



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 10/4/2007

**GAIN Report Number:** TU7057

## Turkey

## Sugar

## Semi Annual

## 2007

**Approved by:**

Ralph Gifford, Ag. Counselor  
U.S. Embassy

**Prepared by:**

Muge Somer, Ag. Marketing Assistant

---

**Report Highlights:**

Sugar beet production is estimated to be 13.2 MMT for MY 2008. This number is five percent lower than the Post's prior estimate. Even though this summer was very hot and dry, sugar beet production was not significantly affected. However, the quality of the product is yet to be seen. The Council of Minister's decision to increase the starch based sugar (SBS) production quota has been once again stopped by the judicial power, the Council of State. The Turkish Sugar Cooperation raised its procurement price from YTL 89.90 per MT to YTL 95.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Ankara [TU1]  
[TU]

**Table of Contents**

**Production** ..... **3**  
    Sugar Beets ..... 3  
    Centrifugal Sugar ..... 4  
        PS&D for Centrifugal Sugar..... 5  
    Cornstarch-Based Sweeteners..... 5  
    Ethanol and Molasses ..... 6  
**Consumption**..... **6**  
    Prices..... 6  
**Trade**..... **7**  
    Export Trade Matrix..... 7  
**Stocks** ..... **9**  
**Marketing** ..... **9**  
**Other Relevant Reports** ..... **9**

## Executive summary

Since the implementation of the Sugar Law in 2001, Turkey's sugar beet production has been limited by quotas. The production quota has remained the same since the system started in 2003. Turkey has one of the most expensive sugar prices in the world at approximately US \$1,350 per MT. Moreover, there is a 135 percent duty imposed on sugar imports. Industry sources expect the sugar sector in Turkey to become more cost effective once the sugar plants are privatized. Currently, the sugar prices in Turkey are far from the world prices because of government support to the farmers, and the usage of old technology in the state owned plants.

## Production Sugar Beets

Sugar beet production is estimated to be 13.2 MMT for MY 2008. This number is five percent lower than Post's prior estimate. Even though the summer was very hot and dry the sugar beet production was not significantly affected. This is mainly because the industry anticipated such dry weather and contracted bigger volumes with the farmers in the beginning of the market year. So even though some crop was lost, the sugar plants will be able to fulfill most of their production quota. The sugar plants are currently in the procurement stage; the processing has not yet started. Therefore it is difficult to estimate the quality of the product. However, industry sources are not optimistic about the quality.

Out of this total, the Turkish Sugar Cooperation (TSC) is estimated to produce around 6.2 MMT while PANKOBIRLIK and other private refineries are expected to produce a total of 7 MMT. After the implementation of the Turkish Sugar Law in 2001, both state owned TSC and privately owned PANKOBIRLIK announced an "advance" procurement price at the beginning of the planting season. The "advance" pricing of TSC is the same as last year's "definite" procurement price. This year, TSC's "advance" procurement price is YTL 89.9 MT and its "definite" procurement price was recently announced as YTL 95 (1 USD ~ 1.24 YTL). TSC had decreased the procurement prices 10 percent on MY 2007. This decrease in sugar beet procurement prices was attributed to Turkey's policy to bring its sugar policies in line with the changing sugar policies of the EU which foresees 36 percent of drop in Sugar beet procurement prices in four years. This year's rise in the procurement price was unexpected since the Minister of Industry and Trade had previously announced that they were going to "inevitably" harmonize the procurement policy with the EU.

Total area of the sugar beet plantations is still estimated at 330,000 hectares and average sugar beet yield is estimated around 43 MT per hectare.

## PS&amp;D for Sugar Beets

Turkey Sugar Beets										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USD A Offici al	Post Estimate	Post Estimate New	
<b>Market Year Begin</b>		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Area Planted	330	320	330	330	327	330	0	325	330	(1000 HA)
Area Harvested	327	320	327	330	324	330	0	325	330	(1000 HA)
Production	14700	14500	14700	14700	14045	14700	0	13900	13200	(1000 MT)
Total Supply	14700	14500	14700	14700	14045	14700	0	13900	13200	(1000 MT)
Utilization for Sugar	14700	14500	14700	14700	14045	14700	0	13900	13200	(1000 MT)
Utilization for Alcohol	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	14700	14500	14700	14700	14045	14700	0	13900	13200	(1000 MT)

## Centrifugal Sugar

There are 33 sugar beet refineries and five starch based sugar producers in Turkey. The state owned TSC owns 25 of the sugar beet refineries. TSC acts under the Ministry of Industry and Trade. Three TSC refineries are currently under the control of the Privatization Committee. The privatization of these plants was postponed in May and again in June 2006, and it was finally cancelled in November 2006. The general expectation of the industry is that these three plants will be privatized in 2008. PANKOBIRLIK owns more than 88 percent of five private sugar refineries; Amasya, Konya, Kayseri, Cumra and Bogazliyan. It also has some shares in Adapazari and Kutahya refineries. MB Sugar, located in Aksaray, is the only private refinery with no PANKOBIRLIK shares.

Turkey first implemented a production quota system in MY 2003. Since then, the annual production quota has remained at 2.3 MMT (refined value). Out of this total, 234,000 (10 percent) MT is the production quota of the starch based sugar (SBS) producing industry. The Sugar Board is authorized to set the production quota. For MY 2008, the total centrifugal sugar production is projected to be at 1.8 MMT (raw value). The production quota of 22 TSC refineries is 1.047 MMT (raw value), and the three other state owned refineries under the privatization committee have a production quota of 274,000 MT. These 25 refineries are projected to produce 1 MMT (raw value) and the private factories, including PANKOBIRLIK refineries, are projected to produce 800,000 MT (raw value).

## PS&amp;D for Centrifugal Sugar

Turkey Sugar, Centrifugal										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Beginning Stocks	610	610	610	760	760	760	913	910	910	1000 MT
Beet Sugar Production	2175	2175	2175	1980	1980	1980	1900	1900	1800	1000 MT
Cane Sugar Production	0	0	0	0	0	0	0	0	0	1000 MT
Total Sugar Production	2175	2175	2175	1980	1980	1980	1900	1900	1800	1000 MT
Raw Imports	0	0	0	0	0	0	0	0	0	1000 MT
Refined Imp.(Raw Val)	0	0	0	0	0	0	0	0	0	1000 MT
Total Imports	0	0	0	0	0	0	0	0	0	1000 MT
Total Supply	2785	2785	2785	2740	2740	2740	2813	2810	2710	1000 MT
Raw Exports	0	0	0	0	0	0	0	0	0	1000 MT
Refined Exp.(Raw Val)	25	25	25	27	27	27	40	40	40	1000 MT
Total Exports	25	25	25	27	27	27	40	40	40	1000 MT
Human Dom. Consumption	2000	2000	2000	1800	1800	1800	1800	1800	1800	1000 MT
Other Disappearance	0	0	0	0	0	0	0	0	0	1000 MT
Total Use	2000	2000	2000	1800	1800	1800	1800	1800	1800	1000 MT
Ending Stocks	760	760	760	913	910	913	973	970	870	1000 MT
Total Distribution	2785	2785	2785	2740	2737	2740	2813	2810	2710	1000 MT

## Cornstarch-Based Sweeteners

The Sugar Law allows the Council of Ministers (COM) to increase or decrease the SBS production quota by 50 percent regardless of the quota allocated to the sugar beet industry. Since the beginning of the quota system, the COM had increased the SBS quota every year. During MY 2006, the COM's decision to increase the SBS quota by 50 percent was taken to the Council of State by the Sugar workers union and the decision to increase the quota was stopped by the Council on July 2006. However, the legal procedures regarding the implementation of this ruling are not yet finalized, and by the end of the marketing year the SBS producing companies used all of the quota.

After the Council's ruling, the sugar industry did not expect an increase in the production quota of the SBS industry for MY 2007. However, the COM once again used its power to increase the SBS production quota by 50 percent for MY 2007 with a decree published in the

Official Gazette on January 27, 2007. However, on June 2007, the COM decision was once again stopped by the Council of State. Currently the SBS Producers Association held a press conference and protested this latest development.

There are five factories producing SBS with a quota that have a total capacity of around 900,000 MT in Turkey. Two of these factories have one hundred percent international capital; two have one hundred percent domestic capital and one is a mixture of domestic and international capital.

### Ethanol and Molasses

The Konya Sugar Company of PANKOBIRLIK has built another plant in Cumra to produce ethanol. The ethanol production in this plant will start at the end of 2007. This is the first and only ethanol producing factory using sugar beets as raw material in Turkey. The annual capacity of production will be 80,000 m3.

Turkish molasses production is estimated at around four percent of the total beet production. Thus, it is estimated that about 520,000 MT of molasses are being produced. This production is being consumed as animal feed and in the production of alcohol and yeast. A small quantity is also being sold to the neighboring countries. The prices of molasses are varying from USD 80 to USD 100 per MT, depending upon where they are produced and sold.

### Consumption

Industry sources estimate the annual per capita sugar and sweetener consumption to be around 35 kilograms (refined basis); therefore, total consumption is close to 2.45 MMT. SBS accounts for 15 percent of this consumption and unregistered production and smuggled sugar takes up around 300,000 MT. According to this calculation, the total beet sugar consumption is close to 1.8 MMT.

Industry sources agree that the total sugar consumption of Turkey is above the amount of sugar produced by the quotas. Therefore, in order to meet domestic demand, out-of-quota sugar is typically sourced illegally. 200,000 MT of sugar is estimated to enter to Turkey illegally from its southern borders.

Another illegal source of out-of-quota sugar supply to the market is the illegal sale of C Quota sugar in the domestic market. Some companies were identified and penalized by the Sugar Board for selling the C Quota sugar in the domestic market. As a result the TSC recently decided to allocate the sugar plants which will be eligible to distribute C Quota Sugar. This sugar is close to world prices and is supposed to only be used in exported products.

### Prices

According to the Sugar Law, TSC and PANKOBIRLIK have been setting ex-factory prices independently since the beginning of MY 2003. The following table provides the ex-factory prices of TSC (8 percent value-added tax [VAT] included) dated June 18, 2004, which remain the same today.

Type of Sugar	Since June 25, 2004 (YTL/Kg)
Crystal Sugar:	

- In 50 kilogram bags	1.6956
Cube Sugar:	
- In 50 kilogram bags	1.841

(As of October 1, 2007, USD 1.00 is approximately YTL 1.24)

The average crystal sugar price in Turkey between 1992 and 2002 was below US \$700, and fell below US \$500 during the 2001 economic crisis. However, prices increased to US \$825 in 2002 and to US \$1,163 in 2003, just before the privatization of the companies. The increase in sugar prices has turned the sector into a very profitable one and encouraged the private sector to acquire the refineries. However, prices have remained the same since June 2004. The industry expects the sugar prices to decrease significantly once the sugar plants are privatized and the processing technology is renewed.

### Trade

The average sugar production cost in Turkey is well above world sales prices. With the lack of export subsidies, Turkey's sugar exports are negligible. Only manufacturing companies that use sugar in their exported products are eligible to buy local production C quota sugar at world prices. The current C quota selling price is US \$340; while the current A quota sugar selling price is YTL 1.696, approximately US \$1,350. These exporters can also import sugar and do not pay any duty on the amount of sugar used in their exported products.

The Sugar Board has recently penalized companies for exploiting the C quota sugar used in their locally marketed products. The Sugar Board has amended the regulations on the usage of C quota sugar, and the new legislation entered into force on December 21, 2006. Previously, producers were able to buy C quota sugar, and use it in their production. With the new law, companies can only buy C quota sugar after they present export documents to the Sugar Board. In practice, exporting companies now get reimbursed after the actual export. Moreover, with this new legislation, fruit juice exporting companies will no longer be able to use C quota sugar.

More recently, on August 17, 2007, with an amendment to a directive published in the Official Gazette, traders are required to receive an "advance export permit" before sugar exports. The objective of this regulation is to track the source of exported sugar.

The tariff rate on sugar imports remained unchanged in 2007, as 135 percent on the CIF value. Turkey only has a trade agreement with Bosnia Herzegovina which allows for duty free imports of sugar. The import duties on products containing sugar, such as candies, biscuits, and chocolates are high and can vary between 8.3 percent and 15.4 percent plus an additional tax called "agricultural contribution" of that can go as high as 300 Euro (about US \$390) per one hundred kilograms depending upon the starch/glucose ratio and milk fat percentage. This contribution is adopted directly from the EU system.

The only sugar related product on which the tariff rate has changed for CY 2007 is the chemically pure sucrose; the tariff rate for this product increased from 0 to 135 percent. The import of this product was very insignificant before the tariff rate change.

### Export Trade Matrix

<b>Export Trade Matrix</b>			
<b>Country</b>	Turkey		

Commodity	Sugar, Centrifugal		
Time Period	Sep.-Aug.	Units:	Metric Tons
Exports for:	2006		2007
U.S.	10	U.S.	30
Others		Others	
Iraq	28000	Iraq	20000
Iran	8700	Iran	5000
Georgia	7200	Georgia	3000
Germany	2900	Azerbaijan	1500
Azerbaijan	2770	Germany	1000
Pakistan	1500	Pakistan	1000
Northern Cyprus	1000	Northern Cyprus	125
France	660		
Lebanon	170		
Kuwait	120		
Total for Others	53020		31625
Others not Listed	300		0
Grand Total	53330		31625

### Import Trade Matrix

Import Trade Matrix			
Country	Turkey		
Commodity	Sugar, Centrifugal		
Time Period	Sep-Aug	Units:	Metric Tons
Imports for:	2006		2007
U.S.	20	U.S.	20
Others		Others	
United Kingdom	3290	United Kingdom	2500
Belgium	3250	Belgium	2000
Germany	1407	Germany	2000
France	120	Italy	100
Italy	32	Spain	100
		France	100
Total for Others	8099		6800
Others not Listed	183		
Grand Total	8302		6820

With a recent amendment in the Official Statistical Information Regulations of Turkey, the Turkish Government does not publish any export and import data unless there are more than two companies selling or buying a given product from a given country. Therefore, the statistical information given has been determined by the Post after getting the opinions of the industry sources. It is also not taken from Official Trade Statistics.

**Stocks**

There is no official data available for stocks. However, post now estimates the sugar stocks as 870,000 MT, 100,000 MT less than the previous estimation in April 2007 because of the decrease in production. The high price of beet sugar, the routine starch based sugar quota increases, the unregistered sales of local starch based sugar production, and sugar smuggling from bordering countries remain obstacles in depleting the sugar stocks.

**Marketing**

The TSC and private producers, wholesalers, and retailers handle marketing of sugar. All SBS producers and distributors are private.

**Other Relevant Reports**

Please also refer to GAIN Report [TU7030](#) prepared by the Post in April 2007 for more detailed information.