

**Non-exhaustive list of issues and questions to facilitate preparations for
bilateral meetings**

TURKEY

SUGAR SECTOR

1) WTO (GATT) COMMITMENTS

- on subsidized exports :
 - quantity
 - financial volume

Sugar is not subject to any export subsidies.

- and on bound import tariffs

| <u>CN Code</u> | <u>Bound rate of duty (%)</u> |
|--|-------------------------------|
| 1212 91 sugar beet | 19.3 |
| 1212 92 00 sugar cane | 19.3 |
| 1701 | 135 |
| 1702 20 | 135 |
| 1702 60 | 135 |
| 1702 90 | |
| A. 1702 90 10 chemically pure maltose | 29 |
| B. 1702 90 30 Isoglucose | 135 |
| C. 1702 90 50 Maltodextrine and its syrup | 135 |
| D. 1702 90 60 Artificial honey, mixed or with natural honey | 135 |
| 1702 90 80 Inulin syrup | 135 |
| F. Other | 135 |
| 1702 30 10 Isoglucose | 135 |
| 1702 40 10 Isoglucose | 135 |
| 1702 90 30 Isoglucose | 135 |
| 1703 Molasses | 31.5 |
| 2106 90 30 Isoglucose | 58.5 |
| 2303 20 | 4.3 |

- WTO bound market access granted for third countries

There is no WTO market access commitment in non-tariff form for third countries.

**2) BILATERAL OR MULTILATERAL PREFERENTIAL AGREEMENTS
(exports/imports, tariffs, etc.)**

Turkey has following import concessions in its preferential trade agreements:

| THE EUROPEAN UNION (Turkey-EU Association Council Decision No 1/98) | | | |
|--|--|----------|-------------------------------------|
| CN CODE | DESCRIPTION | QUOTA | DUTY |
| 1701 99 | Cane or beet sugar and chemically pure sucrose, in solid form, other than raw sugar, not containing added flavouring or colouring matter | 80,000 t | 20% red. with a maximum duty of 50% |

| TURKEY-BOSNIA AND HERZEGOVINA FREE TRADE AGREEMENT | | | |
|--|-------------|-----------|------|
| CN CODE | DESCRIPTION | QUOTA | DUTY |
| Ch.17 | Sugar | Unlimited | 0% |

Turkey has following export concessions in its preferential trade agreements:

| TURKEY-BOSNIA AND HERZEGOVINA FREE TRADE AGREEMENT | | | |
|--|-------------|-----------|------|
| CN CODE | DESCRIPTION | QUOTA | DUTY |
| Ch.17 | Sugar | Unlimited | 0% |

3) IMPORT CONDITIONS APPLIED (import duties, also additional duties if applicable, licenses and/or other certificates required)

Applied rate for beet sugar and cane sugar for all countries except Bosnia Herzegovina is 135 %. There are no additional duties.

Under the current Import Regime, no import license is required for the importation of Sugar.

4) INSTITUTIONAL/ADMINISTRATIVE FRAMEWORK FOR

- control of production and stocks (e.g. quotas)

Supply is controlled by quotas on both sugar and sugar beet and by contract farming. Sugar quotas are allocated annually by the Sugar Board, which was established in 2001 in accordance with the Sugar Law No 4634. After the Sugar Board allocates sugar quotas as the basis of individual sugar producing undertakings every year, each undertaking distributes its total quota among its sugar factories. Quota allocations include A and B quotas for beet sugar and A quota for starch based sugars, e.g. glucose and isoglucose. A and B quotas corresponds to domestic demand and compulsory reserves respectively. There may be extra production outside the quotas which is called as C sugar and it can not be marketed domestically. It must be exported in a definite time period without export subsidy.

It is compulsory to obtain quotas from the Sugar Board in advance before building new factories and/or to expand the capacities of existing factories.

- institutional prices applied and scope of application (e.g. intervention price, minimum/maximum purchase/selling price, etc.)

According to the Sugar Law, sugar prices are determined freely by companies in the market conditions. Quota sugar beet price is determined in accordance with mutual agreement between producers and processors.

- import/export licencing, control and/or monitoring of trade

Under the Import/Export Regime, no import/export licences are required for sugar. Import licences are only required for tariff quotas resulting from bilateral agreements. Sugar import/export figures are monitored by the Turkish Sugar Authority via data obtained from the Undersecretariat of Foreign Trade and Turkish Statistics Institute. Export of sugar companies is also monitored by the Authority from monthly information forms they have to send to the latter.

- accounting for public budget revenue and expenditure in the sugar sector

As one of the companies in the sector is a State Economic Enterprise (SEE) and the others are private companies, all of them create all their revenues from their activities and pay corporation tax to the public budget. However the SEE in the sector benefits from capital injection and duty loss payments as state aids. In addition farmers benefit from, general support schemes. Furthermore beet farmers are paid for quota constraints and DIS payments.

- communication of statistics (see for example Regulation (EC) No 799/96 and Regulation (EC) No 314/2002)

Sugar Board is fully empowered by the Sugar Law, to ask all kind of information it deems necessary from the public establishments and from the persons or companies which are engaged in production, marketing and selling of goods or services within time limits it determines.

In this framework, mainly following information is forwarded to the Authority regularly: All beet sugar and starch based sugar companies separately notify in writing every month as of previous month the quantities of their sugar production, domestic sales of A quota sugar, C sugar exports, beginning and ending stocks of corresponding month. In addition, all companies notify every month as of previous month purchased and processed raw material, as well as balance sheet of by-products and monthly average prices thereof.

- rules related to inter-trade relations (i.e. beet growers and processors; see Annex III of Regulation (EC) No 1260/2001)

Sugar beet is purchased from beet growers by contracts. Contracts are concluded between manufacturers and producers or their representatives. Contracts specify net amount of A and B quota sugar beets to be delivered to the factories. Contracts state that manufacturers are free to buy the C beet. Contracts also indicate advance prices, or purchasing prices if determined, of A and B quota beets. Contracts lay down the fixed sugar content for beet as 16 % as well as premium payments and deductions for deviations therefrom. They indicate number of advance payments during growing period.

The contract states the place of production taking into account the rotation plan and the quality standards to be determined by the buyer. Contracts leave the right to choose the variety of seed to the manufacturers. It is stated that manufacturers pay for half of the seed price. According to the contracts transport costs from the collection centres are to be covered by the manufacturers. They shall also lay down the principles and procedures related with determination of tare of beet. They state to return % of fresh pulp from the tonnage of beet delivered free of charge to the seller. Contracts contain provisions concerning the staggering and normal duration of beet deliveries.

A “Technical Conditions” booklet is prepared and given to growers as an annex to be contract by manufacturers. Said booklet contains matters such as field preparation, fertilizing, sowing, maintenance, irrigation, plant health, harvesting.

5) STRUCTURE OF THE SUGAR SECTOR

- number of sugar beet growers and the average size beet farms

Number of sugar beet growers for the last 5 years are given below:

| <u>Year</u> | <u>Number of sugar beet growers</u> |
|-------------|---|
| 2001 | 479 243 |
| 2002 | 492 232 |
| 2003 | 459 710 |
| 2004 | 390 646 |
| 2005 | 348 278 |

Average size of beet farms is 1.38 ha in 2001 (Source: TURKSTAT).

- number of sugar producing undertakings together with the number of operational factories they own

There are 7 sugar producing companies in Turkey, 6 of which have operational factories. The biggest company is Turkish Sugar Factories Corp. (TSFC) which has 22 operational factories currently. It is in the privatization agenda and 3 of its factories were taken into privatization program and joined a company in December 2005. While one company has three, and the other has two operational factories, the rest four companies have one factory each. One of the abovementioned four companies has a factory which is not operational because it has devastated seriously in 1999 earthquake. However its beet is processed in other factories and sugar produced in the name of it.

- number of state owned sugar producing undertakings

There are 2 state owned sugar producing undertakings. One of them is a SEE, the other is the company which has gathered 3 sugar factories of the former under privatization program.

- total number of existing sugar factories and total number of sugar factories that processed sugar beet in the 2005/06 campaign

There are 33 sugar factories (2 of them are new) , 31 of which processed sugar beet in the 2005/06 campaign.

- average daily sugar beet processing capacity of the operational factories

Average daily sugar beet processing capacity of the operational factories is 5587 tonnes. (Although one of them, with the daily capacity of 6721 tonnes, is not operational at the moment because of earthquake damages, it is planned to be operational.)

- number of raw sugar refineries, broken down as:

a) exclusively raw sugar refining

No sugar refinery for exclusively raw sugar refining.

b) mixed operation (beet processing and raw sugar refining)

There are 2 sugar refineries for mixed operation, one of which has not completed yet.

- is there any production of sugar cane?

There is no sugar cane production.

6) STRUCTURE OF THE ISOGLUCOSE SECTOR

- number of undertakings involved in isoglucose production together with the number of production plants they own

There are 5 companies involved in isoglucose production within the context of quota. 4 of them have one plant each and one has 2 plants. There are 2 other companies with one factory each in the sector.

7) FRUCTOSE

Raw material and the processing method used for fructose production.

Fructose is produced from corn. Corn, with the content of starch, germ, fibre and gluten, is separated its components by a treatment so called “wet milling”. Corn starch obtained from wet milling is used as raw material of glucose syrup production. Corn starch is hydrolyzed using acid, acid-enzyme, or enzyme-enzyme catalyzed process for the production of glucose syrups. Specifications of glucose syrups varies in a wide spread, depending on the parameters applied in the production. Glucose content of glucose syrups is partly converted to fructose enzymatically in isoglucose production step. Isoglucose is characterized as the product obtained from glucose or its polymers with a content of at least 10 % fructose in dry state by weight. Products having high fructose content in this step are used for the production of

crystalline fructose. Chemically pure fructose was obtained at the end of purification and crystallisation steps.

High fructose corn syrup, having 42 % of fructose, is obtained by isomerization of glucose syrup. Then, fructose content is increased to 55 % by chromatographic separation.

8) SECTORIAL PUBLIC BODIES

- Short description of public bodies and government organisations participating in the regulation of the sugar markets (production, trade, support schemes, price monitoring, etc.)

Sugar Authority: In order to meet domestic demand by domestic production, it regulates the procedures, principles and conditions related to sugar production and marketing.

Ministry of Industry and Trade: Legislates some secondary regulations related to sugar sector.

Ministry of Agriculture and Rural Affairs: Carries out the SPS controls, issues Food Production Licences to sugar factories.

Undersecretariat of Foreign Trade: Carries out regulations on foreign trade matters.

- State reserves if any

All sugar companies have to hold B sugar as reserve, which corresponds to 4 % of their A quota sugar, in all months of the year.

9) Please indicate any particular information relevant to this sector

According to the Sugar Law, the marketing year is the time period between 1 September-31 August as almost all of the beet sugar factories begin production in September.

According to the Sugar Law, maximum 10% of overall “A” quota is allocated to starch based sweeteners annually as “A” quota thereof. Council of Ministers is authorized by the Sugar Law to increase or decrease this ratio up to its 50%, taking the Sugar Board’s opinion. Chemically pure fructose, which has the CN code of 1702.50.00, is produced out of the quota under the knowledge of Sugar Board and exported completely.

One of the sugar producing companies produces liquid sugar from its “A” quota sugar under the knowledge of Sugar Board.