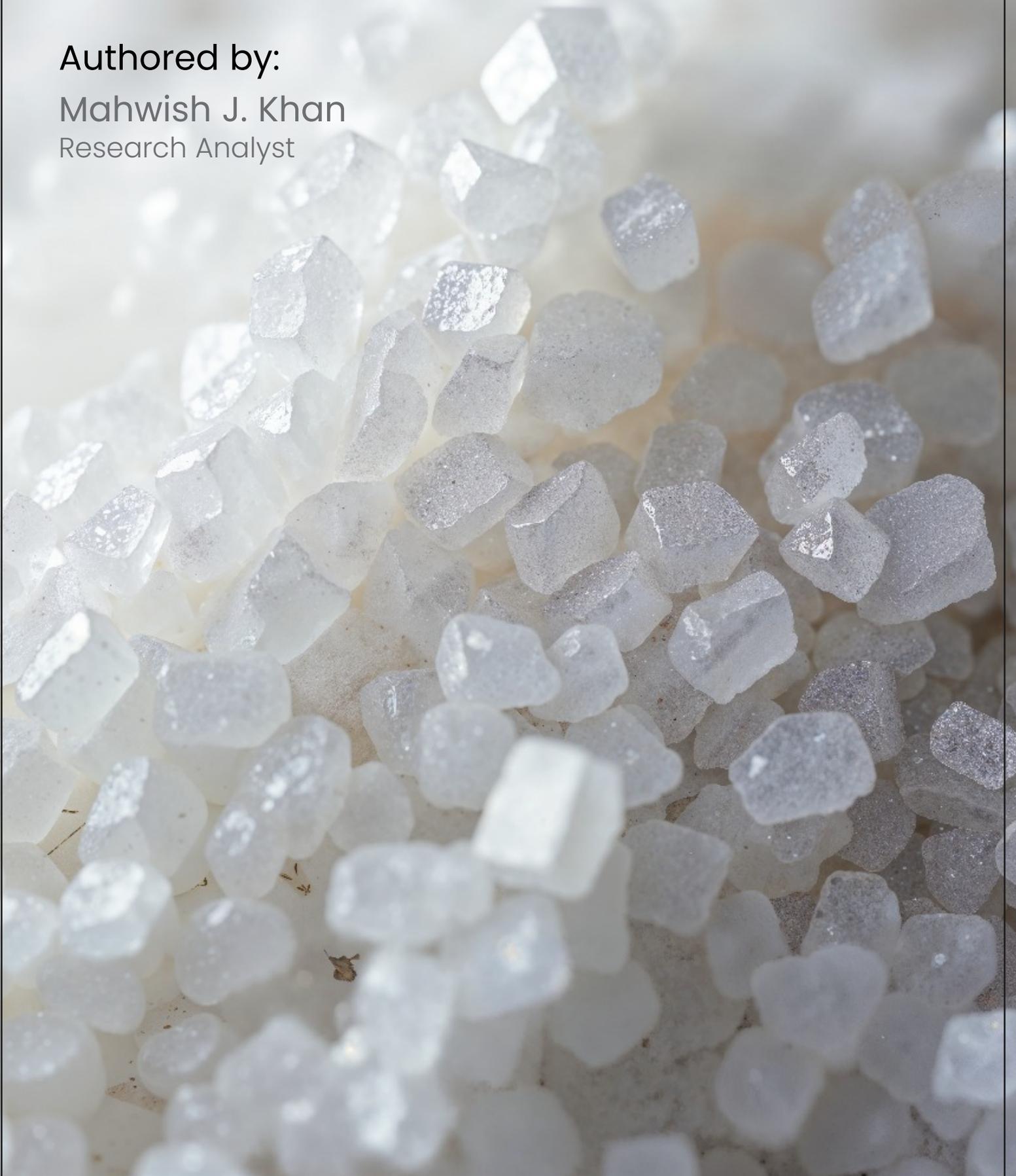


Sugar Market Update- '25

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The Pakistani sugar market is experiencing significant volatility, with prices surging to unprecedented levels and forecasts indicating further increases in the near term.

Current Market Situation

Sugar prices have escalated sharply, reaching Rs. 180 per kilogram in retail markets, up from previous rates of Rs. 150-160 per kilogram. Wholesale prices have simultaneously increased to Rs. 174-176 per kilogram, creating pressure throughout the supply chain. Industry analysts project that prices may soon reach Rs. 200 per kilogram if current trends continue.

Key Contributing Factors

Supply Shortfall

Production Deficit: The country faces a substantial supply gap, with production for the current season estimated at approximately 5.5 million tonnes against an annual consumption requirement of 7.5 million tonnes¹. This significant shortfall of 2 million tonnes has created fundamental market pressure that underlies the current price volatility.

Delayed Imports: Despite the government's approval for importing 1 million tonnes of sugar, logistical challenges and administrative delays have hindered timely market intervention². The lag between import approval and actual availability in domestic markets has created a critical supply window during which prices have accelerated upward.

Market Dynamics

Hoarding Activities: Reports indicate widespread stockpiling by traders anticipating future price increases, exacerbating the current shortage. This speculative behavior has removed substantial quantities from regular market circulation, artificially constraining available supply beyond the actual production shortfall.

Export Considerations: The international price differential has created pressure for exports, potentially further straining domestic supply. The higher prices obtainable in some international markets have diverted portions of the already limited domestic production.

Regulatory Measures

Policy Implementation: The government authorized the Trading Corporation of Pakistan (TCP) to import sugar to stabilize the market in 2021. The delay in the implementation of sugar imports led to a negative precedent on the prices of sugar leading to price hike and instability in the market. In 2025 however, reasons for the price hike in sugar is based on market fluctuations and government's decision to permit sugar exports³. In addition, to address the issue, the Prime Minister's Office has announced a 10-member committee to engage with Pakistan Sugar Mills Association and provide recommendations for bringing down the sugar prices.

Price Control Mechanisms: Provincial authorities are attempting to enforce price controls, but effectiveness has been limited due to market pressures. The gap between controlled prices and market-driven rates has created enforcement challenges and underground market activities.

Regional Variations

Urban centers, particularly Karachi, are experiencing higher price points compared to other regions, with some retailers charging premiums of Rs. 10-15 per kilogram above officially notified rates⁴. The difference in price of sugar in Karachi is attributed to rising transportation costs that increases the cost of production significantly.

Outlook

Short-term Forecast: Prices are expected to continue climbing, potentially reaching Rs. 200 per kilogram by April 2025. This projection is based on current supply trajectories and anticipated market behavior in the absence of significant intervention.

Stabilization Timeline: Market equilibrium may not be achieved until imported supplies reach retail markets, estimated to take 4-6 weeks from procurement. The logistics of international procurement, shipping, port clearance, and domestic distribution create an inevitable delay before imported sugar can effectively influence market prices.

Consumer Impact: The rising costs are disproportionately affecting lower-income households, for whom sugar represents a larger portion of food expenditure. The price increases have particular implications for essential food preparation and dietary habits during the upcoming religious observances.

Recommendations

Expedited Import Process: Accelerate the sugar import timeline to mitigate immediate supply constraints. Special administrative procedures should be implemented to fast-track customs clearance and domestic distribution of imported sugar stocks.

Enhanced Monitoring: Strengthen enforcement against hoarding and illegal price manipulation. Dedicated market surveillance teams should be deployed to identify and penalize entities engaged in artificial supply restriction.

Consumer Awareness: Implement transparency measures regarding actual supply situations to prevent panic buying. Regular public updates on import status and anticipated market improvements can help moderate consumer behavior that might otherwise exacerbate the situation.

Long-term Planning: Develop sustainable production incentives to address recurring cyclical shortages in the sugar industry. A comprehensive policy review is needed to address the fundamental structural issues in domestic sugar production that lead to these periodic supply crises.