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Turkey

Grain and Feed Update

January 2015 Turkey Grain and Feed Update

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Report Highlights:

Wheat production is increased 250,000 metric tons (MT) on stronger than expected durum yields in southeast Anatolia. Post maintains production of barley at 4 million metric tons (MMT). Corn production is increased 200,000 MT on strong second crop yields. Rice production is decreased 20,000 MT on lower yields in the Thrace region. Wheat and barley planting is completed. Wheat area is increased 25,000 hectares (ha). Barley area is unchanged. Winter weather has been ideal for both crops.

Importers suffer from genetically engineered (GE) testing requirements for feed as well as food. The government of Turkey (GOT) will reduce value added tax on rice from 8 percent to 1 percent for the foreseeable future. The GOT is looking for a solution to high food price inflation.

Post:
Ankara

Commodities:
Barley

Corn

Rice, Milled

Wheat

Author Defined:
Production:
Wheat
The drought that hit Turkey in marketing year (MY) 2014 reduced yields throughout the primary wheat producing regions in Anatolia. Lower production also translated into higher protein levels, except in the Thrace region where higher levels of precipitation allowed for higher yields. On the other hand, access to irrigation in southeastern Anatolia led to higher than anticipated yields in durum wheat. As a result, Post is revising wheat production up 250,000 metric tons (MT) to 15,250 MMT, maintaining the estimate of 13.5 MMT of milling wheat and increasing total durum wheat to 1.75 MMT (up from 1.5 MMT).

2015 Production
After wheat planting finished, excellent climate conditions have been in most wheat-producing regions of Turkey at the end of 2014. The moisture is a welcome respite after the drought of 2013/2014. Most regions have enjoyed a layer of snow during a cold spell of sub-freezing temperatures.

Production area increased slightly from 2013/2014. Durum wheat area is increased approximately 25,000 hectares in southeastern Anatolia. Wheat area increased because some farmers who suffered from low cotton prices last year preferred wheat and corn. Farmers are attracted to last year's durum wheat prices.

Trade
Post maintains Turkey's estimated exports due to ongoing unrest in leading markets in Syria and Iraq. Post reduces wheat imports 800,000 MT to 5 MMT. The reduction is due to market hesitance to import wheat while Turkish currency and exchange rates with leading suppliers are volatile. Also, importers are expecting higher production in 2015. Post estimates that 5 MMT will be sufficient to fill market requirements until the 2015 harvest supplies immediate future demand.

Russia is the leading supplier to the Turkish wheat market, which is almost entirely utilized for inward processing and export of wheat products such as flour, pasta, semolina and bulgur. The Russian Ruble has continued to lose value on international currency markets since summer 2014. The market has been uneasy about the Ruble devaluation against the dollar and Russia's announcement that it will impose an export tariff of at least 35 Euros/ton on wheat in February 2015. However, recent contracts for early to late February show less impact than expected as export prices are sufficiently low for imports from Russia to remain attractive. Recent quotes from Russia and Romania demonstrate that the Russian prices are consistent with alternative suppliers at similar qualities.

Due to Turkey's inward processing regime (IPR), imports are closely linked with the level of exports. The conflicts on Turkey's southern border are hindering, but only slowing exports modestly. Although local millers feel confident that exports will not decrease in 2015, available export figures confirm Post's view that Turkish wheat product exports will be 15-20 percent lower than in 2013/2014.

Turkish flour millers export to more than 130 countries and are very competitive in world markets. However, flour millers began to have trouble exporting to key markets in Syria and Iraq in August 2014 due to conflict near the border. Nearly 60 percent of Turkey's exports are to Iraq and Syria. Conflict in the region has increased transportation costs sharply, either through fees for transportation across the border and through the conflict zone, or through vessel fees to ship product around to ports south of the conflict. Traders indicate that political and security problems have reduced exports to the region in 2014, but expect to find sufficient transportation options to maintain export levels in 2015. Turkey is looking to increase its market share in Africa and South America. The current market rate for inward processing regime certificates for milling wheat is about $100/MT, which indicates a sustained interest in their use.

Turkey's challenge to export to Syria and Iraq will likely be offset by efforts to diversify exports to alternative markets, such as in Africa and South America.

Turkey: Wheat Flour Export, MY2013		
Countries	Quantity (MT)	% Share
Iraq	1,046,963	43.87
Syria	297,023	12.44
Philippines	167,091	7.00
Angola	108,824	4.56
Indonesia	97,510	4.09
Guinea	64,722	2.71
Israel	61,032	2.56
Others	543,546	22.77
Total	2,386,711	100

Turkey Export Statistics Wheat Flour	Turkey Export Statistics Wheat Flour

Monthly Series: 06/13 - 11/13							Monthly Series: 06/14 - 11/14						
Partner Country	Quantity (tons)						Partner Country	Quantity (tons)					
	06/13	07/13	08/13	09/13	10/13	11/13		06/14	07/14	08/14	09/14	10/14	11/14
Total	125,196	188,694	163,863	234,976	226,624	245,486	World	153,575	158,564	208,085	194,157	189,812	200,264
Iraq	64,322	74,214	71,640	110,349	87,293	115,247	Iraq	71,998	73,786	88,864	93,720	90,819	103,447
Syria	3,785	18,450	5,928	9,204	25,094	23,575	Syria	25,580	18,873	26,644	17,399	19,654	25,800
Indonesia	0	6,244	7,680	19,013	16,019	13,502	Sudan	220	60	32	23	9,789	16,615
Angola	4,308	2,879	8,945	11,918	10,687	12,734	Angola	8,407	10,948	13,521	15,688	12,355	12,098
Philippines	13,446	19,434	9,843	16,286	19,926	11,957	Philippines	11,465	9,527	14,574	12,346	8,692	7,376
Palestine	1,599	1,257	2,291	1,215	5,061	11,781	Palestine	785	4,225	2,581	5,206	4,150	5,369
United Arab Emirates	599	1,528	1,629	11,861	11,570	11,438	Benin	2,412	3,693	4,270	4,811	6,879	3,882

US Wheat Imports

The Turkish wheat market is still closed (in practice) to U.S. wheat due to genetically engineered (GE) testing requirements that are applied only to U.S. wheat. Although there is no GE wheat commercialized in the United States, Turkey's testing methodology would detect low levels of corn or soybean in any wheat shipments. Although approved for feed use, Turkey has yet to approve any GE traits for food use. Detections of any GE in a wheat shipment would, therefore, violate the Biosafety Law. The Law specifies severe prison terms and fines for the detection of any unapproved trait.

BARLEY

Production

Post maintains production at 4 MMT. Central Anatolia produces more than half of Turkey's barley crop and experienced serious drought in 2013/2014. Central Anatolia relies almost entirely on precipitation. Barley yields in the region were more than 50 percent lower in MY 2014/2015 compared to the previous MY.

Barley planting is finished. The 2015/2016 barley area is essentially the same as in 2014. A barley shortage and high prices in 2014 attracted farmers, especially in central Anatolia. Weather conditions after planting are favorable for barley. Due to insufficient domestic stocks, post forecasts Turkish barley imports at 1.5 MMT.

CORN

Production

The second crop corn harvest is almost completed in Turkey. Only small areas in the GAP region continue to harvest. Due to unexpected increase in second crop yields in the GAP region, Post revised the corn production forecast to 4.8 MMT, an increase of 200,000 MT. In some regions the yield reached 8-8.5 MT/hectare (MT/ha). Production quality in the region between Mardin, Batman and Bismil was very poor. One reason for poor production was that some products had to wait in field due to transportation problems.

Second crop began October 15, 2014, in the Çukurova region. Yields are 6-6.5 MT/ha, compared to 7-8.5 MT/ha in a normal season. Especially in Adana, farmers preferred soy to corn for second crop due to higher yields.

Corn area is continuing to increase throughout Turkey in MY 2015/2016, especially in the southeastern GAP region, in Çukurova, and around Konya. Low cotton prices in 2014 may encourage many farmers to plant corn instead in the Çukurova region. Corn area is increasing in Central Anatolia due to an increase in the availability of irrigation. In the Aegean region, there will be some shifts from cotton to corn.

In addition to agricultural supports, farmers know that the Turkish Grain Board (TMO) will intervene in case of any unexpected price reduction.

Silage corn production is also increased over last year. The GOT increased silage corn support from 70 Turkish Lira (TL)/hectare ($54/hectare) in 2005 to 750 TL/hectare ($315/hectare) in 2014. (The exchange rate at the beginning of February 2015 was 2.4 TL to $1.)

TMO announced the corn domestic procurement price at 680 TL/MT ($315/MT) on August 15, 2014. The Dollar was 2.16 Turkish Liras (TL) on August 15, 2014, which was 1.93 TL on the same day in 2013. Last year, the procurement price was 640 TL/MT ($331/MT).

TMO procured 1,373,444 MT of corn in MY2013. However, TMO has only procured 175,000 MT of corn in MY2014 because most farmers preferred to sell to the private sector. Also, as in last year, farmers are required to take an appointment date through a web-based system to sell their crop to TMO.

The corn market price at the Adana Commodity Exchange was about 691 TL/MT ($288/MT) at the end of January 2015. It was 635 TL/MT ($288/MT) in January 2014.

Turkish corn production is insufficient to meet domestic consumption requirements. Post forecasts Turkish corn imports at 1.5 MMT in MY 2014/2015. Consumption is fuelled by strong poultry and livestock production. Turkish broiler and layer production grew about 9 percent since 2013, which livestock production has increased 10 percent.

RICE

Production

Post reduces MY 2014/2015 rice production 20,000 MT to 460,000 MT on low yields. Paddy rice harvest began in the Edirne and Gönen regions on September 9, 2014. All of Turkey's paddy rice harvest is completed. The domestic harvest milling rate is around 67 percent. Production was characterized by low yields and better milling rates due to heavy rains, weeds, and late planting. However, the yield was very high in some regions like İpsala, where farmers planted on fallow land.

Trade

The industry has struggled with several problems recently. High value-added tax on rice is still a significant policy problem in terms of unfair competition between millers. The tax on paddy rice is 1 percent, whereas the tax on milled rice is 8 percent. However, the Prime Minister announced on December 9, 2014, that the GOT plans to reduce the value-added tax rate from 8 percent to 1 percent (the same as for paddy rice). The GOT has not set the date when the reduction will take place. This change is expected to have two positive outcomes for the sector. First, the tax abatement may discourage unregistered rice milling. Second, the abatement will likely reduce the retail price.

Although a tax reduction is expected to benefit the sector, Turkish millers and retailers continue to face problems. There are nearly 200 paddy rice factories in Turkey, but they can use only 33 percent of their capacities, resulting in substantial production inefficiencies. Retailers also face pressure from afternoon TV programs that recommend reduced rice consumption for a healthy diet. Meanwhile, retailers harm consumer trust through efforts to save money by blending varying qualities of rice.

Turkish paddy rice production is insufficient to meet domestic consumption requirements. Although the U.S. has been the biggest supplier for several years, Calrose rice, which is favored by Turkish consumers, has become too expensive due to soaring prices in California. The FOB price of Calrose variety rice is $1,300/MT, and has a 45-percent tariff. Jupiter variety rice is an U.S.-origin alternative, but importers are concerned about the risk of possible GE detections.

Turkey: Rice Imports, MY2013	
Countries	Quantity (MT)
United States	172,872
India	67,338
Russia	39,909
Portugal	32,792
Italy	24,735
Bulgaria	19,066
Thailand	11,219
Others	46,001
Total	413,932

Market

TMO has not procured domestic paddy rice since late 2013. Farmers are expecting prices to improve, so transaction volume was low in the market after harvest in October and September. TMO announced on October, 23 and December 10, 2014, that TMO is monitoring the sector and that TMO may sell paddy rice or milled rice to reduce market prices. TMO imported 35,000 MT of paddy rice and 33,000 MT of rice in late 2013, and opened their stocks to sell on the retail market under their brand in early 2014. TMO has already imported 8,000 MT of rice and 40,000 MT of paddy rice after the harvest in 2014. The bulk price of Osmancık variety rice increased from 2,300 TL/MT ($1,161/MT) in October 2013 to 3,050 TL/MT ($1,281/MT) in January 2015.

The TMO retail price for Osmancık and Calrose varieties are 2.7 TL/kg ($1.13/kg).

Agricultural Policy

Turkey’s total agricultural support budget is 10.1 billion TL ($4.3 billion) in 2015. The GOT allocated 3 billion TL from the total support budget to the livestock sector. Premium payments for grain, oilseeds, cotton and olive oil also reached 3 billion TL. Direct support payments (payments made directly to farmers based on farm land) are also about 3 billion TL. Moreover, the GOT has subsidized nearly 93 billion TL in credit for agriculture over the last 11 years.

The GOT plans to double supports to the pulses sector in 2015 to encourage domestic production and reduce imports, and thereby the foreign trade deficit.

Food Price Inflation

Food price inflation is a big headache for the Turkish government. The Central Bank of Turkey projected food price inflation at 12 percent in December 2014. Turkey's Consumer price index (TUFE) is 8 percent. The GOT established a committee for the evaluation of food and agricultural market in December 2014 due to concerns over the effects of inflation on food prices. The committee consists of the Undersecretaries of Ministries of Agriculture, Economy, Customs, Commerce, Development, and Finance; as well as the Undersecretary of the Treasury, Governor of Central Bank, and President of Turkish Statistic Institute. The committee will meet every 3 months and write a report about price fluctuations.

Inward Processing Regime

Turkey's Inward Processing Regime (IPR) is an export incentive system allowing Turkish manufacturers/exporters to obtain raw materials, intermediate unfinished goods that are used in the production of the exported goods without paying customs duty and being subject to commercial policy measures. Implementation of the IPR obliges the owner of the IPR authorization to export goods based on the import rights stated on the authorization. The basic purpose of the IPR is to ensure Turkish industries have access to raw materials at world prices, enhancing the competitiveness of Turkish exports.

For 20 years, Exporter Unions, consisting of export companies and authorized by the Ministry of Economy, have confirmed the export of the products that entitle the receipt of an IPR certificate. IPR certificates may only be issued after companies have exported production.

In the recent times, however, the Ministry of Customs and Trade has investigated the abuse of the IPR. Meanwhile, the Turkish Court of Accounts (Sayıştay) has also criticized the system for allowing the same people who benefit from the use of IPR certified imports to confirm their own exports.

With the notification published in the Official Gazette dated 10 December 2014, No. 29201, it is announced that exports will be confirmed by the Ministry of Economy instead of Exporter Unions - effective 1 January 2015.

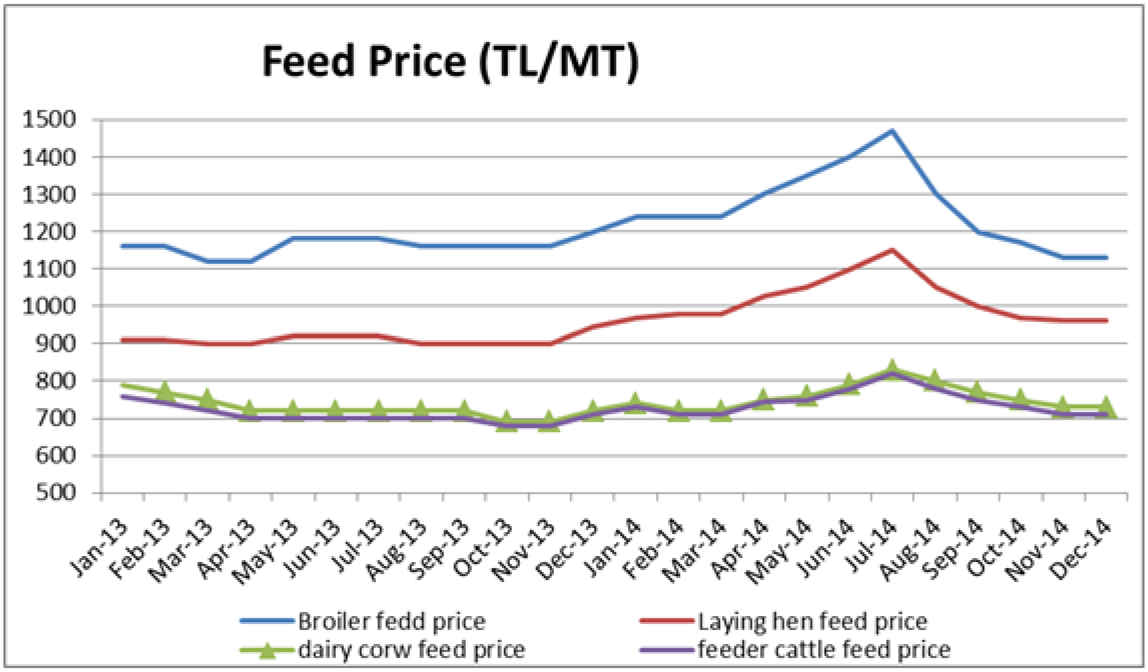
Although some claim that the amendment will prevent abuse of the IPR, others worry about the possibility of rendering the regime ineffective.

TURKISH GRAIN BOARD (TMO)

TMO did not procure domestic wheat in 2014 due to significant decreases in the domestic harvest. However, a Cabinet of Ministers Decision published in the Official Gazette on April 19, 2014 authorized TMO to import 4.2 million tons of wheat, barley, rice and corn at a zero customs duty. In this scope, TMO imported 1.15 MT of wheat, 0.7 MT of barley, 8,000 MT of rice, and 40,000 MT of paddy rice.

FEED SECTOR

The effect of decreased domestic poultry consumption on compound feed demand was compensated by increasing egg feed demand. The long term feed sector growth rate has been around 10 percent. Compound feed production was 16 MMT in 2013, and 2014 production is estimated at 17.5 MMT.



Distiller's dried grains with solubles (DDGS) were very popular in the Turkish feed industry in the past few years due to low prices, and high protein and oil contents. However, Turkey is effectively no longer accepting imports of U.S. corn co-products following the stepped-up enforcement of the Biosafety Law that restricts the import of GE corn varieties to a list of approved traits. Three shipments of U.S. DDGS were rejected in late 2014 following the detection of unapproved GE traits, and for the same reason at least one other vessel of U.S. DDGS was diverted from Turkey to another buyer. The change in testing procedures appears to be the result of pressure applied by domestic companies that contend with testing at import as well as testing conducted on final products sold in the market. The lack of DDGS imports will increase demand for other feed materials such sunflower meal, wheat bran, and canola meal in 2015.

PSD Tables

Wheat	**2012/2013**		**2013/2014**		**2014/2015**	
Market Begin Year	**Jun 2012**		**Jun 2013**		**Jun 2014**	
Turkey	**USDA Official**	**New post**	**USDA Official**	**New post**	**USDA Official**	**New post**

Area Harvested	7,800	7,800	7,700	7,700	7,710	7,710
Beginning Stocks	3,062	3,062	1,245	1,595	1,189	2,189
Production	15,500	16,000	18,000	18,750	15,000	15,250
MY Imports	3,622	3,622	4,035	4,035	5,800	5,000
TY Imports	3,312	3,622	4,154	4,154	5,500	5,000
TY Imp. from U.S.	347	347	15	15	0	0
Total Supply	22,184	22,684	23,280	24,380	21,989	22,439
MY Exports	3,439	3,439	4,441	4,441	3,800	3,800
TY Exports	3,583	3,583	4,294	4,294	3,800	3,800
Feed and Residual	700	850	850	950	300	500
FSI Consumption	16,800	16,800	16,800	16,800	16,800	16,800
Total Consumption	17,500	17,650	17,650	17,750	17,100	17,300
Ending Stocks	1,245	1,595	1,189	2,189	1,089	1,339
Total Distribution	22,184	22,684	23,280	24,380	21,989	22,439
1000 HA, 1000 MT, MT/HA						

Barley	**2012/2013**		**2013/2014**		**2014/2015**	
Market Begin Year	**Jun 2012**		**Jun 2013**		**Jun 2014**	
Turkey	**USDA Official**	**New post**	**USDA Official**	**New post**	**USDA Official**	**New post**
Area Harvested	3,300	3,300	3,330	3,330	3,400	0
Beginning Stocks	910	450	469	150	899	730
Production	5,500	5,500	7,300	7,300	4,000	4,000
MY Imports	259	250	86	50	1,500	1,500
TY Imports	266	250	596	50	750	750
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	6,669	6,200	7,855	7,500	6,399	6,230
MY Exports	0	50	6	50	5	5
TY Exports	0	50	9	50	5	5
Feed and Residual	5,300	5,100	6,000	5,800	5,200	5,200
FSI Consumption	900	900	950	920	850	850
Total Consumption	6,200	6,000	6,950	6,720	6,050	6,050
Ending Stocks	469	150	899	730	344	175
Total Distribution	6,669	6,200	7,855	7,500	6,399	6,230

1000 HA, 1000 MT, MT/HA

Corn	2012/2013		2013/2014		2014/2015	
Market Begin Year	Sep 2012		Sep 2013		Sep 2014	
Turkey	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	525	525	580	580	550	550
Beginning Stocks	345	345	291	291	642	642
Production	4,400	4,400	5,100	5,100	4,600	4,800
MY Imports	1,662	1,662	1,304	1,304	1,500	1,500
TY Imports	1,656	1,656	1,381	1,381	1,500	1,500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	6,407	6,407	6,695	6,695	6,742	6,942
MY Exports	16	16	253	253	50	50
TY Exports	17	17	252	252	50	50
Feed and Residual	5,150	5,150	4,800	4,800	5,350	5,350
FSI Consumption	950	950	1,000	1,000	1,050	1,050
Total Consumption	6,100	6,100	5,800	5,800	6,400	6,400
Ending Stocks	291	291	642	642	292	492
Total Distribution	6,407	6,407	6,695	6,695	6,742	6,942
1000 HA, 1000 MT, MT/HA						

Rice, Milled	2012/2013		2013/2014		2014/2015	
Market Begin Year	Sep 2012		Sep 2013		Sep 2014	
Turkey	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	103	103	98	98	95	95
Beginning Stocks	270	270	194	194	245	245
Milled Production	483	483	500	500	480	460
Rough Production	721	721	746	746	716	687
Milling Rate (.9999)	6,700	6,700	6,700	6,700	6,700	6,700
MY Imports	235	235	341	341	300	300
TY Imports	234	234	350	350	300	300
TY Imp. from U.S.	86	86	110	110	0	0
Total Supply	988	988	1,035	1,035	1,025	1,005
MY Exports	34	34	20	20	30	30
TY Exports	8	8	20	20	30	30

Consumption and Residual	760	760	770	770	780	780
Ending Stocks	194	194	245	245	215	195
Total Distribution	988	988	1,035	1,035	1,025	1,005
1000 HA, 1000 MT, MT/HA						