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Global Agricultural Information Network

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Turkey

Sugar Semi-annual

Turkey Sugar Semi-annual Report 2017

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Report Highlights:

Turkey is forecast to produce 2.5 million metric tons (MMT) of sugar in marketing year (MY) 2017/18. The quotas for MY 2017/18 have not yet been announced as of the date of this report. Post expects the same amount of quota for all sugar in MY 2017/18. Farmers are concerned about lower polarity rates in MY 2017/18. Total sugar imports for the first ten months of MY 2016/2017 were about 189,000 MT, down about fourteen percent compared to the same period last year.

Commodities:

Sugar Beets,
Sugar, Centrifugal

Production

Sugar beets

The unchanged quotas resulted in the production of 20,000,000 MT of sugar beets from a harvested area of 325,000 hectares in MY 2017/18.

Sugar beets are planted in 4-year rotations with corn, wheat, barley, potatoes and sunflowers. Factories begin processing sugar beets in the beginning of October and finish in January, in a period called the *campaign period*.

Farmers plant their beets around April and harvest them in September/October. 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 61.5 metric tons per hectare. At the beginning of the harvest period, the Sugar Board 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. Higher temperature differences between day and night favor the polarity rate (the amount of sugar obtained from a beet). For MY 2016/17 the announced beet prices were 190 TL per metric ton and it has increased to 210 TL/MT for MY 2017/18. (1 US\$ = 3.5 TL as of September 2017) This is the price for 16 polarity beets. Beets with higher polarity rates get an extra about 4 USD per each degree of polarity increase. Although the favorable weather conditions in 2016 led to higher polarity rates in sugar beets, lower polarity rates in 2017 are worrying farmers.

Production

Centrifugal Sugar

Turkey's sugar sector is regulated by quotas set by the Sugar Board. The table below provides the production quotas for the last two marketing years. The quotas for MY 2017/18 have not yet been announced as of the date of this report. Post expects the same amount of quota for centrifugal sugar in MY 2017/18.

Table1: The Production Quotas between 2015/2016 and 2016/2017

(1000 MT)	2015/2016 MY			2016/2017 MY		
	A Quota	B Quota	TOTAL	A Quota	B Quota	TOTAL
Beet Sugar	2,250	112.5	2,362.5	2,385	119.25	2,504.25
Starch Based Sugar	250	-	250	265	-	265
Grand Total	2,500	67.5	2,612.5	2,650	119.25	2,769.25

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.

There are 33 sugar beet refineries in Turkey, 25 of which belong to the state-owned Türkiye Şeker Fabrikaları A.Ş. (Türk Şeker). Total production capacity of the 33 beet sugar factories is 3.1 million metric tons (MMT) per year, and the size of the beet-sugar sector is valued at more than US\$ 3 billion.

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

In MY 2016/17 the factory sales price of sugar is 144.72 TL for a 50 kg bag (2.89 TL/kg) and 179.28 TL for a 50 kg bag of cube sugar (3.58 TL/kg). The retail price of sugar currently varies between 3.55 and 4.75 TL/kg in supermarkets. (1 US\$ = 3.5 TL as of September 2017)

Production: Starch-Based Sweeteners (SBS)

There are six starch based sweetener (SBS) producers and the total production capacity of these six SBS factories is 1 MMT per year. The corn used by these producers is grown domestically.

As per the Sugar Law, only ‘A’ quota is allocated for starch based sugar companies. This SBS quota is announced as approximately 10 percent of the total sugar quota. SBS production is forecasted to be 265,000 MT for MY 2017/18 assuming the SBS quota will be the same as last year. Allocation of the SBS quota for 2017/18 to the producers remains uncertain. The quotas for MY 2017/18 have not yet been announced as of the date of this report.

As per the domestic sales figures of the Sugar Board, Starch Based Sweetener producers 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. Turkey’s annual per capita consumption of total sugar is estimated to be 30 kg. Beet sugar is consumed 80 percent by industry and 20 percent by households. The increase in home-use and industrial sugar consumption appears to be correlated with the increase in population and GDP.

Currently, Turkey’s total annual sugar and sweetener consumption varies between 2.3 and 2.5 MMT, where beet sugar accounts for 2.2 MMT, SBS accounts for approximately 250,000 MT, and the unregistered (gray trade) sugar accounts for the remainder. The portion of SBS in total sugar consumption is increasing due to increased utilization by industry.

Stocks

Unchanged production quotas helped to deplete Turkey's sugar stocks over the last few years. Any remaining stocks would belong to Turk Seker and they try to sell this stock at discounted prices (ranging from 5 percent to 8 percent, depending on the amount purchased) before the beginning of the new campaign period. Ending stocks are expected to be normal level at 10,000 MT in MY 2017/18 which is similar with previous year assuming stable demand.

Trade:

Turkey's sugar import in MY 2017/18 is forecast at 250,000 MT with the help of strong demand of confectionary sector. Total sugar imports for the first ten months of MY 2016/2017 were about 189,000 MT down about fourteen percent compared to the same period last year due to an increase in local availability. But imports are still considerably higher compared to 3 years before.

As a result of the decrease in sugar production in the past years and the demand of confectionary exporters, Turkey's sugar import is expected to reach 240,000 MT by the end of September 2017. Brazil (62,196 MT), Ukraine (36,121 MT) and France (21,762 MT) were the leading suppliers during the first ten months of MY 2016/2017. Turkey's import and export figures for sugar in MY 2015/16 and for the ten four months of MY 2016/17 are given in the below table.

Table2: Turkey's Trade for Beet Sugar and Chemically Pure Sucrose, Refined, In Solid Form, Not Containing Added Flavoring or Coloring Matter (HS 170199)

Export Trade Matrix		
	MY 2015/16 (Oct-Sep)	MY 2016/17* (Oct-July)
Somalia	8,800	3,136
Azerbaijan	7,269	1,000
Syria	76	315
Ethiopia	1,211	13
Turkish Rep. of North Cyprus	308	119
United States	24	21
Others not listed	121	74
Grand Total	17,809	4,678*
Import Trade Matrix		
	MY 2015/16 (Oct-Sep)	MY 2016/17* (Oct-July)
Brazil	78,317	62,196
Ukraine	0	36,121
France	19,817	21,762
Algeria	65,071	13,275
Morocco	31,956	10,010
Egypt	17,931	2,735
Germany	22,994	2,095
India	16,228	0

Spain	7,491	6,010
United States	34	7
Others	18,254	34,524
Grand Total	278,093	188,734

Source: Global Trade Atlas, Metric Tons in Calendar Years,

*Note: MY 2016/17 is not a full year

Marketing:

State owned Turk Şeker and private producers are also wholesalers who handle the marketing of sugar to retailers. All SBS producers and distributors are private. 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 its 4-5 month production period that starts generally around September and ends in January, sugar is marketed for 12 months.

Currently the wholesale price of a 50 kg bag of crystal sugar is 150 TL (43 USD) and a 50 kg bag of cube sugar is 179 TL (50 USD) (including 8 percent value added tax [VAT]) (exchange rate for 1 USD is 3.5 TL as of September 2017).

The sweets and confectionary sectors in Turkey are developing steadily. Production of chocolate and cacao products increased substantially compared to the traditional Turkish products such as *Turkish delight* and *helva*. Exporters of these products can use ‘C’ sugar at world prices, but are charged a fine if their products are seen to be sold in the domestic market. The sector is also increasingly using SBS instead of beet-sugar, due to cheaper prices.

The increased number of import figures in 2016 and 2017 are brought in under the scope of the inward processing regime. This entails the exemption of duties on imported sugar as long as it is used in exported goods, and not actually imported to be used domestically.

The increase in sugar imports does not mean an increase in domestic consumption. It is for the demand of confectionary exporters who use this sugar in their export products. Exporters of sugar products can 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.

The Official Gazette dated August 18, 2016, the Government of Turkey allocated an import quota of 80,000 MT of sugar with 170199 HS code, to Turkish sugar producers at a zero tariff from the European Union. It helped to supply enough sugar to the domestic market after a weak harvest in MY2015/16.

Policy:

The sugar sector is regulated by a Sugar Board that was formed in 2001. It is composed of members from government offices and sugar producers. There is an uncertainty regarding the future of the board since the GOT has not appointed new members of the boards for more than one year. So the quotas for MY 2017/18 have not yet been announced as of the date of this report.

Turkish sugar beet producers used to be against privatization due to social and economic reasons. The sector wants the factories subject to privatization to be purchased by the sugar beet producers (cooperatives) so that the social aspects of the factories in Eastern Turkey can still be continued. For more details please refer to the Sugar Annual Report dated April, 2017 (TR7016).

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Market Begin Year Turkey	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	10	10	80	10
Beet Sugar Production	2000	2000	2500	2500	2550	2500
Cane Sugar Production	0	0	0	0	0	0
Total Sugar Production	2000	2000	2500	2500	2550	2500
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	278	278	120	240	50	240
Total Imports	278	278	120	240	50	240
Total Supply	2278	2278	2630	2750	2680	2750
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	18	18	50	240	90	240
Total Exports	18	18	50	240	90	240
Human Dom. Consumption	2250	2250	2500	2500	2500	2500
Other Disappearance	0	0	0	0	0	0
Total Use	2250	2250	2500	2500	2500	2550
Ending Stocks	10	10	80	10	10	10
Total Distribution	2278	2278	2630	2750	2680	2750

(1000 MT)

Sugar Beets Market Begin Year Turkey	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	290	290	322	320	330	330
Area Harvested	288	288	320	315	325	325
Production	16632	16632	19500	19500	20000	20000
Total Supply	16632	16632	19500	19500	20000	20000
Utilization for Sugar	16632	16632	19500	19500	20000	20000
Utilizatn for Alcohol	0	0	0	0	0	0
Total Distribution	16632	16632	19500	19500	20000	20000

(1000 HA) ,(1000 MT)