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Pakistan

Sugar

Semi-Annual

2007

Approved by:

Margaret E. Thursland
Agricultural Counselor
U.S. Embassy Islamabad

Prepared by:

Mohammad Shafiq Ur Rehman
Agricultural Specialist

Report Highlights:

Pakistan's MY 2007/08 sugar production forecast is revised up 10 percent to 4.073 million metric tons (MMT) due to higher production than previously estimated. The import forecast has been revised down based on increased local production. Consumers will not benefit from favorable world prices and supply as the GOP has clamped a 15 percent regulatory duty on sugar imports. Total annual consumption is forecast at 4.1 million metric tons.

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

Executive Summary

Pakistan's MY 2007/08 total centrifugal sugar production is forecast at 4.073 MMT, 10 percent higher than earlier estimates (PK7008) due to increased acreage and favorable weather conditions. Higher local production will help stabilize the domestic sugar market with surplus stocks at year end. Consumers are not likely to benefit from the reduction in international prices as the GOP has imposed a 15 percent regulatory duty on sugar imports. Pakistan has a comparative disadvantage in sugar production compared with cheaper availability in the international market.

SUGARCANE

Production

MY 2007/08 sugarcane production is forecast at 61.5 MMT. This latest assessment is 9.5 percent higher than the previous estimate and 12 percent up over last year's production. The expanded production forecast is mainly attributable to increased area under sugarcane coupled with favorable weather conditions. Improved profitability has encouraged farmers to substitute area from other competing crops, mainly rice and cotton. This production trend could adversely impact Pakistan's economy as non-sugar bulk commodities enjoy the lion's share of foreign trade. Pakistan is primarily a cotton economy; but with over \$1 billion in annual exports, rice has emerged as a significant contributor to the national exchequer.

Table 1. Sugarcane Area and Production by Province

Province	Area ('000' hectares)			Production ('000' MT)		
	MY 2005/06	MY 2006/07	MY 2007/08	MY 2005/06	MY 2006/07	MY 2007/08
Punjab	625.7	712.0	805.0	28,969	37,542	42,453
Sindh	183.0	215.0	240.0	11,243	12,529	13,950
NWFP	97.0	106.0	115.0	4,439	4,800	5,100
Baluch	0.3	0.0	0.0	15	0	0
Total	906.0	1,033.0	1,160.0	44,666	54,871	61,503

Source: Ministry of Food, Agriculture and Livestock and FAS/Islamabad

Production Policy

The GOP supports cane production by setting a market support price, which may be announced either before or after planting. The federal government generally does not procure cane, but authorizes the provincial governments to fix respective cane prices in consultation with representatives of the sugar industry and farmer organizations.

Table 2. INDICATIVE PRICE OF SUGARCANE BY PROVINCE
In rupees per 40 kilos (USD 1 = Rupees 61)

YEAR	PUNJAB	SINDH	NWFP	BALUCHI STAN
2003-04	40.00	41.00	42.00	43.00
2004-05	40.00	43.00	42.00	43.00
2005-06	45.00	58.00	48.00	-
2006-07	60.00	67.00	48.00	-
2007-08	60.00	67.00	65.00	-

SUGAR

Production

MY 2007/08 refined sugar production is forecast to be 4.073 MMT, due primarily to an expected increase in both planted area and production of sugar cane. Sugar production in Pakistan has a comparative disadvantage; the cost of local production is significantly higher than world prices. At present, the landed cost of imported sugar is Rs. 19.50 per kg (US \$0.32) or \$320 per MT compared with the domestic issue price at the mill gate of Rs. 27 per kg (US\$0.44) or \$443 per MT. The average retail price is approximately Rs. 30 per kg (US\$0.49) or \$492 per MT.

Table 3. Refined Sugar Production, Supply and Demand
(1,000 MT)

PAKISTAN	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007
Beginning Stocks	585	585	585	1260	1260	1260	1060	1060	1060
Beet Sugar Production	9	9	9	15	15	15	20	20	20
Cane Sugar Production	2588	2588	2588	3600	3600	3600	3700	3700	4053
Total Sugar Production	2597	2597	2597	3615	3615	3615	3720	3720	4073
Raw Imports	401	401	401	0	0	0	0	0	0
Refined Imp.(Raw Val)	1581	1581	1581	200	200	200	400	400	200
Total Imports	1982	1982	1982	200	200	200	400	400	200
Total Supply	5164	5164	5164	5075	5075	5075	5180	5180	5333
Raw Exports	61	61	61	65	65	65	0	0	0
Refined Exp.(Raw Val)	0	0	0	0	0	0	70	70	70
Total Exports	61	61	61	65	65	65	70	70	70
Human Dom. Consumption	3843	3843	3843	3950	3950	3950	4100	4100	4100
Other Disappearance	0	0	0	0	0	0	0	0	0
Total Use	3843	3843	3843	3950	3950	3950	4100	4100	4100
Ending Stocks	1260	1260	1260	1060	1060	1060	1010	1010	1163
Total Distribution	5164	5164	5164	5075	5075	5075	5180	5180	5333

Consumption

MY 2007/08 sugar consumption is forecast to increase by 150,000 MT to 4.1 MMT due to an increase in population and strong economic growth over the past three years. Total per capita refined sugar consumption is estimated at about 25 kilograms, reflecting improved domestic supplies and strong demand. Retail sugar prices will continue to hover around Rs. 30 per kilo (US\$0.50). Cheaper availability in the international market will not benefit the consumer in the wake of a 15 percent regulatory duty imposed by the Government of Pakistan on sugar imports.

Table 4. RETAIL PRICE OF SUGAR
Rupees per kilo (USD 1 = Rupees 61)

YEAR/MONTH	2003	2004	2005	2006	2007
JANUARY	19.83	18.53	24.35	29.49	31.55
FEBRUARY	20.14	18.16	27.00	35.05	30.83
MARCH	19.97	17.86	26.33	35.61	30.63
APRIL	19.83	18.52	26.27	36.77	30.25
MAY	19.71	19.10	26.15	36.32	29.85
JUNE	19.52	19.26	26.46	34.91	28.38
JULY	19.26	19.49	28.06	35.06	29.20
AUGUST	19.16	20.62	27.85	34.98	
SEPTEMBER	19.79	20.75	26.65	33.43	
OCTOBER	19.93	20.78	26.71	32.87	
NOVEMBER	19.49	21.62	27.50	33.15	
DECEMBER	19.17	21.52	28.47	30.86	
AVERAGE	19.65 \$0.33	19.68 \$0.33	26.82 \$0.45	34.08 \$0.57	

Trade

MY 2006/07 sugar imports are estimated at 200,000 MT. Most imports will be via the private sector.

Stocks

MY 2007/08 stocks are forecast at 1.163 MMT, based on projected supply-demand scenarios and trade expectations.

OTHER RELEVANT REPORTS

[PK7008](#) Pakistan 2007 Sugar Annual Report

[PK7009](#) Pakistan 2007 Biofuels Annual Report