INDUSTRY ANALYSIS –
SUGAR IN PAKISTAN

MARCH 2016

Sugarcane – *Sugar & By Products*

Sugarcane

Sugar

Molasses

Ethanol

Bagasse

Power
Paper/Chipboard

Value Chain – Where do they fall?

SUPPLY CHAIN

Farmer → Sugar Mill → Distributor → Retail Stores → End Customer

Key Attributes

DYNAMICS OF SUGAR INDUSTRY

Contribution to GDP (*Sugarcane*): 0.7%

No. of Players: 75

Prime Location: Punjab (44 Plants)

25 Sugar Companies Listed on Stock Exchanges

Industry Installed Capacity: 7 mln tonnes

Sugar Production: 5.1 mln tonnes

Sugar Consumption: 4.6 mln tonnes

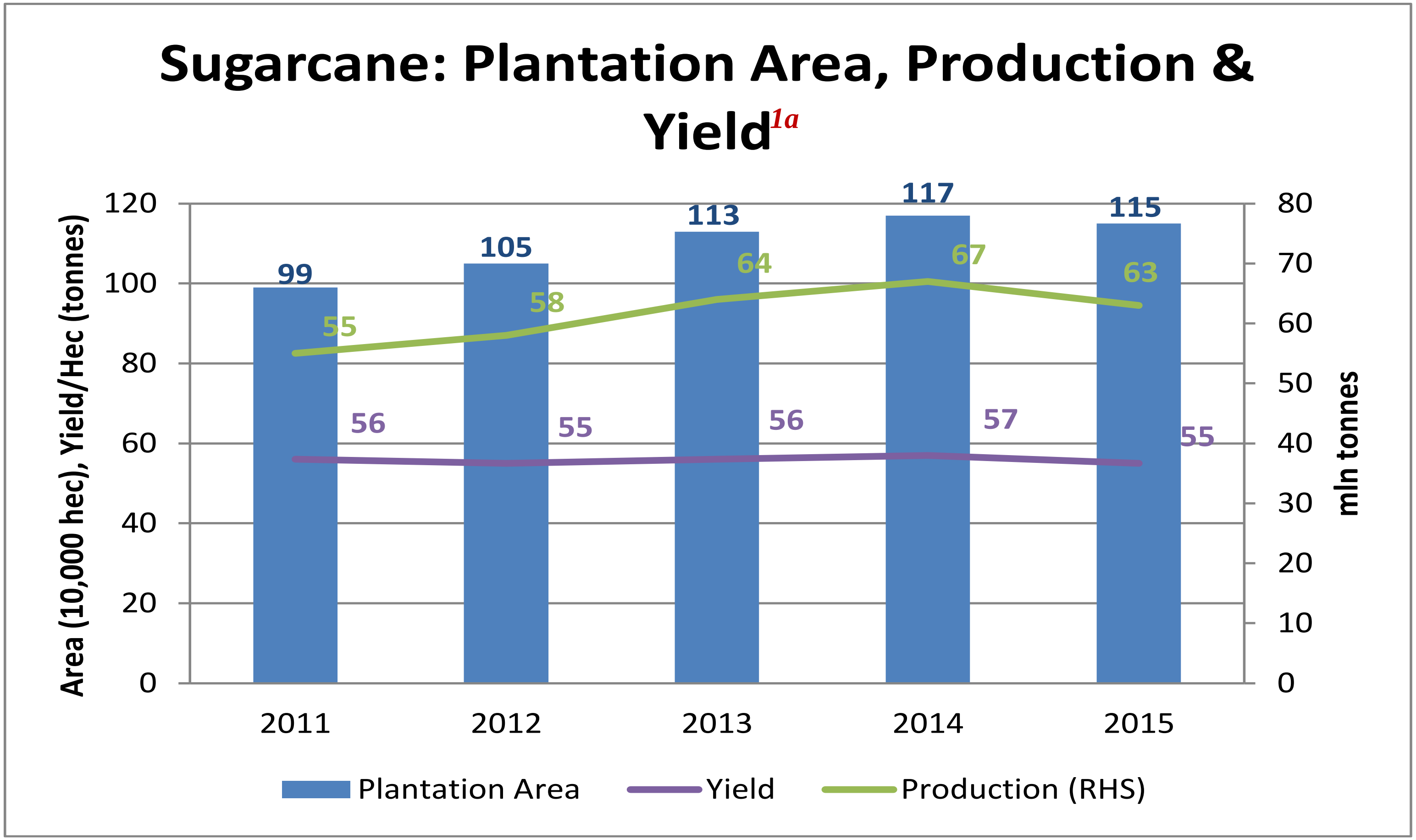
Sugar Industry – *Operational Capacity*

MARKET SHARE OF TOP 20 PLAYERS

Sr.#	Company	Production (metric tonnes)	Market Share	Status	Region
1	J.D.W (I, II & III)	475,414	8%	Listed	Punjab & Sindh
2	HAMZA	360,796	6%	Listed	Punjab
3	DEHARKI	175,612	3%	Unlisted	Sindh
4	TANDLIANWALA (I & II)	173,487	3%	Listed	Punjab
5	SHEIKHOO	153,560	3%	Unlisted	Punjab
6	ETIHAD	145,240	3%	Unlisted	Punjab
7	INDUS	135,500	2%	Unlisted	Punjab
8	R.Y.K	129,144	2%	Unlisted	Punjab
9	AL-NOOR	126,719	2%	Listed	Sindh
10	ASHRAF	126,610	2%	Unlisted	Punjab
11	MEHRAN	123,210	2%	Listed	Sindh
12	LAYYAH	117,640	2%	Unlisted	Punjab
13	HABIB	116,513	2%	Listed	Sindh
14	SHAKARGANJ (I & II)	112,271	2%	Listed	Punjab
15	FATIMA	109,940	2%	Unlisted	Punjab
16	CHASHMA (Unit-I & II)	107,775	2%	Listed	KPK
17	HUNZA(I & II)	93,095	2%	Unlisted	Punjab
18	FARAN	92,824	2%	Listed	Sindh
19	TANDLIANWALA (ZAMAND)	90,720	2%	Listed	KPK
20	KHAIRPUR	84,430	2%	Unlisted	Sindh
55	OTHERS	2,564,457	46%		
75	Total	5,614,957	100%		

Raw Material | Sugarcane – *Statistics*

Declining availability of sugarcane due to unfavourable weather conditions and shortage of water



Forecast 2016

113
(10,000hec)

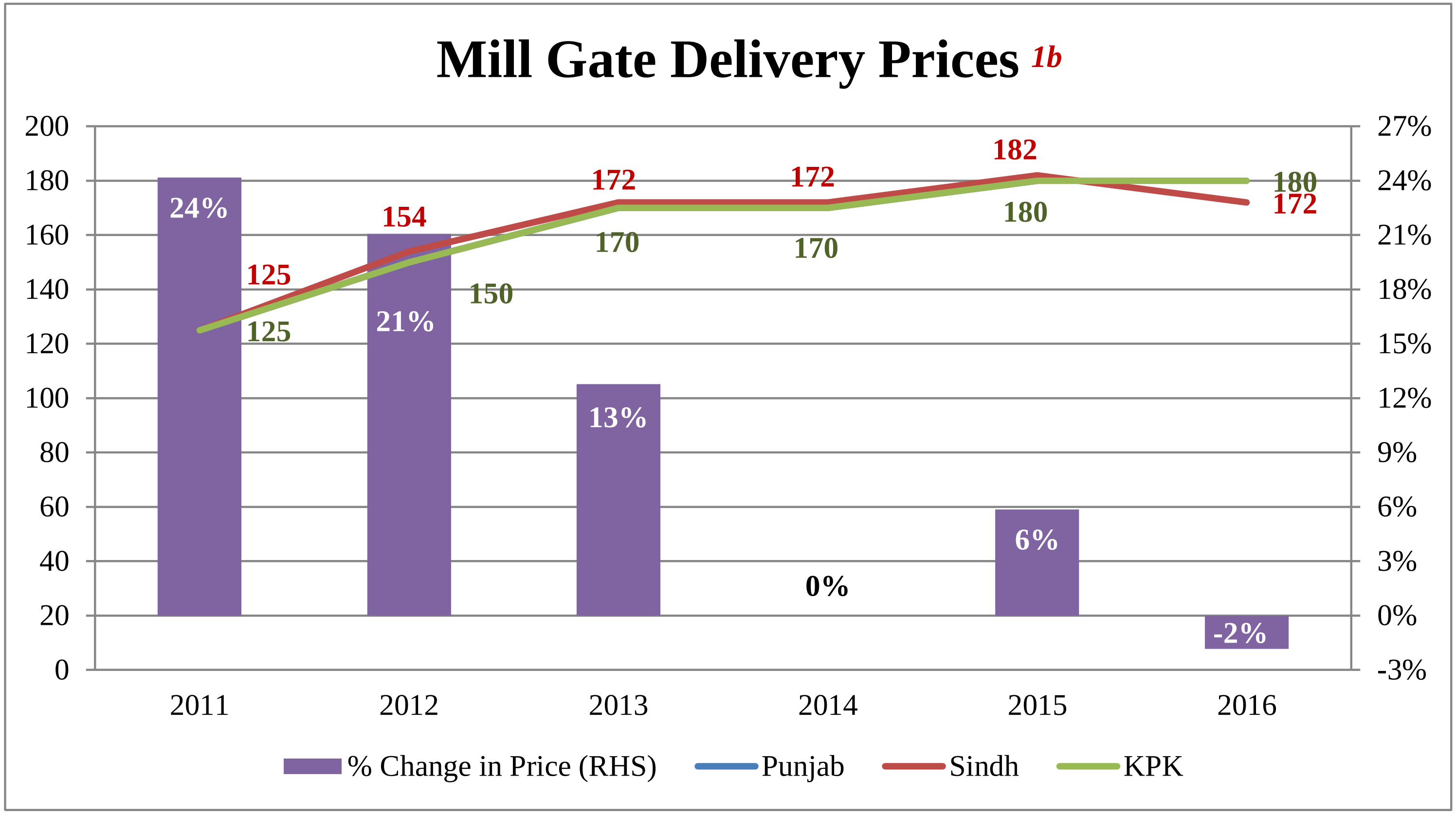
61.6
(mln tonens)

54.5
(tonens/hec)

Sugarcane Price | Controlled by Government

- Sindh cane price is kept a little higher than Punjab and KPK because of better quality sugarcane produces higher sugar recovery

- Cane Commissioner Sindh has fixed the price at 172 – lower than Punjab and Sindh – which has been challenged by growers in High Court Sindh, Hyderabad. Growers demand to increase the notified price.



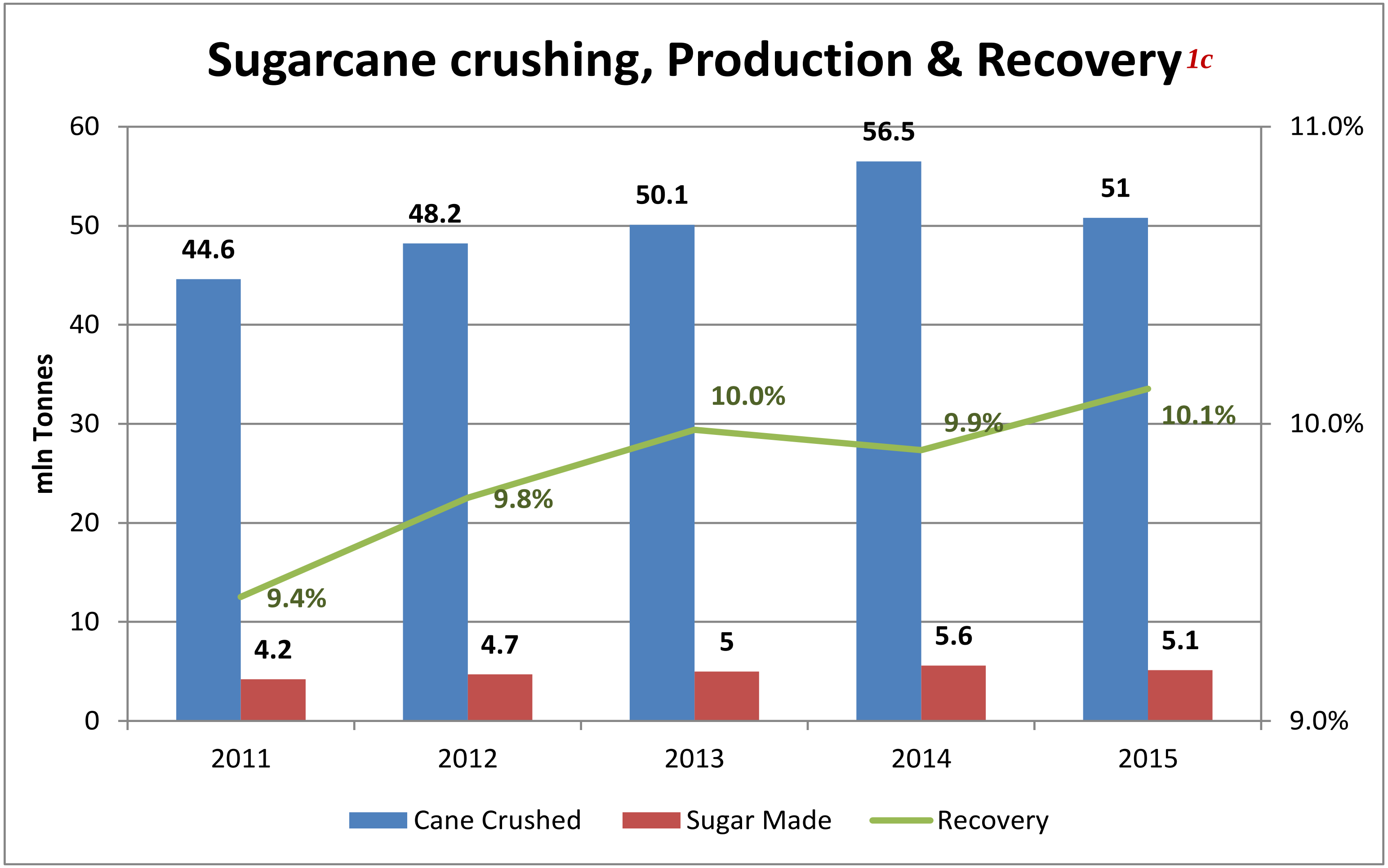
Sugar Recovery (FY15)

10.53%
(Sindh)

9.96%
(Punjab)

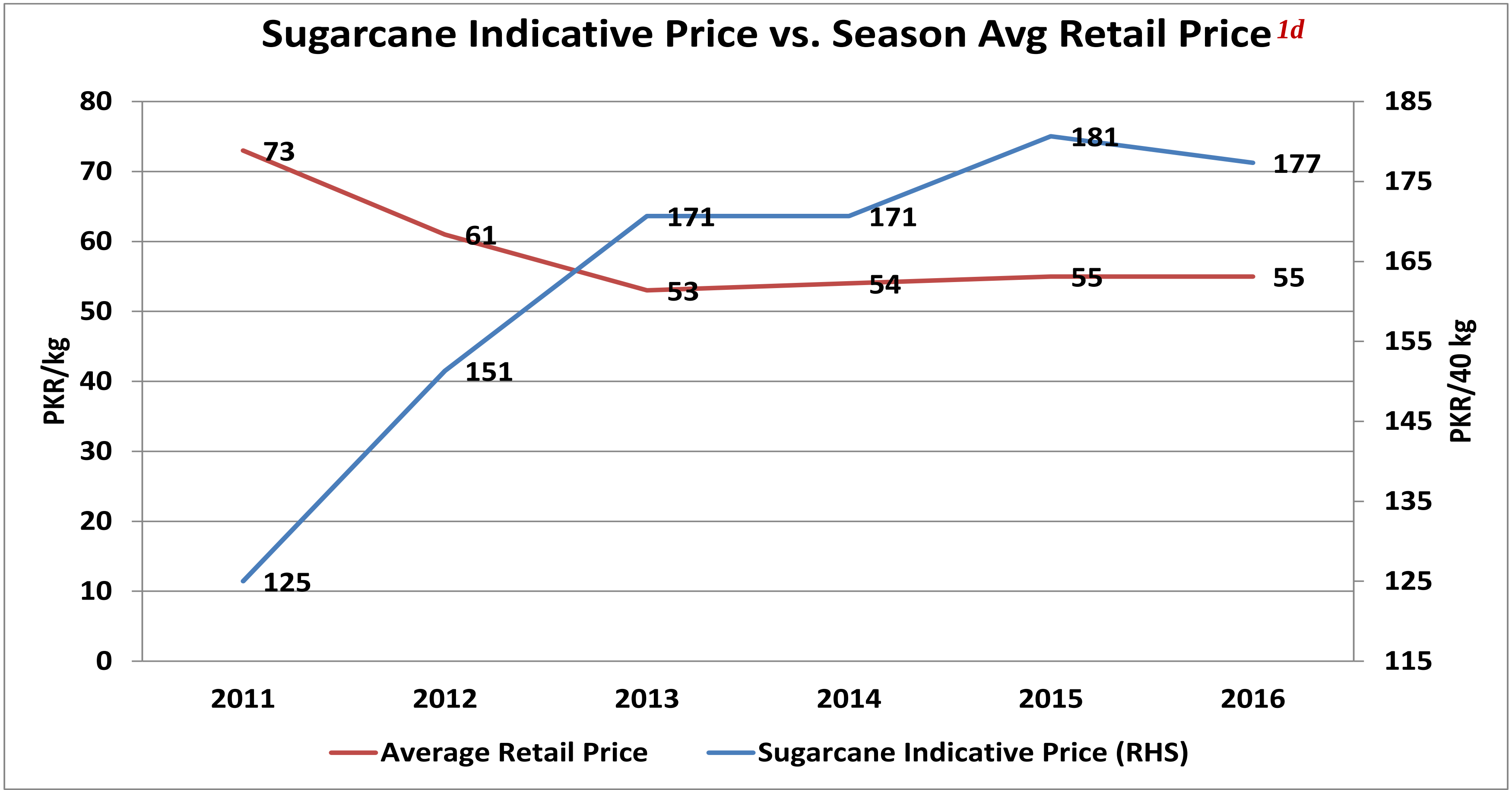
9.41%
(KPK)

Sugarcane – *Processing*



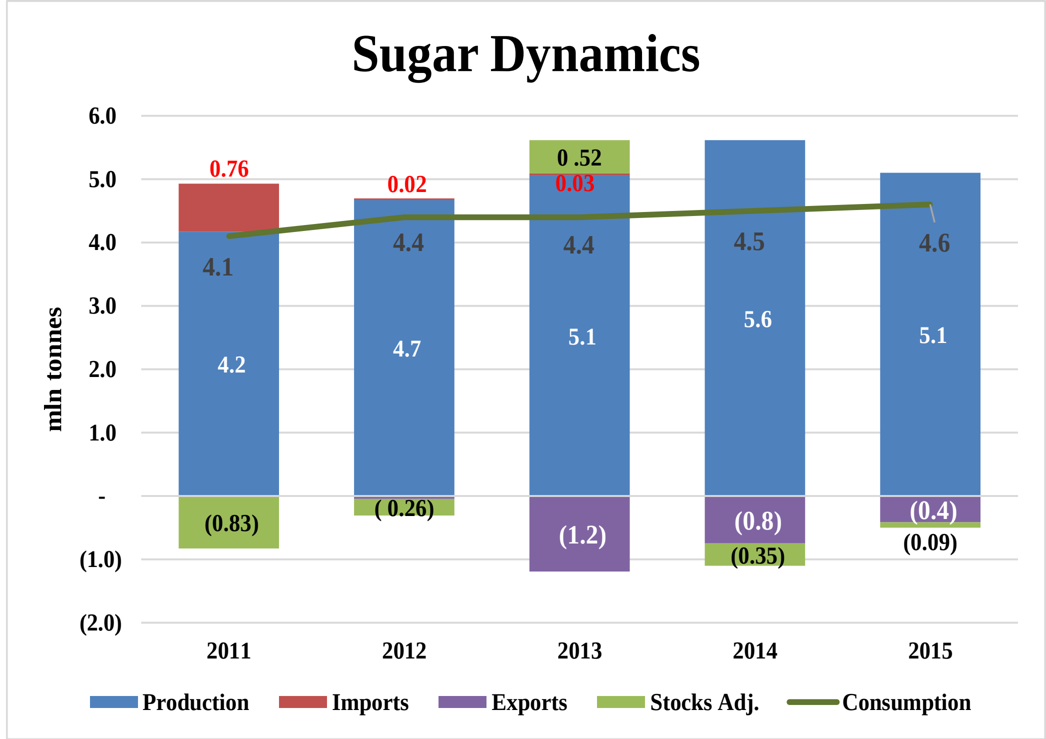
Sugar Cost-Price Comparison

- Cost of sugarcane – essential raw material – has increased tremendously in recent years, however, declined YoY in FY16 for Sindh only
- Selling Price of sugar remained depressed for a longer time



Sugar Industry – *Performance* [1]

- Sugar availability in surplus of consumption
- Though production declined, opening stock of 1.2mln tonnes kept availability higher
- Supply situation was controlled by restricting imports. Regulatory duty was increased to 40% in Jun15 from 20% previously
- GoP allowed sugar export (0.65mln tonnes) in Dec14 till May15. However, international sugar price remained depressed (PKR 35-40/kg) rendering the export unfeasible. Despite extension in period till Jul15, actual exports remained 31% lower than the quota allocated
- Stagnant Consumption

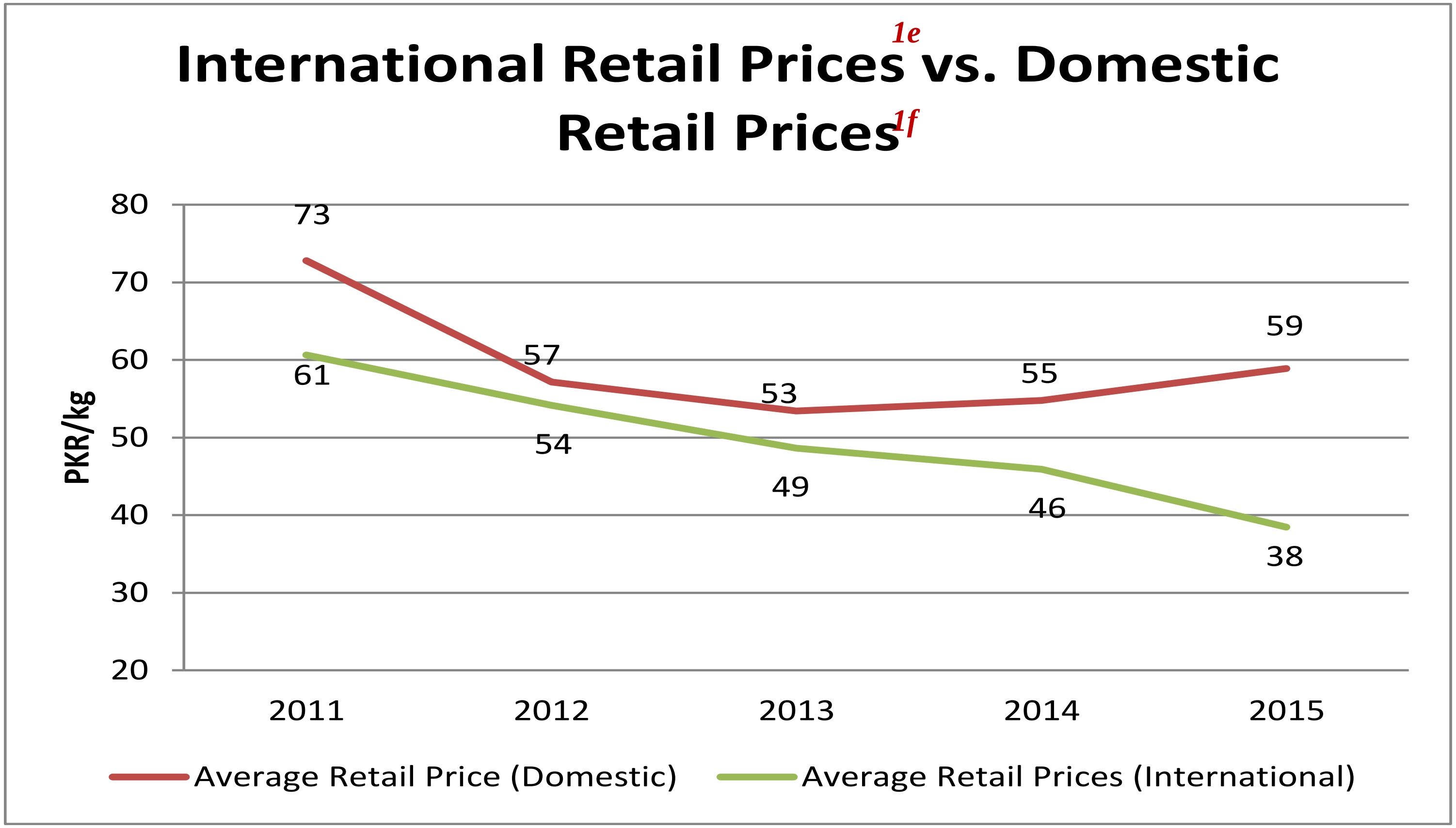


Forecast FY16

Though sugar production is expected to decline to 5.0 mln tonnes due to less sugarcane crops, opening stock of 1.3mln tonnes shall keep the supply in surplus by 1.7mln tonnes (FY15: 1.8mln tonnes)

Sugar Industry – *Retail Sugar Price*

- Local price 55% higher than international price
- Despite the benefit of export subsidy, local price remains higher than international price by 21%, rendering exports unfeasible



Risk Analysis | Sugar Industry

- **Fluctuating gross margins due to cost-price disparity:** *Higher price of sugarcane (controlled by Government) with no solid mechanism for corresponding increase in the prices of sugar*
- **Non-creation of strategic reserves by TCP:** *proposal has been shelved by the GoP*
- **Supply surplus with unfeasible export avenues:** *difficulty in selling sugar abroad at better prices despite subsidy on export, recently granted by the Government*
- **Export of Molasses** *Regulatory Duty (15%) on export of molasses*

\+ **Restriction on import of sugar;** *imposing 40 % regulatory duty Ad Volarem in Jun-15 (previously: 20%)*

\+ **Encouraging Export;** *export subsidy PKR 8/kg and Inland freight subsidy of PKR 2/kg* (to be borne by the Federal and respective Provincial Governments per sugar mill location on 50:50 sharing basis) – Punjab and Sindh Governments complied, whereas KP Govt. failed to comply with the directives

\+ **Diversification through revenues from co-generation projects:** *(i) molasses is also used in the production of pharmaceutical and fuel grade ethanol while (ii) bagasse is used in paper/chip board and electricity generation*

Bibliography

1. Pakistan Sugar Mills Association, Annual Report, 2015
   a) Table 1 – Sugarcane Plantation Area, production, Yield and Utilization by Sugar Mills 2000-2015
   b) Table 6(1) – Sugarcane Indicative Price Mill-Gate Delivery
   c) Table 2 – Sugarcane Crushing, Sugar Production and Recovery
   d) Table 6(2) – Sugarcane Indicative Price per 40 kg in Comparison with Season's Avg Retail Price per kg 2005-2016
   e) Global Sugar Position Page 44 – ISO Monthly Average Prices of Refined Sugar
   f) Page 39 – Domestic Monthly Retail Sugar Prices

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