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Turkey

Grain and Feed Update

2014 Grain and Feed Update

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Report Highlights:

Much of Turkey is experiencing drought conditions. The impact is being felt most in the Cukurova, the Southeastern Anatolian Project (GAP) region and Central Anatolia; however, the Thrace and Aegean regions are also being affected. Traders are expressing concern for the next harvest. U.S. wheat was very attractive for millers in December 2013 due to high Russian wheat prices, but the possibility of detecting traces of genetically engineered (GE) corn and soy prevented imports. The domestic prices of rice and all pulses have increased. The Central Bank of Turkey projected food price inflation at 8 percent on January 28, 2014.

Post:
Ankara

Commodities:
Wheat
Barley
Corn
Rice, Milled

Author Defined:
Production:

Wheat

Wheat area increased in the Cukurova and South East regions. All parts of Turkey are experiencing dry weather conditions especially in Cukurova, South East Anatolia and Central Anatolia. Post forecasts wheat production to 15.5 MMT in marketing year (MY) 2014.

Regions	MY 2010 Avg. yield (MT/HA)	MY 2011 Avg. yield (MT/HA)	Long term Avg. yield (MT/HA)	Harvest Time	MY 2012		MY 2013		MY 2014	
					Harvested Area	Production (MT)	Harvested Area	Production (MT)	Harvested Area	Production (MT)
					(ha)		(ha)		(ha)	
Cukurova region	3.5-4.5	4.7	4.5-5.5	May 10- June 10	260,000	1,250,000	250,000	1,300,000	260,000	1,100,000
Hatay region	3	4.7	5-5.5	May 25- June 25	85,000	250,000	85,000	280,000	86,000	200,000
Southeast region	2	2.9	3-3.5	May 15- June 25	900,000	2,250,000	930,000	2,500,000	948,000	2,300,000
Central Anatolia	2	2.38	1.5-2	June 25-July 25	2,990,000	4,500,000	2,905,000	6,200,000	2,950,000	4,800,000
Polatli	2.8-3	3.4	3.3	June 15-July 20	130,000	300,000	130,000	450,000	130,000	30,000
Aegean region	2-2.5	3	3	May 25- June 25	550,000	1,500,000	500,000	1,650,000	500,000	1,650,000
Aydin region	4.5	4	4	May 20- June 10	6,000	45,000	6,000	45,000	6,000	45,000
Thrace	3.5	4.1	4.1	June 15-July 15	600,000	2,450,000	600,000	2,500,000	600,000	2,300,000
Other regions	1.3	1.4	1.5	June 15-July 15	2,300,000	3,200,000	2,300,000	3,075,000	2,320,000	3,075,000
Total	2.12	2.3	2.3	My 15- July15	7,821,000	15,745,000	7,706,000	18,000,000	7,800,000	15,500,000

Cukurova region

The Cukurova region is experiencing a severe drought with almost no rain in November or December. In 2012, the region had 133.9 g in November and 108.7 in December. Some farmers have already

replanted wheat, but some farmers are waiting until spring to plant corn. Cukurova farmers are irrigating winter wheat for the first time in 30 years. The picture below was taken in a wheat field in Osmaniye in January 2014. In a normal year, the wheat would have been 40 cm in height, but there are almost no sprouts in the field. The region will lose around 20 percent of its wheat in 2014. The region had its first rain on January 25, 2014, which will save some fields. This will increase corn area in the region. Farmers, however, will take a loss as they have invested 0.9 TL/kg (\$0.40/kg) in wheat seed and 0.8 TL/kg (\$0.36/kg) in fertilizer during planting, and have paid for irrigation and diesel.



Central Anatolia

Central Anatolia farmers finished planting in October 2013. Freezing and dry weather have damaged the seeds and there will be production losses in the region. Areas in the region experiencing drought include Aksaray, Nevsehir, Nigde, northern parts of the Konya region, Polatli and Ankara. The picture below was taken in Cihanbeyli in the Konya region on January 10, 2013, where the farmer began irrigating the wheat. Post estimates that the area's dry land wheat production will be reduced 20 percent, with spring rain saving some fields.



Karapinar and southern parts of Konya are not experiencing as much drought at the moment. The

picture below was taken in Karapinar. Few areas are as lucky as Karapinar. Forecasts for the region include high quality and lower plant height.



South East Anatolia Region

The region is forecast for an increase in wheat production. The region is consistently adopting a wheat and corn rotation. The areas most affected by the drought are Sanliurfa and Mardin. The picture below was taken in Mardin Kiziltepe, where some of the best wheat is grown in the region. Farmers with access to irrigation for wheat began in January; three or four months earlier than usual. Another problem in the region is farmers in Harran replacing cotton for wheat. This region has access to irrigation, but was allocated for cotton rather than wheat.



Thrace Region

Thrace is one of the lucky regions to have little impact from dry weather. However, some areas, such as parts of Luleburgaz and Tekirdag, are drier than normal. The picture below was taken on January 05, 2014, in Kirklareli, which is one of the best wheat areas in the region. Kirklareli's wheat is in near perfect condition and has no need for irrigation. But this picture could give a false impression of conditions in the region. The next picture below was taken in Tekirdag, which shows the average condition of wheat fields in the region.



The wheat in the picture below was taken in Tekirdag and represents dry fields in the region that were moderately affected by the drought.



Turkey is not importing much wheat at the moment due to currency exchange risks. Currently export-oriented millers, not traders, are the main importers as they require a daily supply to maintain their operations. Elevators at the ports are almost full of wheat. Russian 13.5 percent wheat has traded as low as 280 USD/MT and an average of 290 USD/MT. Millers expect further price reductions on Russian wheat in March. Some millers fear reductions in Turkish production caused by drought, but wheat flour exporters are confident about supplies next year from Russian and the EU. Some U.S. SRW wheat that was purchased previously is still waiting to clear customs. There is not much interest in Kazakh wheat due to low hectoliters.

One of the leading Turkish grain trade companies announced bankruptcy in January 2014. This company was unable to repay bank-held debts due to currency devaluation and the announcement has spread concerns among traders.

State Waterworks Authority (DSİ) data states that the national average cumulative precipitation between October 1, 2013, and January 2, 2014, has decreased drastically in comparison to previous years and experts are concerned because Turkey faces a serious threat of drought this year due to the lack of rain and snow.

According to DSİ data, the national average cumulative precipitation between October 1, 2013, and January 2, 2014, has decreased 31.4 percent compared to the long-term average, and decreased 41.6 percent when compared to the 2012 average.

At a press conference on January 7, Food, Agriculture and Livestock Minister Mehdi Eker was asked about the lack of precipitation. Minister Eker responded: “As of yet, there is not an agricultural drought in Turkey. However, there is currently already a meteorological drought. The amount of rainfall in the last year is much lower than previous years. We have concerns.” He added: “Spring rainfalls are very significant in terms of agricultural drought; they are very important for grain crops. We will wait for this period [spring]. There is currently no concern about planting.” Post believes that drought will significantly affect the 2014 harvest, especially in the Central Anatolia and Cukurova regions where there will be a 20 percent of loss. Traders have two obstacles at the moment. One is the upcoming harvest and the other is the skyrocketing value of the U.S. dollar related to the Turkish Lira. 1 USD is 2.30 Turkish Lira (TL) on January 27, 2014, which was 2.01 TL in August 2013, and 1.79 TL in April 2013.

Although the Turkish Flour Industry would like to import wheat from the U.S., Turkey’s Ministry of Food, Agriculture and Livestock (MINFAL) tests all wheat shipments from the U.S. for genetically engineered (GE) traits. No GE traits are approved for food use and Turkey uses a positive/negative test that raises the likelihood of detecting traits from other crops, such as corn dust in a wheat shipment. As a result, Post does not expect any wheat coming from the U.S. This is a supply chain problem for Turkish wheat flour exporters as they become more dependent on Russian and Black Sea wheat. MINFAL only implements mandatory testing for U.S. wheat for GE and refuses to test Black Sea and other country shipments.

The Turkish wheat flour industry is now exploring the Brazilian market, exporting wheat flour to Brazil for the first time in October 2013. Turkish food exports reached 12 billion USD and Turkey hopes to reach 40 billion USD in 2023. The Turkish flour industry targets exports of 2.5 billion USD in 2023.

Barley

Barley area is decreased and planted areas were affected by drought in Central Anatolia and South East Anatolia. Post forecasts barley production at 6 MMT, down from a high 7.3 MMT in 2013 and 6.5 MMT long-term average.

Corn

Corn area is increased in the Cukurova and GAP regions due to some replacement of wheat area. Corn production will increase in Turkey as it is the most profitable commodity for farmers. Moreover, farmers are sure that if there is any price reduction at the market, as in MY 2013, the Turkish Grain Board (TMO) will intervene.

Corn imports are slow at the moment due to price differences between buyers and sellers, but traders expect an increase of sales in March and April. TMO was the major player in MY 2013 and currently has around 900,000 MT of corn stocks after exports of around 200,000 MT. Post expects TMO to carry out some of their corn stocks as ending stocks due to drought concerns.

There is strong demand at the moment from egg producers. Poultry production has decreased, but egg production has increased.

There are 712 compound feed producers with a capacity of 18 MMT. Moreover, another 247 compound feed factories with a capacity of 4.5 MMT are not active at the moment. Compound feed production is increasing due to large demand, mainly from poultry sector. The increased demand has triggered consolidation in the sector.

Corn area is increased in nearly every part of Turkey, but is decreased in the Mediterranean region; especially in the Adana, Mersin and Hatay regions. These regions are switching to cotton and soybean as second crop since there are better government support programs and second crop corn has suffered from low yields due to several diseases. MINFAL restricted the use of aerial spraying to combat corn diseases and suggested the use of other methods due to environmental concerns. However, this led to lower yields on second crop corn in the region. The other important factor was the high temperatures during pollination that caused heat stress on crops. Farmers in the Cukurova region traditionally like fertilizers with more nitrate, which are the leading cost of production and attracts diseases to corn. High temperatures have also led farmers to irrigate corn too frequently, which also increases disease susceptibility. Corn area in South East Anatolia is expanding every year, especially in Mardin and Sanliurfa, as second corn. The major difficulty in the region is choosing seed varieties. Most farmers less aware of differences among different corn seed varieties and their rates of growth. This is why second crop corn is frequently harvested with very high moisture levels, which increases fungus, mold and product deterioration.

Silage corn production is also increased, especially over the last two years. The major reason is the high demand from the livestock sector and also because the government increased silage corn support from 7 TL/ decar (da) in 2005 to 55 TL/da in 2012.

Another big concern is farmer hesitance to plant corn. In the Cukurova region farmers are currently purchasing corn seed for spring cultivation. However, the level of reservoir water is a big concern. The lack of rainfall this year has greatly reduced the supply of water available in Turkey's reservoirs. DSI data states that the reservoirs are currently 35.4 percent full, while this rate was 64 percent in January 2013.

Traders still import corn from Russia and Ukraine. High TMO corn stocks will slow imports until

March, 2014. Post forecasts 400,000 MT of corn imports in MY 2013.

Rice

High rice prices will attract farmers, especially in the Thrace region.

Due to higher domestic rice prices TMO decided to import rice and opened their stocks to sell on the retail market under their brand.

TMO is holding four import tenders. The first tender was held on January 07, 2014, for 10,000 MT of paddy from Portugal and 10,000 MT from the U.S. However, the company declared that they will not fulfill the conditions. TMO held a second tender on January 14, 2014, for 13,000 MT of milled rice. On January 15, 2014, TMO held a third tender for 15,000 MT of U.S paddy rice and 10,000 MT of Portuguese paddy rice. The fourth tender will be held on January 30, 2014.

Very few companies (2-3) showed interest in and bid on the tenders. Rice importers are very concerned about the possible presence of GE in rice shipments. Two importers are still fighting to clear their names in court following the detection of trace amounts of GE corn/soy in rice shipments from the U.S. in April 2013.

Name of Company	MT	Price (USD/MT)
Tiryaki	3,000 rice	978
Tiryaki	5,000 rice	978
Tiryaki	15,000 paddy rice	676
Yayla	10,000 paddy rice	630
Yayla	10,000 paddy rice	630

Agriculture policy

Support policy

Turkey's total agricultural support budget is 10 billion TL (\$4.4 billion) in 2014. The government will continue to support the livestock sector from this budget. The government allocated 3 billion TL from the total support budget to the livestock sector. Moreover, the government increased the subsidized credit budget for agriculture credit cooperative and agriculture bank. In 2002, Turkey's total agriculture credit was 227 million TL and in 2013 it was increased to 18 billion TL. In 2002, agriculture credit cooperatives gave 302 million TL in credit to farmers, and in 2013 this amount increased to 4.2 billion

TL. Interest rates in agriculture credit were reduced from 59percent in 2002 to 8.25 percent in 2012.

Credit policy

The government will continue to give subsidized agriculture credit to farmers. The upper limit for establishing a dairy breeding cattle farm is 20 million TL. There will be a zero interest rate for loans up to 750,000 TL during, and there will be a 50 percent interest rate reduction on operating expenses. The government would like to increase fattening cattle stocks. There will be zero interest during the investment and operation for breeding fattening cattle investments.

TMO Policy

TMO promoted a campaign to stop the waste of bread in 2013. Minister Eker held a conference to share the results of the campaign. The TMO campaign “Stop Wasting Your Bread” began on January 17, 2013. In 2012, the equivalent of 5,950,000 250-gram-loaves of bread were wasted. The campaign is credited with saving an estimated 384 million loaves last year, or roughly 2.8 billion TL.

TMO has a policy to extend their warehouse capacity. In MY 2013, TMO had difficulty warehousing corn, especially in the Cukurova and GAP regions. With the new increase in corn production in Central Anatolia, TMO just began construction of 60,000 MT of capacity and an elevator in Cumra, Konya.

Pulses

Pulse area has been decreasing due to farmers switching to more profitable commodities like wheat, corn and sunflower. Dry bean and Chick pea production decreased dramatically over the last five years. Chickpea production was 500,000 MT in 2009 and decreased to 350,000 MT in MY 2013.

Whole sale price (excluded VAT)			
	June, 2012	June, 2013	January, 2014
Dry bean	3.2	4.15	6.50
Rice	1.9	2.45	3.50
Bulgur	1.2	1.45	1.60
Red lentil	1.75	2	2.50
Chick pea	3.6	3.8	4.09

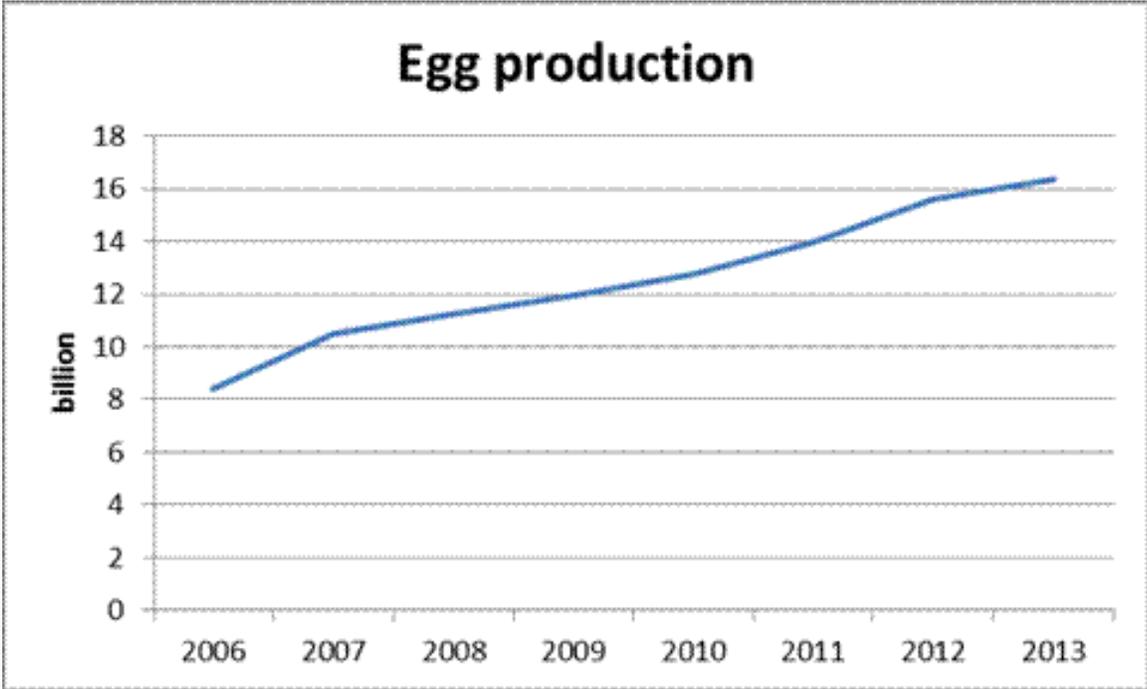
Poultry

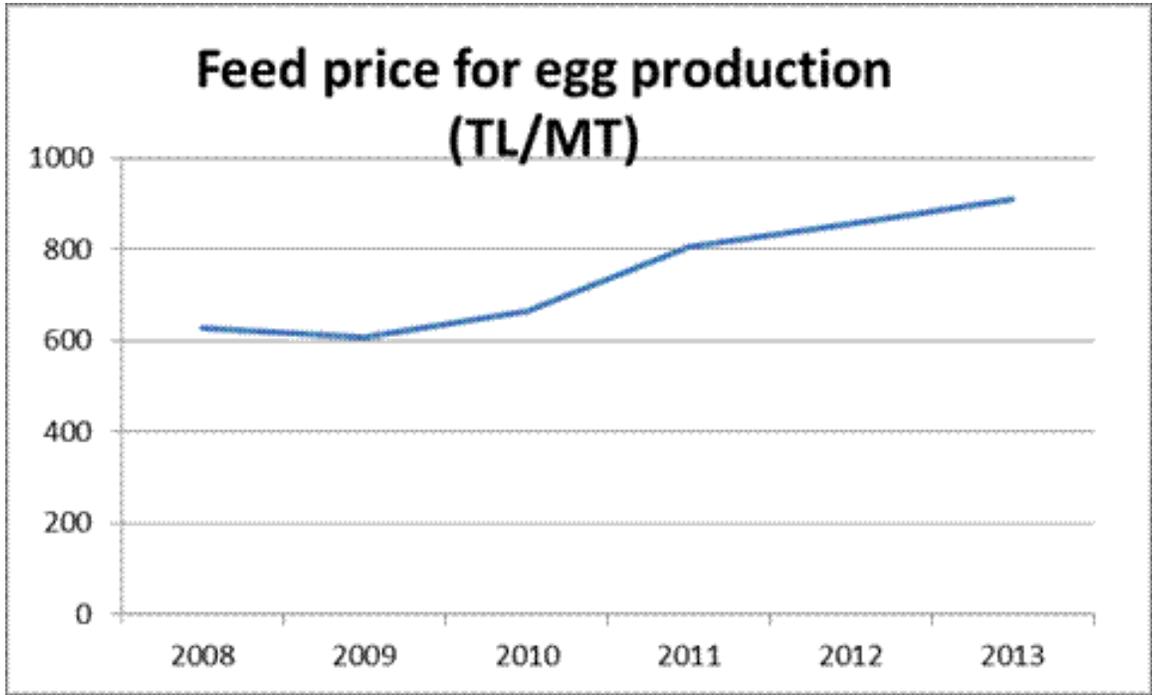
Domestic poultry consumption has decreased 5 percent due to media campaigns against poultry consumption. There are a lot of nutrition and health programs on TV. The majority of these accuse the poultry industry of using GE products to feed chickens. Some medical doctors tell consumers not to consume poultry since they are GE, have a short life cycle, and because they are given hormones. This message has been effective at changing consumer behavior. MINFAL has not defended industry in the media.

With a decrease in domestic consumption the poultry sector is looking to increase exports to countries such as Saudi Arabia. In January 2012, Saudi Arabia and Turkey agreed on market access requirements for poultry exports. Poultry exporters target exports of 100,000 MT of chicken to Saudi Arabia.

Turkish poultry exporters now look to Japan and China as new markets for their products. Turkish poultry exports increased from 890 million USD in 2012 to 1 billion USD in 2013.

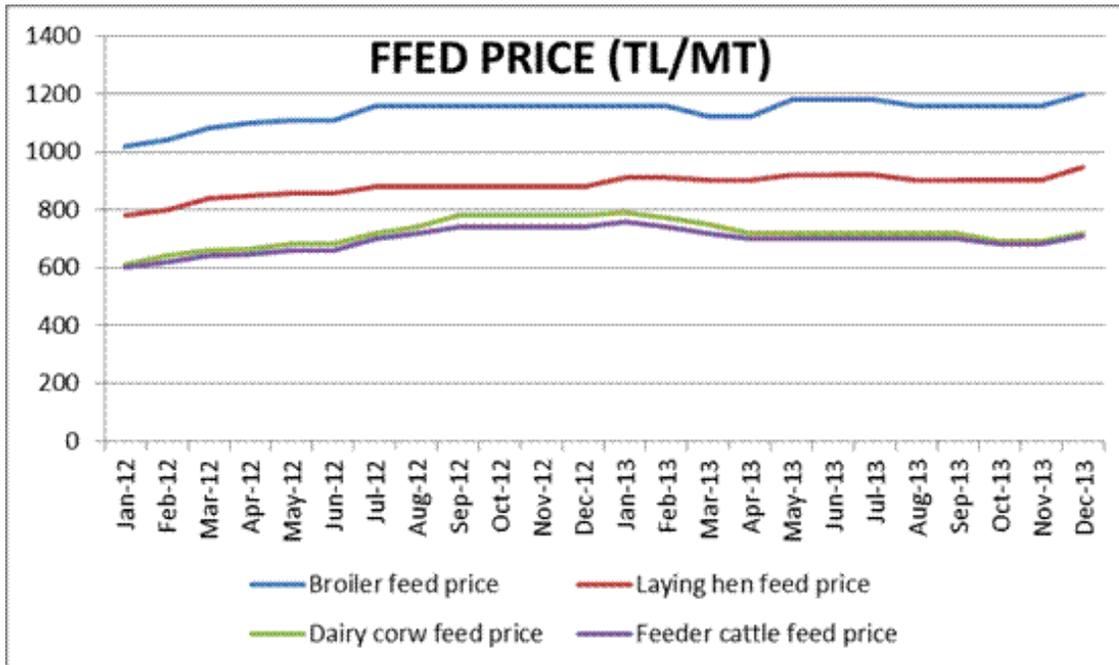
The egg sector had a very good year in calendar year (CY) 2013. Egg production in 2012 was 15.6 billion and increased to 16 billion in 2013.





Feed sector

Due to the decrease in domestic poultry consumption there was less demand for compound feed production. The feed sector growth rate over the last ten years has been around 10 percent, but in 2013, compound feed production increased 3 percent. Compound feed production was 14.5 MMT in 2012, and 2013 production is estimated at 15 MMT. The feed sector imports around 5 MMT of raw material, mainly soybean and meals.



Alpullu sugar factory in Kirklareli, an area in the Thrace region, stopped producing Molasses, which was the main raw material feed source for the Thrace region. While the government offered a special credit program a lot of new and large dairy operations were established in the region. The operations in Thrace then had to purchase molasses from Central Anatolia, which increased their production costs.

As a result, the government reduced the customs tax on Molasses from 31.5 percent to zero on December 31, 2013. The new customs taxes for raw feed materials are provided in the table below.

Customs Tax (%)					
HS CODE	NAME OF PRODUCT	EU and EFTA	BOS.HER.	S.KOREA	OTHER COUNTRIES
0714.10.98.00.00	Tapioca	0	0	0	0
1001.19.00.00.00	Others (Durum Wheat)	130	0	130	130
1001.99.00.00.11	Wheat	130	0	130	130
1002.90.00.00.00	Rye	130	0	130	130
1003.90.00.00.11	White Barley	130	0	130	130
1003.90.00.00.12	Barley for Malt	130	0	130	130
1003.90.00.00.19	Others(Barley)	130	0	130	130
1004.90.00.00.00	Others (Oat)	130	0	130	130
1005.90.00.00.19	Others (Corn)	130 ⁽¹⁾	0	130 ⁽¹⁾	130 ⁽¹⁾
1007.90.00.00.00	Others (Sorghum)	130	0	130	130
1008.29.00.00.12	Millet	80	0	80	80
1201.90.00.00.00	Soybean	0	0	0	0
1206.00.91.00.19	Others (Sunflower Seed)	27	0	27	27
1206.00.99.00.19	Others (Sunflower Seed)	27	0	27	27
1507.10.90.00.00	Soybean Oil	31.2	0	31.2	31.2
1511.10.90.00.00	Palm Oil	31.2	0	31.2	31.2
1512.11.91.00.00	Sunflower Oil	36	0	36	36
2301.20.00.00.11	Fish Flour	0	0	2	2
2302.10.10.00.11	Corn Bran	4	0	2.6	4
2302.30.10.00.11	Wheat Bran	5	0	5	5
2302.30.10.00.19	Others	5	0	5	5
2302.30.90.00.11	Bran	5	0	5	5
2302.30.90.00.19	Others	5	0	5	5
2303.10.11.00.11	Corn gluten (HP >%40)	4.3	0	4.3	4.3
2303.20.90.00.00	Others	4.3	0	2.8	4.3
1703.90.00.00.00	Molasses	0	0	0	0
2303.30.00.00.00	DDGS	4.3	0	2.8	4.3
2304.00.00.00.00	Soybean Meal	5 ⁽²⁾	0	5	5
2306.10.00.00.00	Cotton Seed Meal	11.5	0	11	13.5
2306.30.00.00.00	Sunflower Meal	11.5	0	11	13.5
2306.41.00.00.00	Canola Seed Meal	11.5	0	11	13.5
2306.49.00.00.00	Others	11.5	0	11	13.5
2309.90.96.90.19	Mixed feed	7.8	0	5.2	7.8

Livestock

Turkey began exporting dairy breeding cattle to Turkmenistan in 2013. According to the contract, Turkey will supply 6,000 pregnant heifers to Turkmenistan by 2018. There is still demand to import breeding cattle from the U.S., but the pace of imports will slow down as the market saturates. The government's intention to increase fattening cattle production, especially in the east part of Turkey, will be an opportunity for U.S. exporters. This will also trigger an increase in demand for compound feed in the region.

PSD Tables

Wheat Turkey	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jun 2012		Market Year Begin: Jun 2013		Market Year Begin: Jun 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,800	7,800	7,700	7,706		7,800
Beginning Stocks	3,062	3,062	1,242	1,242		1,492
Production	15,500	15,500	18,000	18,000		15,500
MY Imports	3,622	3,622	3,700	3,500		4,600
TY Imports	3,312	3,312	3,800	3,500		4,600
TY Imp. from U.S.	347	347	0	0		0
Total Supply	22,184	22,184	22,942	22,742		21,592
MY Exports	3,442	3,442	3,700	3,500		3,400
TY Exports	3,583	3,583	3,700	3,500		3,400
Feed and Residual	700	700	850	850		700
FSI Consumption	16,800	16,800	16,900	16,900		16,700
Total Consumption	17,500	17,500	17,750	17,750		17,400
Ending Stocks	1,242	1,242	1,492	1,492		792
Total Distribution	22,184	22,184	22,942	22,742		21,592

1000 HA, 1000 MT, MT/HA

Barley Turkey	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jun 2012		Market Year Begin: Jun 2013		Market Year Begin: Jun 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,300	3,300	3,330	3,330		3,250
Beginning Stocks	910	910	469	469		919
Production	5,500	5,500	7,300	7,300		6,000
MY Imports	259	259	50	50		50
TY Imports	266	266	50	50		50
TY Imp. from U.S.	0	0	0	0		0
Total Supply	6,669	6,669	7,819	7,819		6,969
MY Exports	0	0	50	50		0
TY Exports	0	0	50	50		0
Feed and Residual	5,300	5,300	5,900	5,900		5,800
FSI Consumption	900	900	950	950		950
Total Consumption	6,200	6,200	6,850	6,850		6,750
Ending Stocks	469	469	919	919		219
Total Distribution	6,669	6,669	7,819	7,819		6,969

1000 HA, 1000 MT, MT/HA

Corn Turkey	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Sep 2012		Market Year Begin: Sep 2012		Market Year Begin: Sep 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	525	525	580	580		590
Beginning Stocks	345	345	370	370		470
Production	4,400	4,400	5,000	5,100		5,200
MY Imports	1,700	1,700	750	650		800
TY Imports	1,600	1,600	750	650		800
TY Imp. from U.S.	0	0	0	0		0
Total Supply	6,445	6,445	6,120	6,120		6,470
MY Exports	25	25	200	200		50
TY Exports	25	25	200	200		50
Feed and Residual	5,100	5,100	4,500	4,500		5,000
FSI Consumption	950	950	950	950		950
Total Consumption	6,050	6,050	5,450	5,450		5,950
Ending Stocks	370	370	470	470		470
Total Distribution	6,445	6,445	6,120	6,120		6,470
1000 HA, 1000 MT, MT/HA						

Rice, Milled Turkey	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Sep 2012		Market Year Begin: Sep 2013		Market Year Begin: Sep 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	103	103	98	98		100
Beginning Stocks	270	270	204	204		224
Milled Production	483	483	500	500		490
Rough Production	721	721	746	746		731
Milling Rate (.9999)	6,700	6,700	6,700	6,700		6,700
MY Imports	245	245	280	330		300
TY Imports	250	250	280	330		300
TY Imp. from U.S.	0	0	0	120		100
Total Supply	998	998	984	1,034		1,014
MY Exports	34	34	10	60		50
TY Exports	10	10	10	60		50
Consumption and Residual	760	760	770	750		750
Ending Stocks	204	204	204	224		214
Total Distribution	998	998	984	1,034		1,014
1000 HA, 1000 MT, MT/HA						