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GAIN Report

Global Agricultural Information Network

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Sugar Update

Report Categories:

Sugar

Trade Policy Monitoring

Agriculture in the News

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Report Highlights:

On December 24, 2015, Pakistan's cabinet-level Economic Coordination Committee (ECC) authorized Rs. 6.5 billion (\$65 million) to facilitate the export of sugar from stocks that are currently with sugar mills. It appears that the new subsidy (\$100/MT) has reenergized sugar exports.

Disclaimer: This summary is based on a cursory review of the subject announcement and, therefore, should not under any circumstances be viewed as a definitive interpretation of the regulation or policy in question, or of its implications for U.S. agricultural trade interests. For more information, please contact the Office of Agricultural Affairs in Islamabad at agislamabad@fas.usda.gov

\$100 per ton Sugar Export Subsidy Announced

On December 24, 2015, Pakistan's cabinet-level Economic Coordination Committee (ECC) authorized Rs. 6.5 billion (\$65 million) to facilitate the export of sugar from stocks that are currently with sugar mills. The cost of the subsidy will be born equally by the federal and provincial governments. The subsidy includes Rs. 2 per kilo (\$20 per metric ton) to subsidize the cost of inland freight and Rs. 8 per kilo (\$80 per metric ton) to lower the price of exported sugar. Sugar millers report that stocks are adequate to meet both potential export demand and domestic demand. The ECC also established a minimum sugar export price of \$450 per metric ton for Afghanistan and Central Asian countries. The move is aimed at providing fiscal relief for sugar millers who are carrying large sugar stocks and have had difficulty making payments to farmers.

In November (See "PK1420 Pakistan Raises Sugar Tariff – Allows Exports" for more details) the Government of Pakistan established an export quota of 500,000 metric tons and an import tariff of 20 percent, but did not establish a subsidy. In this latest announcement, in addition to announcing a subsidy, the ECC increased the export quota to 650,000 metric tons for shipment no later than May 15, 2015.

Quotas and Subsidies Not New

Pakistan is a regular sugar exporter, but the government seeks to control the pace of exports through export quotas and subsidies. Until the latest export quota was announced in November 2014, exports were taking place under a 1.2 million metric ton quota that was announced in March of 2013. Sugar exports under this quota were eligible for an \$18 per ton inland freight subsidy.

Subsidy Having Desired Effect

It appears that the new subsidy has reenergized sugar exports. Pakistan's internal sugar price of \$470 per metric ton, less the \$100 per ton subsidy, appears to be competitive on the international market and preliminary trade data suggests that exports rebounded in January (see the figure below), after dropping to near zero in November in December after global sugar prices fell.

Pakistan's Monthly Sugar Exports

(Source: Pakistan Bureau of Statistics)

