

Required Report: Required - Public Distribution

Date: April 21, 2022

Report Number: TU2022-0021

Report Name: Sugar Annual

Country: Turkey

Post: Ankara

Report Category: Sugar

Prepared By: Kubilay Karabina

Approved By: Michael Francom

Report Highlights:

In response to an increase in the seasonal sugar beet purchase price, farmers are expected to plant more beets in MY 2022/23. In parallel with expanded plantings, beet sugar production in MY 2022/23 is forecast up year-over-year to 3.1 million metric tons (MMT). With the sugar production quota for this period set at about 2.8 MMT, the excess in sugar production will go for export. Amid rising food inflation and higher on-farm input costs, the wholesale and retail prices of sugar (in local currency) have more than doubled since last year.

PRODUCTION

MY 2022/23 sugar beet production is forecast at 21.5 million metric tons (MMT), up year-over-year by 2.0 MMT. This forecasted increase assumes improved weather conditions and a slight increase in area harvested as farmers respond to increases in the government-mandated beet purchase price and sugar production quota. Considering these assumptions, beet sugar production is projected at 3.1 MMT, which is 300,000 MT higher than the previous year. Farmers have already started planting and contracting sales of the MY 2022/23 sugar beet crop.

The MY 2022/23 beet sugar production quota has been set at slightly more than 2.8 MMT, up from last year by about 51,000 MT. The total quota is divided between smaller quotas, called the A, B, and C quotas. The A quota is the amount to be sold on the domestic market within a given marketing year. The B quota is a small amount to be kept in reserve as a buffer. The C quota is the surplus amount (unspecified) that is exclusively for export. The A and B quotas are allocated among Turkish sugar producers. See policy section for more information on the quota.

The government's MY 2022/23 beet purchase price is currently set at 1,000 Turkish Lira (TL) per metric ton (\$71/MT), which is double the price from last season.¹ The original MY 2022/23 price, which the government announced in January, was considered too low to offset some of the skyrocketing on-farm input costs, such as fuel and fertilizer. Higher input costs are attributed to several factors, among which are a weakening domestic currency, economic uncertainty, and more recently the repercussions from war in Ukraine. In light of these inflationary pressures, the government decided in March to raise the mandated purchase price to its current level.

The sugar beet production estimate for MY 2021/22 is unchanged at 19.5 MMT, but down 300,000 MT from the previous year because of drought-related losses and a small contraction in area harvested. The decline in area harvested stemmed from the temporary uncertainty caused from the late announcement of the government beet purchase price. Given this uncertainty, some farmers switched from growing beets to other row crops. Meantime, the beet sugar production estimate for this period is likewise held unchanged at 2.8 MMT.

The majority of beet sugar comes from sugar beet farms in the Central Anatolia region, near the cities of Ankara, Konya, Eskisehir, Afyon, and Yozgat. There are about 100,000 sugar beet farmers across the country. Sugar beets are planted in four-year rotation cycle, alternating with corn, wheat, barley, potatoes, sunflowers, and more recently canola. Sugar beets are typically planted in April and harvested in September and October. Over the past decade, sugar beet yields have increased to 60-65 metric tons per hectare due to improved seed quality and modernized production practices.

Historically, like many sectors in Turkey, sugar factories were once all government-owned and operated. In recent years, however, many factories have been privatized with the exception of the state-run Turkseker, which is the largest sugar company in the country. According to market sources, the sugar sector continues to face a variety of inefficiencies resulting from government intervention in setting production quotas, and fixing prices for both sugar and sugar beets.

¹ \$1 US = 14.5 TL as of April 2022

CONSUMPTION

Centrifugal sugar consumption in MY 2022/23 is forecast slightly higher year-over-year at 2.98 MMT, assuming continued strong demand from both the food and beverage industry and households. For MY 2021/22, consumption is estimated to stay nearly unchanged at 2.96 MMT, assuming steady domestic demand, and higher imports to offset increased exports.

Turkey is a significant consumer of sugar. Consumption levels continue to increase in response to a combination of interrelated factors among which are a growing population of about 84 million, increasing urbanization, and changing eating habits. At the same time, Turkey's sophisticated food and beverage industry is using sugar in producing an increased number and variety of products in response to consumer demand. About 80 percent of sugar is used in the food and beverage industry and the remainder is used in households. Turkey's annual per capita consumption is estimated at 35 kilograms, about one-quarter of the levels in the United States.

Up until 2021, the government price for bulk and retail sales of sugar remained unchanged for the preceding two years despite rising costs. Private sugar producers, which were facing rising costs and the possibility of bankruptcy, decided that they could no longer follow the prices set by the government and would instead start charging higher prices. The government later followed suit, raising its prices, but their new prices were still significantly lower than that of the private sector.

As of March, the retail supermarket price of Turkseker sugar was 7.8 TL/kg, more than double the previous year. By contrast, private sugar producers are currently selling sugar on the retail market for 1.5-2 times higher. In response to this price difference, some grocery stores have limited sales of Turkseker sugar to ensure supplies don't sell out too quickly. Meantime, in order ensure that sugar sold through retail channels reached consumer households, Turkseker started to only sale to stores with Shelf Guaranteed Sales systems. The SGS system tracks sugar and other food sales to make sure it reaches the end-consumer and is not redirected to other end-uses.

In January 2022, a 50-kilogram bag of Turkseker bulk sugar cost 290 TL, which was less than half the private sector price of 700 TL. As of March, bulk sugar from Turkseker was selling for 550 TL for a 50-kg bag. This price difference makes Turkseker more attractive to Turkey's food and beverage and confectionary companies. Turkseker's historical prices by year can be found [here](#).

In addition to sugar, Turkey consumes small amounts of starch-based sweeteners. These sweeteners are derived from corn are used by the food and beverage industry as an ingredient in the production of candies, baked products, traditional desserts, ice cream, helva, jams, and alcoholic and non-alcoholic beverages.

TRADE

Imports

For MY 2022/23, sugar imports are projected lower year-over-year at 200,000 MT, based on an expected increase in domestic beet sugar production.

The import forecast for MY 2021/22 is revised upward to 400,000 MT, assuming steady domestic demand and to compensate for larger export volumes to neighboring countries. After a slowdown in imports from October to February of the current marketing year, monthly import volumes are expected to pick back up in order to reach this new estimate. The slower pace of imports was caused by a weakened currency and cheaper domestic prices. Imports during this five-month period reached a little more than 35,000 MT, compared to 94,000 MT in the same period of the previous year. Leading suppliers were Brazil and Algeria. See trade table below.

Exports

In MY 2022/23, sugar exports are forecast at 320,000 MT based on strong demand from neighboring countries. For MY 2021/22, the export figure is revised upward to 240,000 MT, an increase of 150,000 MT from the earlier estimate. This revision is made based on strong exports during the first five months of the marketing year (Oct-Feb). Exports during this period reached nearly 84,000 MT, compared to almost 77,000 MT from the same period a year ago. Iraq, Syria, and Georgia were the leading destinations.

Sugar is one of several agricultural exports benefitting from Turkey’s Inward Processing Regime (IPR) policy. Under the IPR, sugar is imported tariff free and is only allowed to be used in food and beverage products for export. In recent years, nearly all imported sugar comes in under the IPR. On the other hand, imported sugar for domestic use, as well as imported high fructose corn syrup (HFCS), are both subject to a 135 percent duty. Given this high tariff, imported sugar for domestic use is generally limited to specialty sugar that is not domestically produced (e.g., medical, laboratory use).

Exporters, mainly confectionary companies, can use C quota – sugar for export – to produce products for sales abroad. Fines are imposed on companies if these products are found in the domestic market.

According to a [presidential communique](#) from last December, sugar (HTS 1701) is subject to export registration with the Ministry of Trade. This registration requirement allows MoT the ability to monitor sugar exports and, if necessary, restrict exports to stabilize domestic market conditions.

Table 1: Turkey’s Trade for Beet Sugar and Chemically Pure Sucrose, Refined, In Solid Form, Not Containing Added Flavoring or Coloring Matter (HS 170199)		
	MY2020/21(Oct-Sep)	MY2021/22*(Oct-Feb)
Brazil	70,663	16,314
Algeria	43,924	16,522
Egypt	2,544	792
France	4,402	168
Other	13,139	1,431
Total	134,672	35,227
Raw Value Basis	146,388	38,292

Export Trade Matrix		
	MY2020/21 (Oct-Sep)	MY2021/22*(Oct-Feb)
Syria	70,667	33,138
Iraq	189,654	34,302
Georgia	19,011	12,099
Azerbaijan	15,183	2,606
Other	10,588	1,681
Total	305,103	83,826
Raw Value Basis	331,647	91,118

Source: Trade Data Monitor Inc, Metric Tons in Marketing Years,

*Note: MY 2021/22 is not a full year

Table 2: Turkey's Imports of Sugars Nesoi, and Related Products (MT)				
Commodity (HTS)	Description	Calendar Year		
		2019	2020	2021
1702	sugars nesoi, including chemically pure lactose, maltose, glucose, and fructose in solid form; sugar syrups (plain); artificial honey; caramel	35,753	32,470	30,500

Source: Trade Data Monitor Inc

Starch-Based Sugar Exports (SBS)

In addition to sugar, Turkey exports starch-based sugar (SBS) made from corn. In recent years, SBS exports have increased as the government has reduced the amount companies can sell on the domestic market under the SBS quota.

Other Sugar and Confectionary Exports

Turkey's sugar confectionary products exports have been steadily increasing in recent years. The sugar used in confectionary exports is either C quota or IPR.

Commodity	Description	Calendar Year		
		2019	2020	2021
1702	sugars nesoi, including chemically pure lactose, maltose, glucose, and fructose in solid form; sugar syrups (plain); artificial honey; caramel	277,055	342,368	435,752
1704	Sugar Confectionary (Including White Chocolate), Not Containing Cocoa	220,851	221,593	285,522

Source: Trade Data Monitor Inc

STOCKS

MY 2022/23 ending stocks are forecast unchanged year-over-year at 10,000 MT. The government's sugar production quota system discourages companies from holding excess stocks and levels are far below the B quota – sugar reserve – of 134,000 MT in MY 2022/23.

Starch-based sweetener companies typically produce and sell their entire allocated quota. MY 2022/23 year-end stocks HFCS stocks are estimated at 5,000 MT.

POLICY

Centrifugal Sugar

The sugar sector is widely regulated. The government, under presidential decree, sets production quotas and fixes certain prices. The Sugar Department under the Ministry of Agriculture and Forestry (MinAF) regulates and monitors the market. The government also owns the largest sugar producing company, Turkseker, which accounts for about one-third of the country's sugar production.

A general timeline of the government interventions in Turkey's sugar sector follows below.

- The government announces sugar production quota for the marketing year. The sugar quota is divided into smaller quotas, known as the A, B, and C quotas. As announced in late March in the [official gazette](#), the MY 2022/23 quota was set at a little more than 2.8 MMT.
 - The A quota is the amount to be sold on the domestic market within a given marketing year.
 - The B quota is a small amount to be kept in reserve as a buffer. The B quota is generally around 5 percent of the larger A quota.
 - The C quota is the surplus amount produced beyond the combined amount of the A and B quotas. The C quota amount is not predefined and is for export only.
- The government allocates the A and B quotas among existing sugar producers.

- To incentivize production and offset rising input costs, the government provides annual support payments to farmers for fertilizer (40 TL/HA) and fuel (150TL/HA).
- At the beginning of the sugar beet harvest, the government announces a baseline procurement price for sugar beets yielding sugar at a polarity rate of 16. As of March, the base price for MY 2022/23 is 1000 TL/MT (\$71/MT).
- Sugar factories contract future beet purchases with farmers. Factories pay farmers the base price plus an extra \$2.5/MT for each additional degree of polarity.
- At the end of the production period, sugar factories market their allocated A quota sugar throughout the year at the price announced by the government. The factory is allowed to hold onto a small amount of buffer stocks under the B quota.

Table 5: Sugar Production Quotas in Turkey (1,000 MT)

	2020/2021 MY			2021/2022 MY			2022/2023 MY		
	A Quota	B Quota	TOTAL	A Quota	B Quota	TOTAL	A Quota	B Quota	TOTAL
Beet Sugar	2,632.50	131.625	2,764.13	2,632.50	131.625	2,764.13	2,681.25	134.062	2,815.31
Starch-Based Sugar	67.5	-	67.5	67.5	-	67.5	68.75	-	68.75
Total Quota	2,700	131.625	2,831.63	2,700	131.625	2,831.63	2,750.00	134.062	2,884.06

Source: Official Gazette

Both government-owned and private sector factories produce sugar in Turkey. Turkiye Seker Fabrikalari A.S., or Turkseker for short, is government-owned and is the largest sugar producer in the country with 15 factories. There are sixteen privately-owned beet sugar factories. In total, including government and privately owned companies, there are 33 sugar factories with an annual production capacity of 3.1 MMT. The annual sugar production quota is allocated among these companies, with Turkseker accounting for a little more than a third of the total quota.

Table 6: Beet Sugar Quotas for Producers for MY 2022/2023 (Metric Tons)		
Beet Sugar Producers	A Quota	B Quota
Türkiye Şeker Fabrikaları A.Ş. (TURKSEKER)	979,700	48,985
Konya Şeker San. ve Tic. A.Ş.	435,500	21,775
Kayseri Şeker Fabrikası A.Ş.	328,800	16,440
Dogus Yiyecek Icecek Uretim San. (Afyon)	115,000	5,750
Keskinkılıç Gıda San. ve Tic. A.Ş.	107,000	5,350
Kayseri Şeker Fabrikası A.Ş.(Turhal)	100,750	5,037
Corum Şeker Fabrikası A.Ş.	95,750	4,788
Amasya Şeker Fabrikası A.Ş.	81,000	4,050
Tutku Gıda Turizm (Kirsehir)	70,250	3,512
Adapazarı Şeker Fabrikası A.Ş.	67,600	3,380
Bor Şeker Fabrikası A.Ş.	62,000	3,100
Sukkar Turizm Seyehat A.S. (Erzurum)	50,500	2,525
Mutulucan Seker Uretim AS	50,000	2,500
Kütahya Şeker Fabrikası A.Ş.	45,400	2,270
Mus Şeker Fabrikası A.Ş.	40,500	2,025
SukkarTurizm Seyehat A.S.(Erzincan)	26,500	1,325
Binbir Gıda Tarım ürünleri A.Ş.(Alpullu)	25,000	1,250
Total	2,681,750	134,062

Source: Official Gazette

Starch-Based Sugar (SBS)

The MY 2022/23 SBS quota was set at 2.5 percent of the national sugar quota at 68,750 MT, which is up 1,250 MT from the previous year. Half of the quota amount is required to be glucose, which is equivalent to about 54,000 MT of HFCS.

Starch-based sweeteners for the domestic market are made from domestically produced corn. Over the last few years, the starch-based sweeteners market in Turkey has been squeezed by legislation that favors sugar production. The MY 2022/23 quota is about 80 percent smaller than the average quota amount between 2003-2016.

There are five starch-based sugar (SBS) producers under the quota system, all of which are privately owned and have a combined annual processing capacity of about 1 MMT. In addition, there are five other SBS companies outside the quota system and are only allowed to export.

2003-2016	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
407-313 (avg)	265	134	135	67.5	67.5	67.5	68.75
15%	10%	5%	5%	2.5%	2.5%	2.5%	2.5%

Source: Official Gazette

Table 7: Starch-Based Sugar Companies and Quotas (MT) for MY 2022/23

Starch-Based Sugar Producing Companies	Quota
CARGILL TARIM VE GIDA SANAYİ VE TİCARET A.Ş.	30,135
AMYLUM NİŞASTA SANAYİ VE TİCARET A.Ş.	21,388
PNS PENDİK NİŞASTA SANAYİ A.Ş.	9,767
TAT NİŞASTA İNŞAAT SANAYİ VE TİCARET A.Ş.	4,423
SUNAR MISIR ENT. TES. SANAYİ VE TİCARET A.Ş.	3,037
Total	68,750

Source: Official Gazette

Production, Supply and Distribution Data Statistics

Sugar Beets Market Year Begins Turkey	2020/2021		2021/2022		2022/2023	
	Sep 2021		Sep 2022		Sep 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	320	320	320	315	0	325
Area Harvested (1000 HA)	320	320	320	315	0	325
Production (1000 MT)	21500	21500	19500	19500	0	21500
Total Supply (1000 MT)	21500	21500	19500	19500	0	21500
Utilization for Sugar (1000 MT)	21500	21500	19500	19500	0	21500
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	21500	21500	19500	19500	0	21500

(1000 HA) ,(1000 MT)

Sugar, Centrifugal Market Year Begins Turkey	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	10	10	10	10	0	10
Beet Sugar Production (1000 MT)	3100	3100	2800	2800	0	3100
Cane Sugar Production (1000 MT)	0	0	0	0	0	0
Total Sugar Production (1000 MT)	3100	3100	2800	2800	0	3100
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	110	146	230	400	0	200
Total Imports (1000 MT)	110	146	230	400	0	200
Total Supply (1000 MT)	3220	3256	3040	3210	0	3310
Raw Exports (1000 MT)	0	0	0	0	0	0
Refined Exp.(Raw Val) (1000 MT)	285	332	90	240	0	320
Total Exports (1000 MT)	285	332	90	240	0	320
Human Dom. Consumption (1000 MT)	2925	2914	2940	2960	0	2980
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	2925	2914	2940	2960	0	2980
Ending Stocks (1000 MT)	10	10	10	10	0	10
Total Distribution (1000 MT)	3220	3256	3040	3210	0	3310

(1000 MT)

Attachments:

No Attachments