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Report Highlights:

Post estimates cattle numbers in 2022 are expected to stagnate with 18 million head, including buffaloes, due to slow population growth rate, low raw milk prices, and an increasing number of cows being sent to slaughter because of high feed prices, despite government incentives. While feed prices have been steadily increasing, Turkish producers have been contending with low meat and milk supplier intermediary prices, which do not cover production costs. Post has revised Turkey's livestock imports, which now are expected to increase 30 percent in 2022 totaling 340,000 head due to low cattle production in the country and a shortage of meat production. High food inflation on meat and dairy products continues. In 2022, beef consumption is forecast to stagnate because of the unchanging beef herd population and high market prices.

Commodities:

Animal Number, Cattle

Production:

Post estimates cattle numbers in 2022 are expected to stagnate with 18 million head, including buffaloes, due to slow population growth rate, low raw milk prices, and an increasing number of cows being sent to slaughter towards high feed prices despite government incentives. An increasing number of cows are being sent to slaughter, reaching nearly 50 percent of the annual number of total slaughtered cattle. High input prices, especially for feed, fewer incentives for quality breeding, and feeder cattle import restrictions imposed in late 2019 are the main factors limiting additional production. Turkey is still trying to improve its systems on animal registration, ear tagging and identification of animals.

In 2021, the Turkish Statistical Institute (TurkSTAT) announced that the total number of cattle, including buffaloes, were 18,036,117 head, which was 0.7 percent lower than 2020. The decrease was mainly due to the decreasing farm capacities as a result of unaffordable input prices for livestock operations caused by the unpredictable economic situation in the country. The number of livestock operations decreased 5 percent and sheep and goat operations decreased 2 percent in 2022 when compared with the previous year.

According to TurkSTAT, the sheep population was 45 million head in 2021, a 7 percent increase from 2020, which is under the normal growth rate (10 percent yearly). The goat population increased from 11.9 million head to 12.3 million head in 2021. There are 1,289,067 cattle operations and 453,342 sheep and goat operations registered in the national database as of 2022.

Dairy cow herds are shrinking due to low milk prices (farm gate sales prices)

Milking cow numbers have decreased 1.3 percent in 2021 with 7.8 million head when compared with the previous year due to low milk prices and high carcass prices which lead producers to send their cows to slaughter. Dairy cows and heifers are sent to slaughter because low raw milk prices coinciding with increased feed and energy prices. Dairy producers also have concerns about the effects of decreasing quality breeding stock on future populations and the ability to meet domestic meat and milk demands.

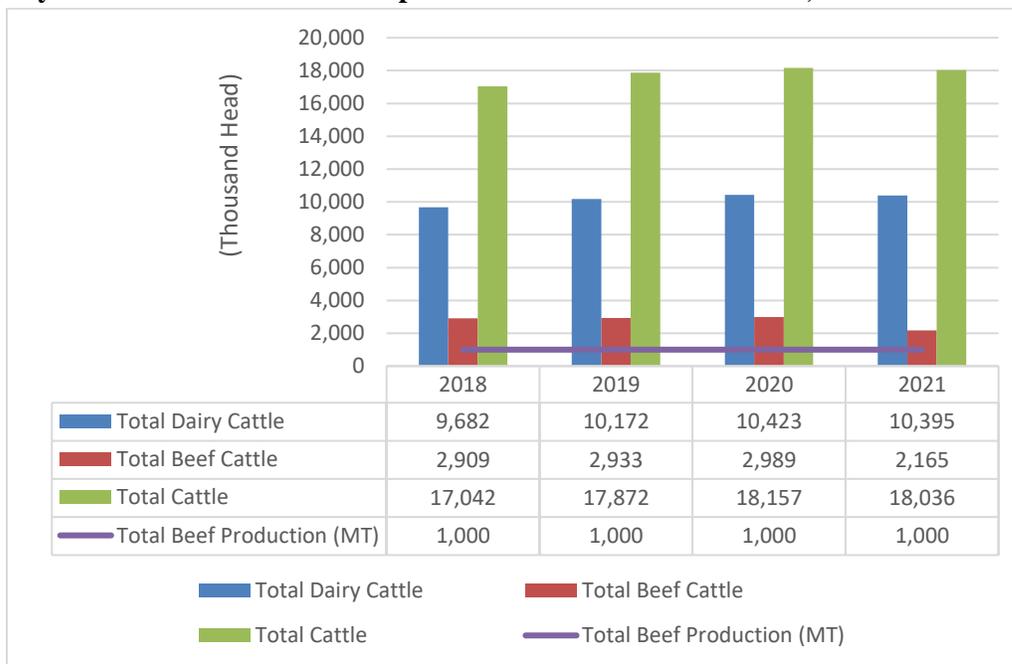
Raw milk prices (farm gate sales prices) are controlled by the National Milk Council (USK). However, current prices don't account for increased production costs, especially feed. While raw milk prices are determined by USK, carcass meat prices are determined by the domestic market demand and can vary by regions.

Dairy farms are trying to renew their herds with improved genetics, especially quality genetics imported from the European Union and the United States; however artificial insemination practices remain underutilized and have not been successful in maintaining the live cattle production and meat and milk yields. Turkish producers use artificial insemination mostly for dairy animals to improve the genetic traits of the animal population, however artificial insemination practices in Turkey decreased 2 percent in 2021 as rising costs preclude some producers from using this method.

Beef Cattle herds are shrinking due to unprofitability, despite lack of competition from imports

The number of beef cattle operations in Turkey have been decreasing for years; beef cattle producers have reduced their capacity almost 50 percent since 2021 due to high inputs, despite currently increasing carcass meat prices. Some of beef producers are optimistic that the recent increase of carcass meat prices will help with high input costs; however, some believe that high meat prices will lead the Government of Turkey (GoT) to import meat to regulate domestic prices. The GoT pursues a maintains high protectionist tariffs on meat imports that make imports uncompetitive in order to allow domestic producers to compete in a marketplace when they would otherwise be displaced due to high production costs. Unlike dairy producers, beef cattle producers are not able to build their herds due to insufficient breeding stock as well as the high production costs. Current domestic beef cattle production and carcass yields are not adequate to supply enough meat to the domestic market, which drives up beef prices at supermarkets. The high consumer prices are exacerbated by the restriction on feeder cattle imports, beef imports, and high production costs, especially feed prices.

Chart 1. Turkey Cattle Herd Numbers Compared with total Beef Production, 2018-2021



Source: TurkSTAT, 2022. (Note: Beef production in 2020 and 2021 has not been officially announced by TurkSTAT; the data for beef production is the sector’s estimation)

Turkish feeder cattle breeding system

The Turkish feeder cattle farming system is mostly intensive feeding at barns, dependent on the cost and availability of grains, oilcakes, and other by-products with qualified forage feed. Feed is the major cost for Turkish livestock operations, accounting for almost 60 percent of total production costs. Turkey doesn’t produce enough forage for animals, and there is a shortage of seed production for feed crops. The biggest problem among producers is finding qualified dry forage during wintertime.

The weakness of the Turkish lira (TL) against the U.S. dollar is another major problem for livestock producers since most production inputs depend on imports such as fuel, raw feed materials, and fertilizers. Half of the feed

for livestock in Turkey is imported and the strengthening dollar and euro against the Turkish lira has negatively impacted production in the last several years.

Table 1. Inputs for Breeding and Slaughter Prices, Comparison

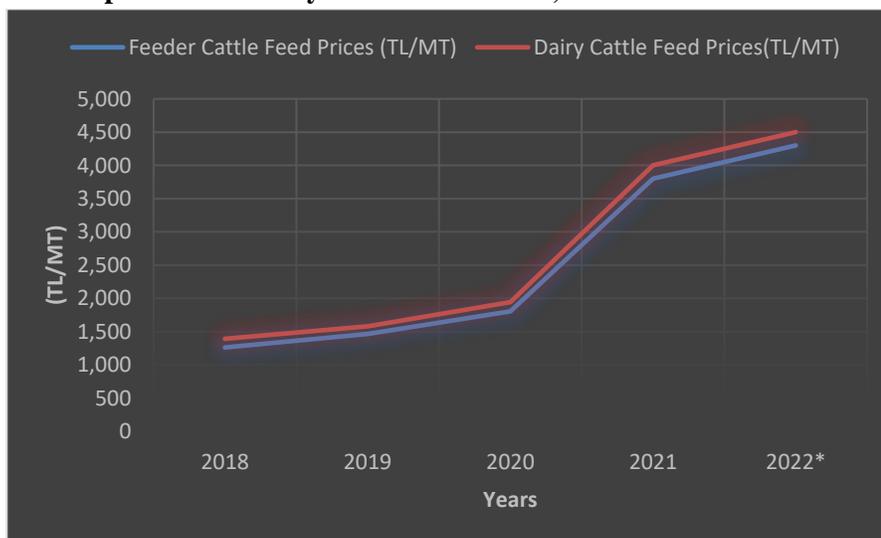
Year	Feed (TL/KG)	Feeder Cattle (head/TL)	Carcass Price at Slaughter (TL/KG)	Ratio of carcass price/kg to feed price/kg
2018	1.27	4,500	28.76	22.65
2019	1.49	5,250	31.32	21.02
2020	1.75	6,700	35.80	20.46
2021	2.79	7,920	44.34	15.89
2022 (January-February)	4.22	10,218	65.92	15.62

Source: Turkish Meat Sector, 2022 (Note: As of March 31, 2021, \$1 = 14.6 TL)

As seen Table 1, the gap between the rate of input price increase and carcass price increase at slaughter is huge, imbalanced and disadvantaging meat producers. According to Turkish meat producers, the ratio needs to be 23 to make operations profitable, which means that producer needs to be capable of buying 23 kg of feed when one kg of carcass meat is sold.

According to the Turkish feed sector, while raw feed material and feed prices increased more than 100 percent as seen Chart 2, raw milk prices and beef carcass prices increased only 30 percent in 2021, which means that Turkish milk and meat producers are struggling to make a profit under the high feed prices. The raw milk price determined by USK has just been increased 25 percent, however it is still 23 percent lower than the production cost of 1 liter of milk.

Chart 2. Feed Prices Comparison for Dairy and Feeder Cattle, 2018-2020

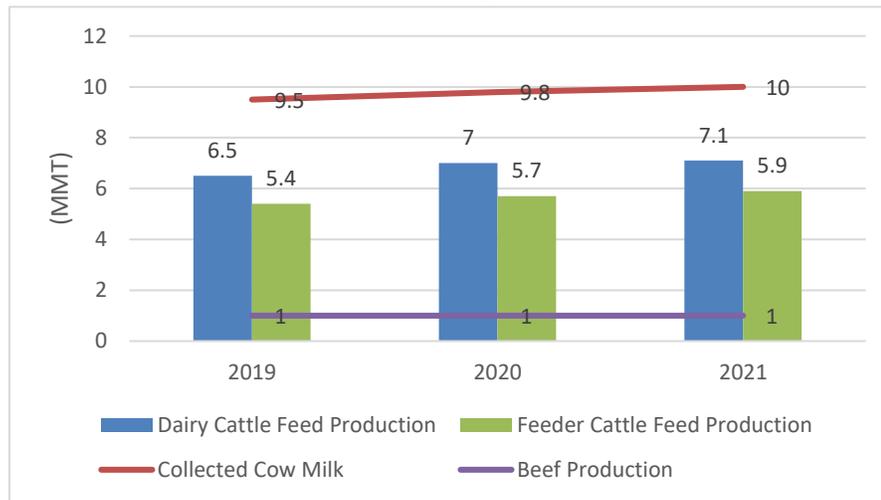


Source: Turkey Feed Industrialist Association, 2022. (Note: As of March 31, 2021, \$1 = 14.6 TL). 2022 price includes the January and February average only.

While feed prices have been steadily increasing, Turkish producers have been contending with low meat and milk supplier intermediary prices, which are lower than production cost. In Turkey, cattle, especially high-quality imported cattle, are not allowed to graze due to a lack of available grassland, and cattle producers need to feed animals with mixed fabricated feed, which is dependent on imports.

A Cabinet decision of February 17, 2022, meant to address rising feed costs, decreed mixed feed prices for cattle production should be decreased 12 percent for sales through the private feed sector, [Agriculture Credit Cooperatives](#), and other livestock cooperatives. However, after the decision, feed prices have increased an additional 20 percent due to the continued increasing prices of raw feed material imports.

Chart 3. Dairy and Feeder Cattle Feed Production Comparison with Milk and Meat Production 2019-21



Source: TurkSTAT and SETBIR (Turkish Milk, Meat, Food Industrialists and Producers Association), 2022

Impacts of the Russia-Ukraine Crisis on the Turkish Livestock Sector

Livestock operations including beef and dairy, are impacted by the Russia-Ukraine Crisis since feed imports from Russia and Ukraine have been disrupted and energy prices are expected to continue increasing, directly affecting livestock operation needs. The logistics disruptions have led to price increases especially for wheat, bran, corn, sunflower meal, and soy which are crucial for livestock feeding and mainly imported to Turkey from Russia and Ukraine via the Black Sea. The most affected feed material is bran which has increased 60 percent per MT after the Russia-Ukraine crisis.

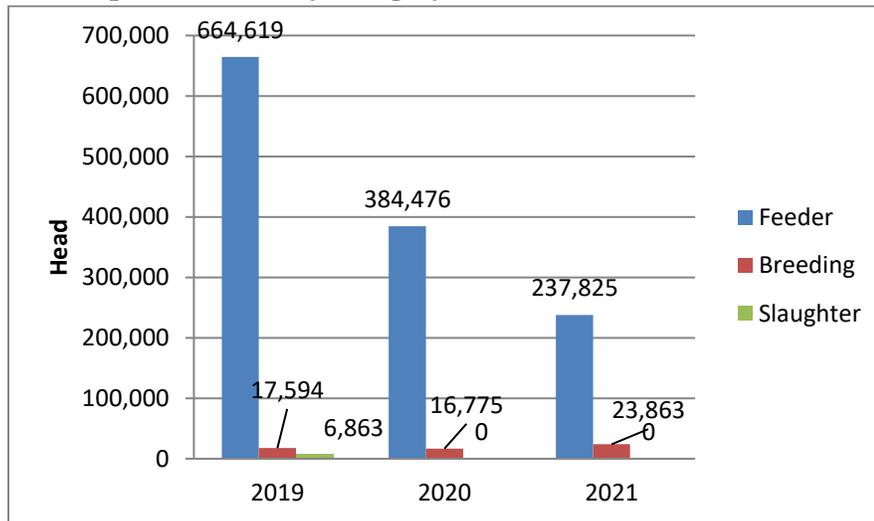
Turkish Grain Board (TMO) is supplying subsidized feed materials, especially barley and corn, to Turkish livestock producers; however the supports do not benefit all producers.

Trade:

Post has revised Turkey’s livestock imports, which are now are expected to increase 30 percent in 2022 totaling 340,000 head due to low cattle production in the country and a shortage of meat production, which is contribute to high food inflation. In 2021, Turkey imported 261,688 head of cattle, worth \$286 million, which was 35 percent lower than 2020 as a result of the restriction on feeder cattle imports established in 2019. However, breeding cattle imports increased 42 percent in 2021. The Ministry of Agriculture and Forestry (MinAF) had announced in early 2020 that feeder cattle imports were going to be completely stopped by 2022.

Turkey imported 401,251 head of cattle in 2020, which is down 42 percent from the previous year. Turkey imports feeder cattle mostly from Uruguay, Hungary, and the Czech Republic and breeding cattle from Germany, the United States, and Denmark. MinAF has been implementing EU health standards on import veterinary health certificates since 2010.

Chart 4. Turkey Cattle Import Numbers by Category, 2019-2021



Source: Trade Data Monitor, LLC

Turkish importers purchase the cheapest feeder cattle regardless of the meat quality, sourcing mostly from South American countries, especially Brazil and Uruguay. Despite the MinAF announcement in early 2020 that feeder cattle imports will completely stop by 2022, feeder cattle imports are expected to increase in 2022 due to the shortage of meat production. In 2022, breeding cattle import demands are expected to continue due to the replacement of old herds and a decreasing number of breeding cattle because of the slaughtering of cows. Additionally, there is a growing demand for the Jersey breed from Turkish producers who prefer the higher milk fat content for dairy products.

Imports from the U.S.: In 2021, Turkey imported 4,279 head of breeding cattle from the United States, valued at \$10.8 million. In 2022, imports from the U.S. are expected to be same as 2021 if cattle prices remain comparable with European countries. Turkey generally does not import a large percentage of cattle from the United States due to high U.S. cattle prices, transport costs, and the structure of the U.S. industry that is focused on meat production and not exporting live cattle as an end product.

The 2021 imports of U.S. cattle were the first in three years. The shipment consisted of Holstein, Jersey, Brown Swiss, and Guernsey breeds. Turkish producers are aware of the quality of U.S. beef and genetics and the good reputation and health of U.S. dairy cattle. Potential buyers are closely following U.S. cattle prices.

Commodities:

Beef, Cattle

Production:

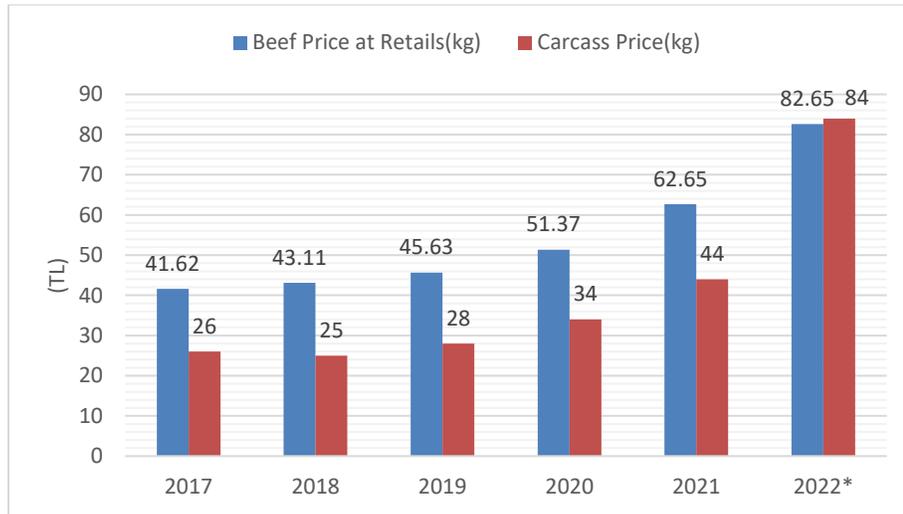
Post has revised meat production in 2022 to equal 2021 production at 1 million MT due to decreasing feeder cattle population, restrictions on feeder cattle imports, and insufficient production policies which cause low and decreasing carcass yields (approximately 250 kg). Continuing slaughter of dairy cows due to high feed prices and low raw milk prices will compensate for the stagnation but not produce growth. Also, low pregnancy rates and high calf death rates due to poor management abilities are still negative factors.

A possible increase in feeder cattle imports could contribute to meat production in 2023, depending on government policies and economic conditions. Meat production figures in 2020 and 2021 are the estimates of Turkish meat sector since TurkSTAT decided as of 2019 to not announce meat production data until further notice. The public reason is a change in methodology; however, producers are concerned that planning for production will be difficult without seeing official data. On the other hand, according to the sector representatives, the official registration numbers show meat production is not sufficient. Despite increasing slaughter prices currently, producers cannot still meet their overhead expenses.

Consumption:

In 2022, beef consumption is forecast to stagnate because of the unchanging beef herd population and high market prices. In 2021, beef consumption was also estimated as similar to the previous year with the continuing food inflation and lower in-house consumption due to Covid-19 precautions. In 2020, beef consumption remained stable at 14.5 kg per capita, the same as 2019, despite a growing cattle population in total. Increased food inflation, high red meat prices, and weak purchasing power kept beef consumption unchanged. The Turkish meat sector was counting on a strong tourism season and restaurant sales in 2022 after the Covid-19 restrictions were lifted, which would buoy demands for beef. Those expectations have been lowered in recent weeks since approximately 20-25 percent of tourists to Turkey in recent years hailed from Russia and Ukraine.

Chart 5. Beef Retail Prices and Carcass Price in Comparison, 2017-2022



Source: TurkSTAT and Live Cattle Markets, 2022. (Note: As of March 31, 2021, \$1 = 14.6 TL) 2022 price average is for January and February only. Note: The Retail market price for beef is different than TurkSTAT data (82 TL) and it is at least 110 TL/kg as of the date of writing this report.

The Turkish Statistical Institute announced that the consumer prices rose 54.44 percent in February compared with a year ago. As of February 14, Turkey has reduced the value-added tax (VAT) on staple foods from 8 percent to 1 percent including water, eggs, meat, dairy products, coffee, tea, fruits, and vegetables to decrease the effects of inflation on low-income consumers. Right after the VAT decrease announcement by the Government, the commensurate price decreases were observed at supermarkets and butcheries.

On the other hand, after the VAT decrease on food items, the Meat and Milk Board (ESK), which is the regulatory authority in Turkey for meat and milk prices within the domestic market, increased beef prices 48 percent more at their stores where the cheapest meat is sold for mostly for lower-income consumers. Meat prices are expected to continue increase for 2022.

MinAF has been encouraging consumers for years to choose sheep meat instead of beef in order to reduce the demand for beef in the domestic market by advertisements and supporting sheep meat production with incentives. The efforts include additional substantial subsidies to sheep producers. Still, sheep meat prices have been gradually increasing since 2018, following the general meat price inflation trend. For Turkish livestock subsidies in 2021, please click [here](#).

Trade:

In 2022, beef imports are forecast to be extremely low due to high tariffs and the Ministry's policy to drastically limit imports to protect domestic producers. In 2021, Turkey imported only 1,639 CWT of meat from Bosnia and Herzegovina. In 2020, Turkey imported 6,183 CWT of meat, mostly from Bosnia and Herzegovina and Serbia within the scope of free trade agreements. The total is 9 percent lower than 2019.

Meat imports are considered a measure to reduce beef prices in Turkey and the state-controlled Meat and Milk Board (ESK) is the only entity granted authorization to import beef. In 2021, only fresh or chilled meat was imported from Bosnia and Herzegovina.

Table 2. Turkey's Tariffs for all Countries for Cattle and Beef Products, 2022

HS Code	Commodity	Tariff Rate
Live Cattle		
010229	Cattle, live, other than purebred breeding	26%
010221	Cattle, live, purebred breeding	zero
010231	Buffalo, live, purebred breeding	zero
Carcass Meat and Beef		
020110	Bovine carcasses and half carcasses, fresh or chilled	40%
020120	Bovine cuts bone in, fresh or chilled	40%
020130	Bovine cuts boneless, fresh or chilled	225%
020210	Bovine carcasses and half carcasses, frozen	40%
020220	Bovine cuts bone in, frozen	40%
020230	Bovine cuts boneless, frozen	225%
021020	Bovine meat salted, dried or smoked	114.3%
160250	Bovine meat, offal nesoi, not livers, prepared/preserve	121.5%

Source: Ministry of Trade, 2022

Exports of Live Cattle Animals and Beef:

Turkey usually doesn't export live cattle or beef due to insufficient domestic production; however, a small number of exports to Iraq and Azerbaijan happen occasionally. In 2021, Turkey exported 5,386 head of cattle for slaughter and 3,783 head of breeding cattle to Iraq, and 222 head of breeding cattle to Azerbaijan.

Although exports were being encouraged by MinAF to support domestic producers, Turkey just imposed temporary export bans as of March 19, 2022, on select agricultural products including live cattle and beef to stabilize local market conditions and keep prices from increasing. For details, please click [here](#).

Note: This Report is qualitative text only, no PSD

Attachments:

No Attachments.