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Pakistan

Sugar

Semi Annual

2008

Approved by:

Joseph M. Carroll
Agricultural Counselor
U.S. Embassy, Islamabad

Prepared by:

Mohammad Shafiq Ur Rehman,
Agricultural Specialist

Report Highlights:

Post's estimate of Pakistan's MY 2007/08 (Nov/Oct) sugar production was increased to 4.16 MMT, and the MY 2008/09 forecast decreased slightly to 3.56 MMT. The decline in this year's sugar production is expected to be offset by higher imports, estimated at 700,000 MT.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

Pakistan's marketing year (MY) 2007/08 (Nov/Oct) total centrifugal sugar production is estimated at 4.16 MMT, and projected to decline by about 16 percent to an estimated 3.56 MMT in MY 2008/09. Reduced domestic production is expected to be augmented by higher imports to meet domestic requirements and help stabilize market prices. Consumers are not likely to benefit significantly from lower international prices as the Government of Pakistan (GOP) has imposed a 15 percent regulatory duty on raw sugar imports.

SUGARCANE

Production

MY 2008/09 sugarcane production is forecast at 53.7 MMT down about 16 percent from last year's production level. Lower production is largely attributed to the cyclical nature of sugarcane production in Pakistan. Grower's were also discouraged as a result of last year's poor market performance (e.g., the issuance of cane supply indents, increased mistrust of weight/measurement scales employed by authorized factory stations, the late start of the crushing season which limited farmers' wheat planting options, and above all, delayed payments. Improved profitability of alternative crops such as rice and sunflower has further motivated farmers to shift area away from sugarcane.

Table 1: Sugarcane Area and Production by Province

Province	Area ('000' hectares)			Production ('000' MT)		
	MY 2006/07	MY 2007/08	MY 2008/09	MY 2006/07	MY 2007/08	MY 2008/09
Punjab	712.00	827.00	675.00	37,542	40,307	32,825
Sindh	215.00	308.00	265.00	12,530	18,794	16,140
NWFP	102.00	105.00	105.00	4,645	4,792	4,710
Baluch	1.0	1.00	0.00	25	28	25
Total	1030.00	1241.00	1045.00	54,742	63,921	53,700

Sources: Ministry of Food, Agriculture and Livestock; FAS/Islamabad

Production Policy

The federal government generally does not procure cane, but authorizes 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 Kg)

YEAR	PUNJAB	SINDH	NWFP	BALUCHI STAN	
2003-04	40.00	41.00	42.00	43.00	USD1=Rs. 61
2004-05	40.00	43.00	42.00	43.00	USD1=Rs. 61
2005-06	45.00	58.00	48.00	-	USD1=Rs. 61
2006-07	60.00	67.00	48.00	-	USD1=Rs. 61
2007-08	60.00	67.00	65.00	-	USD1=Rs. 62
2008-09	80.00	81.00	81.00	-	USD1=Rs. 80

SUGAR

Table 3: Refined Sugar production, Supply and Demand

Country	Pakistan								
Commodity	Sugar, Centrifugal (UOM 1000 MT)								
	2007 Revised			2008 Estimate			2009 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		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008
Beginning Stocks	1260	1260	1260	1060	1060	1060	1010	1163	1163
Beet Sugar Production	15	15	15	20	20	20	0	20	20
Cane Sugar Production	3600	3600	3600	3700	3700	4143	0	3650	3542
Total Sugar Production	3615	3615	3615	3720	3720	4163	0	3670	3562
Raw Imports	0	0	0	0	0	0	0	0	300
Refined Imp.(Raw Val)	200	200	200	400	400	110	0	550	400
Total Imports	200	200	200	400	400	110	0	550	700
Total Supply	5075	5075	5075	5180	5180	5333	1010	5383	5425
Raw Exports	65	65	65	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	0	70	70	70	0	70	75
Total Exports	65	65	65	70	70	70	0	70	75
Human Dom. Cons.	3950	3950	3950	4100	4100	4100	0	4200	4300
Other Disappearance	0	0	0	0	0	0	0	0	0
Total Use	3950	3950	3950	4100	4100	4100	0	4270	4375
Ending Stocks	1060	1060	1060	1010	1010	1163	0	1113	1050
Total Distribution	5075	5075	5075	5180	5180	5333	0	5383	5425

Consumption

MY 2008/09 sugar consumption is forecast to increase by 4.3 MMT due to an increase in population and increased demand for sugar-based products. Total per capita refined sugar consumption is estimated at about 25 kilograms per year, reflecting improved domestic supplies and strong demand. Retail sugar prices are forecast to hover around Rs. 35 per kilo (US\$0.44/kg). Consumers will likely not realize the benefits of lower, international prices for sugar as the to GoP maintains a 15 percent regulatory duty on raw sugar imports, a 16 percent general sales tax, and a one percent excise duty.

Table 4: Retail Price of Sugar

YEAR/MONTH	Rupees per Kg				
	2004	2005	2006	2007	2008
JANUARY	18.53	24.35	29.49	31.55	25.73
FEBRUARY	18.16	27.00	35.05	30.83	25.92
MARCH	17.86	26.33	35.61	30.63	25.54
APRIL	18.52	26.27	36.77	30.25	25.26
MAY	19.10	26.15	36.32	29.85	28.45
JUNE	19.26	26.46	34.91	28.38	29.75
JULY	19.49	28.06	35.06	29.20	31.68
AUGUST	20.62	27.85	34.98	30.17	32.70
SEPTEMBER	20.75	26.65	33.43	29.85	33.44
OCTOBER	20.78	26.71	32.87	29.36	-
NOVEMBER	21.62	27.50	33.15	28.75	-
DECEMBER	21.52	28.47	30.86	26.89	-
AVERAGE	19.68 \$0.33 USD1=Rs. 61	26.82 \$0.45 USD1=Rs. 61	34.08 \$0.57 USD1=Rs. 61	27.19 \$0.44 USD1=Rs. 62	28.72 \$0.36 USD1=Rs. 80

Trade

MY 2008/09 sugar imports are estimated at 700,000 MT. Imports are largely handled by the private sector. In an attempt to support the domestic crushing industry and ensure an adequate supply of sugar for consumers, the Pakistan Sugar Mills Association (PSMA) has demanded that the government immediately eliminate the 15 percent import duty on raw sugar and ban imports of refined sugar. To date, no such action has been undertaken by the government

Stocks

MY 2008/09 stocks are forecast at 1050 TMT, based on projected supply-demand scenarios and trade expectations.

Other Relevant Reports

REPORT #	SUBJECT	DATE SUBMITTED
PK 8016	Sugar Annual 2008	04/15/2008
PK 7024	Sugar Semi- Annual	09/28/2007
PK 7008	Sugar Annual	04/25/2007

To contact FAS/Islamabad, email us at Agislamabad@usda.gov