

# Report on Sugar

(for Expo Pakistan 2017)

**Product: Sugar**

**HS Code: 1701**

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## Industry Economic Scenario

### **THE SUGARCANE AS A CASH CROP**

Sugarcane Production in Pakistan Sugarcane is grown in Pakistan from the time immemorial attributed to the mighty river Indus and its tributaries. The region, known as Indus valley civilization historically had the knowledge of sugarcane production and the extraction of brown sugar cakes, even now locally known as Gur being produced traded and liked by the people. Traditionally sugarcane juice and peeled cut in small pieces for chewing used round the year.

The areas falling between latitude 24° and 34°N, which can be classified as irrigated sub-tropical zones with moderate temperature are suitable for the cultivation of the sugarcane. The region can be termed as frost free zone except for the area lying above 30° N which is occasionally hit by frosts.

Sugarcane occupies nearly 1.0 million hectares of the cultivated land out of the available 22.0 million hectares i.e. about 4.5% of the irrigated land. The crop needs about 10 MAF (million acre-feet) of water from the total availability of about 135 MAF in the present system and reservoirs. Known as high delta crop it has always been susceptible to the weather cycle, restricting its expansion outside this ecological zone.

Sugar industry in Pakistan now well developed is operating at around 70% of its capacity. The annual sugarcane production fluctuates between 45 million and 65 million tonnes depending on irrigation water supplies and rains, whereas the present industrial capacity can mill at least 70 million tonnes. Good and bad crop years have meant that the grower's revenues have been unstable and uncertain against the specter of ever increasing input cost. Research and development on the sugarcane crop has not been to the desired mark and no noticeable variety improvement has been fielded in the past years. This is one of the main factors affecting the survival of the sugar industry. The sugarcane variety development in Pakistan does not match the expansion in the sugar industry and neither the industry has any systematic programme for variety propagation.

Over the past six decades productivity increase has been marginal. This current low yield of 48 t/ha clearly exposes cane production as the weak link in the overall value chain. Combination of cane price, rising input costs and lack of actionable research products from the local and national research institutes explain why there has not been significant growth in productivity, and also the challenges being faced by the industry. The growers need to have sufficient incentive in terms of the price they receive for their cane so that they will optimize the use of inputs to produce quality cane and high yields. The role of the government here is of paramount importance.

## **SUGAR INDUSTRY OF PAKISTAN**

### **HISTORY:**

Sugarcane is an important cash crop of Pakistan. It is mainly grown for sugar and sugary production. It is an important source of income and employment for the farming community of the country. It also forms essential item for industries like sugar, chipboard, paper, barrages, confectionery, and use in chemicals, plastics, paints, synthetics, fiber, insecticides and detergents.

Though production and use of sugar is recorded in 520 BC and long before, the growth of the modern form of white sugar industry in the Indian Sub-continent could be traced to early '30s. The number of sugar mills rose from 29 in 1931 to 139 in 1939. World War II established the need and supply of the sugar as an important commodity. While the European industrial base was being diverted to the war machinery, Asia had the chance to improve its sugar industry and supplies to war torn countries of Europe.

Pakistan is an agricultural country, and agriculture is the backbone of economy. Sugar sector constitutes 4.2 per cent of manufacturing. Pakistan is one of the main producers of sugar worldwide. At the time of independence in 1947, there were only two sugar factories in Pakistan. The output of these factories was not sufficient for meeting the domestic requirements. The deficit was met through import of sugar from abroad and huge foreign exchange was spent on this item. Need was felt to increase the production of sugar. Keeping in view the importance of sugar industry, the Government setup a commission in 1957 to frame a scheme for the development of sugar industry. In this way the first mill was established at Tando Muhammad Khan in Sindh province in the year 1961. Currently there are 81 sugar mills operating in Pakistan.

Then during 1997-98 there were 75 sugar mills in the country producing 2.4 million metric tons of sugar. Apart from the four mills located in the North West Frontier Province which were based on sugar beet, all others used sugar cane as the raw material. Most of the mills were situated in agricultural areas, close to sugarcane fields, from where raw material is procured. A number of chemicals including lime, sulphur, phosphoric acid, bleaching powder, poly-electrolyte, floatation aid, and decolourant, are used in sugar making process. The quantity of these chemicals varies from mill to mill due to different type of processes. Sugarcane production in the country has increased over time.

In 1988, the area under sugarcane was  $878 \times 10^3$  hectares which increased to  $886 \times 10^3$  hectares in 1992 and sugarcane production increased for  $36976 \times 10^3$  tons in 1988 to  $38059 \times 10^3$  tons in 1992. Despite expansion in production over years, increase in the productivity per unit of area has been very low in Pakistan. The average sugarcane production in the country required static between 45-50 tons/ha, which is very much low compared to the cane production by other countries.

With an abrupt change in the economic activities and urbanization, the demand for white sugar was on the increase. This was attributed to the manufacture of soft drinks, confectioneries and bakery products etc. The number of sugar mills was also on the increase to meet the demand.

The system of supply of sugarcane to the mills has also revolutionized during these years from camel back and bullock carts to locomotives on narrow gage railway lines, tractor trolleys and now to large size trucks. Network of access roads financed and maintained with the help of road Cess Funds on sugarcane being collected from sugarcane suppliers and milers, modernized the supply line to sugar mills, few having reached now 12,000 tonnes crushing capacity per day, whereas sugarcane production is lacking behind due to low yield forcing the capacity utilization down to 50% in bad harvests.

By 1980 there were 35 sugar mills in the country capable of providing 1.0 million tonnes. Ten more sugar mills were installed by 1990 with the production capacity having reached 2.0 million tonnes. Population and per capita increase always kept the demand high and number of sugar mills increased to 86 in 2009.

## **CURRENT SCENARIO**

Currently Pakistan is the 5th largest country in the world in terms of area under sugar cane cultivation, 15th by production and 60th in yield. Sugar cane is the primary raw material for production of sugar. After Textiles, sugar industry in Pakistan is the largest agro based industry with annual crushing capacity of over 6.1 million tones. According

to Ministry of Industries and Production; total crushing capacity of Sugar mills in about 505,000 tones per day. The average capacity utilization of the sugar mills during the last five years remained 70 to 74%.

Today there are approximately 89 functional sugar mills in the country out of which 45 are in Punjab, 37 in Sindh and 7 in Khyber Pakhtunkhwa. According to Food and Agriculture Organization of The United Nations, sugarcane is grown over a million hectares and provides raw material for Pakistan's sugar mills. Its share in value added of agriculture and GDP are 3.4 percent and 0.7 percent, respectively. Although, Pakistan happens to be the world 5th largest grower of sugarcane yet it has the lower yield in the world. Average yield of sugarcane in the world is around: 65 metric tons per hectare and Asia 65.4 while China 77.1, India 70.6, Pakistan 46.0, Philippines 92.6, Thailand 92.6, Australia 75.5 and Egypt 105 tons per hectare. The sugar recovery is 8.5% against obtained recovery of 10.5%. The sugar industry employed over 75000 people, including management experts, technologists, engineers, financial experts, skilled, semiskilled and unskilled workers. It is the matter of great concern that despite having a strong industrial and agriculture base, the sugar industry is forced to operate below 70% of its capacity. There is a gaping wedge of over 10,000 MT/day between the demand and supply of sugar, which is the basic cause of recent sugar crisis.

### **BRIEF FEATURES OF THE SUGAR INDUSTRY**

Being the second biggest agro-based industry, it is a source of revenue to the Government of Pakistan by about Rs. 22.0 billion, to the growers by Rs. 110-135 billion and to the vendors, other contractors, transporters and suppliers by about Rs. 20.0 billion, beside providing direct and indirect employment to 1.20 million people particularly in the rural areas of the country.

In Pakistan's under developed rural areas, establishment of a sugar mills is seen as a sign of prosperity to the area, as with a sugar-mill comes a new communication system, roads, colonies, schools, hospitals, electricity and above all fresh opportunities of trade and employment for every cadre of society. Thus the sugar industry is both economically and of strategic importance to the country. Its viability has been hampered by the governments' imprudent policies made without prior consultation of the industry. This particularly applies to its sugarcane price-fixing policy.

### **SUGARCANE PAYMENT SYSTEM**

The Government of Pakistan supports cane production by setting a market minimum support price announced before or after planting. The support price is set below the local demand price. As a result mills renegotiate the procurement price. The crop price increases up to 50% whenever the crop cycle is at its low ebb.

The sugarcane support price has increased from Rs. 40/- per 40 kg in 2004-05 to Rs. 80/- per 40 KG within the recent 4 years causing the sugar production price increase simultaneously.

2009-10 is yet to see another 25% increase in the support price of sugarcane in an effort of price incentive to the farmers for increase in plantation which will directly affect the existing production cost of sugar proportionately.

Throughout the entire crushing season the price issue remains a volatile issue between the growers and the millers. The growers refuse to sell the cane at the official price and millers in some areas of Punjab and Sindh delay the start of crushing season. The milling sector ends up bearing the bulk of the risk when the circumstances change. While the support price varies significantly when there is shortfall during a particular harvest, there is no similar level of adjustment when the harvest is good and cane is in abundant supply. Further, this situation is exacerbated by untimely sugar imports contributing to the destabilization of domestic price, always under pressure due to fluctuating harvests.

Continued efforts are underway led by the Pakistan Sugar Mills Association to persuade the Government of Pakistan to consider adoption of a more reliable sugarcane payment system linking the price of cane with the sugar content as being used in Australia and other countries of the world, based on cane quality, a fair deal to growers and millers as well.

At present in Pakistan sugarcane is the only crop that gets paid by weight and not by quality. The system does not provide for any incentive to the grower to improve his crop particularly towards the most crucial aspect, the sugar content.

Unless such mechanism is not adopted in Pakistan further expansion in the production will remain in jeopardy while all potentials exist to improve yield and recovery and utilize the already built production capacity. The present system of increasing the sugarcane support price only encourages the farmer plantation expansion at the cost of other competitive crops that proves only temporary phase.

## Global trade in Sugar

### List of exporters for the selected product in 2016

Product : 1701 Cane or beet sugar and chemically pure sucrose, in solid form

Sources: ITC calculations based on UN COMTRADE and ITC statistics.

Exporters	Select your indicators				
	Value exported in 2016 (USD thousand)	Trade balance in 2016 (USD thousand)	Quantity exported in 2016	Quantity Unit	Unit value (USD/unit)
World	26,463,761	(1,396,941)	61,072,987	Tons	433
Brazil	10,435,844	10,434,736	28,932,940	Tons	361
Thailand	2,286,655	2,285,306	5,979,428	Tons	382
India	1,449,658	527,222	3,164,397	Tons	458
Myanmar	1,066,117	(301,314)	1,125,146	Tons	948
France	1,065,355	813,464	2,119,562	Tons	503
Guatemala	816,748	816,604	2,077,732	Tons	393
Mexico	723,922	671,113	1,258,348	Tons	575
Germany	607,808	210,507	1,093,742	Tons	556
Cuba	408,745	408,704	1,059,180	Tons	386
United Arab Emirates	387,736	(341,574)	654,524	Tons	592
Pakistan Ranks 31	126,784	121,936	284,023	Tons	446

### List of importers for the selected product in 2016

Product : 1701 Cane or beet sugar and chemically pure sucrose, in solid form

Sources: ITC calculations based on UN COMTRADE and ITC statistics.

Importers	Select your indicators				
	Value imported in 2016 (USD thousand)	Trade balance in 2016 (USD thousand)	Quantity imported in 2016	Quantity Unit	Unit value (USD/unit)
World	27,860,702	(1,396,941)	-	No quantity	
Indonesia	2,090,125	(2,087,485)	4,761,885	Tons	439
United States of America	1,884,078	(1,800,553)	3,214,284	Tons	586
Myanmar	1,367,431	(301,314)	1,266,313	Tons	1,080
China	1,170,556	(1,087,375)	3,062,048	Tons	382
India	922,436	527,222	2,119,435	Tons	435
Algeria	848,736	(617,621)	1,999,148	Tons	425
Italy	848,252	(797,009)	1,580,744	Tons	537
Malaysia	814,409	(705,719)	1,904,721	Tons	428
Nigeria	732,835	(732,626)	-	No quantity	
Korea, Republic of	732,425	(563,560)	1,875,733	Tons	390

## Exports from Pakistan & Pakistan's ranking : 3 years figure

### List of importing markets for the product exported by Pakistan in 2016

Product: 1701 Cane or beet sugar and chemically pure sucrose, in solid form

Sources: ITC calculations based on UN COMTRADE statistics.

Importers	Select your indicators						
	Value exported in 2016 (USD thousand)	Trade balance 2016 (USD thousand)	Share in Pakistan's exports (%)	Quantity exported in 2016	Quantity unit	Unit value (USD/unit)	Ranking of partner countries in world imports
World	126,784	121,936	100	284,023	Tons	446	
Afghanistan	114,756	114,756	91	256,444	Tons	447	53
Djibouti	4,068	4,068	3	9,620	Tons	423	39
Viet Nam	3,079	3,079	2	7,280	Tons	423	33
Tajikistan	1,603	1,603	1	3,580	Tons	448	116
Saudi Arabia	1,392	1,392	1	2,511	Tons	554	20
Yemen	1,234	1,234	1	3,000	Tons	411	25
Singapore	218	218	0	520	Tons	419	49
Malaysia	194	(2,215)	0	470	Tons	413	8
Canada	75	75	0	160	Tons	469	17
United States of America	58	(159)	-	110	Tons	527	2
United Arab Emirates	57	(989)	-	133	Tons	429	11
United Kingdom	21	(336)	-	62	Tons	339	16
Georgia	11	11	-	25	Tons	440	73



## List of importing markets for a product exported by Pakistan

Product: 1701 Cane or beet sugar and chemically pure sucrose, in solid form

Sources: ITC calculations based on UN COMTRADE statistics.

Unit : US Dollar thousand

Importers	Exported value in 2007	Exported value in 2008	Exported value in 2009	Exported value in 2010	Exported value in 2011	Exported value in 2012	Exported value in 2013	Exported value in 2014	Exported value in 2015	Exported value in 2016
World	988	93,515	2,214	1,103	2,576	169,356	492,372	291,458	234,356	126,784
Afghanistan	840	57,861	2,125	822	2,292	42,851	160,861	198,720	213,347	114,756
Djibouti	-	-	-	-	-	9,334	21,172	15,824	6,270	4,068
Viet Nam	-	-	-	-	-	5,551	-	-	-	3,079
Tajikistan	-	-	-	-	-	753	6,314	2,916	1,187	1,603
Saudi Arabia	29	2,124	43	164	111	15,453	47,714	18,647	4,408	1,392
Yemen	-	2,818	-	-	-	8,146	33,788	12,565	3,140	1,234
Singapore	-	-	-	-	-	8,575	18,492	6,631	1,534	218
Malaysia	-	-	-	75	58	10,542	10,555	4,993	477	194
Canada	5	-	1	-	-	88	174	86	20	75
United States of America	5	-	5	14	1	-	2	7	7	58
United Arab Emirates	5	3	1	-	2	6,722	23,591	11,122	688	57
United Kingdom	81	9	14	1	-	-	-	25	41	21
Georgia	-	-	-	-	-	-	177	-	-	11

## Top Manufacturing Units of Sugar

Rank	Sugar Mill Name and Contact Details	Production MT in year 2015-16
1	<p><b>Hamza Sugar Mills Limited</b>  A-22, Mauripur Road, S.I.T.E, Mauripur Road,  Karachi, Sindh, Pakistan  <b>Phone:</b> 9221-2561101-5  <b>Fax:</b> 9221-2561873  <b>Email:</b> <a href="mailto:mezan@mezan.com.pk">mezan@mezan.com.pk</a></p> <p><b>Site Office (Hamza Sugar Mills Ltd.):</b>  Jetha Bhutta Khanpur, Distt. Rahimyar Khan  Tel: +92-68-5582256-60  Fax: +92-68-5582043</p>	287,316
2	<p><b>M/S JDW I SUGAR MILLS LTD</b>  Office Add: 17- Abid Majeed Road, Lahore - Cantt  Ph: (042)-36664891-92  Fax: (042)-36654490  Email: <a href="mailto:sabir@jdw-group.com">sabir@jdw-group.com</a>,  Mill Add: Mouza Shirin/ Rahimyar Khan</p>	280,418
3	<p><b>M/S JDW II SUGAR MILLS LTD</b>  Office Add: 17- Abid Majeed Road, Lahore - Cantt  Ph: (042)-36664891-92  Fax: (042)-36654490  Email: <a href="mailto:sabir@jdw-group.com">sabir@jdw-group.com</a>,  Mill Add: Sadiqabad/ Rahim Yar Khan</p>	169,872
4	<p><b>M/s. DEHARKI SUGAR MILLS (PVT) LTD.</b>  Office Add: 17, ABID MAJEED ROAD, CANTT-  LAHORE.  <b>Ph:</b> +92-42-36664891 +92-42-36664892  <b>Fax:</b> +92-042-36654490</p>	160,388
5	<p><b>M/S. JDW III SUGAR MILLS LTD</b>  Office Add: 17- Abid Majeed Road, Lahore - Cantt  Ph: (042)-36664891-92  Fax: (042)-36654490  Email: <a href="mailto:sabir@jdw-group.com">sabir@jdw-group.com</a>,  Mill Add: Channu Gotki</p>	152,588
6	<p><b>SHEIKHOO SUGAR MILLS LIMITED</b>  Office Add: 11-F Commercial Area,Phase-1 D.H.A  Lahore Cantt.  Ph: (042)-35892508, (042)-35893531  Fax: (042)-35728904  Email: <a href="mailto:yousuf_ssml@hotmail.com">yousuf_ssml@hotmail.com</a>  Mill Add: Kot Adu/ Muzafargarh</p>	146,336
7	<p><b>ETIHAD SUGAR MILLS LTD</b>  Office Add: 03, Bawa Park,Uppar Mall, Lahore  Ph: (042)-35751865-66, (042)-35758114  Fax: (042)-35751867  Email: <a href="mailto:sarfraz.ali@etihad.com.pk">sarfraz.ali@etihad.com.pk</a>  Mill Add: Karamabad/ Rahimyar Khan</p>	121,125

8	<b>TANGLIANWALA SUGAR MILLS LIMITED</b> Office Add: 66-L, Gulberg II, Lahore. Ph: 042-111-111-725, (042)-35712901 Fax: (042)-35710929 Email: <a href="mailto:tsmlho@brain.net.pk">tsmlho@brain.net.pk</a> , <a href="mailto:farid@pepsi-lahore.com.pk">farid@pepsi-lahore.com.pk</a> Mill Add: Kanjwani/ Faisalabad	117,900
9	<b>FATIMA SUGAR MILLS LTD</b> Office Add: 2 <sup>nd</sup> Floor, Trust Plaza, Opp. Telephone Exchange LQM Road, Multan Ph: 061-4512031, 042-111-328-462 Fax: 061-4511677 061-4584288 Email: <a href="mailto:mail@fatima-group.com">mail@fatima-group.com</a> , Mill Add: Kot Addu/ Muzafargarh	111,923
10	<b>THE THALL INDUSTRIES CORPORATION LTD PAKISTAN</b> House # 2D/1, Gulberg III, Lahore 54000 Punjab-Pakistan Ph: 42-35771066 Fax: 42-35756687 Email: <a href="mailto:info@thalindustries.com">info@thalindustries.com</a> Mill Add: Layyah	108,800
11	<b>Mehran Sugar Mills Ltd.,</b> Add: 14-B, 14 <sup>th</sup> floor, Dolmen City, Executive Tower, HC-3, Block # 04, Marine Drive, Clifton Karachi. Ph: (021)-35297814-17 Ph: (021)- 35297818-27 Email: <a href="mailto:msm@mehransugar.com">msm@mehransugar.com</a> Mill Add: Tando Allah Yar / Hyderabad	106,400
12	<b>RYK MILLS LTD</b> Office Add: 75/4D, Sarfaraz Rafiqui Road, Lahore Cantt. Ph: 042 - 36601387-4 Fax: 042- 36601385 Email: <a href="mailto:info@rykmills.com.pk">info@rykmills.com.pk</a> , Mill Add: Rahim Yar Khan	106,270
13	<b>Indus Sugar Mills Ltd.,</b> Add: 17-Tipu Block, New Garden Town, Lahore. Ph: (042)-35882801-2 Fax: (042)-35835180 Email: <a href="mailto:indussugar10@hotmail.com">indussugar10@hotmail.com</a> , <a href="mailto:khokharsohail@hotmail.com">khokharsohail@hotmail.com</a> Mill Add: Kot Bahadur/ RajanPur	101,306

Source: Pakistan Sugar Mills Association

**Note: The export of sugar depends on the production, surplus, and subsidy approved by the Government of Pakistan.**