Required Report: Required - Public Distribution **Date:** October 06,2020

Report Number: TU2020-0032

Report Name: Sugar Semi-annual

Country: Turkey

Post: Ankara

Report Category: Sugar

Prepared By: Kubilay Karabina

Approved By: Christine Mumma

Report Highlights:

Turkey's sugar beet production is forecast at 19 MMT in MY 2020/21 and is expected to result in 2.75 MMT of sugar. Drought weather conditions during summer caused yield and quality losses in sugar beets in some regions. For MY 2020/21, as announced by Presidential Decree on December 25, 2019, the annual quota is identical to the amount allocated last year.

Sugar Semi-Annual Turkey 2020

PRODUCTION

Sugar Beets

Sugar beet production and planting area is forecast at 19 MMT and 320,000 ha in MY 2020/21. Planting for MY 2020/21 has started throughout Turkey as of September 2020. Drought weather conditions in summer caused yield and quality losses in sugar beets in some regions. However, a more complete picture of total losses will become apparent after the harvest finishes.

Production of sugar beets, and consequently sugar, is limited by quotas in Turkey. These are now set by Presidential Decree of December 2019.

Turkey produces sugar from sugar beets in most regions, but the majority of production comes from the Central Anatolia region, near the cities of Ankara, Konya, Eskisehir, Afyon, Tokat and Yozgat. There are more than 30,000 farmer families who produce sugar beets in Turkey. Harvest started in September in most regions and sugar factories started to buy beets from the farmers. Farmers in Polatli district in Central Anatolia especially suffered from summer drought and have concerns about yields.

Based on changes in official statistics, Post's revised sugar beet production and planting area estimates are 18.5 MMT and 310,000 ha in MY 2019/20. The reduction is linked to the privatization process of the sugar factories, although planted area and production was better than MY 2018/19, when there was a considerably switch from sugar beet to other crops due to farmers' concerns about the lack of possible buyers in the vicinity of their region during the privatization process.

Centrifugal Sugar

In MY 2020/21, the total sugar production estimate is about 2.8 MMT, of which 2.75 MMT is for beet sugar production and the remaining is for starch-based sugar (HFCS) production, which is in line with production quotas set by the government.

Turkey's quotas determine the quantities for beet sugar and starch-based sweetener production and are announced in three categories. The 'A' quota specifies how much sugar companies can sell in Turkey within a marketing year. The 'B' quota is an extra amount that is produced and kept in reserve as a buffer. 'B' quota volume is calculated as a percentage (generally 5 percent) of the 'A' quota. The 'B' quota is allocated only for beet sugar, and not for starch-based sugar, as per the sugar law. The 'C' quota applies to excess sugar produced above the allocated 'A' quota amount, which can only be exported and is sold by factories at world prices.

The table below provides the production quotas for the last three marketing years. Although the overall quota has been kept the same each year, the quota for starch-based sugar is decreasing. The quotas for MY 2020/21 were announced on December 25, 2019 by a presidential decree in the official gazette, and are identical to the amounts allocated last year.

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

	2018/2019 MY			2019/2020 MY			2020/2021 MY		
	A Quota	B Quota	*TOTAL*	A Quota	B Quota	*TOTAL*	A Quota	B Quota	*TOTAL*
Beet Sugar	2,565	128.25	*2,632.5*	2,632.50	131.6	*2,764.10*	2,632.50	131.6	*2,764.10*
Starch-Based Sugar	135	-	135	67.5	-	*67.5*	67.5	-	*67.5*
Total Quota	2,700	128.25	*2,828,25*	2,700	131.6	*2,831.60*	2,700	131.6	*2,831.60*

Source: Official Gazette;

Turkiye Seker Fabrikalari A.S. (TURK SEKER) is a government entity and is the largest sugar producer in Turkey with 15 sugar factories. Under Turk Seker, there are also four alcohol/bioethanol plants, farm machinery plants, a seed treatment plant, and a Sugar Institute for research purposes. In addition to the government-owned Turk Seker factories, there are sixteen other privately-owned beet sugar producers in Turkey. In total, including government and privately owned companies, there are 33 factories with a total production capacity of 3.1 MMT per year.

The production quotas for MY2020/21, allocated to the centrifugal sugar producers:

Table 2: Beet Sugar Quotas for Producers for MY 2019/2020 (Metric Tons)

Beet Sugar Producers	**A Quota**	**B Quota**
Türkiye Şeker Fabrikaları A.Ş. (TURK SEKER)	935,100	46,755
Konya Şeker San. ve Tic. A.Ş.	435,500	21,775
Kayseri Şeker Fabrikası A.Ş.	328,800	16,440
Kayseri Şeker Fabrikası A.Ş.(Turhal)	100,750	5,037
Dogus Yiyecek Icecek Uretim San. (Afyon)	115,000	5,750
Keskinkılıç Gıda San. ve Tic. A.Ş.	107,000	5,350
Corum Şeker Fabrikası A.Ş.	95,750	4,788
Amasya Şeker Fabrikası A.Ş.	75,400	3,770
Tutku Gida Turizm (Kirsehir)	70,250	3,512
Adapazarı Şeker Fabrikası A.Ş.	69,050	3,453
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.	43,750	2,188
Mus Şeker Fabrikası A.Ş.	40,500	2,025
SukkarTurizm Seyehat A.S.(Erzincan)	26,500	1,325
Binbir Gida Tarim urunleri A.Ş.(Alpullu)	25,000	1,250
Total	**2,632,500**	**131,625**

Source: Official Gazette

Centrifugal Sugar Prices

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 (the amount of sugar obtained from a beet) of their beets, relative to the base price. There is not any announcement for MY 2020/21 prices yet. For MY 2018/19, the announced beet prices were 235 TL per metric ton, which was increased to 300 TL/MT for MY 2019/20 ($1 US = 5.85 TL as of September 2019).

Starch-Based Sugar (SBS)

There are five starch-based sugar (SBS) producers under the quota system, all of which are privately owned and have a total processing capacity of about 1 MMT of HFCS output annually. There are also five additional SBS producing companies with about 300,000 MT of capacity, which are supposed to only produce for export and are outside of the quota system.

Starch-based sweeteners made in Turkey 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 and regulations. SBS quotas, which were on average, around 345,000 MT per year between 2003 and 2016, were reduced to 67,500 MT in 2019.

For MY 2019/20, as announced by a new Presidential Decree (Decision No. 702) on February 5, 2019, total A quota for beet sugar production is 2.7 million tons and SBS quotas were determined as 2.5 percent of the total national sugar quota at 67,500 tons for the marketing year 2019/20. On a raw sugar equivalent basis, the high fructose corn syrup quota amount is about 53,000 tons. As announced on December 25, 2019, this quota will be the same for MY 2020/21 and requires SBS producers to supply at least half of their allocated SBS quota as “glucose.”

Table 3: Starch-Based Sugar Companies and Quotas (MT)

Starch-Based Sugar Producing Companies	A Quota
CARGILL TARIM VE GIDA SANAYİ VE TİCARET A.Ş.	29,593
AMYLUM NİŞASTA SANAYİ VE TİCARET A.Ş.	20,991
PNS PENDİK NİŞASTA SANAYİ A.Ş.	9,586
TAT NİŞASTA İNŞAAT SANAYİ VE TİCARET A.Ş.	4,348
SUNAR MISIR ENT. TES. SANAYİ VE TİCARET A.Ş.	2,982
Total	**67,500**

Source: Official Gazette

Consumption

Turkey is a significant sugar consumer with a population of over 83 million. The sweets and confectionary sectors in Turkey are developing steadily. 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.

Currently, Turkey's total annual sugar and sweetener consumption is about 3 MMT, where beet sugar accounts for between 2.7 and 2.9 MMT, and starch-based sugar (SBS) accounts for over 200,000 MT. Starch-based sweeteners that are derived from corn are not consumed directly, but are used by the industry as an ingredient in the production of candies, baked products, traditional desserts, ice cream, helva, jams, and alcoholic and non-alcoholic beverages.

The centrifugal sugar consumption is expected to remain high at 2.99 MMT with beet sugar imports and announced quotas in parallel with current figures in MY2020/21.

Trade

Turkey's import and export figures for sugar in MY 2018/19 and for the first ten months of MY 2019/20 are given in the below table under HS code 170199.

A number of Turkish agricultural exports benefit from Turkey's Inward Processing Regime (IPR) policy. Sugar can be imported tariff free if used in products that will be exported and not marketed domestically. Almost all sugar imports in recent years have been done under the scope of the IPR with zero tariffs by sugar product exporters. If imported for the domestic market, the tariff on sugar is 135 percent. The high fructose corn syrup (HFCS) tariff is also set as 135 percent. Therefore, sugar imported for use in the domestic market is limited to specialty sugar that is not domestically produced (for medical, laboratory use, etc.).

According to Turkish Official Stats, for MY 2019/20, Turkey imported 157,504 MT of sugar, raw value basis about 171,206 MT during the first ten months of MY 2019/20. Turkey imported about 188,964MT of sugar, raw value basis about 171,206 MT, compared to about 206,000 MT in the same period of the previous year.

Post revised the import forecast from 200,000 MT to 230,000 MT raw sugar equivalent basis, for both beet sugar and HFCS in MY 2019/120 due to increase in demand from sugar product exporters.

In MY 2020/21, sugar imports into Turkey are projected at 250,000 tons, raw sugar equivalent basis, with stable demand from sugar product exporters for beet sugar, and assuming continued limited domestic sugar supply for export purpose.

During the first ten months of MY 2019/20, Turkey exported 709 MT of sugar, raw value basis about 771 MT, compared to about 80,000 MT in the same period of the previous year. In MY 2019/20 and MY 2020/21, sugar exports are projected at only 1,000 tons due to new limits on sugar exports which have been in force since May 2019.

Table 4 and 5: Turkey's Trade for Beet Sugar and Chemically Pure Sucrose, Refined, In Solid Form, Not Containing Added Flavoring or Coloring Matter (HS 170199)

Import From	**Oct 2018-Sep 2019**	**Oct 2019-Jul 2020***
Brazil	57,104	62,711
Algeria	36,281	56,351
Ukraine	13,234	17,722
Morocco	8,917	17,676
Mexico	4,963	13,943
Russia	-	7,057
Poland	9,040	5,098
Egypt	3,984	4,281
Guatemala	-	1,618
France	12,340	803
Other	11,641	1,704
Total	157,504	188,964
Raw Value Basis	171,206	205,403

Export From	**Oct 2018-Sep 2019**	**Oct 2019-Jul 2020***
Benin	-	230
Syria	50,379	15
Iraq	24,819	5
Venezuela	2,000	-
Cyprus	170	102
Other	2,288	357
Total	79,656	709
Raw Value Basis	86,586	771

Source: TDM

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. The sugar sector is widely regulated by the government from procurement prices to retail sale prices, although the government's relative weight in production has decreased some with the privatization of the sugar factories in recent years. The state-owned Turk Seker and other private producers, wholesalers, and retailers handle the marketing of sugar. Turk Seker and the other private sector sugar producers are also wholesalers who handle the marketing of sugar to retailers. Turk Seker sometimes offers credit sales up to 12 months interest free. Currently the wholesale price of a 50 kg bag of crystal sugar in Turk Seker is 193 TL (3.86 TL/kg, which is equivalent to $.50 /kg as of September 28, 2020) last year the price was 168 TL (3.36 TL/kg, which was equivalent to $.59/kg as of September 27, 2019)

Production, Supply and Distribution Data Statistics

Sugar Beets	2018/2019		2019/2020		2020/2021	
Market Year Begins	Sep 2018		Sep 2019		Sep 2021	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	300	300	325	310	320	320
Area Harvested (1000 HA)	300	300	325	310	320	320
Production (1000 MT)	18000	18000	19500	18500	19200	19000
Total Supply (1000 MT)	18000	18000	19500	18500	19200	19000
Utilization for Sugar (1000 MT)	18000	18000	19500	18500	19200	19000
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	18000	18000	19500	18500	19200	19000
(1000 HA) ,(1000 MT)						

Sugar, Centrifugal	2018/2019		2019/2020		2020/2021	
Market Year Begins	Oct 2018		Oct 2019		Oct 2020	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	10	10	10	10	10	10
Beet Sugar Production (1000 MT)	2700	2700	2750	2750	2750	2750
Cane Sugar Production (1000 MT)	0	0	0	0	0	0
Total Sugar Production (1000 MT)	2700	2700	2750	2750	2750	2750
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	169	171	200	230	230	250
Total Imports (1000 MT)	169	171	200	230	230	250
Total Supply (1000 MT)	2879	2881	2960	2990	2990	3010
Raw Exports (1000 MT)	0	0	0	0	0	0
Refined Exp.(Raw Val) (1000 MT)	85	87	5	5	5	5
Total Exports (1000 MT)	85	87	5	5	5	5
Human Dom. Consumption (1000 MT)	2784	2784	2945	2975	2975	2995
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	2784	2784	2945	2975	2975	2995
Ending Stocks (1000 MT)	10	10	10	10	10	10
Total Distribution (1000 MT)	2879	2881	2960	2990	2990	3010
(1000 MT)						

Attachments:

No Attachments