

USDA Foreign Agricultural Service

GAIN Report

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POLICY

Required Report - public distribution

Date: 5/4/2011

Turkey

Sugar Annual

Turkey Sugar Annual 2011

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Report Highlights:

The Sugar Board decreased the A sugar production quota to 2.2 MMT this marketing year to avoid a build-up of stocks. In response to lower production quotas, the MY 2011 sugar beet production in Turkey is estimated at 14.0 MMT. MY 2011 total centrifugal sugar production is estimated at just under 2.3 MMT. In 2010, bid results from attempted privatization were cancelled by the Council of State and privatization has been halted.

Executive Summary:

Turkey's sugar beet production for MY 2011 is estimated to be 14 MMT from a planted area of approximately 320,000 hectares. Since the favorable weather conditions of MY 2010 led to a higher-than-expected sugar output, the Sugar Board decreased the country's A quota for beet sugar from 2,438 MMT to 2,200 MMT this marketing year to avoid excess stocks. The same quota amounts have been announced for the upcoming MY 2012 as well. Therefore the sugar beet production forecast for MY 2012 remains at 2.3 MMT.

Commodities:

Sugar Beets

Sugar, Centrifugal

Production:

Due to climatic conditions, sugar cane is not grown in Turkey and sugar is produced from sugar beets. Sugar beet production costs approximately USD 70 per ton. Sugar beets are grown mostly around Central Anatolia and the beets are planted in rotations with cereals, pulses, fodder crops and sunflowers. Sugar beets are planted in the spring, around April, and are mostly harvested in October.

The Sugar Law (Nr.4634) was put into effect on 2001 with the aim of regulating production and demand in order to maintain self sufficiency. The Law established a Sugar Board that announces a production quota for the whole sector every year. Government intervention in prices was also lifted under this Law, and the price started to be determined by the consensus of sugar factories and producers (or their representatives) before plantation. As a result, beet prices increased from 88 TL/MT in 2003 to 118 TL/MT in 2010, and the sugar price that was 1.36 TL/kg in 2003 reached 1.77 TL/kg in 2010. Beet sugar production and sales since the enforcement of the latest Sugar Law are given in the following table.

PRODUCTION AND SALES (1000 MT)									
MARKETING YEARS		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
BEET SUGAR	Total Production	2,157	1,762	1,940	2,070	1,845	1,708	2,152	2,531
	Domestic Sales (A+B Quota)	1,636	1,618	1,700	1,713	1,901	1,684	1,828	2,158
	Export Sales (C Quota)	259	364	178	256	217	178	185	241

	Sugar)								
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Production quotas are determined annually by the Sugar Board, with oversight by the Ministry of Industry and Trade. Quotas are divided into three groups. The 'A' quota specifies how much sugar (from both corn and sugar beets) companies can sell in Turkey within a marketing year, which is from September 1 to August 31 (). The 'B' quota is an extra amount that can be produced and the volume is calculated as a certain percentage (generally 4%) of the A quota. The 'C' quota is allocated for export sugar and is sold at world prices. C quota sugar cannot be marketed domestically and is only for utilization in products that will be exported.

Turkey Sugar Production Quotas (MT)	2009/10	2010/11	2011/12
A Quota	2,438,000	2,200,000	2,200,000
B Quota	122,000	88,000	88,000
SBS Quota (initial)	271,000	244,000	244,000
Country Total	2,831,000	2,532,000	2,532,000

The Sugar Board has seven members: four government officials and one representative from each of the following: the state-owned Turkish Sugar Corporation (TSC), Pankobirlik (Sugar Producers Cooperative) and starch-based sweetener producers. The quota distributed to state and private companies is based on their performance during the previous three years. In turn, farmers contract with beet refineries to process their output at a set procurement volume and price.

The harvested area has averaged 340,000 hectares (about 840,000 acres) annually over the past decade. In MY 2011, post expects the planted area to contract down to 320,000 hectares due to the decreased production quotas and the high amount of stocks carried over from the previous marketing year. Total sugar production is therefore expected to fall to 14,000 MT.

The Sugar Board estimated the number of sugar beet farms in 2008 at 209,000 and 187,937 in 2009. While the number of beet farms has decreased, yields have increased due to the use of modern agricultural techniques, especially in irrigation. In MY 2010, with the help of good weather conditions, beet yields were at a record 53 metric tons per hectare compared to the previous nine-year annual average of 41 tons.

Sugar Beet Production and Prices

In the Turkish sugar sector there are 7 beet sugar producers and 5 starch based sugar (SBS) producers, and the total sugar production quota is allocated to these 12 companies. The 7 beet sugar producers have 33 factories which have a total production capacity of 3.1 million MT per year. 6 of these 7 companies are private and one of them is public.

The map below shows the locations of all production facilities throughout Turkey. The plants marked with gray color (25) are public beet sugar production factories that belong to Türkiye Seker Fabrikalari A.S. The green ones (8) are private beet sugar production factories and the yellow ones are private starch based sugar production plants (6).



Many of the state-owned factories operated by Türkiye Seker Fabrikalari A.S (TSC) were opened in areas with high unemployment rates, and the government had further supported the sector with high procurement prices in the past (before the enactment of the Sugar Law).

Sugar beets are planted in areas specified by the Sugar Board and production is carried out based on the quotas specified and allocated by the Sugar Board, as per the contracts negotiated between the growers (and/or their representatives) and the producer companies (or plants). Yearly sugar beet production and average yields are given at the table below.

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TURKEY SUGAR BEET PLANTATION, PRODUCTION & YIELDS AND BEET PRICES				
Years	Planted Area (1000 m2)	Beets Produced (Paid For) MT	Average Yield MT/Da (1000 m2)	16% Polar Sugar Beet Prices TL/Ton
2005	3,355,559	15,181,251	4.52	99.00
2006	3,237,141	14,452,184	4.46	92.00
2007	2,988,735	12,414,715	4.15	96.00
2008	3,207,307	15,488,332	4.83	110.00
2009	3,239,704	17,274,674	5.33	11.00
2010	3,286,513	17,946,239	5.46	118.00

In MY 2009, sugar beet yields peaked due to favorable weather conditions and this continued in MY 2010 despite a relative decrease in the amount of sugar in the beet compared to the previous year due to higher night-time temperatures. The average price for "A" quota 2010 harvested beets with a sugar polarity of 16% was 0.118 TL/kg, and the price for C quota beets was specified at 0.070 TL/kg.

Centrifugal Sugar Production and Prices

The weighted average sales prices for beet sugar as determined by the companies since the enforcement of the Sugar Law in MY 2002/2003 are given below.

BEET SUGAR PRICES (Crystal and Cube average)		
Marketing Years	Beet Sugar Price (TL/Kg)	Change (%)
2002/03	1.26	-
2003/04	1.43	13.49
2004/05	1.56	9.09
2005/06	1.45	-7.05
2006/07	1.51	4.14
2007/08	1.62	7.28
2008/09	1.72	6.17
2009/10	1.78	3.49

Granulated sugar sold in 50 kg bags is sold for 92.50 TL and 20kg bags of cubed sugar is sold for 47.50 TL. These prices are wholesale prices, including the value added tax, from the Konya Stock Exchange in March 2011.

Starch Based Sugar (SBS)

The total production capacity of the 6 plants belonging to the 5 private SBS companies that are allocated a quota is approximately 1 MMT/year. Apart from these, there are 3 other companies that are not allocated quotas and produce sugar based starch for export purposes only. These have a total SBS production capacity of 146,000 MT/year. SBS production and sales figures since MY 2002/03 are given in the table below.

		SBS PRODUCTION AND SALES (THOUSAND MT)							
		2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09	2009/ 10
SBS	Total Production	394	366	433	415	440	411	418	515
	Domestic Sales (A Quota)	353	347	360	350	350	316	333	406
	Export Sales (C Sugar)	33	19	61	72	88	99	83	112

Prices

Starch based sugar prices (weighted average) since MY 2002/2003, when the Sugar Law first came into effect, are given below.

SBS PRICES (TL/KG)		
Marketing Years	Starch Based Sugar	Change %
2002/03	0.78	-
2003/04	0.91	16.67
2004/05	0.97	6.59
2005/06	0.93	-4.12
2006/07	0.94	1.08
2007/08	1.03	9.57
2008/09	1.15	11.65
2009/10	1.17	1.74

Raw Material (Corn) Production and Prices

The 'Raw Material and Sugar Prices Decree' requires the use of domestically grown corn for the production of domestic SBS. The Turkish Grain Board's (TMO) corn purchasing prices between 2002 and 2010 are given below together with the total volume of domestic corn production. In 2006 and 2007, TMO did not purchase corn. Therefore the prices specified for those years are market prices.

CORN PURCHASING PRICES AND PRODUCTION		
Years	TMO Purchasing Prices (TL/Kg)	Total Turkish Production (Thousand MT)
2002	0.22	2,100
2003	0.31	2,800
2004	0.33	3,000
2005	0.26	4,200
2006	0.40*	3,811
2007	0.45*	3,535
2008	0.43	4,274
2009	0.45	4,250
2010	0.49	4,200

Resource: TMO (www.tmo.gov.tr), TÜİK (www.tuik.gov.tr)

* Market prices

In MY 2009/2010 all the corn required for domestic SBS production was supplied from local growers. In CY 2010, 909,000 MT of corn was used by SBS producers including export volumes. These SBS producers also produce starch, and the amount of corn listed includes both export SBS and starch.

Ethanol and Molasses

The Energy Market Regulatory Authority (EPDK) published a draft communiqué that obligates the mixture of 3% bio-ethanol into oil sold in Turkey starting from January 1, 2012. Since 2006, distributors have had the option of mixing up to 2% bio-ethanol into oil. This has been voluntary, and those who use 2% bio-fuel have benefited from a 2% exemption from Special Consumption Tax.

EPDK data show that 2,187,892 MT oil was consumed in Turkey in 2009. Based on this figure, if 2% bio-ethanol were to be mixed into all the marketed oil, 43,757 MT (55,388 m³) bio-ethanol would be used. If this rate is increased to 3%, 65,137 MT (82,452 m³) of bio-ethanol would be replacing oil.

Currently sugar beets are the main source of bio-ethanol production, followed by corn and wheat.

The Konya Sugar Company of PANKOBIRLIK built the first ethanol plant in Cumra. This is the biggest ethanol factory in Turkey that uses sugar beets as a raw material. Ethanol production in this plant started at the end of 2007 with a capacity to process 800,000 MT of sugar beets annually. In MY 2010 (May 1, 2010 – April 30, 2011), it produced 9,100 m3 bio-ethanol and 81,685 MT of molasses, and is targeting to produce 12,000 m3 of ethanol and 75,000 MT of molasses in MY 2011. There are four bio-ethanol plants in Turkey.

Name of Plant/Company	Raw Material Used	Production Capacity (annual)
Konya Şeker – Cumra Plant	Sugar beet syrup and molasses	84,000 m3
Tezkim Agr. Chem.	Corn and wheat	30,000 m3
Tarkim Agr. Chem	Corn and wheat	18,000 m3
Turk Seker - Eskisehir Plant	Sugar beet molasses	12,000 m3

Turkish molasses production is estimated to use around four percent of the total beet production, which is used in animal feed, and in the production of alcohol and yeast. The price of molasses varies from USD 150 to USD 200 per MT, depending on where it is produced and sold. For example, in MY 2010 the price of molasses has been USD 152/MT in the Konya region.

Consumption:

Industry sources estimate consumption of sugar at 2.6 million metric tons, well above the amount of sugar produced. With a population of 72.5 million (75% of which is urban), an estimated 38-kilograms-per-person use rate and a population growth rate of 1.3%, total Turkish sugar consumption is increasing. Despite the efforts of the sector and of the government to eliminate sugar smuggling, still some out-of-quota sugar is sourced illegally from across Turkey's southern border. According to Turkish law, the maximum amount of sugar a "passenger" or "tourist" can bring across the border is 75 kilograms; but some "passengers" cross the border several times a day, bringing 75 kilograms each time. This adds up to an estimated 200,000 tons per year and is supplemented by sizeable smuggling operations from countries on Turkey's southern border, most notably Syria.

During the winter of 2010 there were reports on a certain news channel that high fructose corn syrup (HFCS) causes a variety of diseases. Because the reports were limited to just one media agency, public concerns quickly diminished after an initial negative reaction. The credibility of reports was further compromised by the fact that each story included a call for a decrease in the SBS quota, leading to the impression that the reports were planted by the sugar beet industry as an attempt to increase their own share of the quota.

Trade:

The state-owned Turkish Sugar Corporation and private producers, wholesalers and retailers handle the marketing of sugar. The confectionary sector in Turkey is historically based on the production of Traditional Turkish products such as Turkish delight and halva. The advantage of having a self-sufficient sugar production industry combined with recent modernization and technological improvements in the sector led to a significant increase in exports of confectionary products – exports of sugar and chocolate confectionary products reached a total of US\$ 585 million in 2009. US\$ 328.6 million of this was from chocolate products and US\$ 256.4 million was from other confectionary sweets. Iraq is the leading importer of confectionary sweets (10.7%) followed by the United States (8.8%) and the UK (7.4%).

There are 17,300 food facilities in Turkey with a total food production capacity of 186 MMT. Of this total, 14 MMT or 7.5 % belongs to the sugar products sector. 14% of all registered workers in the Turkish food production industry are employed in the sugar products sector. Turkey's total food and beverage exports are US\$ 5.9 billion, mainly to Africa, the Turkic Republics, and the EU. US\$628 million or 10% of these exports are from the sugar products sector.

In MY 2010, a total of 88,500 MT starch based sugar has been exported, 38,000 MT of which has been in the form of crystal fructose.

Turkey is the world's fifth largest beet sugar producer, ranking behind France, Germany, the United States, and Russia. With a population approaching 75 million, Turkey is also a significant consumer. Azerbaijan used to be the main export destination, but in MY 2010 exports to Iraq skyrocketed to 47,000 MT.

World market prices for sugar are much lower than local prices due to the difference in production costs between cane sugar and beet sugar; therefore in order to protect the sector, an import tax of 135% is being applied since 2004.

Despite the yearly fluctuations, registered sugar imports are negligible (approximately 4 thousand metric tons) and are limited to specialty sugar that is not domestically produced (medical, laboratory use, etc.). As discussed above, smuggling brings in additional sugar. Registered beet sugar and SBS imports for the past decade are given below.

SUGAR IMPORTS

(Thousand MT)		
Years	Beet Sugar	Starch Based Sugar
2000	2.4	8.2
2001	0.6	12.7
2002	1.2	23.6
2003	0.7	51.7
2004	0.6	35.0
2005	3.9	38.5
2006	7.4	30.6
2007	4.2	11.6
2008	4.3	21.6
2009	4.3	8.2
2010	4.2	8.8

Source: TÜİK

Export Trade Matrix

	Time Period	
	Sept 2009 - Aug 2010	Sept 2010 - Feb 2011
Exports to:		
United States	20	US 12
Azerbaijan	5205	Azerbaijan 1984
Iraq	46997	Iraq 28695
Pakistan	150	Kosovo 33
Israel	20	Israel 20
Turkish Rep.of N.Cyprus	1474	Turkish Rep.of N.Cyprus 129
Lebanon	127	Lebanon 65
Australia	12	Australia 31
Others not listed	190	Others not listed 652
Grand Total	54195	Grand Total 31621

Import Trade Matrix

	Time Period	
	Sept 2009 - Aug 2010	Sept 2010 - Feb 2011
Imports from:		
United States	0	United States 0
United Kingdom	3821	United Kingdom 1742
Germany	189	Germany 89
France	200	France 508
UAE	50	Guatemala 24
Iraq	55	Iraq 26
Others not listed	0	Others not listed 0
Grand Total	4315	Grand Total 2388

Source: Global Trade Atlas

Stocks:

There are no official data on stocks, and industry estimates vary greatly. Beginning stocks for MY 2011 are estimated to be 587,000 MT and ending stocks are estimated to be 417,000 MT. Due to decreased production quotas and the increase in exports to Middle East countries, the post forecasts stocks to decrease to 257,000 MT for the end of MY 2012. Any remaining stocks at the end of a marketing year mostly belong to Turkiye Seker Fabrikalari A.S and are kept at the factory silos, as the private companies usually try to sell everything they produce.

Policy:

Privatization

In 2004 and 2005, three government-owned sugar refineries - Kutahya, Adapazari and Aksaray plants were privatized by the Turkish government. The government-run Turkish Sugar Corporation (TSC) still operates 25 refineries. Three of these (Ilgın, Bor, Ereğli) had been previously turned over to the Privatization Administration (PA) to be privatized, but the privatization of these refineries was postponed in May 2006, then again in June 2006, and finally cancelled in November 2006. In December 2007, privatization efforts restarted and all the remaining government refineries were transferred to the Privatization Administration.

However, privatization efforts were halted in August 2008 when the Council of State Administrative Litigation Office stopped the PA's efforts to privatize the same 3 plants (Ilgın, Bor, Ereğli). The Council of State's reason was that in principle, privatization efforts should have been carried out using bids for groups of factory (portfolios), whereas the PA tried to privatize the Ankara Sugar Factory on its own, against the privatization strategy. In 2008 the Privatization Administration released a list of factory portfolios for bidding:

Portfolio A: Kars, Erciş, Ağrı, Muş and Erzurum

Portfolio B: Elazığ, Malatya, Erzincan and Elbistan

Portfolio C: Kastamonu, Kırşehir, Turhal, Yozgat, Çorum and Çarşamba

Portfolio D: Bor, Ereğli and Ilgın

Portfolio E: Uşak, Alpullu, Burdur and Afyon

Portfolio F: Eskişehir and Ankara

The portfolios were offered for sale in several tenders through a bidding process between 2008 and 2009. However there were several problems with the process. For example, Portfolio A factories (i.e. in the Eastern part of Turkey) did not get any bids in the allotted period. Industry sources suggest that these low-capacity factories

(which had originally been established to generate employment in the lesser-developed region) are too inefficient to generate private sector interest. Also, for Portfolio C companies there was interest and a clear winner in the bidding, but there was a great deal of public opposition and lawsuits about the outcome. Therefore, in late 2009 the Council of State cancelled the results of all bids and put privatization on hold.

Turkish sugar beet producers are generally against privatization due to social and economic reasons. One of the main arguments of the anti-privatization group is that once these plants are privatized, only a few profitable refineries will survive and the rest will be shut down, causing a spike in unemployment. This fear was validated by the massive layoffs after transfer of the plants to the Privatization Administration. In December 2007, 650 people (20 percent of the white-collar work force of these companies) were laid off. Instead of privatization, the sector hopes for a change in the beet contracting methods and modernization of public plants.

For instance, the government supplies seeds to the producers each year as per their contract, but most growers prefer not to plant these seeds because their quality is not high. Instead they purchase their preferred high quality seeds from private companies, causing a waste of resources in general.

Production, Supply and Demand Data Statistics:

Sugar Beets Turkey	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted		350		320		320	(1000 HA)
Area Harvested		324		300		300	(1000 HA)
Production		17,500		14,000		14,000	(1000 MT)
Total Supply		17,500		14,000		14,000	(1000 MT)
Utilization for Sugar		17,500		14,000		14,000	(1000 MT)
Utilization for Alcohol		0		0		0	(1000 MT)
Total Distribution		17,500		14,000		14,000	(1000 MT)
TS=TD		0		0		0	
Comments							

Sugar, Centrifugal Turkey	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	505	505	501	587		422	(1000 MT)

Beet Sugar Production	2,531	2,531	2,400	2,275		2,280	(1000 MT)
Cane Sugar Production	0	0	0	0		0	(1000 MT)
Total Sugar Production	2,531	2,531	2,400	2,275		2,280	(1000 MT)
Raw Imports	0	0	0	0		0	(1000 MT)
Refined Imp.(Raw Val)	5	5	5	5		5	(1000 MT)
Total Imports	5	5	5	5		5	(1000 MT)
Total Supply	3,041	3,041	2,906	2,867		2,707	(1000 MT)
Raw Exports	0	0	0	0		0	(1000 MT)
Refined Exp.(Raw Val)	40	54	40	45		40	(1000 MT)
Total Exports	40	54	40	50		45	(1000 MT)
Human Dom. Consumption	2,500	2,400	2,800	2,400		2,400	(1000 MT)
Other Disappearance	0	0	0	0		0	(1000 MT)
Total Use	2,500	2,400	2,800	2,400		2,400	(1000 MT)
Ending Stocks	501	587	66	417		257	(1000 MT)
Total Distribution	3,041	3,041	2,906	2,867		2,707	(1000 MT)
TS=TD		0		0		0	
Comments							
AGR Number							
Comments To Post							