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Turkey

Sugar Semi-annual

2012 Sugar Semi-Annual Update

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Report Highlights:
Turkey's sugar sector is regulated by production quotas which remained unchanged in MY2013. Post expects that, given the normal climate conditions, this will result in an unchanged production figure of 2.3 million metric tons in MY2013.

Executive Summary:
In line with the unchanged quotas, Post estimates 18.5 MMT of sugar beet production from a planted area of 330,000 hectares in MY2013. Post expects sugar production to remain at 2.3 million metric tons and starch based sugar production is expected to be 244 metric tons similar to the figures of MY2012.

Commodities:

Sugar Beets

Sugar, Centrifugal

Production:

Production: Sugar beets

The so called *campaign period*, when factories start processing sugar beets will commence on October 1st, 2012. The average national yield per decar (1,000 m2) is 5.3 tons, and exceeds 6 tons in central Anatolia. In MY 2013 post expects the harvested area to remain at 330,000 HA due to unchanged production quotas, and the sugar beet production to be 18.5 MMT.

While the planted area remains the same, sugar beet yield has been increasing due to the adoption of modern agriculture techniques and higher quality seeds. The beet yield per hectar (10,000 m2) has increased 13% from MY 2008 to MY 2012.

Production: Centrifugal Sugar

Turkey's total sugar production quota for MY 2013 was announced by the Sugar Board as 2,532,000 MT. A breakdown of this quota for MY 2012/2013 is provided in the below table.

	A Quota	**B Quota**	**TOTAL**
Beet Sugar	2,200	88	2,288
Starch Based Sugar	244	-	244
Grand Total	(thousand metric tons)		2,532

The "A quota" is the primary production allowance and the "B quota" is an additional margin allowed for producers, which amounts to 4% of the A quota. At the end of the campaign period any excess sugar produced by the factories above their allocated quotas are 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 Turk Seker, and the remaining 8 refineries are private. The total production capacity of these 33 beet sugar factories is 3.1 MMT per year and the size of the beet-sugar sector is valued at more than US$ 3 billion.

The table below outlines the quota allocation.

2012/2013 MARKETING YEAR BEET SUGAR QUOTAS (Ton)			
Beet Sugar Producers	**A Quota**	**B Quota**	**Total**
Türkiye Şeker Fabrikaları A.Ş.	1,239,500	49,580	1,289,080
Adapazarı Şeker Fabrikası A.Ş.	31,100	1,240	32,340
Amasya Şeker Fabrikası A.Ş.	61,200	2,450	63,650
Kayseri Şeker Fabrikası A.Ş.	297,200	11,890	309,090
Keskinkılıç Gıda San. ve Tic. A.Ş.	106,000	4,240	110,240
Konya Şeker Fabrikası A.Ş.	434,200	17,370	451,570
Kütahya Şeker Fabrikası A.Ş.	30,800	1,230	32,030
GRAND TOTAL	**2,200,000**	**88,000**	**2,288,000**

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

Production: Starch-Based Sweeteners (SBS)

There are six starch based sugar (SBS) producers and the total production capacity of these 6 SBS factories is 1 MMT per year.

The SBS quota was set at 244,400 MT for MY 2013 and the breakdown of this quota among the 6 producers is provided below.

2012/2013 MARKETING YEAR SBS QUOTAS (Ton)	
SBS PRODUCERS	**A Quota**
AMYLUM NİŞASTA SANAYİ VE TİCARET A.Ş.	76,091
CARGILL TARIM VE GIDA SANAYİ VE TİCARET A.Ş.	107,039
TAT NİŞASTA İNŞAAT SANAYİ VE TİCARET A.Ş.	15,698
SUNAR MISIR ENT. TES. SANAYİ VE TİCARET A.Ş.	10,747
PNS PENDİK NİŞASTA SANAYİ A.Ş.	34,825
TOTAL	**244,400**

The B quota is not allocated for SBS producers, but the Cabinet has the right to increase the A quota up to 50% annually. Utilizing this authority, this 50% increase has been granted in MY 2010 and 2011, and a 35% increase has been granted in MY 2012 for SBS producers.

Consumption:

Home-use and industrial sugar consumption increases seem correlated with the increase in population and GDP.

Currently, total annual sugar and sweetener consumption is around 2.3 MMT, where SBS accounts for approximately 250,000 MT, beet sugar accounts for 1.9MMT, and unregistered and smuggled sugar accounts for the remainder. The portion of SBS in total sugar consumption is increasing every year due to increased utilization by industry.

Trade:

Turkey's sugar exports increased 8.6% in MY 2012. The largest export market is Iraq, with 69%. In MY 2012, exports to Iraq decreased 8%, but this was offset by the considerable increases to Syria and Turkmenistan. Turkey also began exporting to new markets, such as Niger and Benin.

The tariff rate on sugar imports to Turkey remains at 135 percent on the CIF value, which makes Turkey's sugar imports negligible. Import duties on products containing sugar such as candy, cookies, and chocolates vary between 8.3% and 15.4%, plus an additional tax called "agricultural contribution" is applied based on the starch/glucose ratio and milk fat percentage. This procedure was adopted from the EU system.

The tables below give import and export quantity figures in metric tons for refined sugar in solid form (HS Code: 170199)

Export Trade Matrix

Exports to	Aug 2010-July 2011	Aug 2011- Jul 2012
United States	14	41
Azerbaijan	4,133	4,827
Iraq	52,651	48,486
Pakistan	650	0
Somalia	0	2,000
Syria	5,094	10,477
Turkish Rep. of Northern Cyprus	1,214	2,832
Lebanon	125	150
UAE	24	20
Niger	0	278
Israel	40	60
Benin	0	208
Others not listed	705	842
World Total	64,650	70,221

Import Trade Matrix

Imports from	Aug 2010-July 2011	*Aug 2011- Jul 2012*
United States	0	0

United Kingdom	2,983	2,431
France	1,264	1,868
Germany	183	251
Libya	24	0
Iraq	26	0
Others not listed	28	1
Grand Total	4,508	4,551

Stocks:

Production quotas helped deplete Turkish sugar stocks over the last few years. Any remaining stocks would belong to Turk Seker and they sell this stock at discounted prices (ranging from 5% to 8%, depending on the amount purchased) before the beginning of the new campaign period. Post expects sugar stocks to decrease even further in MY 2013, due to unchanged quotas and because excess sugar production is exported.

Policy:

Production quotas remained the same for three consecutive marketing years (MY 2011, 2012 and 2013) and are significantly lower than the established production capacity of both beet sugar and SBS processing plants. This challenges all producers and leads to a consistent struggle of seeking higher quotas.

Even though the privatization of Turk Seker factories is still at a suspended state, some sugar plants (like Kayseri Seker) are changing their administration to improve efficiency and profitability.

Turkey issued a communiqué published on July 17, 2012, that included stevia in the sweeteners import list as Steviosit with the customs number 2938.90.90.90.15.

Marketing:

Turk Seker and other private producers are also wholesalers who handle the marketing of sugar to retailers. All SBS producers and distributors are private.

The price paid by Turk Seker to farmers for their sugar beets has been 130 TL/ton in MY2012.

The wholesale price of sugar is 2.73 TL/kg as of August 2012. A 50kg bag of crystal sugar is sold for 115 TL (including 8% VAT) and a 20 kg bag of cube sugar is sold for 55TL (exchange rate for 1 US$ is 1.80 TL as of September 2012). Prices are not expected to change drastically in MY 2013 due to unchanged production and market conditions.

C quota sugar sales prices applied by Turk Seker for the first 6 months of 2012 are outlined in the table below.

Month	Price US$/ton
January	688.31

February	705.02
March	708.99
April	669.59
May	622.97
June	644.12
July	697.33
August	635.15

In addition to buying C sugar, exporters of sugar products may also import sugar for inward processing purposes, where they do not pay the 135% duty imposed on sugar imports, with the precondition that they export the end product and not sell it domestically.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Turkey	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		Market Year Begin: Sep 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	549	549	462	463	379	348
Beet Sugar Production	2,274	2,274	2,262	2,300	2,300	2,300
Cane Sugar Production	0	0	0	0	0	0
Total Sugar Production	2,274	2,274	2,262	2,300	2,300	2,300
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	5	5	5	5	5	5
Total Imports	5	5	5	5	5	5
Total Supply	2,828	2,828	2,729	2,768	2,684	2,653
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	66	65	50	70	50	60
Total Exports	66	65	50	70	50	60
Human Dom. Consumption	2,300	2,300	2,300	2,350	2,300	2,350
Other Disappearance	0	0	0	0	0	0
Total Use	2,300	2,300	2,300	2,350	2,300	2,350
Ending Stocks	462	463	379	348	334	243
Total Distribution	2,828	2,828	2,729	2,768	2,684	2,653
1000 MT						

Sugar Beets Turkey	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		Market Year Begin: Sep 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	330	330	300	330	295	330
Area Harvested	325	323	293	325	290	325
Production	18,300	18,300	16,000	18,500	16,000	18,500
Total Supply	18,300	18,300	16,000	18,500	16,000	18,500
Utilization for Sugar	18,300	18,300	16,000	18,500	16,000	18,500
Utilization for Alcohol	0	0	0	0	0	0
Total Distribution	18,300	18,300	16,000	18,500	16,000	18,500
1000 HA, 1000 MT						

Bio-ethanol:

Turkey has announced a 2% mandatory mixture rate of bio-ethanol into fuel beginning in January 2013. This will require 54 million liters of ethanol production. No additional investment will be required in terms of production facilities because the current bio-ethanol production capacity of Turkey is 149.5

million liters. This capacity belongs mainly to four producers; the biggest of which is Konya Seker (sugar beets) with a capacity of 84 million liters. The others are Tarkim (corn), Teskim (corn and wheat), and Eskisehir Sugar Plant (sugar beets).

Currently bioethanol mixture up to 2% is voluntarily applied. The government supports this by making the applied amount exempt from Special Consumption Tax. The producers are providing bio-ethanol to their contracted gas stations (for example Tarkim works with Petrol Ofisi - the most wide-spread gas station in Turkey, and Konya Seker works with more local gas station companies). Currently 35 million liters of bioethanol is mixed to fuel, and the rest of the production is used for alcohol supply mainly to the industry such as ink and paint production, as well as a small rate for food use.