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Amendment to Turkey's Import Policies will Impact 2016 Corn Trade

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Report Highlights:

After a record harvest last year in Turkey, grain stocks are full. Typically exporters were able to purchase corn as input through tax free imports under Turkey's Inward Processing Regime policy (IPR), but now will be unable to do so and will need to buy corn directly from the Turkish Grain Board's stocks if they want to access a lower price than the domestic market. Effectively, because it is estimated that the vast majority of corn imports are done under the inward processing regime, corn imports to Turkey are expected to seriously slow until this policy expires in November 2016.

Amendment to Inward Processing Regime to Impact Corn Imports

On April 13, 2016, the General Secretariat of Mediterranean the Exporter Association, which is one of the thirteen Exporters Associations under the umbrella of Turkey's Ministry of Economy, announced a Ministry of Economy directive which bans of import of corn until November 30, 2016 for those entities which gained inward processing authorization certificate after April 10, 2016. The [announcement](#) can be found on the Exporter Association's website in Turkish.

According to the directive, exporters who gained inward processing authorization certificate after April 10, 2016 cannot use their import certificates for import of corn from April 10, 2016 to November 30, 2016. This was implemented through a new article added to Inward Processing Regime Act. In order to access tariff free grain, they will now need to buy corn directly from the Turkish Grain Board. According to the private sector, this Ministry of Economy directive is designed to help the Turkish Grain Board (TMO) decrease their huge corn stocks.

Import authorization certificates are good for one year. It is hard to estimate just how much this this will impact total corn imports for the year. Before this decision, corn imports were already reduced because TMO's price is competitive with the world price, so buying domestically under the IPR saves on shipping costs for grain users. September and October are critical months for grain purchases, so by this decision, it will encourage feed, poultry, and starch industries to purchase domestically instead of importing. Turkish Grain board has been continuing to sell corn in its stocks to the certificate holders at very competitive prices (compared to domestic market) in scope of the IPR since January 2016 in MY2015/16. The inward processing authorization certificate holders can buy corn from TMO instead of importing. Especially exporters in poultry and starch sector effectively use the IPR.

Turkey: Corn Imports, Year Ending: August					
Partner Country	MY2011/12	MY2012/13	MY2013/14	MY2014/15	MY2015/16*
Russia	323,787	845,426	829,912	1,059,158	103,562
Romania	121,022	152,558	152,558	286,311	78,743
Bosnia & Herzegovina	636	0	15,887	73,598	8,737
United States	701	174	142	5,065	0
Others	245,914	479,157	228,186	470,746	16,932
Total	692,060	1,477,315	1,226,685	1,894,878	207,974

***Incomplete year** – only September 2015-February 2016

Domestically Turkey produces about 6 MMT of corn, which typically satisfies about 80% of the demand. Last year, Russia (1 MMT), Romania (286,000 MT) and Bosnia (73,500 MT) were the largest foreign corn suppliers of Turkey. With the help of strong demand of poultry and egg sector, Turkey imported nearly 2 MMT of corn previous year. As of January, Turkey imported 208,000 MT of corn in MY 2015/16. Russia is still largest supplier with the advantage of low freight cost.

Inward Processing Regime and Grain Import Background

Since the Customs Union Agreement took place on January 1, 1996 between Turkey and the European Union via 1/95 Decree of Turkey-EC Association Council, Turkey has adopted various regulations in

parallel with EC's regulations. Turkey's Inward Processing Regime (IPR) was put into force on January 1st, 1996 in scope of Customs Union Agreement. The implemented IPR of today was done via Decree NO. 2005/8391 and was put into force on January 27, 2005.

The Inward Processing Regime (IPR) is a system allowing Turkish manufacturers/exporters to obtain raw materials and intermediate unfinished goods that are used in the production of goods which will be exported without paying customs duty on those imported raw materials and without being subject to commercial policy measures. The basic endeavor of the IPR is to maintain materials at the world market prices (since Turkey's domestic market prices are set each year and are above world prices) and enhance the competitiveness of Turkish exporters. The IPR is widely used in agricultural sector.

Manufacturer-exporters and exporters can use equivalent goods instead of the import goods stated on the authorization certificate. Equivalence is a procedure which allows the substitution of the goods in free circulation in place of the import goods stated on the authorization certificate. Authorization certificate can only be granted to the firms which can submit necessary documents to Ministry of Economy via General Secretaries of Exporters Unions.

After exportation, exporters gain IPR certificates which allow them to import wheat (or corn, barley, etc dependent upon what they exported) with zero tariff. In implementation of the IPR, TMO, a state intervention agency, has also a supplier role. In addition to export with zero tariff, exporters can buy their raw materials from TMO. In recent years, TMO has sold its stocks to IPR holders at international prices. TMO sells milling wheat, durum wheat, and corn in stocks for export certificate holders who are flour, biscuits/cookie/cracker, feed and poultry exporters under the IPR. According to the IPR, flour, pasta (wheat products) exporters firstly export their product and after they gain IPR certificates. But poultry sector (or feed sector) can import corn before they export their products. The feed sector mainly uses corn in scope of IPR.

Due to sustainability of domestic production, the Turkish government applies 130% tariff for grain in Turkey. So price differences are high between international markets and domestic markets. TMO tries to keep the price at a level which allows production sustainability for farmers and supply security for consumers. For this purpose, TMO announces procurement price for grain after the harvest if they determine that local prices are too low for farmers.

In 2015/16 season, Turkey has a record grain production due to favorable weather conditions. TMO procured 5.5 MMT of grain in MY2015/16, 3.3 MMT of which is wheat, 474,000 MT barley, 10,000 MT rye and 1.7 MMT of corn. Due to the bearish international market in MY2015/16, TMO decided to sell of their stock to the Turkish exporters with IPR certificate instead of direct export.

TMO offers corn at \$160 per ton for import certificate holders under IPR in MY 2015/16. TMO is trying to reduce its more 1 MMT of corn stocks by the help of this amendment in IPR. Contrary to wheat, preserving corn in silos is hard. And TMO needs new place for upcoming harvest season. With this decision, Turkey's corn import market is will severely slow down until November 2016.