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**Date:** 1/23/2018

**GAIN Report Number:** TR8004

## **Turkey**

### **Grain and Feed Update**

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**Report Highlights:**

In an effort to tackle food price inflation, Turkey has implemented temporary tariff reductions on rice. Tariffs ranging between 34-45 percent (depending on the product) were reduced to between 5-15 percent. The reductions are in place until July, sparking increased interest in imports. Barley tariffs have been temporarily eliminated until April, and some tariffs on pulses are zero until June. The marketing year (MY) 2017/18 wheat production forecast overall is up despite drought in some regions, and corn production is slightly down. Barley production is lower than expected so imports will increase. Turkey's wheat products exports are on target for another record in MY 2017/18.

# Turkey Grain and Feed Update January 2018

## EXECUTIVE SUMMARY

According to a decree published in the Official Gazette on December 31, 2017, paddy rice, brown rice and milled rice tariffs were reduced until July 1, 2018 from 34, 36 and 45 percent to 5, 10 and 15 percent respectively. The Government of Turkey (GOT) also decreased tariffs for barley from 35 percent to 0 percent until April 1, 2018. The GOT also temporarily eliminated tariffs for chickpeas, certain beans, and cowpeas in December 2017. Corn production and imports are forecast at 5.4 million metric tons (MMT) and 1.7 MMT in marketing year (MY) 2017/18. Post revised its barley production forecast down to 6.3 MMT and import forecast up to 500,000 MT.

## PRODUCTION

### *Wheat*

Despite drought conditions in some parts of Turkey, Total wheat production is forecast at 19.5 MMT in MY 2017/18, up about 13 percent compared to the previous marketing year. This is due to well-distributed rains in the spring, which partly compensated for the dry winter conditions.

Like last year, there is a drought again in Turkey. After the wheat planting finished, very dry weather in the Eastern part of Turkey caused concern. According the Turkish National Meteorological Service data, although rainfall in MY 2017/18 was higher than the previous year, it is lower than the national historical average. Average rainfall in Turkey from October 2017 through December 2017 was 163.2 millimeters (mm), 10 percent higher than the same period in 2016 when rainfall was 148.4 mm. Even though 2017 autumn weather was wetter than 2016, it was still 18.2 percent lower than the national historical average. Extreme drought is particularly concentrated in Southeast Turkey and Eastern Anatolia. Rainfall in the Southeast region is 54 percent lower than last year and 57 percent lower than the national historical average.

Certified seed use is expected to increase due to the government's encouragement to farmers to use it. Higher quality seeds are expected to lead to better yields.

### *Barley*

Post revised the production forecast down to 6.3 MT of barley in marketing year 2017/18. The decrease is primarily due to late rains in springtime, which were not enough to eliminate winter drought effects in a few areas in Central Anatolia.

### *Corn*

Corn production is forecast at 5.4 MMT in MY2017/18, down slightly from last year. The second crop corn harvest was completed in almost all regions by the end of the December. Second crop corn yields were close to expectations. In the southeast of Turkey, where most of the second crop corn was harvested (900,000 MT of corn), yields were around 900-1,100 MT/ha. Winter drought conditions in the region contributed to better quality corn. Some farmers in Harran, in the Southeast Region, who used to

plant milling wheat as a first crop and corn as a second crop, have switched back to cotton instead of double cropping. Farmers in Kiziltepe, Southeast region, grew corn for their second crop. In the Cukurova region, yields were around 650 MT/ha, which was on the low side of average, as typically yields are 600-850 MT/ha in a normal season.

### Rice

MY 2017/18 total rice area and production are estimated at 99,000 hectares and 776,000 metric tons, up slightly from last year. Paddy rice was planted in April and the harvest was completed in October due to rains. The rice harvest started two weeks late all over the country. According to producers, new seed varieties have contributed to better yields.

## TRADE

Rapid depreciation of the Turkish Lira against foreign currencies, including about 30 percent depreciation with respect to the U.S. Dollar from the period January 2016 to January 2018, is affecting many parts of the economy, but particularly imported goods. The private sector was hesitant to take a strong position in the grain market which caused historically low stocks under opaque economic circumstances with an unbalanced currency floating between 2.8 TL and 4 TL in last two years. In an effort to take some active measures to fight Turkey’s food inflation problems, the Government of Turkey has reduced some tariffs and encouraged direct imports.

**Table 1: Domestic Prices for Commodities and USD/TL Comparison**

	January 2016 (TL)	January 2017 (TL)	January 2018 (TL)	% Change 16/18
Anatolian HRW	870	970	1005	15 %
Durum Wheat	930	990	1060	14 %
Barley	660	830	940	42 %
Corn	630	750	810	28 %
\$USD/Turkish Lira Exchange Rate	<b>2.95</b>	<b>3.75</b>	<b>3.82</b>	<b>29 %</b>

Source: Polatli and Konya Commodity Exchanges, average of January prices; Advance price with Physical Delivery

Turkish Grain Board (TMO) received authorization to import 2.25 MMT of wheat, barley, corn and rice at zero customs duty, authorized through a Cabinet of Ministers Decision published in the Official Gazette on July 29, 2017. This authorization is valid until May 31, 2018 for wheat and barley, and for corn and rice is valid until August 31, 2018. It can be used by TMO in order to stabilize domestic prices during the year. In this scope, TMO issued a series of international tenders to purchase a total of 340,000 MT of wheat, 410,000 MT of corn, 7,000 MT of paddy rice and 5,000 MT of rice since September 2017 in order to meet domestic demand. TMO also procured about 2 MMT of wheat, 205,000 MT of corn after the harvest from the domestic market in MY 2017/18.

Wheat imports are forecast at 5 MMT in marketing year 2017/18 due to strong demand from wheat products exporters. Turkey has imported about 2.3 MMT of wheat during the first six months of MY 2017/18, of which about 320,000 MT was durum wheat. Russia was the main supplier with 1.7 MMT.

Canada (145,000 MT), Lithuania (126,000 MT) and Kazakhstan (115,000 MT) were the other leading suppliers.

Total wheat product exports are forecast to remain at 6.5 MMT, assuming strong demand from major customers continues. Turkey exported 1.74 MMT of wheat flour in the first six months of MY 2017/18, down two percent from a year before. Meanwhile, Turkey exported 540,000 MT of pasta during the same period, up 22 percent from a year before. Turkey could be on track for another record year for wheat products exports.

On December 31, 2017, in their annual announcement of the tariffs for the upcoming year, the GOT decreased the custom tariffs for barley from 35 percent to 0 percent. It will remain in place until April 1, 2018. However, custom tariffs for wheat remain the same, at 45 percent and corn remains the same at 25 percent. The wheat products and feed sectors widely continue to utilize the Inward Processing Scheme for importing tariff-free however.

Post raised the import forecast up to 500,000 MT of barley in marketing year 2017/18 due to TMO’s and the private sector’s imports with zero tariffs after a tough harvest. The barley price is 905 TL/MT in the Polatli Exchange as of January 2018; it was 850 TL/MT last year. Due to insufficient production and insufficient imported barley in the market, the price reached a peak of 1140 TL/MT, but went down after the GOT’s temporary tariff reduction in July 2017 and TMO’s barley imports.

As mentioned in previous reports, traders have paid the price for the ongoing trade war between Russia and Turkey over the last two years. Lots of cargoes, including grain and vegetable shipments, have experienced costly delays or contract cancellations during this period. The last few months have been calmer however, and traders are hoping for things to remain more stable in the future.

Post revised the corn import forecast upward to 1.7 MMT in marketing year 2017/18, due to strong demand from the feed sector after a tough harvest in Turkey. Due to macroeconomic reasons, national corn stocks were historically low in the first part of 2017. TMO issued several tenders after September 2017 (totaling about 410,000 MT) to meet feed sector demand and stabilize the domestic corn price.

The Turkish Grain Board (TMO) did not announce a 2017 paddy rice procurement price due to sufficient demand of private sector for domestic paddy rice.

However, according to a decree published in the Official Gazette on December 31, 2017, paddy rice, brown rice, and milled rice tariffs were reduced until July 1, 2018. The new temporary tariff rates are in the following table. After June 1 2018, tariff rates will be reinstated to the rates before December 31, 2017. The decree in Turkish language can be found [here](#).

**Table 2:** Tariff Rate for paddy rice, brown rice and milled rice

Tariff Rate HS: 1006100,100620,100630			
	1006100 Paddy Rice	100620 Rice (husked) Brown	100630 Rice (Milled)
Before December 31, 2017	34%	36%	45%

As of December 31, 2017	5%	10%	15%
After June 1, 2018	34%	36%	45%

The announcement of the Government of Turkey (GOT) regarding tariff reductions to fight food inflation caused varying domestic reactions. According to rice importers in Turkey, tariff reductions can be a good opportunity to bring in rice at an attractive cost. This can prevent increases in prices for consumers in Turkey. However, a long-standing phytosanitary restriction related to the Government of Turkey's designation of the white tip nematode as a quarantine pest limits rice trade and increases risks for importers. Additionally, domestic paddy rice producers are concerned about the potential for imports of low-quality rice, and they specifically mention rice from China as a concern. They claim that it is from old crops and are concerned that low quality medium grain rice is posing a risk for domestic production. Consumption is decreasing due to low quality imported rice impacting the reputation of rice in general.

Post increased the rice import forecast to 350,000 MT in marketing year 2017/18, milled equivalent, due to tariff deductions. According to Turkish statistics, Turkey has nationalized about 67,000 MT of rice during the first three months of MY 2017/18, of which about 39,000 MT was milled rice, 21,000 MT was paddy rice and 7,400 MT was brown rice. Chinese and Indian rice are becoming popular among importers despite quality debates. Turkey has imported about 30,000 MT of rice from China during the first three months of MY 2017/18, but only 10,000 of it was nationalized so far. When comparing importer and exporter data regarding Turkish rice trade, there are some differences due to transshipments. Another reason is that Turkish importers store the rice in bonded warehouses for 2-3 months until they find buyers to delay advance payment of the tariff and VAT.

The Turkish government reduced the import tariff on chickpeas, some beans, and cowpeas from 19.3 percent to 0 percent, according to a decree published in the Official Gazette on December 2, 2017. It will remain in place until June 1, 2018. The decree in Turkish language can be found [here](#). The import duty rate for chickpeas, some bean types and cowpeas is provided in the following table.

**Table 3:** Tariff Rates for chickpeas, beans and cowpeas

	Tariff Rate HS: 071320000019, 071331000019, 071332000019, 071333000011, 071333000019, 071334000019, 071335000019, 071333000019					
	EU, EFTA	Bosnia	S. Korea	Malaysia	D-8	Other Countries
As of December 1, 2017	0	0	0	0	0	0
After June 1, 2018	19.3%	0	8.7%	19.3%	19.3%	19.3%

Rice exports are forecast at 50,000 MT for MY 2017/18, milled equivalent. Turkey has exported about 11,000 MT of rice during the first three months of MY 2017/18. Syria was the main destination with 4,500 MT, followed by Libya with 3,000 MT.

## POLICY

The GOT has decreased the tariff rates of several products ranging from pulses to feed materials in order to fight against food inflation. Food inflation is a high priority, and has been the driving force of consumer price inflation in 2017. According to Turkish Stats, the producer price index of agricultural products (Agriculture - PPI) increased by 1.35% in the previous month. Compared to the same month of the previous year it has increased by 17.30%, and on the twelve month moving average basis increased by 13.07% in December 2017. It remains a concern of the population and of GOT officials.

The GOT will continue to support agricultural production according to the concept of “agricultural basins.” According to announcements in 2017, Turkey will be divided into 941 “basins” based on climate and soil, and will subsidize 19 strategic crops, with a specific set of crops for each basin. Subsidies will be available for crops if they are on the subsidy list. It will go into effect as of 2018 and will impact subsidies and production this coming year. Certified seed use is expected to increase due to the government’s encouragement for farmers to use it.

Licensed warehouse capacity is increasing throughout Turkey. According to TMO sources, TMO procured 335,000 MT of grain with electronic warehouse receipts in 2017 and plans to procure grain only with the help of licensed warehouses in 2018.

Turkey’s biosafety regulation framework continues to cause significant disruption to Turkey’s grain and feed imports, see [Biotechnology Annual Report](#).

### Production, Supply, and Distribution

Wheat Market Begin Year	2015/2016		2016/2017		2017/2018	
	Jun 2015		Jun 2016		Jun 2017	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7860	7860	7815	7815	7800	7800
Beginning Stocks	2767	2767	3118	3118	1327	1327
Production	19500	19500	17250	17250	21000	19500

<b>MY Imports</b>	4382	4382	4533	4533	4500	5000
<b>TY Imports</b>	4405	4405	4542	4542	4500	5000
<b>TY Imp. from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	26649	26649	24901	24901	26827	25827
<b>MY Exports</b>	5531	5531	6174	6174	6500	6500
<b>TY Exports</b>	5605	5605	6177	6177	6500	6500
<b>Feed and Residual</b>	1200	1200	700	700	1200	1000
<b>FSI Consumption</b>	16800	16800	16700	16700	16700	16700
<b>Total Consumption</b>	18000	18000	17400	17400	17900	17700
<b>Ending Stocks</b>	3118	3118	1327	1327	2427	1627
<b>Total Distribution</b>	26649	26649	24901	24901	26827	25827
<b>Yield</b>	2.4809	2.4809	2.2073	2.2073	2.6923	2.5000
(1000 HA) ,(1000 MT) ,(MT/HA)						

<b>Barley</b>	<b>2015/2016</b>		<b>2016/2017</b>		<b>2017/2018</b>	
	<b>Jun 2015</b>		<b>Jun 2016</b>		<b>Jun 2017</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Market Begin Year</b>						
<b>Turkey</b>						
<b>Area Harvested</b>	3400	3400	3400	3400	3400	3400
<b>Beginning Stocks</b>	332	332	961	961	361	361
<b>Production</b>	7400	7400	4750	4750	6400	6300
<b>MY Imports</b>	129	129	270	270	50	500
<b>TY Imports</b>	146	146	291	291	50	500
<b>TY Imp. from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	7861	7861	5981	5981	6811	7161
<b>MY Exports</b>	0	0	20	20	150	20
<b>TY Exports</b>	0	0	20	20	150	20
<b>Feed and Residual</b>	6000	6000	4700	4700	5000	5500
<b>FSI Consumption</b>	900	900	900	900	900	900
<b>Total Consumption</b>	6900	6900	5600	5600	5900	6400
<b>Ending Stocks</b>	961	961	361	361	761	741
<b>Total Distribution</b>	7861	7861	5981	5981	6811	7161
<b>Yield</b>	2.1765	2.1765	1.3971	1.3971	1.8824	1.8529
(1000 HA) ,(1000 MT) ,(MT/HA)						

<b>Corn</b>	<b>2015/2016</b>		<b>2016/2017</b>		<b>2017/2018</b>	
	<b>Sep 2015</b>		<b>Sep 2016</b>		<b>Sep 2017</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Market Begin Year</b>						
<b>Turkey</b>						
<b>Area Harvested</b>	620	620	570	570	600	550
<b>Beginning Stocks</b>	712	712	862	862	804	804
<b>Production</b>	6200	6200	5500	5500	6000	5400
<b>MY Imports</b>	567	567	1389	1389	1000	1700
<b>TY Imports</b>	567	567	1421	1421	1000	1700

<b>TY Imp. from U.S.</b>	4	0	3	3	0	0
<b>Total Supply</b>	7479	7479	7751	7751	7804	7904
<b>MY Exports</b>	67	67	97	97	50	50
<b>TY Exports</b>	51	51	100	100	50	50
<b>Feed and Residual</b>	5500	5500	5800	5800	5900	5900
<b>FSI Consumption</b>	1050	1050	1050	1050	1070	1070
<b>Total Consumption</b>	6550	6550	6850	6850	6970	6970
<b>Ending Stocks</b>	862	862	804	804	784	934
<b>Total Distribution</b>	7479	7479	7751	7751	7804	7904
<b>Yield</b>	10	10	9.6491	9.6491	10	9,818

(1000 HA) ,(1000 MT) ,(MT/HA)

Rice, Milled Market Begin Year Turkey	2015/2016		2016/2017		2017/2018	
	Sep 2015		Sep 2016		Sep 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Harvested</b>	98	98	98	98	99	99
<b>Beginning Stocks</b>	217	217	128	128	73	73
<b>Milled Production</b>	500	500	500	500	520	520
<b>Rough Production</b>	746	746	746	746	776	776
<b>Milling Rate (.9999)</b>	6700	6700	6700	6700	6700	6700
<b>MY Imports</b>	250	250	300	300	320	350
<b>TY Imports</b>	275	275	300	300	320	350
<b>TY Imp. from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	967	967	928	928	913	943
<b>MY Exports</b>	49	49	75	75	50	50
<b>TY Exports</b>	55	55	75	75	50	50
<b>Consumption and Residual</b>	790	790	780	780	790	790
<b>Ending Stocks</b>	128	128	73	73	73	103
<b>Total Distribution</b>	967	967	928	928	913	943
<b>Yield (Rough)</b>	7.6122	7.6122	7.6122	7.6122	7.8384	7.8384

(1000 HA) ,(1000 MT) ,(MT/HA)