SUGAR INDUSTRY NEEDS LONG DELAYED JUSTUCE

BY

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Ladies & Gentlemen

ABSTRACT:

Rise & fall of prices is a normal phenomenon all over the world with no exemption to any commodity. There are always reasons for increase & decrease in price of any item. Most important factor is demand & supply. However, in Pakistan, Sugar has been found to be the most sensitive item. It has been observed that no one would take any notice if the price of any particular commodity increases tremendously or even by 100 % but an increase in the price of sugar in Pakistan by a few rupees / kg, would always bring vast criticism on this industry which alone has contributed in the progress of rural economy & prosperity of farmers more than rest of the industries. In case of surplus sugar production, the decision for export is mostly taken after a lot of delay. Please allow me to repeat the old proverb "A stitch in time saves nine ".

Hon'ble Minister,
It is not an ordinary coincidence that twenty five years ago, I was given an opportunity by the FPCCI to give a presentation on behalf of Sugar industry at the Progress Workshop of ENVIRONMENTAL TECHNOLOGY PROGRAM FOR INDUSTRY at Hotel Pearl Continental, Karachi on 4th September,1997 before your Hon'able father Makhdoom Ahmad Mehmood Sahib who was Federal Minister for environment at that time. Fortunately it was the first presentation on environment from the sugar Sector, like environment was also a new subject in Pakistan.

Sir,
I am grateful to the office bearers of PSST for providing me this opportunity to take your precious time to explain some important points which you may like to submit before the Prime Minister for necessary action purely in the national interest.

Sir,
Not only as Federal Minister for Industries & Production but also as a renowned landlord, you are fully aware of the contribution of this industry in the uplift of rural areas & prosperity of farmers in the country. Please note one thing carefully that "continuity of good policies must always be ensured"

Sir,

It will not be out of question to inform you that at the eve of our 49th Convention' I had presented a paper on the subject, " Sugar Industry Needs Justice" on 14th Sep;2015 in presence of Mr, Sikandar Hayat Boson, the then Federal Minister for Food & Agriculture. This paper has also been published by a few magazines including Pakistan Sugar Journal" A lot of my friends in the Sugar Industry have not only requested but forced me to present this paper again at this Convention" Therefore I have updated that paper as per requirements of the day.

It was in the year 2000 that the World Bank advised the Government of Pakistan to close down certain industries including 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 be closed down. One may call performance of sugar industry of Pakistan inconsistent but was never inefficient. Our sugar production in 1947-48 was merely 8109 tonnes & rose to over 3.5 million tonnes in 1997-98, 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. How is the industry replying to this challenge? After 22 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. **(Out of 92 Sugar Mills, 78 are in operation & 14 closed). Yet, we have produced almost 8.0 million tonnes Sugar highest ever during 2021-22). High or low sugar production always increased problems for this industry due to no or delayed decisions. As a result of higher production, payments to farmers. had to be delayed as Banks did not help Sugar Mills & Sugar industry faced the ire of farmers &Government.**

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. Fortunately, I also served as a Member & later on Co-opted Member of this Board.

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 place 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:**

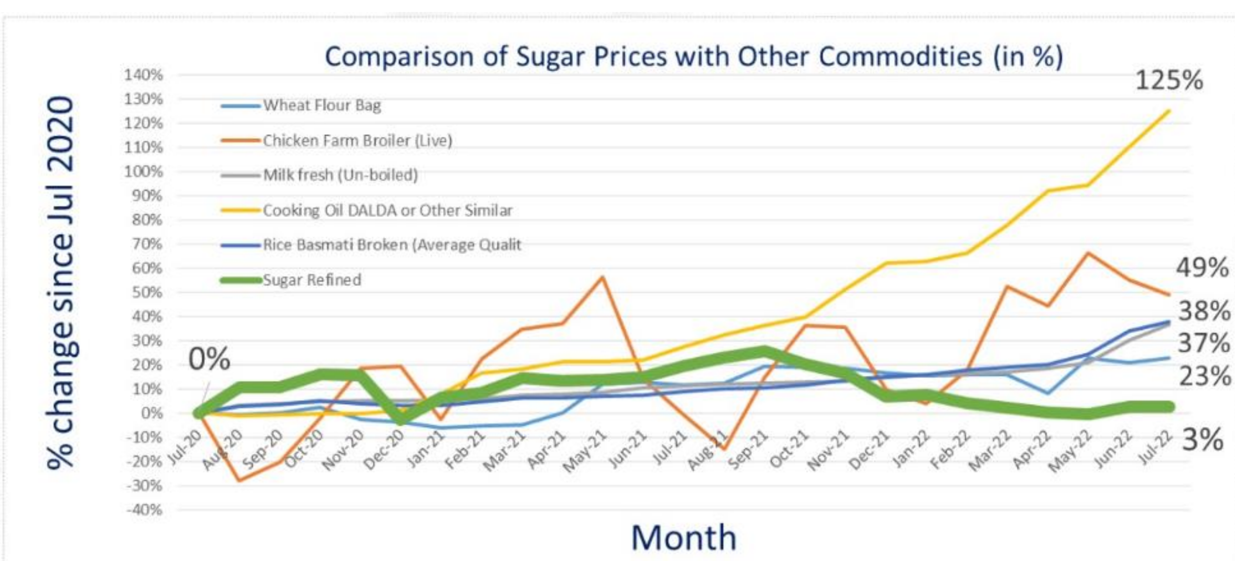
4.21: Sugar Market Pricing: The domestic market will be integrated with the international market by providing necessary tariff protection. A study may be undertaken to redefine details of achieving fully competitive market for sugar trade.

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 is unfortunate that soon after the above policy was notified, 18th constitutional amendment was passed by the parliament. As a result, various ministries including Food & Agriculture were 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 proved counterproductive & turned most of Sugar mills in Pakistan sick with the exception of those located in South of Punjab & Ghotki district in Sindh.
Sir, the woes of Sugar industry continued to increase as sugar policy 2009-10 was thrown in the cold storage. People in the Government forgot if there was any such document. Sugar production in Pakistan during the seasons 2016-17 & 2017-18 was 7.05 and 6.621 million tonnes. This brought more woes to this industry as timely export was not allowed & prices in the domestic market fell below the cost of production. This resulted in less cultivation of Sugar cane & domestic production in 2018-19 & 2019-20 fell to 5.27 & 4.88 million tonnes much below domestic requirements. Increase in the price of sugar in Nov; 2019 brought more problems for this industry as domestic price of sugar increased considerably.

Sir, altough the country produced 9.323million tonnes Rice & almost 8.0 million tonnes Sugar (both highest ever in a season) during the year 2021-2022, the price of good quality Rice rose by Rs 80-100 & Sugar by Rs 18-20/Kg. in the domestic market while Price of wheat because of a little low production also increased tremendously. (Sugar prices have again come down but rice & wheat still continue to increase). Please look at the below fig. to understand at a glance.



Source: Monthly CPI Data, Pakistan Bureau of Statitics

Let us see that this year our sugar production from sugarcane and sugar-beet has been recorded to be approximately 8 million tonnes. Our domestic requirement is not more than 6 million tonnes. This means that around 2 million sugar is surplus which can be exported and fetch a revenue of One Billion US$. In spite of all efforts by the millers the Govt; is not allowing any export. Under the false apprehension that there may be paucity of sugarcane and sugar in the next year because of after effects of heavy rains and floods. Shortage of sugar and sugarcane seems highly improbable. Reason being, the plantation of sugarcane through scientific means has been recorded at least 10% more than last year.

The damage to crop from floods cannot be more than 15% to 20%. With all pros and cons sugar prediction in the next year will be in the range of 6.5-7.2 million tonnes still surplus than our domestic requirements. OBVIOUSLY THERE IS A GREAT DISAPPOINTMENT IN THE SUGAR INDUSTRY AFTER THE RECENT STATEMENT OF PRIME MINISTER MADE 3-4 DAYS AGO THAT NO EXPORT OF SUGAR WILL BE ALLOWED. This is a strange logic that the country is Begging for each & every $ but does not allow export of sugar under any circumstances.

Export of 2 million tonnes sugar can fetch US$ one billion easily. If the Government is so afraid to allow 2 million tonnes of sugar, we can export atleast one million tonnes to fetch half a billion US$ immediately in the first phase & allow further export slowly & gradually through strict monitoring without taking any risk.

Hon'ble Minister, we all are aware of heavy calamities due to recent floods badly devastating our agriculture affecting all crops particularly rice. Sugar cane, too, has been affected but we scan still hope Sugar production in the range of 6.2 – 6.8 million tonnes, sufficient to meet our domestic needs, so, there is no need to panic & allow the surplus to be exported. I do hope you will very kindly convey our feelings to The Prime Minister & remove his apprehensions. We can also come to Islamabad to convince him.

Since export has not been allowed & Banks are reluctant in financing to Sugar Mills, Sugar Mills are not able to clear payments to farmer & sugar price is also maintaining a lower trend in the local market, detrimental to the interest of Sugar industry. Look at the following chart depicting prices of all essential commodities since 1991 as follows.

RETAIL PRICES OF ESSENTIAL COMMODITIES IN PAKISTAN

1990-91 to 2021-22

Years	Wheat Flour Kg	Veg. Ghee	Sugar	Gur	Fresh Milk	Basmati Broken Rice
1990-91	3.66	19.00	11.26	8.24	7.71	6.10
1991-92	4.20	20.53	11.62	8.67	8.82	6.97
1992-93	4.44	24.08	12.29	10.03	9.90	8.06
1993-94	4.93	29.09	12.91	10.49	11.07	8.77
1994-95	5.78	38.99	13.74	11.07	12.18	9.09
1995-96	5.90	39.38	16.76	14.54	13.67	11.27
1996-97	7.32	42.76	21.26	18.67	15.12	12.85
1997-98	8.64	45.78	19.54	18.91	16.27	13.40
1998-99	8.35	54.00	19.09	17.19	17.71	14.50
1999-00	8.92	49.14	21.11	19.81	17.91	15.71
2000-01	9.80	44.82	27.11	26.31	18.23	15.35
2001-02	9.67	49.20	22.87	23.12	17.92	15.47
2002-03	10.14	55.25	20.77	20.45	18.35	18.07
2003-04	11.71	59.84	19.01	19.79	19.21	19.04
2004-05	13.28	59.60	23.45	23.98	21.28	20.19
2005-06	13.06	58.95	31.16	35.90	23.90	20.16
2006-07	13.64	70.81	31.85	39.26	26.72	23.11
2007-08	18.07	108.43	27.92	32.86	30.45	37.77
2008-09	25.39	110.69	37.45	40.80	35.99	48.03
2009-10	29.05	111.27	56.25	70.52	41.70	43.75
2010-11	29.56	150.31	72.72	83.86	50.10	50.32
2011-12	30.26	166.26	60.99	78.77	58.17	60.36
2012-13	34.53	160.73	53.25	74.50	65.24	69.01
2013-14	40.98	160.57	53.82	82.83	69.86	74.09
2014-15	39.28	151.90	56.37	82.96	76.00	73.01
2015-16	38.58	138.35	62.60	89.28	78.24	63.00
2016-17	38.00	143.34	64.94	88.20	80.59	63.90
2017-18	37.45	146.22	53.70	82.67	82.26	72.07
2018-19	39.36	161.85	59.84	86.14	86.74	76.82
2019-20	45.60	225.75	76.60	115.20	93.43	81.92
2020-21	*50.70/89.75**	273.40	94.60	129.20	105.60	90.70
2021-22	*59.10/98.75**	409.70	94.70	137.10	115.90	101.30
%age +_	2598.09**	2056.31	741.03	1563.83	1403.24	1560.66

We can see that average % price increase of sugar during these thirty years remained 741.03% as against 2598.09 of wheat flour 2056 of vegetable ghee 1564 of gur 1403 of fresh milk and 1561% of broken rice. Neither Govt. allows export of sugar nor allows increase in its domestic price. As a result, Millers will not be able to start crushing season timely. This will badly affect the interest of farmers & result in fall of sugarcane cultivation which will pave way for sugar shortage in country.

No one took any notice of such a high rise in the price of RICE, WHEAT & OTHER COMMODITIES BUT sugar was honoured with the award of Mafia & had to face the love of a Commission, I mean (Sugar Commission) headed by DG; FIA to investigate..............................
I also appeared before the Commission on May 06, 2020 (12th day of Ramadan,1441 H), travelled from Karachi to Islamabad in my personal car as no flights, Railways & Public transport was plying due to Covid 19 Pandemic) & tried my best to clarify a lot of misunderstandings as there was no sugar expert.

It has been a normal practice for so many years that the provincial governments fix the price of sugarcane but this could hardly be implemented. At times the rates of sugarcane changed upwards not only day by day but in certain cases after a few hours. Now farmers are demanding Rs, 400 to 500 per 40 kg supplies of sugarcane.

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 13.0

S. No.	Sugar Recovery % Cane	Sugar Produced Kgs /40 Kg cane	Sugar Cane Required /Kg Sugar	**Cost of Sugar cane / Kg Sugar If Sugar cane price / 40 Kg is**										
				Rs. 250	**Rs. 275**	**Rs. 300**	**Rs. 325**	**Rs. 350**	**Rs. 375**	**Rs. 400**	**Rs. 425**	**Rs. 450**	**Rs. 475**	**Rs. 500**
1	8	3.2	12.5	78.13	85.94	93.75	101.6	109.38	117.19	125	132.81	140.63	148.44	156.25
2	8.25	3.3	12.12	75.76	83.33	90.909	98.48	106.06	113.64	121.21	128.79	136.36	143.94	151.52
3	8.5	3.4	11.76	73.53	80.88	88.235	95.59	102.94	110.29	117.65	125	132.35	139.71	147.06
4	8.75	3.5	11.43	71.43	78.57	85.714	92.86	100	107.14	114.29	121.43	128.57	135.71	142.86
5	9	3.6	11.11	69.44	76.39	83.333	90.28	97.222	104.17	111.11	118.06	125	131.94	138.89
6	9.25	3.7	10.81	67.57	74.32	81.081	87.84	94.595	101.35	108.11	114.86	121.62	128.38	135.14
7	9.5	3.8	10.53	65.79	72.37	78.947	85.53	92.105	98.684	105.26	111.84	118.42	125	131.58
8	9.75	3.9	10.26	64.1	70.51	76.923	83.33	89.744	96.154	102.56	108.97	115.38	121.79	128.21
9	10	4	10	62.5	68.75	75	81.25	87.5	93.75	100	106.25	112.5	118.75	125
10	10.25	4.1	9.76	60.98	67.07	73.171	79.27	85.366	91.463	97.561	103.66	109.76	115.85	121.95
11	10.5	4.2	9.52	59.52	65.48	71.429	77.38	83.333	89.286	95.238	101.19	107.14	113.1	119.05
12	10.75	4.3	9.3	58.14	63.95	69.767	75.58	81.395	87.209	93.023	98.837	104.65	110.47	116.28
13	11	4.4	9.09	56.82	62.5	68.182	73.86	79.545	85.227	90.909	96.591	102.27	107.95	113.64
14	11.25	4.5	8.89	55.56	61.11	66.667	72.22	77.778	83.333	88.889	94.444	100	105.56	111.11
15	11.5	4.6	8.7	54.35	59.78	65.217	70.65	76.087	81.522	86.957	92.391	97.826	103.26	108.7
16	11.75	4.7	8.51	53.19	58.51	63.83	69.15	74.468	79.787	85.106	90.426	95.745	101.06	106.38
17	12	4.8	8.33	52.08	57.29	62.5	67.71	72.917	78.125	83.333	88.542	93.75	98.958	104.17
18	12.25	4.9	8.17	51.02	56.12	61.224	66.33	71.429	76.531	81.633	86.735	91.837	96.939	102.04
19	12.5	5	8	50	55	60	65	70	75	80	85	90	95	100
20	12.75	5.1	7.85	49.02	53.92	58.824	63.73	68.627	73.529	78.431	83.333	88.235	93.137	98.039
21	13	5.2	7.7	48.08	52.88	57.692	62.5	67.308	72.115	76.923	81.731	86.538	91.346	96.154

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. 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.

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 around US$ 500 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 , long delayed 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.

Now we come to the Sugar Commission Report which was submitted to the then Prime Minister of Pakistan and as a result "Sugar Sector Reforms Committee" headed by Mr. Hammad Azhar the then Federal Minister for Industries & Production was formed. The Committee submitted its report in Dec, 2021.

The committee was tasked to study the following important points:
As per report

4. International best practices
    4.1 Overview of global sugar market
    4.2 Historical trend of world sugar crises
    4.3 Overview of India's sugar policy
    4.3.1 Sugar Price Control in India
    4.3.2 Sugarcane control order 1966
    4.3.3 Import and Export
    4.4 Overview of Thailand's sugar policy
    4.4.1 Reforms
    4.5 Canada's open market sugar policy

5. Proceedings of the committee

The committee met 7 times between July, 2020 and March 2021
Sugar policy 2009-10 was also reviewed besides presentations were made by DG FIA, Ministry of Food Safety & Research, SUPARCO, brief by province of Punjab on relevant laws,

presentation by SECP & SUPARCO on five years data on sugarcane. Last presentation was made by Law Division.
(IRONICALY NO SUGAR EXPERT WAS A MEMBER OF THIS COMMITTEE)

5.1 Highlights of the Seven Meetings

As a preliminary note to the subsequent meetings, it was highlighted that Sugar Sector Reforms Committee has been formed under the directions of the Federal Cabinet with the mandate to suggest measures to eliminate cartelization, profiteering and market manipulations as well as to propose reforms relating to taxation and the regulatory role of the government. The broad understanding was that government interventions in the sugar sector supply chain should be minimal to avoid market distortions. It was argued that the government should not set minimum prices of sugarcane or grant export subsidies on sugar. It was observed that the price of sugarcane should be proportional to the sucrose content and that the government should establish laboratories for a fair market determination of sugarcane prices since sugar millers tend to manipulate data on the sucrose content to the disadvantage of the farmers. However, KP Department of Agriculture Research dissented that there must be an indicative price for sugarcane each year based on cost of production since the absence of a competitive indicative price will encourage the use of sugarcane for other purposes such as gur production. Khyber Pakhtunkhwa also insisted on crop zoning on the basis of crop patterns, climate and soil quality. According to MNFS&R during the last three years' considerable work had been done by the federal and provincial governments under the CPEC umbrella for mapping of agriculture zones.

Concerns were expressed regarding the unreliability of data on sugarcane and sugar production. A need was expressed for data collection on scientific basis. Collating data of crop reporting departments and data prepared by SUPARCO was considered as an option with reference to sugarcane production, while the need for alternative methods of physical verification of sugar stocks was emphasized since the existing system is influenced by millers. In this regard, the track and trace system was considered a good option. It was suggested that FBR should develop a digital dashboard of stocks, wherein stocks data of provincial cane commissioners should also be shared on a daily, weekly or fortnightly basis, and that this data should be accessible to the Ministry of lndustries and Production. It was also suggested that FBR should do mandatory registration of brokers, dealers, wholesalers with NTN/STRN linked to their bank accounts. Discrepancies of pledged stocks with banks was also discussed and it was observed that sugar millers even sell off pledged stocks and that banks needed to be vigilant in this regard.

The forum further discussed the issue of delayed crushing. It was observed that Sugar Factories Control Act 1950 provided for crushing starting period between 1st October and 30th November of each year, which was seen as a considerably long period, which needed to be curtailed. A need was expressed for providing enabling legal instruments to provinces for intervention in the case of delayed crushing. It was also observed that legislation of Sindh was ideal as no date is defined and the date for the crushing is approved by the Cabinet each year under the Sugar

Factories Control Act 1950.

Misreporting of cost of production of sugar was regarded as an important issue and need was felt for amendment in the Companies Act, 2017 to obviate misreporting of the cost of production because SECP had dispensed with the requirement for the companies to file the cost accounts and its audit with SECP. Amendments in section 250(2) of the Companies Act 2017 are required to be reverted for the audit of cost accounts of the company to be directed by the commission on the recommendation of concerned ministry.

Further, it was observed that the calculation of the cost of production carried out by sugar millers was not according to international standards. It was also felt that the existing sales tax regime for the sugar industry led to an increase in the retail price of sugar.

Forward contracts and "Satta" were viewed with serious concern as methods to manipulate market forces. It was noted that there is no legislation to prohibit or regulate these practices in Pakistan as the forums for these transactions are nowhere registered, and the transacted commodities are shown as stocks, providing space to millers to manipulate both demand and supply. It was felt that there was a need for legislation after seeking input from the Commodities Exchange Control (PMEX) on forward contracts.

Moreover, it was felt that there are clear indicators of cartelization in sugar sector and CCOP should play its role. It was also realized that CCOP should be strengthened in terms of both capacity and the legal power to penalize concerns involved in anticompetitive practices.

The committee also discussed matters related to kharif crops, i.e. cotton, rice, sugarcane and maize. It was pointed out that cotton producers are faced with unfavorable duty structures and support price policies, whereas sugarcane farmers are incentivized; that there has been an increase in production of maize and rice at the cost of cotton, while the area under cultivation of sugarcane is stable since 2004 till 2020. It was highlighted that there has been a shift of sugarcane growing areas from North to South owing to mushrooming of sugar mills in cotton growing areas of South Punjab after 1998. Matter of zoning of crops was taken up and discarded as it was found to be against the spirit of competition and freedom to choose of farmers that is what to grow. It was felt that Government should provide incentives to other competitive crops rather than creating zones. It was argued that if the Government continues to bail out farmers, then farmers would continue to grow sugarcane, while the only way to curb the tendency was to withdraw export subsidies and support price. The expansion of production capacity of sugar industry despite the complete ban on their expansion had raised the raised the issue of substitution of other crops by sugarcane

In the last meeting it was reaffirmed that there was a need to conduct a cost benefit analysis for cultivation of different crops and carry out a further policy review in light of this analysis. It was also emphasized that non-market-based pricing mechanism of water distorts decisions regarding choice of crops to be sowed, and that there was need to introduce sugarcane varieties with high water and nutrient use efficiency. It was also stressed that uniform purchase price of sugarcane, without any link with attributes like sucrose content, does not incentivize improvements in crop quality.

6. PUBLIC AWARENESS CAMPAIGN

Different health-related organizations like Global Health Advocacy Incubator, Pakistan Health Research Council, Diabetic Association of Pakistan etc have argued that sugar consumption leads to diseases and poor health like obesity, diabetics, cardiovascular disease and that there is a need to raise public awareness in this regard so that our society reduces sugar consumption. This would require involvement of print/electronic and social media.

7. IMPORT AND EXPORT

It was recommended that imports should be opened for all times and export may allowed in times of high production through allocation of quota on FCFS without any government subsidy.

8.COMMODITY EXCHANGE MARKET

PMEX had identified three challenges in the sugar sector which are reproduced as under:

(i) Volatility/speculation in sugar prices

(ii) Lack of proper record-keeping/documentation of the entire value chain.

(iii) Lack of proper management of the commodity.

For these problems, the following solutions were proposed by PMEX:

Challenges	Resolution
Volatility/speculation in sugar prices - Sugar stocks are being stored with unregistered supply-chain participants at undisclosed locations.	Commodity should be deposited at accredited warehouse regulated by a Collateral Management Company (CMC) after customer due diligence (KYC).
Lack of proper record-keeping/documentation of the entire value chain.	a) Electronic Warehouse Receipts (EWR) should be issued by accredited warehouse operators, who would manage ownership records at CMC systems. b) Commodity trading and settlement records are maintained at PMEX.
Lack of proper management of the commodity - difficult for the GoP to monitor the demand and supply mechanism.	PMEX trading system provides level playing field to all market participants for efficient price discovery.

9. RECOMMENDATIONS OF THE COMMITTEE

9.1 Cultivation / Purchase of Sugarcane Crop

S.No	Intervention	Action required	By Whom

(i)	There should be no zoning of crops and the Government needs to provide incentives to the crops that are earners of foreign exchange (e.g cotton).	Abolition of legislation (ifany) by Provincial Governments regarding zoning of crops and leaving the choice of what to grow to farmers/market forces (at present there are no zoning laws in Pakistan on zoning of crops).	Provincial Governments (MoIP to issue letters to CSs of Provinces and Provinces to provide timelines in this regard).
(ii)	Determination of sugarcane pricing by market forces and sucrose content and abolishing indicative price. Government would no longer regulate indicative sugarcane prices and ex-factory sugar prices would be deregulated with effect from crushing season 2023.	Amendment of Sugar Factories Control Act 1950 to abolish clause dealing with indicative price. However, 2-3 years' time to be given to farmers to make adjustments. Pricing of sugarcane should be according to the sucrose content. Provincial Government to provide latest equipment/laboratories to the Cane Commissioners for testing of sucrose content and implementation of new pricing mechanism.	Provincial Governments (MolP to issue letters to CSs of Provinces to provide timelines in this regard).

S.No	**Intervention**	**Action required**	**By Whom**
(iii)	There should be adequate pricing of water on volumetric basis to avert market failures. This step will remove externalities and lead to incorporation of actual cost of production of sugarcane timelines)	Legislation by Provincial Agricultural and Irrigation Departments on supply of water to the cropping areas.	Provincial Governments (MoIP to issue letters to CSs of Provinces, and Provinces to communicate

(iv)	There should be free choice of area for crop cultivation for farmers as well as for private sector for setting up sugar mills.	Abolition of Sugar Factories Establishment and Enlargement Act 1966 by the Provinces.	Provincial Government (MoIP to issue letters to CSs of Provinces, and Provinces to communicate timelines).
(v)	Government should invest in efforts to improve seed technology and study beet sugar cultivation.	MNFS&R / Provincial Governments may initiate programmes for seed improvement for enhancing sucrose content in sugarcane and increasing per hectare yields as well consuming less water. Possibility of beet sugar to be explored.	MNFS&R to coordinate and initiate a programme (preferably on public private partnership basis).
(vi)	Improvement in forecasting / provision of accurate data of sugarcane crop.	SUPARCO and Provincial crop reporting departments need to collaborate and employ modem techniques to report accurate data about sugarcane crop production to Federal Government.	MNFS&R to coordinate (MoIP will communicate advice to MNFS&R).
(vii)	Provision of low cost financing for farmers for purchase of inputs.	Financial intervention to be devised by MoF/SBP.	MoF/SBP.

	Intervention	Action required	By Whom
'"(viii)	Conducting cost / benefit	Study is required to review relative importance	MNFS&R m

	analysis of cultivation of different crops.	of crops for Pakistan viz-a-viz area under cultivation to enable Government to devise required interventions. During the last 3 years, the Federal and Provincial Governments have done considerable work under the CPEC umbrella for mapping of agriculture zones in the country. Government of Punjab, Khyber Pakhtunkhwa and Balochistan have developed their ecological zones.	coordination with provinces. Recommendations of the study will be reviewed m one month time.

9.2 Crushing of Sugarcane/Manufacturing of Sugar

S.No	Interventions	Action required	By Whom
(i)	Averting Late Crushing of sugarcane.	Amendments by provinces in Sugar Factories Control Act 1950, enabling provincial governments to fix crushing date of sugarcane (ideal legislation is of Sindh in this regard). Enhancing financial penalties for late crushing in the Act. These penalties may include Rs. 5 million fine and 12 months imprisonment.	Provincial Government (Provinces will communicate their timelines in this regard).

9.3 Storage and Sales by Sugar Mills

S.No	Interventions	Action required	By Whom
(i)	Adequate Enforcement of Registration of Godowns Act	Strict implementation by the Provincial Governments to ensure that no hoarding is possible.	Provincial Governments
(ii)	Curbing mismanagement of pledged stocks by mill owners.	State Bank of Pakistan to issue advisory to commercial banks to inspect their pledged sugar stocks, and to verify their	SBP, FBR and Provincial Governments. Joint inspection teams of stakeholders including the concerned bank may be

S.No	Interventions	Action required	By Whom
		presence with the collaboration of FBR and Cane Commissioners.	constituted to verify the pledged stock after every three month. In case, any misappropriation/shortage comes to notice, the matter may be referred to Federal Investigation Agency (FIA) for initiating criminal action against the defaulters.
(iii)	Stopping tax evasion, benami sales, undocumented transactions and other malpractices prevalent in the sugar industry	FBR to implement IT based Track and Trace system. There should be mandatory registration of brokers, sugar dealers, wholesalers with NTN & STRN linked to their bank accounts with mandatory registration of godown and automated online inventory management system.	FBR (FBR to give timelines in this regard)
(iv)	Reporting ofaccurate data of sugar to Federal Government.	FBR should develop a digital dashboard of stocks, wherein stocks data of Provincial Cane Commissioners may also be shared on regular basis with Ministry oflndustries and Production.	FBR in coordination with Cane Commissioners and MolP.
(v)	Handling forward contracts *I* satta m sugar.	(a) Possibility of bringing forwards contracts under PMEX; (b) mills to provide the forward contract reports on a daily basis, specifying the quantity of sugar; its booking price and maximum lifting time be 15 days; (c) the inspection regime should be strengthened to ensure that no sugar remains unlifted after the	(a) PMEX to develop legislation in consultation with SECP/Law Division; (b) Sold-out stock placed in the godowns of a mill should be lifted within a fortnight by the traders from the godown of the mill in order to avoid satta.

		expiry of the forward contract; (d) new legislation to Deal specifically with Satta, whether physical or online, on sugar and other commodities. These	

LET US HOPE, present government would like to benefit from both the reports & implement all that is good in the national interest which will certainly help the SUGAR industry & ALL STAKE HOLDERS. Thank you.

9.4 Whole Sale and Retail

S.No	Interventions	Action required	By Whom

(i)	Amendments in Companies Act 2017, Section 250 subsection (2)	(a) SECP should initiate and follow up amendments in the law, wherein, audit of cost accounts of the company shall be directed by the commission or on the recommendation of administrative Ministry/Division of the Federal Government. Sub- section (2) of Section 250 of companies Act, 2015 to be omitted to remove legal lacuna and restoring Section 250 to its original form. Further Administrative ministries should have power to request SECP for cost audit for required commodities. (b) Amendment in principles of cost audit to bring them at par with international standards or cost audit that 1s sector specific.	SECP (SECP will communicate timelines in this regard)
(ii)	Amendments in Competition Act 2010.	Finance Division should amend Competition Act 2010 for following items: (a) To ensure deterrence. Keeping in view that the associations are generally the frontrunners of the cartels, Section 38 of Competition Act 20 IO may be amended suitably, adding a maximum penalty of Rs. 75 million for violations by the associations. The penalty may be enhanced as a certain percentage of the	Finance Division (Finance Division will communicate timelines in this regard)

S.No	**Interventions**	**Action required**	**By Whom**

		combined turnover of the member undertakings. (b) Leniency for insiders who are ready to be whistle-blowers may be incentivized For this purpose, protection under law immunity from any criminal prosecution needs to be considered. (c) Competition Appellate Tribunal (CAT) needs to be revived and made fully functional with regular members. This will end delays in decisions under the competition law. Regular appointments (with relevant qualification and experience) would help expedite disposal of cases on merit.	
(iii)	Sales tax should be charged at the actual cost of production of sugar.	FBR to issue amended SRO.	FBR

9.5 Exports/Imports of Sugar

S.No	Interventions	Action required	By Whom
(i)	Imports of sugar would remain open.	Import of sugar is already open for the private sector.	Nil
(ii)	Exports of sugar.	(a) Stocks of sugar will be monitored for any decision of export. Exports will be considered only if there is an amount of 1.5 MT in excess of the domestic consumption requirement. (b) Government will not provide any export subsidy.	Forum Of SAB Will monitor.