

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Pakistan**

### **Sugar Annual**

### **Sugar Annual 2012**

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**Report Highlights:**

Pakistan's marketing year (MY) 2012/13 (October-September) sugar production is forecast to decrease by 5 percent to 4.1 million tons from the estimated 4.3 million tons produced in MY 2011/12. The sugar production estimate for MY 2011/12 is revised up 100,000 tons to 4.3 million tons. MY 2012/13 sugar consumption is forecast at 4.4 million tons and imports at 200,000 tons. MY 2012/13 ending stocks are expected to decrease and are forecast at 1.2 million tons.

### Executive Summary:

Sugarcane is an important industrial and cash crop in Pakistan. Last year's excessive rains and subsequent floods affected cotton and rice crops but for sugarcane it was a blessing in disguise. Consequently Post's estimate of Pakistan's MY 2011/12 sugar production has been increased by 100,000 tons to 4.3 million tons. Estimates are based on 80 percent crushing and 9.2 percent sugar recovery. Pakistan's MY 2012/13 total sugar production is forecast at 4.1 million tons, down 5 percent over the current year's estimate. Sugar imports in MY 2010/11 are revised up at 1.04 million tons. In MY 2012/13 sugar imports are forecast at 200,000 tons. Sugar consumption in MY 2012/13 is forecast at 4.4 million tons. MY 2012/13 ending stocks are expected to decrease and are forecast at 1.2 million tons.

### Commodities:

Sugar Cane for Centrifugal

### Production:

Pakistan is the world's fifth largest producer of sugarcane in terms of acreage, and the 15th largest producer of sugar. In Pakistan, sugarcane is grown on approximately one million hectares and provides raw material for 84 sugar mills. The sugar industry is the country's second largest agro-industry after textiles. In addition to sugar, sugarcane is employed in the production of a number of other products such as: alcohol used by the pharmaceutical sector, ethanol for fuel, bagasse in paper and chip board manufacturing and press mud used as a rich source of organic matter and nutrients for crop production.

In MY 2011/12, Pakistan's sugarcane production is estimated at 58.6 million tons, up 9 percent over last year's harvest of 53.5 million tons. The 2011 sugarcane crop benefitted from the excessive rains/floods which hit the country especially the southern part. Plentiful moisture availability followed by favorable weather conditions helped to enhance cane production both in Punjab and Sindh provinces.

Generally, sugarcane maintains a production cycle of 2-3 years. After two successive years of increases in sugar production (MY 2010/11 and MY 2011/12), production is likely to decrease in the ensuing year. MY 2012/13 sugarcane production is forecast at 55.6 million tons, a reduction of 5 percent over the current year due to a projected decline in area planted. Substitution of area from sugarcane is due to strong competition from short duration cash crops like cotton and sunflower. Other contributing factors include increasing labor cost and intensive irrigation requirement associated with high energy cost. MY 2012/13 sugarcane acreage is expected to decrease by 6 percent to 950,000 hectares.

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

Province	Area ('000' Hectares)			Production ('000' Tons)		
	MY 2010/11	MY 2011/12	MY 2012/13	MY 2010/11	MY 2011/12	My 2012/13

<b>Punjab</b>	660	690	650	36,300	40,400	38,125
<b>Sindh</b>	220	229	219	12,760	13,740	13,100
<b>NWFP</b>	89	90	80	4,450	4,500	4,400
<b>Baluchistan</b>	1	1	1	40	40	40
<b>Total</b>	<b>970</b>	<b>1,010</b>	<b>950</b>	<b>53,550</b>	<b>58,640</b>	<b>55,665</b>

Source: Provincial Agriculture Departments and FAS/Islamabad

## Production Policy

After the passing of the 18th Constitutional Amendment by Parliament in 2011, the federal Ministry of Food and Agriculture (MINFA) was abolished and its functions were delegated to provinces and other federal ministries. The provincial governments are authorized to fix procurement prices of sugarcane in consultation with representatives of both the sugar industry and the farmer's organizations. At present, the provincial government establishes a minimum support price (MSP) for sugarcane on the basis of recommendations by the Agricultural Policy Institute (API) and the relevant departments in the provincial set up. During the MY 2011/12 crushing season, the provincial governments of Punjab and Khyber Pakhtunkhawah (KPK) announced a sugarcane procurement price/ MSP at Rs. 150 per 40 Kg (\$42 per ton), whereas, Sindh announced a price of Rs. 154 per 40 Kg. According to trade sources, this year low sugar prices and the expectation of a large sugarcane crop resulted in mills offering lower cane prices to farmers as compared to last year.

The provincial governments support research, development, training of farmers and transfer of new technologies to growers in its endeavor to raise cane yields and sugar recovery rates. Agricultural universities and a few sugar mills also support research and development (R&D) activities.

**Table 2:**

## Sugarcane Procurement Prices by Province

(Rs. per 40 kg)

YEAR	PUNJAB	SINDH	NWFP	BALUCHISTAN
<b>2000-01</b>	35.00	36.00	35.00	36.00
<b>2001-02</b>	42.00	43.00	42.00	43.00
<b>2002-03</b>	40.00	43.00	42.00	43.00
<b>2003-04</b>	40.00	41.00	42.00	43.00
<b>2004-05</b>	40.00	43.00	42.00	43.00
<b>2005-06</b>	45.00	58.00	48.00	-
<b>2006-07</b>	60.00	67.00	48.00	-
<b>2007-08</b>	60.00	67.00	65.00	-
<b>2008-09</b>	80.00	81.00	65.00	-
<b>2009-10</b>	100	100	100	-
<b>2010-11</b>	125	127	125	-
<b>2011-12</b>	150	154	150	-

Source: Provincial Agriculture Departments

**Commodities:**

Sugar, Centrifugal

**Production:**

MY 2012/13 refined sugar production is forecast at 4.1 million tons, 5 percent lower than the current year's estimate. Post's estimate of MY 2011/12 sugar production is revised upward 100,000 tons to 4.3 million tons based on recovery of the crop following excessive rains/ flooding in 2011. Current year's estimates are based on 80 percent crushing and 9.2 percent sugar recovery rate.

**Consumption:**

Burgeoning population requirements and strong demand from bulk consumers in Pakistan are likely to push up domestic sugar consumption. Sugar consumption in MY 2011/12 is estimated at 4.3 million tons, marginally up over the last year's estimate of 4.25 million tons. MY 2012/13 sugar consumption is forecast at 4.4 million tons, up 2 percent over the current year's estimates.

Analysis of prices data reveal that sugar prices peaked at the start of MY 2010/11 and softened gradually with increases in domestic production supplemented with imports. After devastating floods in 2011, the initial indications were that sugarcane crop was also affected along with other Kharif crops i.e. cotton and rice. Anticipating sugar shortages the GOP imported over a million tons of sugar from different origins. Contrary to the initial assessment, floods proved to be a blessing in disguise for sugarcane crop and over 3.9 million tons of sugar was produced.

**Table 3: Monthly Average Retail Prices of Sugar**

(Rs. per kg)

YEAR/MONTH	2008	2009	2010	2011	2012
<b>JANUARY</b>	26.06	39.38	66.44	72.57	52.39
<b>FEBRUARY</b>	25.73	42.63	68.55	67.02	50.31
<b>MARCH</b>	25.44	43.83	64.87	66.95	54.89
<b>APRIL</b>	25.18	44.96	62.14	67.14	
<b>MAY</b>	28.45	45.45	61.28	65.77	
<b>JUNE</b>	29.75	45.65	63.27	69.19	
<b>JULY</b>	31.68	46.96	66.68	70.74	
<b>AUGUST</b>	32.70	52.16	72.26	74.65	
<b>SEPTEMBER</b>	33.44	48.97	80.43	76.03	
<b>OCTOBER</b>	37.61	45.75	81.91	72.01	
<b>NOVEMBER</b>	37.72	45.75	87.98	67.25	
<b>DECEMBER</b>	35.59	58.50	73.78	55.52	
<b>AVERAGE</b>	<b>30.80</b> <b>\$0.38</b> USD1=Rs.80	<b>46.66</b> <b>\$0.57</b> USD1=Rs.82	<b>70.80</b> <b>\$0.82</b> <b>USD1=Rs.86</b>	<b>68.74</b> <b>\$0.78</b> USD1=Rs.88	<b>52.53</b> <b>\$0.58</b> USD1=Rs.90

Source: Federal Bureau of Statistics (FBS), Government of Pakistan

Prices during MY 2011/12 are projected to remain stable due to enhanced sugar production coupled with fair amount of available stocks. Market prices are expected to hover around Rs.55 per Kg (\$610 per ton) during the remaining part of the year.

**Trade:**

MY 2012/13 sugar imports are forecast at 200,000 tons. Improved carryover stocks and a production of 4.3 million tons in MY 2011/12 enabled Pakistan to enter into the export market. MY 2010/11 exports are estimated at 150,000 tons. Private trade sources do mention some exports to neighboring countries but documented record is not available. With anticipated decrease in sugar production MY 2012/13 imports are forecast at 200,000 tons. Sugar import estimates for MY 2010/11 are revised upward to 1.04 million tons in accordance with latest trade data.

**Table 4: Sugar Imports during MY 2010/11**

S/No	Origin	Quantity Imported (Tons)
1	Thailand	185,655
2	United Arab Emirates	219,416
3	Brazil	357,119
4	India	269,016
5	Europe	9,750
<b>Total</b>		<b>1,040,956</b>

Source: Federal Ministry of Commerce/ Pakistan Sugar Mills Association (PSMA)

**Stocks:**

Sugar stocks at the end of MY 2011/12 are estimated at 1.3 million tons. Ending stocks in MY 2012/13 are forecast at 1.2 million tons based on projected supply-demand scenarios and trade expectations.

**Production, Supply and Demand Data Statistics:**

(Figures in '000' MT)

Sugar, Centrifugal Pakistan	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	830	830	680	1,470		1,340
Beet Sugar Production	20	20	20	20		20
Cane Sugar Production	3,900	3,900	4,200	4,300		4,100
Total Sugar Production	3,920	3,920	4,220	4,320		4,120
Raw Imports	100	0	0	0		0
Refined Imp.(Raw Val)	150	1,040	300	0		200
Total Imports	250	1,040	300	0		200
Total Supply	5,000	5,790	5,200	5,790		5,660
Raw Exports	0	0	0	0		0
Refined Exp.(Raw Val)	70	70	70	150		100

Total Exports	70	70	70	150		100
Human Dom. Consumption	4,250	4,250	4,300	4,300		4,400
Other Disappearance	0	0	0	0		0
Total Use	4,250	4,250	4,300	4,300		4,400
Ending Stocks	680	1,470	830	1,340		1,160
Total Distribution	5,000	5,790	5,200	5,790		5,660
TS=TD	0	0	0	0		0