Sugar-coated import contracts not doing much good

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(July 21, 2010) : Once again, talks on the sugar crisis have started circulating in wake of the approaching month of Ramazan, and once again, there is news from the TCP of yet another sugar import deal in the pipeline. This time, the said exporter to Pakistan is the Dubai-based refinery Al-Khaleej. Revelations regarding the expected import prices of sugar from the Gulf refinery have not been disclosed, and officials in the TCP did not yield a satisfactory response either. The import of sugar has become a big question mark on the looming sugar crisis, and has yet to show its effect on sugar prices in the country. Especially since prices of sugar in the international market have started rising sharply. The buoyancy in international prices is attributed to the delayed shipments from Brazil, the largest exporter, and late anticipated crushing in Thailand, the second-largest exporter. Earlier, at the local front, when sugar prices had plummeted to very low levels around March 2010, the TCP was urged to import sugar to cover up the shortfall in the local market. However, the import of sugar was delayed for a prolonged period, and now even international prices are showing promises of a steep rebound. Import tender with the Chinese firm Yunnan was cancelled because the firm failed to honour the contract terms of delivery on time, while the contract with Dubai-based Sadat Business Group is also on the rocks. Two other tenders have been floated in the market to be contested in late July-early August, with deliveries expected around September. However, the previous contracts have not set a very optimistic precedence for these future import contracts. Delivery has not been made even on contracts awarded by the TCP, and it has received only 243,000 tons of sugar against the purported 850,000 tons. This casts reasonable doubt over the pre-qualification process for awarding of tenders to companies that do not fulfill delivery terms on time. In addition, with the import deals signed at unrealistically low rates, such as $598 CnF for the Sadat Business Group, and the projected rise in international sugar prices, it is very likely that these contracts will not be awarded. Representatives of the Sugarcane Growers Association look upon the procrastination of import of sugar as another way of hiking up the sugar crisis. "They are all a part of the government, and many mills are owned by government officials, so they didn want to import cheaper sugar on time because that would have forced mill owners to lower their prices. Now the prices have started rising and they will be raised locally too," said a representative speaking to BR Research. On the contrary, mill owners deny these allegations and claim that they welcome imported sugar, only if it will actually be cost-effective and cheap for the people. Officials in the Pakistan Sugar Mills Association (PSMA) blame the middleman for selling dearer sugarcane to the mill owners which drives up local sugar prices. Growers, who complain of not being paid by mill owners for prolonged time periods, try to get their share by pricing sugarcane higher, at roughly an average of Rs190 per 40 kg. Sugar prices continue to be higher, and the vicious cycle continues.