

Annual Review
60th Annual General Meeting
28th November 2025

Distinguished Members

Assalam u Alaikum,

On behalf of members of the Executive Committee and myself, I welcome you all at the 60th Annual General Meeting which has been convened to review the salient features of the year ended September 30, 2025. I am grateful to Allah (SWT) who provided me with an opportunity to lead the association at such juncture when it was passing through difficult times. I have made my best endeavors in the capacity of chairman PSMA to communicate the viewpoint of the Sugar Industry at various forums including print media and electronic media effectively and forcefully. However, I must acknowledge that without your guidance and cooperation, it was not possible. I would like to extend my sincere gratitude to my colleagues for the unwavering support extended by them. I really feel honored to have worked with such a professional and dedicated team. Your cooperation has always been a source of inspiration which enabled us to overcome various challenges that confronted us during this period.

Now I will present the Annual Review for the year ended on 30th September 2025

Area Under Sugarcane Cultivation and Production of Sugarcane

The year under review had many ups and downs. Area under cultivation of Sugarcane crop in 2023-24 was 1,179,608 hectares which in 2024-25 increased by about 1.30% i.e. (1,195,000 hectares). Initially it was indicated that crop being healthy, sugar production would be around 6.6 MT, however, factors like scorching heat, inadequate rainfall and pest attacks adversely impacted the yield which decreased by 3.60% than that of last year. In Punjab Province, area under sugarcane cultivation increased by 2.07% however, production of cane crop was reduced by 5.05%. In the Province of Sindh, although sugarcane area remained almost same as before whereas production of sugarcane crop increased slightly by 1.16%. In Khyber Pakhtunkhwa Province, area and sugarcane production both decreased by 2.74% and 3.52% respectively.

During this year, as per reports of Provincial Cane Commissioners, Cane crushing in Punjab decreased by 7.80% whereas sugar production dropped by 10.90%. In Sindh, Cane crushing and sugar production reduced by 14.92% and 20.00% respectively. In Khyber Pakhtunkhwa Province, Cane crushing and sugar production remained 6.05% and 5.74% respectively less than that of previous year.

During the year under consideration, the overall average sucrose recovery achieved on Pakistan basis was **9.55 %** which remained lower than the preceding year's recovery rate of **10.00%**. Although there was substantial increase in area under cultivation, actual sugar production this year remained less than that of previous year due to

Sugar Stocks

This year sugarcane crushing started from 21st November 2024. We started the year with a surplus of 771,310 tons of sugar and produced 5,862,391 tons of sugar, out of which 92,786 tons were produced from beet. From 1st December 2024 to 30th September 2025, 5,907,449 tons of sugar were lifted, out of which 388,425 tons were exported, and 5,519,023 tons were consumed internally with average monthly consumption of 553,662 tons. As of 30th September 2025, remaining sugar availability in the country is 726,252 tons. Keeping in view the pattern of current lifting, which has substantially reduced, sugar stocks would be sufficient until 15th November 2025.

Sugar Export

During the year, export of 150,000 tons of sugar initially allowed by the Govt and later 100,000 tons of sugar was further allocated by Cane Commissioners based on last year's sugar production by each province which worked out to be 64% for Punjab, 30% for Sindh and 6% for KPK. Afterwards, Govt allowed further export of 5,00,000 tons of sugar. Afterwards, on the request of Tajikistan Govt to purchase 40,000 tons of sugar, Govt also allowed export of 40,000 tons of sugar at preferential prices. PSMA agreed to provide full support to govt in this transaction. Out of total 790,000 tons of sugar allowed by the Govt, 765,627 tons of sugar has been exported upto September, 2025

Federal Board of Revenue vide notification dated 8th April 2025 has fixed the minimum ex-mill value of domestically produced white crystalline sugar as under:

“Average national retail price of refined sugar last published at Pakistan Bureau of Statistics (PBS) website

(weekly sensitive price indicator-SPI) before 1st and 16th of every month minus sixteen rupees for respective fortnight starting on 1st and 16th of every month.”

FBR issued SRO 577(1)/2025 to align the Ex-mill sugar price with the actual retail market rates for purpose of determining sales tax liability, thereby preventing under-invoicing within the sugar sector.

AMENDMENTS MADE THROUGH FINANCE ACT, 2025

❖ Disallowance of Expenditure:

It has been provided that where a taxpayer receives payment exceeding Rs 200,000/- against a single invoice otherwise than through a banking channel or digital means against supply of goods or provision of services, **50% of the expenditure** claimed in respect of such sales **shall be disallowed**.

Clarification by FBR

When a person, whether an NTN holder or otherwise, deposits the cash against invoices in the bank account of the seller, the payment shall be treated as having taken place through banking channel and no disallowance of the expenditure will be made in this regard.

❖ Purchases other than NTN Holders:

In case purchases are made from person not having NTN and agriculture produce purchased from middleman, **then 10% of the expenditure** shall be disallowed.

Clarification by FBR

It aims to enable formal sector to capture more market share as compared to that of informal sector. This provision will not apply on agriculture produce unless it is sold by middlemen. This provision also authorizes the board to exempt any class of persons subject to conditions and limitations as it deems appropriate.

ESTABLISHMENT OF STALLS DURING RAMZAN

As per directions of Govt and gesture of goodwill, PSMA established stalls in all the provinces during the month of Ramzan where sugar was sold at concessional rates i.e Rs 130/per kg to facilitate low-income groups

TOLLING POLICY

PSMA presented draft policy for importing raw sugar to process it for re-export as there was a difference of around \$100/ton in the prices of raw and refined sugar, and a premium of \$50-\$100/ton can be earned on re-export of raw sugar. It was proposed that imports of raw sugar for re-export purposes may fall under the Export Facilitation Scheme (EFA), allowing for tax and duty-free import, otherwise such operations would become unviable. In this regard, a committee under Minister for National Food Security and Research was constituted. Secretary Industries drafted policy on import of raw sugar for re-export which was circulated for comments.

Complete Deregulation of the Sector

This was the first year of deregulated sugarcane prices as no indicative price was fixed by the provincial governments. The growers were initially hesitant to supply sugarcane to mills during November and December, 2024. However, with the increased price offered by the mills, sugarcane supply improved and positive trend was seen. After deregulation of sugarcane prices, market forces determined the prices which had risen to Rs 600 per maund.

PSMA requested the Govt that let the market forces determine commodity prices based on the supply and demand mechanism. Import and export of sugar may be allowed and let the industry work at free market mechanism. So complete deregulation of the sugar industry is the only way forward to bring efficiency in this sector. On continuous persuasion of the industry, Govt has constituted a high-powered committee to develop comprehensive proposals for deregulation of sugar sector of country. These proposals would encompass all aspects of sugar sector including liberalization of import and export, doing away with price control for the inputs, expansion of existing processing facilities, zoning regulations etc. PSMA has asked for complete freedom for import/export and exclusion of govt from fixing prices of sugar. Abolition of Provincial Cane Act has also been suggested. Regarding establishment of new mills, it has been appraised that out of 91 existing mills, only 79 are operational and previously crushing period consisted of 150 days has now been limited to 120 days which resulted in production of 6 million metric tons of sugar as against potential of 12 million metric tons. Therefore, this idle capacity of 50% needs to be utilized. PSMA emphasized focusing on revival of non-operational units instead of setting up new mills, if any.

Issues highlighted

In various meetings of Sugar Advisory Board, PSMA has highlighted the following issues:

- a) The sugar industry is massively over-regulated by the Provincial and Federal Governments.
- b) Whenever there is a surplus sugar production in the country, there is no proper mechanism to assess this surplus and take timely decisions for exports. Govt takes very late decisions which result in crash of sugar prices and sugar mills have to sell its product below cost and suffer heavy losses. Delay in granting permission for export of sugar is harmful both industry and the farmers, in addition to depriving the country of much-needed foreign exchange.
- c) Pakistan has the lowest per acre yield of sugarcane. Provincial governments do not extend any support to eliminate non-variety sugarcane rather support is provided to the farmers to sell their low-quality sugarcane to the millers causing heavy production losses to the millers.
- d) District Administration is causing unnecessary harassment resulting in serious operational issues for the mills by restricting movement of sugar especially provincial authorities in Punjab are creating hurdles in interdistrict and inter provincial movement of sugar meant for corporate and commercial buyers. Furthermore, mill managements are being forced to provide a specific quantity of sugar to certain dealers who are lifting the sugar and selling in the market at higher rates.
- e) PSMA has time and again highlighted in various meetings that stocks would be sufficient till start of next crushing season and there is no need to import sugar.
- f) Clearing stock is essential to make space for new seasons' production whereas sale of sugar is being stopped through closure of FBR portal at regular intervals. It has transpired that portals are being blocked purposely to facilitate the sale of sugar being imported at the subsidized rates waiving off all taxes and duties. Moreover, field formations are also physically blocking lifting of sugar at mill gates. This off-and-on switching of FBR portal is unimaginable as it has never happened before. Such a

policy may create severe crises in the market and if this situation persists, mills would not be able to clear their stocks and bank liabilities would be jeopardized. In addition to that, due to ban on lifting of sugar, market will become dry and resultantly prices would inflate. This issue has been repeatedly agitated by PSMA through letters addressed to Minister for Finance, Minister for Food Security and Chairman FBR.

- g) Industry produces sugar within a span of four months and sells the same in twelve months. As no strategic reserves are maintained by the Federal and Provincial Governments, heavy carrying cost has to be borne by industry.
- h) Sugar is the only consumable item from agriculture produce on which Government charges 18% sales tax whereas there is no sales tax on Rice, Wheat flour, Maize, Vegetables and Fruits etc. Also, this is the only industry which is being regulated whereas all other businesses are working under free market mechanism.

Recommendations put forth by PSMA

- ❖ We have clearly mentioned that control of Retail prices of sugar is the responsibility of Government and industry has nothing to do with it.
- ❖ Local administration of Punjab may pl be advised to remove the staff deputed in the mills and release the stock so that industry may function in a normal way.
- ❖ Provincial Cane Act, Factories control Act and other related legislation may be abolished as too much control and restrictions imposed by the Govt at times encourage hoarding and other malpractices.
- ❖ There should not be any restriction on inter district and inter provincial movement of sugar.
- ❖ Industry may be allowed to export surplus stocks of sugar without any formal permission so that substantial amount of foreign exchange could be earned for the country.
- ❖ Deregulation policy may be announced at the earliest and made effective from November 2025.

Future Scenario

As per estimates for the year 2025-26, although area utilized for sugarcane crop is 1.7% more than that of last year. However, sugarcane production is expected to increase by 0.6%. In Punjab, area under sugarcane cultivation is more than 4.8% as compared to previous year whereas sugar production is expected to increase by 2.7%. On the hand in Sindh, area has decreased by 6.2% which in turn will impact on sugar production which will decrease by 5.6% than that of last year. In KPK province, area has been reduced by 0.8% and sugar production is also likely to be reduced by 0.8%.

Before winding up this review, I would like to thank all of you once again for your valuable suggestions and contributions made during this period.

Ch Muhammad Zaka Ashraf
Chairman
PSMA-Center