

**SUGAR INDUSTRY NEEDS JUSTICE**  
**BY**  
**SYED MUHAMMAD SHIFAAT ZAIDI**  
**FORMER PRESIDENT**  
**PAKISTAN SOCIETY OF SUGAR TECHNOLOGISTS (PSST)**

It was in the year 2000 that the World Bank advised the Government of Pakistan to close down the following industries: Sugar, Oil Refining, Chemicals, Auto, Fertilizer and Steel. Studies sponsored by them on these industries in all likelihood state that these were inefficient industries and should therefore be closed down. It is a fact that sugar industry of Pakistan was never inefficient. It was in the backdrop of this advice that the then Government of Pakistan decided to face this challenge and revived various boards like Sugar Advisory Board, Cotton Advisory Board, Wheat Advisory Board, Rice Advisory Board etc. after more than 20 years. How is the industry replying to this challenge? After 15 years of the World Bank advice we can see that Steel Mill is closed for the last so many years and we all know the condition of Sugar industry.

So, the Boards started functioning and after a lot of efforts, we were able to see the National Sugar Policy 2009-10. Salient features of National Sugar Policy are reproduced below.

**2.2: SUGAR CANE PRICING AND SUCROSE CONTENT:** Currently the 'Sugarcane Price Notification' ignores the sucrose content of sugarcane. Farmers growing high sucrose content sugarcane are not rewarded with higher price. The farmers producing low sucrose content sugarcane have no incentive to cultivate better varieties. Instead of using 'quality content criteria in terms of sucrose all sugarcane varieties are still priced on weight. Even though Pakistan ranks sixth in terms of area harvested under sugarcane out of 16 major cane producing countries, we are placed at fifteenth on the list, in terms of both cane yield and sugar yield. This shows that the sugarcane cultivation in Pakistan is faced with many problems and the situation needs to be addressed on priority.

3.21: The Federal and Provincial governments have been periodically introducing policy measures to facilitate sugar millers and sugarcane growers.

**4.2: Long Term Policy:**

4.21: Sugar Market Pricing: The domestic market will be integrated with the international market by providing necessary tariff protection. A study may be undertaken to redefine details of achieving fully competitive market for sugar trade.

4.22: Price of Sugarcane to be fixed according to Sucrose content: Mechanism of pricing sugarcane on sucrose content shall be introduced in all provinces. As recommended by the Sugar Advisory Board the prices be fixed variety wise initially and afterwards the pricing methodology shall be upgraded in phases in accordance with the best international practices. To achieve this purpose as test case two to three mills in each province will be encouraged to subscribe to this practice during 2009-10.

4.23: Research and use of high yield/ high recovery varieties: Provincial Agriculture Research Institutes in collaboration with the private sector should evolve site/ area specific sugarcane varieties through Research and Development of high yield/ high recovery characteristics. To supplement the existing initiatives two dedicated projects with latest technology based on public-private partnership are being set up to be executed by Ministry of Food and Agriculture.

However, it was unfortunate that soon after this policy was issued/notified, 18<sup>th</sup> constitutional amendment was passed by the parliament. As a result various ministries including Food & Agriculture was abolished & powers were delegated to the provinces. In the absence of Federal Ministry of Food & Agriculture, all important issues explained at 4.22 & 4.23 could not be achieved. This resulted in a tug of war between the stakeholders. Arbitrary increase in the price of Sugar cane without any consideration for the cost of Sugar Production has turned most of Sugar mills in Pakistan sick with the exception of those located in South of Punjab & Ghotki district in Sindh. This area is dependent on only one variety of sugar cane. God forbid if due to an unforeseen natural calamity, this particular variety meets any threat would be disastrous for the industry of this particular area. So, we should make all out efforts to bring at least one more variety to save the interest of sugar industry in this area.

Sir, it is not possible to reduce the price of sugarcane. However, the implementation of National Sugar Policy in letter & spirit can save the industry from total disaster. It is always difficult to increase the price of Sugar & reduce the price of sugarcane. Sugar price in the international market remained stable at around US\$450/tonne for about 3 years but dropped by about 25% during the first 8 months of 2015. Current price of sugar in the international market ranges between US\$330-US\$345/tonne. We can not compete in the international market because of this low price until Government gives heavy subsidies. Sugar price in the domestic market is not sufficient to meet the cost of cane purchased by most of the sugar mills what to talk of other manufacturing expenses. We have to look after the interest of all the stakeholders. Farmers & millers cannot survive without realizing each other's problems and difficulties. A number of sugar mills could not clear their sugarcane payment due to financial crises.

Following table gives a clear picture of share of cost of sugar cane per Kg sugar produced at various recoveries ranging between 8.0 and 12.0.

S.No.	Price of Sugar cane / 40 Kg (Rs.)	Sugar Recovery % Cane	Sugar Produced Kgs / 40 Kg cane	Sugar Cane Required /Kg Sugar	Cost of Sugar Cane / Kg Sugar
1	182.00	8.00	3.20	12.50	56.88
2	182.00	8.25	3.30	12.12	55.15
3	182.00	8.50	3.40	11.76	53.53
4	182.00	8.75	3.50	11.43	52.00
5	182.00	9.00	3.60	11.11	50.56
6	182.00	9.25	3.70	10.81	49.19
7	182.00	9.50	3.80	10.53	47.89
8	182.00	9.75	3.90	10.26	46.67
9	182.00	10.00	4.00	10.00	45.50
10	182.00	10.25	4.10	9.76	44.39
11	182.00	10.50	4.20	9.52	43.33
12	182.00	10.75	4.30	9.30	42.33
13	182.00	11.00	4.40	9.09	41.36
14	182.00	11.25	4.50	8.89	40.44
15	182.00	11.50	4.60	8.70	39.57
16	182.00	11.75	4.70	8.51	38.72

17	182.00	12.00	4.80	8.33	37.92
----	--------	-------	------	------	-------

The above table indicates that the price of sugar cane fixed by the Provincial Governments is not justified rather detrimental to the interest of sugar industry.

Sugar industry is perhaps passing through the most crucial period. Most of sugar mills are bleeding. A highly prosperous industry is now struggling for its survival. A few Sugar Mills did not operate last year. A few more may not operate this year. There are shadows of unemployment. Most of the people associated with this industry seem to be frustrated. Most of Investment is adding to liabilities. Sugar price in the international market is merely US\$ 330 per tonne. Where have we gone wrong? Is it bad planning or some other reason but one thing is sure, interest of all the stake holders particularly that of Sugar industry needs to be reviewed carefully. Sugar industry has the right to survive & therefore, needs justice.

Sugar industry is in a big problem and sugar cane growers are also not happy due to payment issues. To resolve this issue sugar industry needs support from the Government, State Bank as well as Commercial Banks. Sugar industry urgently needs a special package. Special credit lines at very low markup rate say about 5% must be offered to sugar industry only for sugar cane payment. This will enable the industry to make prompt payment to farmers.

Sir, it is already, too, late we have not implemented the recommendation of National Sugar Policy 2009-2010. Time has come that the recommendations of this policy are implemented in letter and spirit without any further delay. I feel that there is a dire need to study and analyze the factors which are making industries in this country unviable. We need a forum comprising of highly capable economists, agricultural and industrial experts at this critical juncture that might offer a solution by building a bridge between the industry and farmers. This forum can undertake industry related work and try to respond to this challenge in a professional way. Our existing research centers can deliver but are unfortunately unable to respond to this challenge as various factors have taken their toll. We must focus on a one point agenda that we have to protect the interest of all the four stake holders, I mean Farmers, Industry, Government and Consumers. Neither farmers nor industry can survive without protecting the rights of each other.