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Grain and Feed Update

July 2013 Grain and Feed Update

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Report Highlights:
Marketing year (MY) 2013 was the year of barley in Turkey. Wheat product is forecast at 18 million metric tons (MMT) and durum was revised to 2.4 MMT, although of lower quality. Corn and sunflower areas are increased. Corn production is forecast at 4.9 MMT.

Post:
Ankara

Executive Summary:
Wheat production is forecast at 18 million metric tons (MMT) in marketing year (MY) 2013. Durum wheat production re-estimated at 2.4 MMT due to high planting area in Central Anatolia and especially in Southeast Anatolian Project (GAP) region. But low quality of durum wheat, especially in Central Anatolia, is a big problem at the moment.

Wheat area decreased compared to last year and is below the long term trend. Corn area increased. Corn and sunflower area increased in Cukurova, GAP and Southeast Anatolia region. Sunflower area increase was very dramatic in Central Anatolia and Cukurova region. Corn area in Cukurova region and Southeast Anatolia region will be consistent with long term averages.

Barley yield was very good. It was better than wheat yield. Most farmers called MY 2013 a barley year due to high yield.

Corn area increase and production estimate revised up. Corn production is forecast at 4.9 MMT. Corn area gained land from cotton in Cukurova and the GAP region, and land from wheat in Central Anatolia. Sunflower and cotton were the two major crops that attracted farmers heavily in MY 2013.

Production

Wheat

Wheat harvest is completed all over Turkey. Due to warm weather conditions harvest time took place 10 days before the normal harvest time in almost all regions. There were two major important facts observed at the harvest. One was the very low quality of wheat harvested and second is the bumper crop harvest expectation in some regions have not realized due to harsh weather conditions just before or during harvest. The trend to increase corn area and sunflower area continued and is expected to continue in the following years. The main drivers of that trend are the high price of sunflower seed (1100 TL/MT, 580 USD/MT) and the low cost of production and ready buyers for sunflower seed. Yield of sunflower is around 250 kg/da but the high price and low cost (150 TL/MT) is very attractive for farmers.

High level of investment in the dairy and poultry sectors increased feed demand and obviously increased corn demand. The GAP region is another success story for corn as a second crop, which has a high second crop yield. Increased corn area took area from cotton in the GAP region, but did not affect wheat area.

Cukurova region and Amik valley

Harvest started on May 15, 2013 and completed on June 10, 2013 with favorable yield due to rain in April and May. Wheat yield was very close to long term yield level. The major problem in the region is that nearly 10% of wheat area decreased due to an increase in corn area. Moreover soybean and peanut area are also increased in the region. In the long term this region focused on fruit production such as citrus, plums, peaches, corn, peanut and soybean production. Farmers choose not to grow cotton in the region despite very high levels of government support to cotton, due to the cost of production and lack of available workers. Quality problems were observed in some regions due to rain during harvest. But the quality of wheat was higher than average wheat quality in MY 2013. High yield (15% more on long term average) in Ceyhan valley and Lower Yuregir valley was observed. 10% higher than long term average yield was observed in Imamoglu and Kozan region. Quality in the region was very inconsistent. There were big differences in protein and energy levels even among neighboring lands.

In Hatay region strong south-west winds and high amounts of rainfall in May decreased the quality, and yield was very close to long term yield.

GAP region

In Harran valley harvest time rain badly affected the region. There are local quality and yield problems observed. Post forecasted a 10% loss in Harran valley harvest. Durum wheat production increased but milling wheat area decreased in the region.

Another problem was observed in the valley between Batman and Diyarbakir. Durum wheat was not affected but milling wheat was affected in the region.

In Mardin region high yield but low quality was observed. April rainfalls and south winds deteriorated quality.

Central Anatolia

There was a 15% yield increase in the region, but low energy and protein levels are major concerns at the moment.

In Polatli region, very hot weather during harvest damaged quality. Protein contents were low but most importantly the energy level of wheat in the region is very low.

In Konya region, yield and quality losses were observed in the Sarayonu, Cihanbeyli and Kulu areas, but high yield in the Altinekin and Eregli regions.

Yield and quality in Corum and Nevsehir were better than average in Central Anatolia. The yield in the Ankara region was 10% lower than the long term average, especially around Golbasi.

Sunn pest damage was higher than last year, especially in Eskisehir and some part of Konya region.

Thrace region

One of the most surprising harvest results came from Thrace region. Yield loss reached 20%. Strong rain and wind during growing season badly affected the product in terms of quality and quantity. Weather during harvest was very hot and sunn pest damage also had an impact. The Turkish Grain Board (TMO) is very active in the region purchasing low quality wheat.

Aegean region

Due to unexpected rain in the end of April and May the quality of crop deteriorated but yield was not affected. In Soke region, new varieties introduced by seed companies were harvested early and were not affected by the rainfall. This new variety will increase second crop cotton production in the region because of the opportunity to harvest early.

Turkey: Wheat production and yield									
Regions	MY 2013 Avg. yield (MT/HA)	Long term Avg. yield (MT/HA)	Harvest Time	MY 2011		MY 2012		MY 2013	
				Harvested Area (ha)	Production (MT)	Harvested Area (ha)	Production (MT)	Harvested Area (ha)	Production (MT)
Cukurova region	4.9	4.5-5.5	May 10-June 10	250,000	1,175,000	260,000	1,250,000	250,000	1,225,000
Hatay region	4	4.5-5.5	May 25-June 25	85,000	399,500	85,000	250,000	80,000	320,000
Southeast region	3.2	3-3.5	May 15-June 25	800,000	2,320,000	900,000	2,250,000	810,000	2,592,000
Central Anatolia	2.3	1.5-2	June 25-July 25	3,000,000	7,140,000	2,990,000	4,500,000	2,900,000	6,670,000
Polatli	3	3.3	June 15-July 20	130,000	442,000	130,000	300,000	130,000	390,000
Aegean region	3	3	May 25-June 25	550,000	1,650,000	550,000	1,500,000	550,000	1,650,000
Aydin region	4	4	May 20-June	6,000	24,000	6,000	45,000	6,000	24,000

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Thrace	3.5	4.1	June 15-July 15	600,000	2,460,000	600,000	2,450,000	600,000	2,100,000
Other regions	1.3	1.5	June 15-July 15	2,300,000	3,220,000	2,300,000	3,200,000	2,380,000	3,094,000
Total	2.3	2.3	My 15-July15	7,721,000	18,830,500	7,821,000	15,745,000	**7,706,000**	**18,065,000**

Wheat trade

The quality problem in Thrace region changed domestic wheat flour trade. High quality wheat flour producers in Konya region started to supply wheat flour to Marmara region due to low quality and low yield problem in Thrace region.

High quality wheat flour producers in Konya region purchased domestically produced high quality wheat and put it in their stocks. Major wheat flour exporters, which are located in Southeast and South part of Turkey, are short of high quality wheat and expected to import to blend with low quality domestic wheat.

In Diyarbakir region due to logistic problem TMO was very active in wheat purchase.

TURKEY: MAJOR WHEAT SUPPLIERS				
Country	**MY 2009 (MT)**	**MY 2010 (MT)**	**MY 2011 (MT)**	**MY 2012 (MT)**
Russia	2,184,316	587,409	2,401,532	2,322,172
Kazakhstan	432,536	486,313	467,409	580,613
Ukraine	108,802	581,657	94,702	150,201
Hungary	18,458	131,569	2,680	33,973
Moldova	40,049	53,366	3,146	25,470
U.S.	0	1,065,573	105,158	285,037
Others	50,427	1,119,094	53,781	582,385
MY Total	2,923,536	4,133,513	3,178,710	3,979,851

Turkey imported 200,845 MT of durum wheat from Canada, 138,336 MT from Greece and 84,901 MT from Mexico in MY 2012. In our previous report Post stated that there will be a durum wheat shortage. Industry acted very slowly on durum wheat imports due to the high durum wheat production forecast from government sources. Post forecasted 350,000 MT of durum wheat imports in MY 2013. Currently there is one panamax size vessels unloaded at Mersin port from Mexico to supply pasta factories in Gaziantep. There is still demand for Mexican durum wheat due to price advantages over

European. Strong pasta exports and increased domestic use allow pasta factories to use their extended capacity. U.S and Canada have a chance to export durum wheat to Turkey. There is now around 10-15 USD price difference over Mexican durum wheat. Domestic durum wheat prices are 770 TL/MT for high quality and 700 TL/MT for medium quality.

There is high demand for high quality wheat at the moment. Local high quality wheat price increased to 800 TL/MT (416 USD/MT). The major problem is energy needed at domestic mills. High energy products will be appreciated at the market. Kazakh wheat and Russian 13% protein and higher will have high market share at the market. German, Lithuanian, Romanian and Hungarian wheat will have chances at the market. Domestic millers have high hope that U.S DNS and HRW prices will decrease in the autumn and then they will purchase it from the U.S. At the moment traders offer 360 USD/MT C&F price for U.S wheat but traders are looking forward to purchase at around 310-320 USD/MT. Hungarian wheat already started to be traded at the domestic market. Russian 13.5-14.5% protein wheat are the demanded wheat at the moment. Within a 15-day period Russian 13.5% wheat price increased from 250 USD/MT to 270 USD/MT (price on July 26, 2013). Overall, Post forecasted 3.5 MMT of wheat import in MY 2013.

Due to low quality yield Turkey will be competitive on low quality product exports such as biscuits, low quality wheat flour. Major concern is the new anti-damping investigation carried out by Philippines. But there is strong hope that Indonesia will give quota to Turkish flour exporters.

Poultry producers and feed traders enjoyed low quality yield since they were able to purchase wheat at 620 TL/MT (322 USD/MT) delivery to their facility. In the end of July, 2013 poultry processors stopped purchasing wheat but concentrated on upcoming bumper corn crop harvest.

Market price for low quality wheat price (11% protein or below) is 580-620 TL/MT, medium quality wheat (11-12.5%) is at 650-740 TL/MT and high quality wheat (13% and above) is 800 TL and above.

There is very strong wheat flour demand at domestic market due to Ramadan period which increased wheat flour price to 52 TL/bag (50 kg).

Inward process regime certificate price increased to 110 USD/MT which was 75 USD just 3 months ago. This is a big help to balance wheat flour exporters financial tables. Two big wheat flour exporters currently hold 40% of inward process regime certificate which increase the certificate price.

Iraq wheat flour market is not very active at the moment but they expect the gain some acceleration on trade after Ramadan. Africa market is still very active and at the target of Turkish wheat flour exporters. Another important market to them is Philippines and wheat flour exporters are very concerned about anti-damping investigation.

Wheat flour export to Syria reached to 74,391 MT in MY 2012. There is still strong demand but due to logistic and financial problem this trade at the moment is almost stopped. Wheat flour export to Indonesia decreased dramatically but Philippine wheat flour export increased and turned as a new and important market. Trade share of Africa is increasing; Angola and Sudan are the most important markets at Africa.

Turkey: Major wheat flour markets (MT)			
Country	**MY 2010**	**MY 2011**	**MY 2012**
Iraq	800,330	911,912	912,998
Indonesia	450,584	346,028	108,332
Philippines	74,172	136,752	159,600
Thailand	31,797	51,597	34,270
Angola	698	35,588	61,216
Israel	37,653	32,411	20,350
Libya	33,488	204,630	18,688
Sudan	14,073	17,565	57,616
Yemen	7,845	1,334	1,746
Others	331,662	415,763	493,764
MY Total	**1,782,302**	**2,153,580**	**1,868,580**

Policy

A new bread codex regulation went into effect on July 1, 2013 which banned all additive use in bread manufacturing. This will lead extra demand for high protein content wheat in Turkey.
TMO purchased 1.7 MMT of wheat and expected to purchase 50,000 MT more and close purchases at 1.75 MMT. TMO carry out stock was 1.5 MMT. Most of TMO wheat purchases were of very low quality. Moreover, due to durum wheat quality problems TMO purchased 300,000 MT of durum wheat from farmers.

Corn production

Corn area increase and production is revised by Post. Corn production is forecast at 4.9 MMT in MY 2013. First crop corn area increased in Cukurova region which reduced some cotton area. Most farmers in the Cukurova region do not prefer second crop corn production. Those few who do are called "adventurous people". They plant second crop corn due to low yield and disease problems. But in GAP region there is a totally different scenario. Second crop corn production increased dramatically in the region not only in Harran and Kiziltepe valleys, but corn area increased also in Diyarbakir and Batman valleys. Second crop corn yield last year was a record level. Some farmers had even 1,700 MT/da second crop corn harvested which is quite unusual. But in general second crop corn yield increased in the region. Farmers in GAP region are usually not happy with 950 KG/da yield.

Another important development is in Central Anatolia. Corn area increased and gained some land from sugar beet and wheat.

Corn trade

First crop corn harvest will start within two weeks. Corn starch producers usually purchase first crop corn, and second crop corn is usually purchased by feed millers.

Distiller Dried Grains and Solubles (DDGS) trade is still not a safe haven for big traders but local traders enjoy DDGS trades. Biotechnology is still a big question mark for DDGS sector.

Due to the Biosafety Law, trade shifted from U.S to Russia and Ukraine. Traders were told that Russian and Ukraine corn harvest will be good in MY 2013. They will continue to work with Russia and Ukraine on corn trade unless biotechnology is resolved. Corn imports reached 1.1 MMT, with 645,000 MT imported from Russia and 428,000 MT imported from Ukraine. Due to bumper domestic crop traders do not expect high levels of imports in MY 2013.

Barley

Production

Barley production was at a record level in MY 2013. High yield and high prices made farmers happy. Farmers called MY 2013 a barley year. In Central Anatolia yield was higher than wheat in some regions. High quality in GAP region surprised most traders and farmers.

Barley area was also increased. Due to the barley shortage last year farmers extensively planted barley in Central Anatolia. Barley has been traditionally known as a crop for dry land in Central Anatolia but high yield and high prices attracted farmers to plant barley in very good soil in Central Anatolia and this trend will continue in MY 2014.

Paddy rice

Paddy rice area decreased 10% in Thrace region. Due to multiple year rice cultivation the land is tired now. Some farmers choose to let their land go fallow.

Paddy rice growing at the moment is very good. The weather is very favorable. Recently the Turkish government allowed farmers to use airplanes to combat weeds and wild plants. Last year in some land farmers had record yield such as 900 kg/da. This year farmers are very optimistic and hope to get around 700-800 kg/da yield, especially from the Osmancik variety.

Even though there is Ramadan period domestic demand is very low at the moment. Claims of genetically engineered (GE) “contamination” in rice terrified high-end consumers who like to eat rice instead of bulgur. Rice consumption is still very cosmopolitan. For rural consumers, rice is a luxury product.

Traders are afraid to import rice from the U.S due to the GE claims in April 2013. Traders especially decided not to import Jupiter varieties from Southern U.S, at least to be on the safe side. Some traders are still willing to import Calrose varieties from California, but are extra cautious for testing and

shipments.

Turkey's rice exports slowed down due to the inability to import cheap paddy rice. In the past millers imported Jupiter paddy rice, and after milling it, sold it to Middle Eastern countries. But now they are no longer able to import cheap paddy rice from either the U.S or from Russia. Russian rice was very problematic. Some vessels were rejected because of nematode problems, but most importantly due to inconsistent quality and the impact on milling efficiency. As a result, importers looked for sources other than from Russia.

The recent import quota allocation from Egypt already ended and there were small amounts of imports. Due to turmoil in the region traders do not expect any other imports from Egypt.

Wheat Turkey	**2011/2012**		**2012/2013**		**2013/2014**	
	Market Year Begin: Jun 2011		**Market Year Begin: Jun 2012**		**Market Year Begin: Jun 2013**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	7,700	7,700	7,800	7,800	7,700	7,706
Beginning Stocks	2,185	2,095	3,062	2,995	1,462	1,674
Production	18,800	18,800	15,500	15,500	17,600	18,000
MY Imports	3,847	3,800	3,700	3,979	3,200	3,500
TY Imports	4,414	3,800	3,500	3,500	3,000	3,000
TY Imp. from U.S.	0	95	0	285	0	200
Total Supply	24,832	24,695	22,262	22,474	22,262	23,174
MY Exports	3,670	3,600	3,300	3,300	3,200	3,400
TY Exports	3,678	3,700	3,300	3,300	3,200	3,400
Feed and Residual	1,400	1,400	700	700	800	850
FSI Consumption	16,700	16,700	16,800	16,800	16,800	16,800
Total Consumption	18,100	18,100	17,500	17,500	17,600	17,650
Ending Stocks	3,062	2,995	1,462	1,674	1,462	2,124
Total Distribution	24,832	24,695	22,262	22,474	22,262	23,174
1000 HA, 1000 MT, MT/HA						

Corn Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Sep 2011		Market Year Begin: Sep 2012		Market Year Begin: Sep 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	450	450	525	525	550	580
Beginning Stocks	367	367	345	345	370	370
Production	3,600	3,600	4,400	4,400	4,500	4,900
MY Imports	699	699	1,300	1,300	700	500
TY Imports	729	729	1,300	1,300	700	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4,666	4,666	6,045	6,045	5,570	5,770
MY Exports	21	21	25	25	25	30
TY Exports	19	19	25	25	25	30
Feed and Residual	3,400	3,400	4,700	4,700	4,200	4,200
FSI Consumption	900	900	950	950	950	950
Total Consumption	4,300	4,300	5,650	5,650	5,150	5,150
Ending Stocks	345	345	370	370	395	590
Total Distribution	4,666	4,666	6,045	6,045	5,570	5,770
1000 HA, 1000 MT, MT/HA						

Barley Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jun 2011		Market Year Begin: Jun 2012		Market Year Begin: Jun 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,200	3,200	3,300	3,300	3,310	3,330
Beginning Stocks	724	190	910	450	510	150
Production	7,000	7,000	5,500	5,500	7,100	7,300
MY Imports	39	60	250	250	50	50
TY Imports	46	60	250	250	50	50
TY Imp. from U.S.	0	0	0	0	0	
Total Supply	7,763	7,250	6,660	6,200	7,660	7,500
MY Exports	103	150	50	50	50	50
TY Exports	103	150	50	50	50	50
Feed and Residual	5,800	5,700	5,200	5,100	5,800	5,800
FSI Consumption	950	950	900	900	900	920
Total Consumption	6,750	6,650	6,100	6,000	6,700	6,720
Ending Stocks	910	450	510	150	910	730
Total Distribution	7,763	7,250	6,660	6,200	7,660	7,500
1000 HA, 1000 MT, MT/HA						

Rice, Milled Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Sep 2011		Market Year Begin: Sep 2012		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	105	105	103	103	98	98
Beginning Stocks	292	292	270	270	223	223
Milled Production	502	502	483	483	470	490
Rough Production	749	749	721	721	701	731
Milling Rate (.9999)	6,700	6,700	6,700	6,700	6,700	6,700
MY Imports	315	315	300	300	350	330
TY Imports	271	271	300	300	350	330
TY Imp. from U.S.	114	114	0	0	0	120
Total Supply	1,109	1,109	1,053	1,053	1,043	1,043
MY Exports	89	89	80	80	50	50
TY Exports	99	99	60	60	50	50
Consumption and Residual	750	750	750	750	775	745
Ending Stocks	270	270	223	223	218	248
Total Distribution	1,109	1,109	1,053	1,053	1,043	1,043
1000 HA, 1000 MT, MT/HA						