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Turkey

Sugar Semi-annual

Turkey Sugar Semi-Annual 2018

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Report Highlights:

Turkey sugar beet production is forecast at 20.5 MMT in MY 2018/19 and is expected to result in 2.6 MMT sugar. Quotas were announced late in MY 2017/18, and the quota for starch-based sugar decreased from 10 percent to five percent. Turkey's sugar imports in MY 2018/19 are forecast at 260,000 MT with the help of strong demand from the confectionary sector, similar to last year. Total sugar imports for the first ten months of MY 2017/2018 were about 206,175 MT, which is up about nine percent compared to the same period last year.

PRODUCTION

Sugar Beet

Turkey's sugar beet planting area is forecast to increase by three percent to 340,000 ha in marketing year (MY) 2018/19, in parallel with the new increased quotas for sugar beets next year, since the quota for starch-based sugars was reduced. The resulting sugar beet production forecast is 20.5 (million metric tons) MMT for MY 2018/19.

Sugar beets are planted in four-year rotations with corn, wheat, barley, potatoes and sunflowers. Farmers plant their beets around April and harvest them in September/October. Factories begin processing sugar beets in the beginning of October and finish in January, in a period called the campaign period. Producers contract farmers in the vicinity of their factories for the following year's beet production per their allocated sugar production quotas. Sugar beet yields have been increasing steadily in the past ten years due to the adoption of modern agriculture techniques and higher quality seeds.

Currently, average yield is approximately 61 metric tons per hectare. At the beginning of the harvest period, the government announces a base procurement price (for a polarity rate of 16) and the factories pay the farmers according to the polarity rate of their beets relative to the base price.

For MY 2017/18 the announced beet prices by the government were 210 TL per metric ton and it has increased to 235 TL/MT for MY 2018/19 (1 US\$ = 6.2 TL as of September 2018) for 16 polarity beets.

Centrifugal Sugar

In MY 2018/19, the total sugar production estimate is 2.7 MMT, of which 2.565 MMT (95 percent) is for beet sugar production and the remaining 135,000 MT (five percent) is for starch-based sugar (HFCS) production, which is in line with production quotas set by the government.

Turkey's sugar market regulation changed with Statutory Decree No. 696, published in the Official Gazette on December 24, 2017, which abolished the Sugar Agency and Sugar Board. All the authorities and responsibilities of this agency were transferred to the Ministry of Agriculture and Forestry. Turkey's sugar sector is regulated now by quotas set by the Sugar Department of the Ministry of Agriculture and Forestry. Table 1 below provides the production quotas for the last three marketing years.

MY 2017/18 quotas and implementation details were not announced before the marketing year began, which was difficult for producers. Additionally, starch-based sugar quotas were decreased from 10 percent to five percent of the overall quota through an omnibus bill in the Turkish Parliament, which was published in the Official Gazette on March 27, 2018. Because of the late notification of the reduced new quota, some starch-based sugar producers had to stop or slow-down their operations in July and August 2018.

Table1: The Production Quotas between 2016/2017 and 2018/2019 (1,000 MT)

	2016/2017 MY	2017/2018 MY	2018/2019 MY
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	A Quota	B Quota	TOTAL	A Quota	B Quota	TOTAL	A Quota	B Quota	TOTAL
Beet Sugar	2,385	119.25	2,504.25	2,537	120	2,523	2,565	128.25	2,693.25
Starch-based Sugar	265	-	265	133*	-	267	135	-	135
Total Quota	2,650	119.25	2,769.25	2,670	120	2,790	2,700	128.25	2,828.25

* Turkish government announced the quota decrease from ten percent to five percent for starch-based sugar in the middle of marketing year.

The “A quota” is the amount of sugar that the producers can market domestically. The “B quota” is an additional margin allowed for producers. At the end of the campaign period, any excess sugar produced by the factories above their allocated quotas is sold as “C” sugar to exporters at world prices.

In MY 2018/19, “A” sugar quota is 2.70 million tons, 95 percent of which is for beet sugar producers and the remaining five percent for starch-based sugar (HFCS) production. Quota for starch-based sugar decreased from 10 percent to five percent with last quota allocation. The quotas for MY 2018/19 were announced on July 31, 2018 by a [presidential decree](#).

There are 33 sugar beet refineries in Turkey belonging to seven companies. The GOT allocates the sugar quota to the companies according to their capacity and announces the allocation in the official gazette. Eleven of them belong to the state-owned Turkiye Şeker Fabrikalari A.Ş. (Turk Şeker). Tenders were completed in April 2018 to transfer ownership of 14 formerly state-owned sugar factories to the private sector. Some of the 14 factories are still in the process of transferring ownership. Total production capacity of the 33 beet sugar factories in Turkey is 3.1 million metric tons (MMT) per year.

Production: Starch-Based Sweeteners (SBS)

There are six starch-based sweetener (SBS) plants in Turkey (belonging to five companies) which by law are allowed to produce SBS (sometimes also referred to as high-fructose corn syrup - HFCS) for the domestic market. The total production capacity of these six SBS factories is 1 MMT per year. There are also five SBS producers which operate outside of the national sugar quota and produce only for export under the C-quota regime. Their total annual capacity is about 350,000 MT and they are required to export all products they produce.

Starch-based sugar in Turkey for the domestic market under the quota is required to be produced from domestically grown corn.

SBS production for the domestic market is expected to be 135,000 MT for MY 2018/19 in line with the new quota which is set by the Turkish government. In MY 2018/19 the SBS production forecast for the export market is 265,000 MT, so total the production forecast for SBS in Turkey is around 400,000 MT. According to industry sources, capacity usage ratios of SBS factories are about 30 percent, due to the decline in quotas.

According to market sources, starch-based sweetener producers typically utilize 80 percent of their production quotas to produce isoglucose, referred to as High Fructose Corn Syrup, and 20 percent for glucose syrup production.

Consumption

With a population of approximately 80 million, Turkey is a significant sugar consumer. According to beet sugar producers, Turkey's annual per capita consumption of total sugar is estimated to be 30 kg. An estimated 80 percent of beet sugar is consumed by industry and 20 percent by households.

The sweets and confectionary sectors in Turkey are developing steadily. Production of chocolate and cacao products has increased substantially, compared to the traditional Turkish products such as Turkish delight and helva. Currently, Turkey's total annual sugar and sweetener consumption varies between 2.4 and 2.8 MMT, where beet sugar accounts for 2.6 MMT and SBS accounts for approximately 200,000 MT, though this may decrease with the decreased quota. The impact of the slowdown in the Turkish economy on consumption of sweets and confectionary goods in Turkey is not yet known.

Trade

A number of Turkish agricultural industries benefit from Turkey's Inward Processing Regime (IPR) policy, including sugar, which can be imported tariff-free if used in products that will be exported and not marketed domestically. Turkey uses imported refined sugar for confectionary production to export through the use of the inward processing regime, which allows for tax free imports for products used in exported products. Turkey's confectionary products exports (HS 1704) have increased from about 100,000 MT to 180,000 MT over the last ten years. This growth in confectionary exports has driven an increase in demand for sugar, and thus Turkey's sugar and SBS imports have been increasing. If imported for the domestic market, the tariff on both sugar and on HFCS is 135 percent. However, almost all sugar imports in MY 2017/18 have been done under the scope of the IPR with zero tariffs by confectionary product exporters. In PSD table, sugar export figures represent only refined sugar (HS 170199). However, previously post-led reporting for Turkey included sugar in all processed and confectionary products.

Turkey's sugar import forecast for MY 2018/19 is 260,000 MT, driven by continued strong demand from the confectionary sector which is similar with MY 2017/18. Total sugar imports for the first ten months of MY 2017/2018 were about 224,1112 MT, raw equivalent, which is up about nine percent compared to the same period last year.

Turkey's sugar import, raw value basis is expected to reach 260,000 MT by the end of September 2018. Brazil (46,164 MT), Germany (36,556 MT), Ukraine (31,892 MT) and France (21,685 MT) were the leading suppliers during the first ten months of MY 2017/2018. Turkey's import and export figures for sugar in MY 2016/17 and for the first ten months of MY 2017/18 are given in the below table. Turkey is also a net exporter of HFCS, with an annual 150,000- 200,000 MT surplus (HS Code 1702).

Table 2: Turkey’s Import and Export for Beet Sugar and Chemically Pure Sucrose, Refined, In Solid Form, Not Containing Added Flavoring or Coloring Matter (HS 170199)

Import from	Oct 2016 – Sep 2017	Oct 2017 – Jul 2018*
Brazil	74,113	46,164
Germany	2,107	36,556
Ukraine	38,096	31,892
France	34,857	21,685
Algeria	17,531	19,366
Poland	5,100	15,854
Morocco	11,658	10,522
Netherlands	2,531	2,070
Other	42,456	22,066
Total	228,449	206,175
<i>Raw Value Basis</i>	<i>248,324</i>	<i>224,112</i>

Exports to	Oct 2016 – Sep 2017	Oct 2017 – Jul 2018*
Syria	325	3400
Somalia	3,136	-
Azerbaijan	1,001	6
Canada	-	23
Turk. Rep. of N. Cyprus	120	157
Saudi Arabia	13	2
United Kingdom	3	1
Other	128	173
Total	4,726	3,762
<i>Raw Value Basis</i>	<i>5,137</i>	<i>4,089</i>

*Source: Global Trade Atlas, Metric Tons in Marketing Years, *Note: MY 2017/18 is not a full year. This table is only for sugar, it does not include HFCS imports or exports, nor does it include exports of confectionary items.*

Marketing

The marketing year begins after the harvest and lasts until the next autumn (i.e. from September 1 to August 31 of the following year). Despite the 4-5 month production period that starts generally around September and ends in January, sugar is marketed for 12 months. Turk Şeker (a government entity) and the private sector sugar producers are also wholesalers who handle the marketing of sugar to retailers. All SBS producers and distributors are private sector. Currently the wholesale price of a 50 kg bag of crystal sugar is 165.50 TL (3.31 TL/kg, which is \$.54/kg as of September 27, 2018) which was 144.72 TL for a 50 kg bag (2.89 TL/kg) in 2017. This is including an eight percent value-added tax (VAT).

The increase in sugar imports seen in 2016 and 2017 does not mean an increase in domestic consumption. It is for the demand of the growing confectionary sector and confectionary exporters who use this sugar in their export products. Exporters of sugar products can also buy ‘C’ quota sugar at world prices, and bring the sugar into free zones under the Inward Processing Regime, which exempts them from the 135 percent import duty imposed on sugar imports, with the precondition that they export the end product and not sell it domestically. Exporters are charged a fine if their products are seen to be sold in the domestic market.

Policy

After Turkey’s Sugar Board was closed with a decree law on December 24, 2017, MinAF began to cover sugar issues. The Sugar Department was founded on **April 28, 2018**. According to the Sugar Department’s webpage, it deals with sugar issues such as determining the sugar quotas and regulating the sugar market. The quotas for MY 2018/19 were announced on **July 31, 2018** by a [presidential decree](#). Under the decree, the quota for starch-based sugar for MY 2018/19 decreased from 10 percent to five percent.

Through an [FTA](#), Turkey had applied zero tariffs for some Bosnian-origin agricultural products, and Turkey mainly has imported wheat flour, vegetable oil, and SBS (HFCS) in recent years. Bosnian-origin products are gaining market share in Turkey because of their tariff-free access, leading to competitive prices and large exports to Turkey. The Turkish private sector had imported 11,400 MT of HFCS from Bosnia in 2017. The Turkish Government then decided to increase the tariffs on Bosnian-origin agricultural products with a decree published in the [Official Gazette](#) on **April 4, 2018**. Now HFCS from Bosnia has a limit of 20,000 MT tariff free quota access and after that amount, faces the same tariffs as all other countries.

Production, Supply and Distribution Data Statistics

Sugar Beets	2016/2017	2017/2018	2018/2019
Market Begin	Sep 2016	Sep 2017	Sep 2018

Year						
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Turkey						
Area Planted	320	320	330	330	340	340
Area Harvested	315	315	325	325	340	340
Production	19500	19500	20000	20000	20500	20500
Total Supply	19500	19500	20000	20000	20500	20500
Utilization for Sugar	19500	19500	20000	20000	20500	20500
Utilization for Alcohol	0	0	0	0	0	0
Total Distribution	19500	19500	20000	20000	20500	20500
(1000 HA) ,(1000 MT)						

Sugar, Centrifugal Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Turkey						
Beginning Stocks	10	10	10	10	10	10
Beet Sugar Production	2500	2500	2500	2500	2600	2600
Cane Sugar Production	0	0	0	0	0	0
Total Sugar Production	2500	2500	2500	2500	2600	2600
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	240	248	260	260	260	260
Total Imports	240	248	260	260	260	260
Total Supply	2750	2758	2770	2770	2870	2870
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	240	5	260	5	260	5
Total Exports	240	5	260	5	260	5
Human Dom. Consumption	2500	2743	2500	2755	2600	2855
Other Disappearance	0	0	0	0	0	0
Total Use	2500	2743	2500	2755	2600	2855
Ending Stocks	10	10	10	10	10	10
Total Distribution	2750	2758	2770	2770	2870	2870

(1000 MT)