407,000 MT due to the shortfall in production despite heavy imports. All stocks are held by private producers and distributors.