SUGAR

CONTENTS

I. INTRODUCTION

INTRODUCTION

- All sugar is produced from sugar beet in Turkey.
- Currently there are 7 beet sugar companies with 31 operational sugar factories in the sector, 5 of which belong to beet producers.
- Two companies are state-owned one of which, namely Türkşeker, is a SEE and the other is under Privatization Administration.

- Türkşeker (TŞFAŞ) is the biggest company of the sector with 22 factories.
- It is in the privatization agenda since December 2000.
- Its 2 subsidiaries were privatized in 2004 and 2005 and 3 factories of it were taken into privatization program in December 2005.
- There are 7 starch based sugar (SBS) companies with 8 plants.

- 31 sugar factories are operational.
- 1 sugar factory is out of production because of the earthquake damages.
- 1 sugar factory is in investment stage.
- Türkşeker has also 5 machine factories, one electro-mechanical instruments factory, one beet seed treatment plant and a research institute.
- 5 sugar factories have an ethanol plant each .
- 1 fuel ethanol plant is in investment stage.

MAIN INDICATORS FOR BEET (2005/06)

- Number of farmers : 348 278
- Area harvested : 335.6 thousand ha
- Beet production* : 14.6 million tonnes
- Sugar yield per hectare* : 6 tonnes
- Sugar yield in beet* : 13.8% **

(*): Estimate
(**): Produced sugar per tonne of purchased beet

Source: Sugar Authority

II. SUGAR LAW NO 4634

SUGAR LAW

Sugar sector is administered mainly by the Sugar Law No 4634 and by-laws thereof.

Main objectives of the Law:

- Self-sufficiency
- Supply stability
- Price deregulation
- Self-financing

The purpose of the law is to regulate;

- The sugar regime,
- Procedures and principles in sugar production,
- Conditions and methods of pricing and marketing.

CONTRIBUTIONS OF THE SUGAR LAW TO THE SECTOR

- Removed the burden of the sector from the Treasury.
- Prevented excess capacity and idle investments.
- Reduced undesirable stocks, therefore reduced stock costs of the sector.
- Introduced a balance between beet sugar and starch-based sugar sectors.
- Contributed to development and preference of domestic production.
- Registered the transactions of suppliers in the sector.

SUGARS COVERED BY THE SUGAR LAW

Sucrose based	CN code	Starch based	CN code
White, Semi-white, Refined	1701.99	**Isoglucose**	1702.30.10, 1702.40.10, 1702.60.10,1702.90.30
Brown	1701.91	**Glucose & Glucose syrups**	1702.30 (ex.1702.30.10) 1702.40 (ex.1702.40.10)
Raw	1701.11 1702.12		
Invert	1702.90	**Others**	
Liquid sugar	1702.90.99	**Inulin syrup**	1702.60.80 1702.90.80

MAIN INSTRUMENTS OF THE REGIME

- Quota planning
- Price liberalization
- Contract farming

PRICE DEREGULATION

- Sugar prices are determined by the sugar companies freely in the market conditions.
- “A” quota sugar beet prices are fixed in accordance with mutual agreements between beet growers and sugar companies.
- “B” quota sugar beet prices are 10-30% lower than those of “A” beet.
- Price of C sugar reflects export prices.

SUGAR AUTHORITY

- It was established by the Sugar Law.
- Sugar Board is the decision making body of the Authority.
- The Board is independent in its decisions. No organ, authority or person may influence the decisions of the Board.
- Its main duty is to regulate and control the sugar sector. In this direction it determines the procedures, principles and conditions related to sugar production and marketing.

SUGAR QUOTAS

- A quota: corresponds to domestic demand.
- B quota: corresponds to compulsory reserves.
- C sugar: Sugar, produced out of quotas which cannot be marketed domestically. It must be exported in a definite time period without subsidy.
- It is compulsory to obtain quota from the Sugar Board before building new factories or expanding existing ones.

QUOTA ALLOCATIONS

- Sugar quotas have been applied since 2002/03 marketing year.
- Sugar quotas are allocated by the Sugar Board annually as the basis of individual sugar undertakings.
- SBS companies are allocated 10 % “A” quota of overall “A” quota. SBS quotas include glucose and glucose syrups as well.
- Companies distribute their quota among their sugar factories.
- Chemically pure fructose, which is produced and exported under the knowledge of the Board, is followed up and registered closely.
- Production, sales and stocks are controlled by the Authority.

QUOTAS AND PRODUCTIONS 2005/06

1000 Tonnes

	QUOTA			Production[1]
	A	B	Total	
Beet sugar	2 107	84	2 191	2 020
SBS	351[3]	-	351[3]	400[2]
Total	2 458	84	2 542	2 420

(1): Estimate
(2): Excluding chemically pure fructose
(3): İncreased figure by 50% by the Council of Ministers.

Source: Sugar Authority

III. AGRICULTURAL INFORMATION

INTERPROFESSIONAL AGREEMENTS

Elements in the contracts:

- Beet quantities to be delivered
- Advance or definite price of beet
- Base sugar content
- Premiums and deductions
- Number of advance payments
- Beet reception points, transport costs
- Pulp returns
- Determination of tare of beet, etc.

SUPPORTS FOR GROWERS

- Advance payments (generally 3 times during growing period)
- Providing beet seed
- Covering half of the beet seed price
- Assistance on fertilizers
- Polarization premiums
- Certain percentage of beet returns as fresh pulp free of charge
- Incentive premiums and compensations for transporting beet to factories' central delivery points.
- Direct income payments given by the Ministry of Agricultural and Rural Affairs.
- Compensation payments in the event of sugar beet quota constraints.
- Maize drying and storage aid

IV. FOREIGN TRADE OF SUGAR

- No import / export license is required.
- Import licenses are only required under the tariff quotas resulting from bilateral agreements.
- Sugar is not included in the export subsidy commitment schedule of Turkey.
- SPS controls are fulfilled by The Ministry of Agricultural and Rural Affairs.

IMPORT DUTIES

CN Code	Product Description	MFN (%)	Bound Rate (%)
ex1701	Beet or cane sugar	135	135
1701.99.10.00.13,14		0	135
1212 91	Sugar beet	19.30	19.30
1212 99 20	Sugar cane	19.30	19.30
1702 30 10 etc.	Isoglucose	135	135
1702 60 80 etc.	Inulin syrup	135	135
1703	Molasses	31.50	31.50
ex 1702 20,60,90	Other sweeteners	135	29-135
2106.90.30,59		58.50	53-58.5

PREFERENTIAL TRADE

EU

Turkey has an import arrangement within a tariff quota of 80,000 tonnes, 20% reduction of the MFN (maximum duty 50%).

CANDIDATE COUNTRIES

There is no preferential export-import arrangements with candidate countries.

THIRD COUNTRIES

Under Turkey - Bosnia and Herzegovina FTA, sugar is reciprocally subject to a concession of 0% duty on unlimited basis.

V. COMPATIBILITY WITH THE ACQUIS

Following subjects are implemented similarly as the EU.

Subject	Relevant EU Regulation No
Rules related to quotas	1043/67, 314/02
Determining the quality of sugar	1265/69
Standard quality of beet	1254/89
System of minimum stocks	189/77
Offsetting of storage costs	1998/78
Production in excess of the quota	2670/81
Price increases/reductions on beet	1261/01
Communications in the sugar sector	779/96
Turkish Food Codex Communique on Sugar	2001/111/EC

THANK YOU FOR YOUR ATTENTION