

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Turkey**

### **Sugar Semi-annual**

#### **Turkey Sugar Semi-Annual 2010**

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**Report Highlights:**

Due to favorable weather conditions, Turkey's sugar beet production in MY 2010 was 17.27 MMT, the highest amount recorded in the last 9 years. Consequently, MY 2010 total centrifugal sugar production has increased to 2.53 MMT. Sugar beet production in MY 2011 is forecast to be 14.0 MMT and the total sugar output in MY 2011 is forecast to be 2.2 MMT.

**Executive Summary:**

2010 has been a very generous year in terms of favorable weather conditions and precipitation. Therefore Turkey's sugar beet production for MY 2010 was 17.27 MMT from a harvested area of 324,000 hectares. This substantial increase in the yield rate has been recorded as the highest figure in the last 9 years. Post estimates that total sugar beet production for MY 2011 will be 14.0 MMT because the planted area this year is 318.500 hectares. The A sugar quota specified by the Sugar Board for the MY 2010 was 2,438 MT. For MY 2011 the A quota specified is 2.2 MMT. Therefore, Post expects total centrifugal sugar production to decrease to 2.4 MMT in MY 2011. There has been no recent development in the field of privatization since the Council of State ruled out the 2009 bid results for the privatization of Portfolio C sugar factories.

**Commodities:**

Sugar Beets

Sugar, Centrifugal

**Production:**

There are 33 sugar beet refineries in Turkey and six starch-based sugar (SBS) producers. Of these, the state-owned Turk Seker (operating under the Ministry of Industry and Trade) owns 25 sugar beet refineries, and the remaining 8 are private.

**Production: Sugar Beets**

Sugar beets are produced mainly in the Central Anatolian Region of Turkey. The Sugar Board's 2009 official count of sugar-beet-producing farms is 187,937. While the number of farms is decreasing by the year, the yields are increasing. This is mainly due to the adoption of modern agriculture applications such as irrigation. As a result of these modern agriculture applications adopted by farmers and the favorable weather conditions, the highest root yield (5,332 kg/da) and sugar yield (942 kg/da) ever in the history of Turkey was reached in MY 2010.

In MY 2010, farmers contracted by the state-owned refineries and private factories have produced 17.275 MMT of sugar beets on 324,000 hectares.

Post expects the harvested area in MY 2011 to decrease to 300,000 HA due to decreased production quotas for MY 2011 and the high amount of stocks that will remain after this year.

**Production: Centrifugal Sugar**

Turkey's centrifugal sugar production is limited by quotas. The total production quota for MY 2010 had been 2,708,900 MT. Ninety percent of this quota (the "A quota"), which amounts to 2,438,000 MT, has been allocated to beet sugar producing companies and 10% (270,900 MT) has been allocated to starch

based sugar (SBS) producers in MY 2010. However, the SBS allocation was later increased by 50% and reached 406.350 MT.

Due to favorable weather conditions and high yields this year, production exceeded expectations and resulted in excess supply, which eventually led to higher stocks. In light of these factors, the Sugar Board reduced the MY 2011 A quota by 6.3% to 2,228,000 MT. The starch-based sweetener (SBS) quota for MY 2011 is currently 244,000MT.

The price of crystal sugar provided by Turk Seker did not increase in MY 2010 and stayed at the 2009 rate of 1.9656 TL/kg (including 8% VAT). Due to excess supply, Turk Seker announced that it would sell at this price rate in 8 months deferred payment terms. Even though there was no actual decrease in the prices, this forward sale strategy brought the retail price of sugar down to the level of 2 TL/kg in the supermarkets whereas it used to be around 2,50 TL/kg. The price of starch based sugar in liquid form has been around 1.30 TL/kg. (As of September 27, 2010, the exchange rate for 1 USD is 1.47 TL).

The price expectations for MY 2011 are highly dependent on the consumption of the vast amount of stocks from this year and whether C sugar export will be permitted.

### **Production: Starch-Based Sweeteners (SBS)**

There are five factories in Turkey producing starch-based sweeteners (SBS) under quota; and they have a total capacity of around 932,000 MT. Two of these factories are one hundred percent owned by foreign companies; two are one hundred percent owned by domestic companies and one is a joint venture.

The Sugar Law allows the Council of Ministers (COM) to increase or decrease the SBS production quota by up to 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. Currently, SBS producers are utilizing only about 30% of their capacity and industry sources estimate a market demand of 600,000 MT per year. Due to the quota being lower than the demand (despite of the incremental increases granted by COM every year) the remaining difference in demand is supplied illegally through smuggling from neighboring countries (primarily Syria) and by unregistered production.

### **Consumption:**

Industry sources agree that total sugar consumption in Turkey is around 2.8 MMT per year, well above the amount of sugar produced according to official quotas. Therefore, in order to meet domestic demand, out-of-quota sugar is typically sourced illegally. A huge quantity of sugar is smuggled into Turkey across the southern border. Although the industry does not agree on the volume of this trade, it is estimated that every year around 200,000 MT of sugar enters Turkey “together with a passenger” and another 100,000 MT are smuggled through other means.

Of the 2.8 MMT of annual sugar and sweetener consumption; SBS accounts for approximately 350,000 MT, beet sugar accounts for 1,900,000 MT, and unregistered and smuggled sugar accounts for the

remainder. Annual sugar and sweetener consumption is estimated to be around 40 kilograms per person, and the rate of SBS in sugar consumption is increasing every year.

**Trade:**

Export Trade Matrix

	Time Period	
	Sept 2008 - Aug 2009	Sept 2009-July 2010
Exports to:		
U.S.	27	18
Azerbaijan	3638	34308
Palestine	393	4720
Northern Cyprus	366	1443
Lebanon	162	111
Iraq	74	59
Israel	40	20
UAE	59	13
Others not listed	200	122
Grand Total	4959	40814

Import Trade Matrix

	Time Period	
	Sept 2008 - Aug 2009	Sept 2009-July 2010
Imports from:		
U.S.	12	0
United Kingdom	3654	3661
Germany	140	162
France	132	158
UAE	66	50
Ireland	15	55
Others not listed	27	0
Grand Total	4045	4086

**Stocks:**

As a result of the 17.6% increase in sugar production compared to last year, the ending stocks increased by about 40.6% compared to MY 2009. While private companies are considering exports to reduce their bloated stocks, they are faced with a much lower international price of sugar and can only sell at a substantial loss. The public factories have organized a 12-20 month sales-on-account between August 16-September 1 to reduce their stocks. On the other hand it is expected that supplying the food-aid to be made to Pakistan from the local market will also help relieve the excessive sugar stocks.

**Policy:**

**Production Policy and Privatization**

The Sugar Law of 2001 formed a Sugar Board which operates under the Ministry of Industry and Trade. The main responsibility of the Board is to distribute production quotas to all the sugar-and sweetener-

producing companies based on their performance over the previous three years. For newly established refineries, the quota is determined by their reported capacity.

Distribution of the production quotas creates problems from time to time for both sugar and SBS producers. There have been several attempts to change the Sugar Law but so far all have failed. Industry sources note that the Sugar Board's existence is closely linked with completion of privatization efforts and that its authority will be extended until the conclusion of privatization of government-owned sugar factories. However, there have been no new developments pertaining to privatization in MY 2010. The privatization of public factories belonging to Turk Seker is still suspended.

### Marketing:

Turk Seker and private producers, wholesalers, and retailers handle the marketing of sugar. All SBS producers and distributors are private.

### Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Turkey	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Sep 2008			Market Year Begin: Sep 2009			Market Year Begin: Sep 2010			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Beginning Stocks	405	405	405	505	505	505	730		501	(1000 MT)
Beet Sugar Production	2,100	2,100	2,100	2,260	2,100	2,531	2,000		2,400	(1000 MT)
Cane Sugar Production	0	0	0	0	0	0	0		0	(1000 MT)
Total Sugar Production	2,100	2,100	2,100	2,260	2,100	2,531	2,000		2,400	(1000 MT)
Raw Imports	0	0	0	0	0	0	0		0	(1000 MT)
Refined Imp.(Raw Val)	5	5	5	5	5	5	5		5	(1000 MT)
Total Imports	5	5	5	5	5	5	5		5	(1000 MT)
Total Supply	2,510	2,510	2,510	2,770	2,610	3,041	2,735		2,906	(1000 MT)
Raw Exports	0	0	0	0	0	0	0		0	(1000 MT)
Refined Exp.(Raw Val)	5	5	5	40	10	40	40		40	(1000 MT)
Total Exports	5	5	5	40	10	40	40		40	(1000 MT)
Human Dom. Consumption	2,000	2,000	2,000	2,000	2,000	2,500	2,000		2,800	(1000 MT)
Other Disappearance	0	0	0	0	0	0	0		0	(1000 MT)

										MT)
Total Use	2,000	2,000	2,000	2,000	2,000	2,500	2,000	2,800		(1000 MT)
Ending Stocks	505	505	505	730	600	501	695	66		(1000 MT)
Total Distribution	2,510	2,510	2,510	2,770	2,610	3,041	2,735	2,906		(1000 MT)
TS=TD			0			0		0		

**Sugar Beets  
Turkey**

	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Sep 2008			Market Year Begin: Sep 2009			Market Year Begin: Sep 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	350	350	350		350	350			319
Area Harvested	350	320	320		325	324			300
Production	15,000	14,800	14,800		15,000	17,275			14,000
Total Supply	15,000	14,800	14,800		15,000	17,275			14,000
Utilization for Sugar	15,000	14,800	14,800		15,000	17,275			14,000
Utilization for Alcohol	0	0	0		0	0			0
Total Distribution	15,000	14,800	14,800		15,000	17,275			14,000
TS=TD			0			0			0