

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Turkey

Sugar Semi-annual

Revised 2013 Sugar Semi-annual Report

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Report Highlights:

This report replaces the 2013 Semi-annual report published on October 22, 2013
(http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Sugar%20Semi-annual_Ankara_Turkey_10-22-2013.pdf).

Turkey's sugar sector is regulated by production quotas which remained unchanged at 2,532,000 MT during the last three marketing years. However, total production quotas have been decreased for MY 2013/14 to 2,510,000 MT. In light of the decreased quotas, sugar production is expected to be 2.2 million metric tons in MY 2013/14.

Executive Summary:

In line with the decreased quotas, post expects 15 million MT of sugar beet production from a planted area of 280,000 hectares in MY2013/14. Sugar production is not expected to exceed 2.2 million metric tons and starch based sugar production is expected to be 244.400 metric tons similar to the figures of MY2012/13.

The major development in the sugar sector this year has been the draft regulation prepared by the Sugar Board which would change the current Sugar Law. Even though it has not been approved yet, it has stirred a lot of disputes between the sugar beet producers and the starch based sugar (SBS) producers.

Commodities:

Sugar, Centrifugal

Sugar Beets

Production:**Production: Sugar beets**

Factories start processing sugar beets in the beginning of October, and this period is called the *campaign period*. Unchanged production quotas for the past three marketing years have led to a decrease in plantation and an eventual reduction in sugar production. In MY 2012/13, 14,937,710 MT of sugar beets were harvested from 279,589 hectares. Post expects these figures to be slightly lower in MY 2013/14.

The average national yield per decar (1,000 m²) has increased gradually from 5.3 tons to 6.3 tons in the last couple of years. While the planted area is decreasing, sugar beet yield has been increasing due to the adoption of modern agriculture techniques and higher quality seeds.

Production: Centrifugal Sugar

After remaining the same for the last three marketing years, Turkey's total sugar production quota was announced by the Sugar Board at 2,510,000 for MY 2013/14. A breakdown of this quota is provided in the below table as thousand metric tons.

	2011/2012 MY			2012/2013 MY			2013/2014 MY		
	A Quota	B Quota	TOTAL	A Quota	B Quota	TOTAL	A Quota	B Quota	TOTAL
Beet Sugar	2,200	88	2,288	2,200	88	2,288	2,200	66	2,266
Starch Based Sugar	244		244	244		244	244		244
Grand Total	2,444	88	2,532	2,444	88	2,532	2,444	66	2,510

The "A quota" is the primary production allowance and the "B quota" is an additional margin allowed for producers which amounts to 4% of the A quota. At the end of the campaign period any excess sugar produced by the factories above their allocated quotas are sold as C sugar to exporters at world prices.

There are 33 sugar beet refineries in Turkey, 25 of which belong to the state-owned Türkiye Şeker Fabrikaları A.Ş. (Turk Şeker) and the remaining 8 are private. The total production capacity of these 33 beet sugar factories is 3.1 MMT per year and the size of the beet-sugar sector is valued at more than US\$ 3 billion. Allocation of the quotas among sugar beet producers for MY 2013/14 are given in the below table in thousand metric tons.

Beet Sugar Producers	A Quota	B Quota	Total
Türkiye Şeker Fabrikaları A.Ş.	1,230,500	36,910	1,267,410
Adapazarı Şeker Fabrikası A.Ş.	31,000	930	31,930
Amasya Şeker Fabrikası A.Ş.	62,100	1,860	63,960
Kayseri Şeker Fabrikası A.Ş.	306,200	9,190	315,390
Keskinkılıç Gıda San. ve Tic. A.Ş.	103,000	3,090	106,090
Konya Şeker Fabrikası A.Ş.	435,500	13,070	448,570
Kütahya Şeker Fabrikası A.Ş.	31,700	950	32,650
Total	2,200,000	66,000	2,266,000

While the daily average beet processing capacity of the 25 factories under Turk Şeker is 3,730 MT per day, the average beet processing capacity of private sector factories is 8,125 MT.

Production: Starch-Based Sweeteners (SBS)

There are six starch based sugar (SBS) producers and the total production capacity of these 6 SBS factories is 1 MMT per year.

The SBS quota is set at 244,400 MT for MY 2013/14 and the breakdown of this quota among the 6 producers is provided below.

Starch Based Sugar Producers	A Quota
AMYLUM NİŞASTA SANAYİ VE TİCARET A.Ş.	75,959
CARGILL TARIM VE GIDA SANAYİ VE TİCARET A.Ş.	107,321
TAT NİŞASTA İNŞAAT SANAYİ VE TİCARET A.Ş.	15,880
SUNAR MISIR ENT. TES. SANAYİ VE TİCARET A.Ş.	10,706
PNS PENDİK NİŞASTA SANAYİ A.Ş.	34,534
Total	244,400

B quota is not allocated for SBS producers, but the Cabinet has the right to increase the A quota up to 50% annually. Utilizing this authority, this 50% increase has been granted in MY 2010 and 2011, and a 35% increase has been granted in MY 2012 for SBS producers. In MY2013/14, the fact that SBS quota remained same while the beet sugar quota declined is causing a lot of controversy between the two producer groups.

Consumption:

Home-use and industrial sugar consumption increases appear to be correlated with the increase in population and GDP.

Currently, total annual sugar and sweetener consumption is around 2.3 MMT, where SBS accounts for approximately 250,000 MT, beet sugar accounts for 1.9MMT, and unregistered and smuggled sugar accounts for the remainder. The portion of SBS in total sugar consumption is increasing every year due to increased utilization by industry.

Trade:

Turkey's sugar exports decreased from 70,000 MT in MY 2011/12 to 66,700 MT in MY 2012/13. The largest export market remains to be Middle East countries such as Iraq and Syria, followed by Azerbaijan. African countries such as Niger and Somalia are also emerging as new export markets.

The decrease in quotas is expected to reflect negatively in MY2013/14 exports since the amount of sugar being produced will hardly meet domestic demand.

The tariff rate on sugar imports to Turkey remains at 135 percent on the CIF value, which makes Turkey's sugar imports negligible. Import duties on products containing sugar such as candy, cookies, and chocolate vary between 8.3% and 15.4%, plus an additional tax called "agricultural contribution" is applied based on the starch/glucose ratio and milk fat percentage. This procedure was adopted from the EU system.

However if production continues to be reduced by quotas, an increase in imports seems inevitable in the upcoming years.

Export & Import Trade Matrix

The tables below give quantity figures in metric tons for refined sugar in solid form (HS Code: 170199)

Export Trade Matrix

Exports to	<i>Aug 2011- Jul 2012</i>	<i>Aug 2012- Jul 2013</i>
United States	41	49
Azerbaijan	4,827	6,886
Iraq	48,486	2,525
Turkmenistan	70	57
Somalia	2,000	7,500
Syria	10,477	37,810
Turkish Rep. of Northern Cyprus	2,832	3,092
Lebanon	150	1,154
Liberia	0	115
Niger	278	2,750
Israel	60	20
Italy	0	520
Others not listed	1,000	4,239
World Total	70,221	66,717

Import Trade Matrix

Imports from	<i>Aug 2011- Jul 2012</i>	<i>Aug 2012- Jul 2013</i>
United States	0	0
United Kingdom	2,431	2,374
France	1,868	3,432
Germany	251	195
Israel	0	104
Belgium	0	2
Others not listed	1	3
Grand Total	4,551	6,110

Stocks:

Production quotas helped deplete Turkish sugar stocks over the last few years. Any remaining stocks would belong to Turk Seker and they sell this stock at discounted prices (ranging from 5% to 8%, depending on the amount purchased) before the beginning of the new campaign period. Post expects sugar stocks to decrease even further in MY 2013/14 due to decreased quotas and because excess sugar production is exported.

Policy:

Production Policy and Privatization

Production quotas are significantly lower than the established production capacity of both beet sugar and SBS processing plants. This challenges all producers and leads to a consistent struggle of seeking higher quotas.

In the light of this conjuncture the Sugar Board prepared a draft communique to change the Sugar Law that has been in effect since 2001 claiming that the sugar sector in Turkey has undergone substantial changes and that there have also been global changes which necessitate a new law. The major change that this draft presents and the current situation is summarized below in bullet points:

1. Currently the SBS quota is 10% of the beet sugar (A) quota and the Cabinet has the right to increase or decrease this quota an additional 50%. The new law increases this ratio to 15%. The Cabinet shall still have the right to increase this quota as much as they deem fit (instead of the current 50% upper limit), but not to decrease it.
2. Sugar Board shall be restructured with broader authorities and be converted to Sugar Sector Regulation and Auditing Board, with no representatives from sugar beet producers.
3. Sugar is classified as food purpose and non-food industry purposes. There is no quota restriction defined for industry purpose sugar.

The sugar beet producers object to this draft law claiming that it is biased towards supporting the SBS sector and would eventually hurt the sugar beet sector.

Marketing:

Turk Seker and other private producers are also wholesalers who handle the marketing of sugar to retailers. All SBS producers and distributors are private.

The price of A quota sugar beets with 16% polarity rate has been 137 TL/ton and C quota sugar beet price has ranged between 70-85 TL/ton in MY2013.

Wholesale price of a 50kg bag of crystal sugar is 123 TL (including 8% VAT) and a 20 kg bag of cube sugar is 63TL as of October 2013 (exchange rate for 1 US\$ is 2 TL).

Exporters of sugar products buy C quota sugar at world prices, and they can also import sugar under the inward processing regulation, where they do not pay the 135% duty imposed on sugar imports, with the precondition that they shall export the end product and not sell it domestically.

Production, Supply and Demand Data Statistics: Centrifugal Sugar

Sugar, Centrifugal Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	463	463	355	380	155	168
Beet Sugar Production	2,262	2,262	2,128	2,128	2,200	2,160
Cane Sugar Production	0	0	0	0	0	0
Total Sugar Production	2,262	2,262	2,128	2,128	2,200	2,160
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	5	5	5	6	5	8
Total Imports	5	5	5	6	5	8
Total Supply	2,730	2,730	2,488	2,514	2,360	2,336
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	49	70	33	66	20	20
Total Exports	49	70	33	66	20	20
Human Dom. Consumption	2,326	2,280	2,300	2,280	2,260	2,280
Other Disappearance	0	0	0	0	0	0
Total Use	2,326	2,280	2,300	2,280	2,260	2,280
Ending Stocks	355	380	155	168	80	36
Total Distribution	2,730	2,730	2,488	2,514	2,360	2,336

The above figures are in 1000 MT.

Sugar Beets

Sugar Beets Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Sep 2011		Market Year Begin: Sep 2012		Market Year Begin: Sep 2013	
	USDA	New	USDA	New	USDA	New

	Official	Post	Official	Post	Official	Post
Area Planted	300		280		280	
Area Harvested	293		279		279	
Production	16,000		15,000		15,000	
Total Supply	16,000	0	15,000	0	15,000	0
Utilization for Sugar	16,000		15,000		15,000	
Utilizatn for Alcohol	0		0		0	0
Total Distribution	16,000	0	15,000	0	15,000	0
1000 HA, 1000 MT						