

Voluntary Report – Voluntary - Public Distribution

Date: April 14, 2023

Report Number: TU2023-0013

Report Name: Meat and Milk Situation in Turkiye

Country: Turkey

Post: Ankara

Report Category: Agricultural Situation, Agriculture in the News, Agricultural Trade Office Activities, Dairy and Products, Livestock and Products

Prepared By: Sinem Duyum

Approved By: Michael Francom

Report Highlights:

In the past year, meat and milk prices have skyrocketed due to a variety of factors, among which are insufficient cattle inventories, high input costs, semi-effective government policies, and limitations on importing meat and live animals. In an attempt to halt price increases ahead of the upcoming Islamic holidays and the general election, the Ministry of Agriculture and Forestry (MinAF) has reluctantly decided to import some beef and cattle. However, these interventions are not expected to adequately address the shortfall in beef and milk production and will have a limited effect on prices.

Slumping Numbers for Dairy and Beef Cattle

In 2022, Turkey's overall cattle population dropped year-to-year by 6 percent or 1 million head to about 17 million head. Cattle, most of which were dairy cows, were being slaughtered at a record pace as farmers rushed to liquidate their inventories to minimize financial losses resulting from rising input costs and insufficient farmgate prices for raw milk. It was more financially attractive, though still at a loss, to sell their cows to packinghouses for processing. According to industry sources, an additional 2.8 million cattle were slaughtered compared to the previous year, with upwards of 30 percent of the nation's dairy cows going for processing.

Livestock farmers continue to struggle with ballooning production costs due to rising input prices for feed, fertilizer, and fuel. Dairy farmers have complained that the reference farmgate price for raw milk - set by the National Milk Council (NMC) - has not kept pace with these higher costs. NMC, which is an industry group made up of government appointees, has been reluctant to raise its reference price too high, fearing that it could stoke additional food inflation.

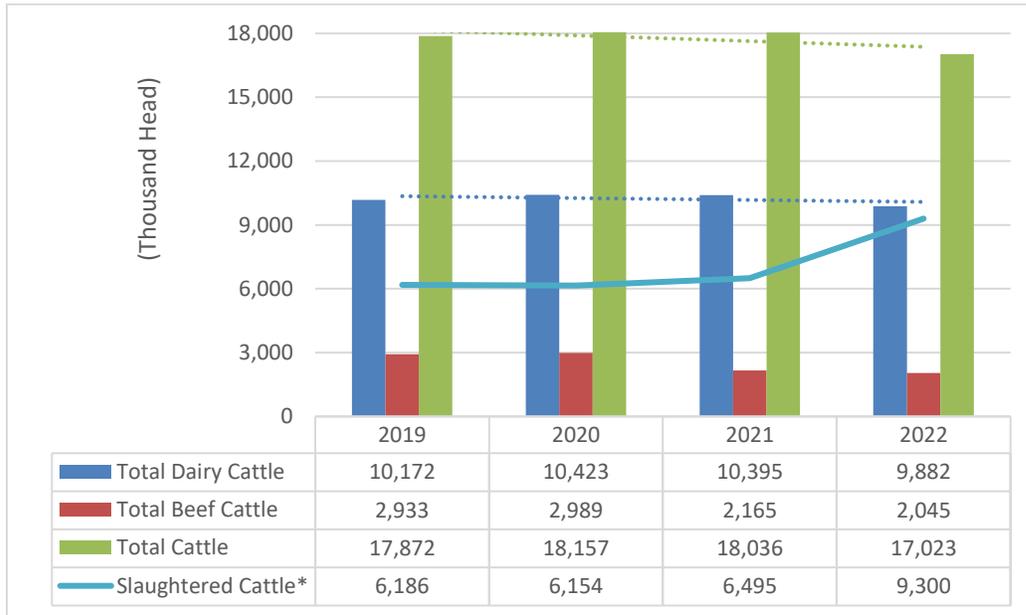
In October 2022, in hopes of slowing the rate of dairy cow slaughter, NMC increased its reference price by 13 percent to 8.5 Turkish Lira (TL) per liter. However, the increased reference price was largely meaningless, from the standpoint of the local dairy farms since the cost of production was 13 TL/liter. With some dairy processors currently willing to pay 12 TL/liter (still below the cost of production, farmers have started pulling back on the number of dairy animals they are sending to slaughter this year. It's too early to say whether this trend will continue.

For 2023, cattle numbers are forecast to decline another 5 percent given the time it takes to rebuild herds. In addition, cattle inventories will shrink due to the cattle current market conditions in the livestock sector, continued inflation, and semi-effective government policies to support production.

The dairy and beef industries are closely interconnected because there's no meat grading system. In effect, this means that meat from either a dairy cow or beef steer is considered interchangeable and there is no price difference at retail. Because of this substitutability, farmers may decide to slaughter some of their dairy cows to fill the gap when beef production runs low. Furthermore, because of the correlation between beef and milk prices, most livestock producers prefer to raise both dairy and beef cattle to stay profitable.

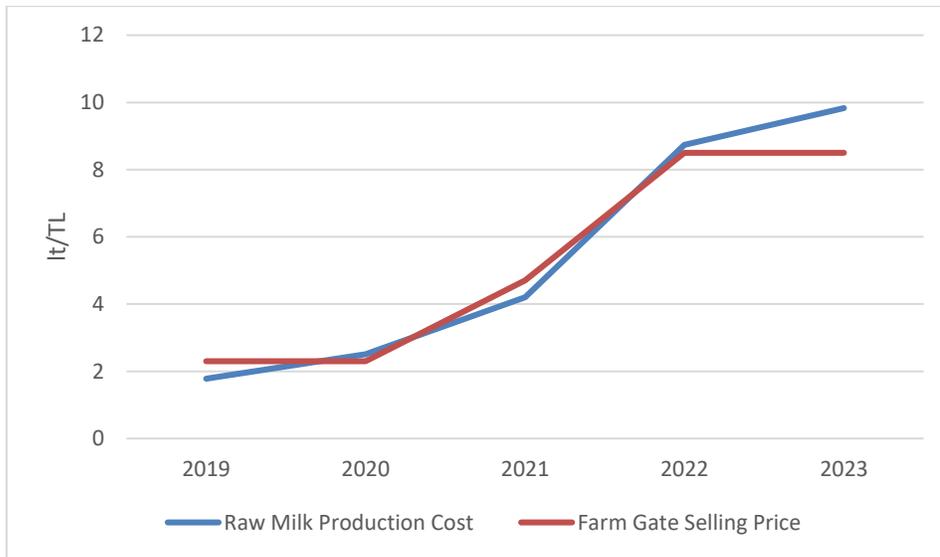
In order to achieve the desired cattle supply, industry sources continue to advocate for better cattle breeds, improved pasture for grazing, sufficient feed, and improved herd management. As these issues have not been addressed in a systematic manner, the local livestock industry will continue to battle high production costs while consumers struggle with high beef and milk prices.

Chart 1. Turkiye Cattle Population versus Slaughtered Cattle



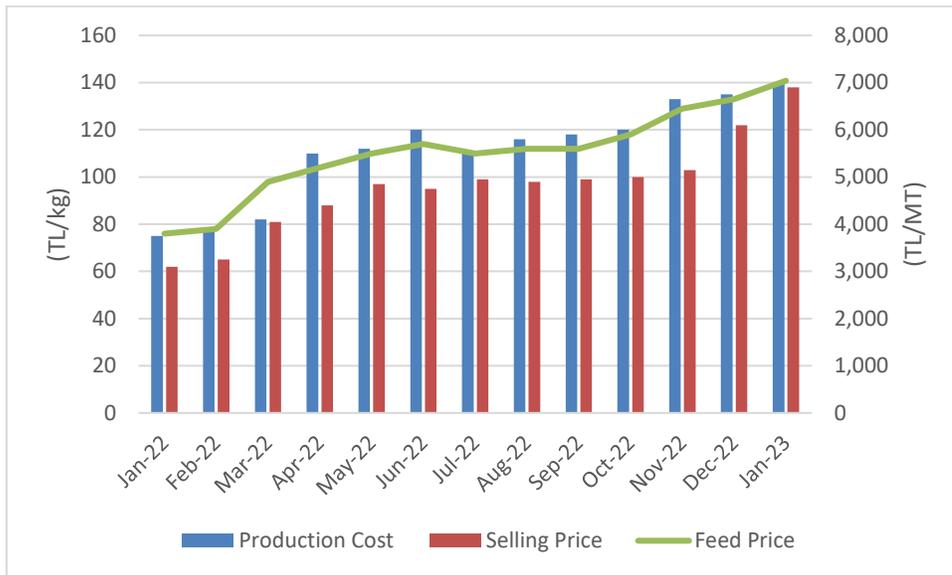
Source: Turkish Statistical Institute (TurkSTAT). *2022 slaughtered cattle data is based on sector estimates.

Chart 2. Milk Production Cost versus Farm Gate Selling Price with Number of Milking Cows, 2019-2023



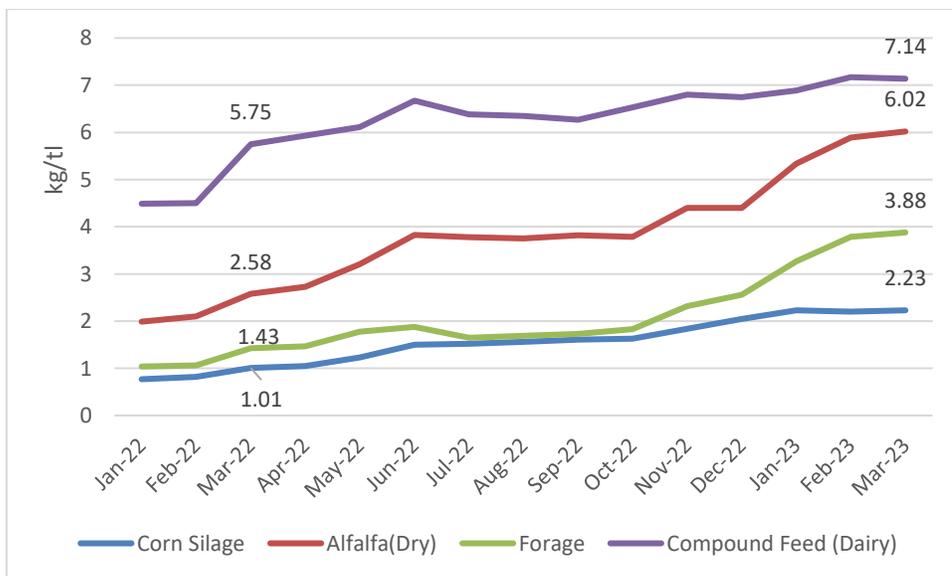
Source: Turkish National Milk Council (NMC) and TurkSTAT

Chart 3. Carcass Production Cost per kg versus Selling Prices and Feed Costs, 2022-Jan 2023



Source: National Meat Council, 2023

Chart 4. Feed Prices in Turkiye, kg/TL



Source: National Milk Council, 2023

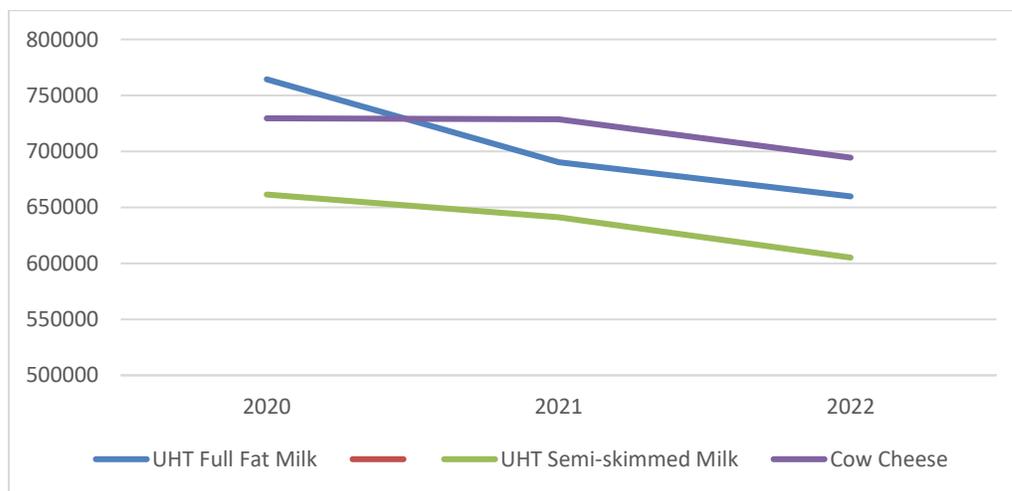
Beef and Milk - Production

According to unofficial industry estimates, with more dairy animals going to slaughter last year, beef production climbed to 1.3-1.4 million metric tons (MMT), which was up from the three-year average of about 1.1 MMT. Beef production levels would likely have been even higher, but because of high feed prices slaughter weights have decreased below the normal range of 280-300 kilograms per animal. With this increase in beef production in 2022, beef supplies were reasonably sufficient, and prices were stable.

In contrast, because there were fewer dairy cows, milk production slipped 3 percent year-to-year to 9.75 million metric tons. With less fluid milk available, the production of cheese and UHT milk, which is the standard kind of milk found on store shelves, both declined in 2022.

Since the beginning of this year, the pace of dairy cow slaughter has slowed down, causing a shortfall of beef in the marketplace and higher beef prices. Meantime, reduced dairy cow inventories, have resulted in tighter milk supplies and higher prices for milk and other dairy products.

Chart 5. Ultra-High Temperature (UHT) Processed Milk and Cheese Production, 2020-2022



Source: Turkish Statistical Institute (TurkSTAT)

Skyrocketing Retail Prices for Beef and Dairy Products

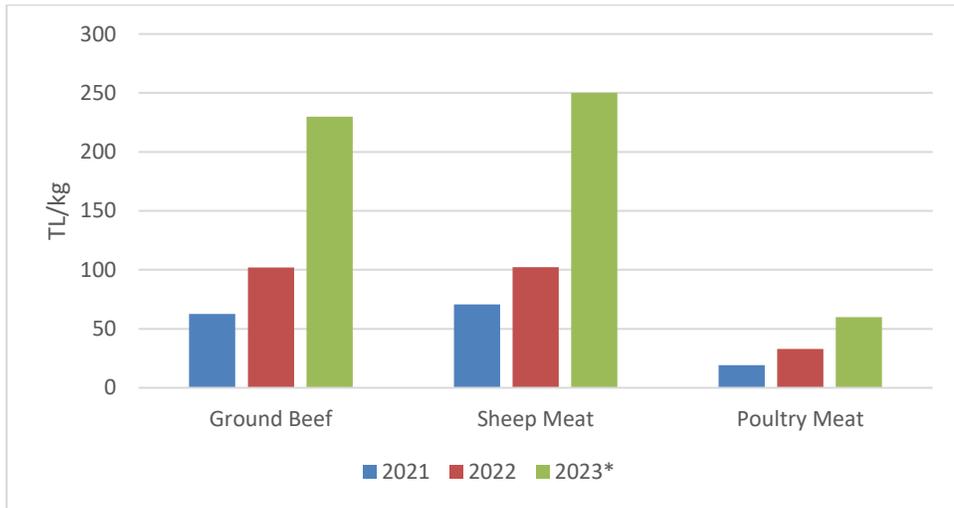
Because of the current market dynamics, the price of beef and dairy products have climbed sharply higher. In early April, ground meat prices had nearly tripled from the same month the previous year. Ground meat at local discount chains is selling for about 290 TL/kg (\$15/kg). Higher prices for dairy and meat products, and overall general inflation, are causing price conscious consumers to turn to cheaper protein options, like chicken.

In early February, with thousands of livestock perishing in the earthquakes in southeastern Türkiye, retail beef prices spiked by as much as 100 percent in many parts of the country. The government

blamed the higher prices on speculative meat dealers. According to the Meat Producers Association, 20 percent of Türkiye’s beef is produced in the 11 provinces affected by the earthquake.

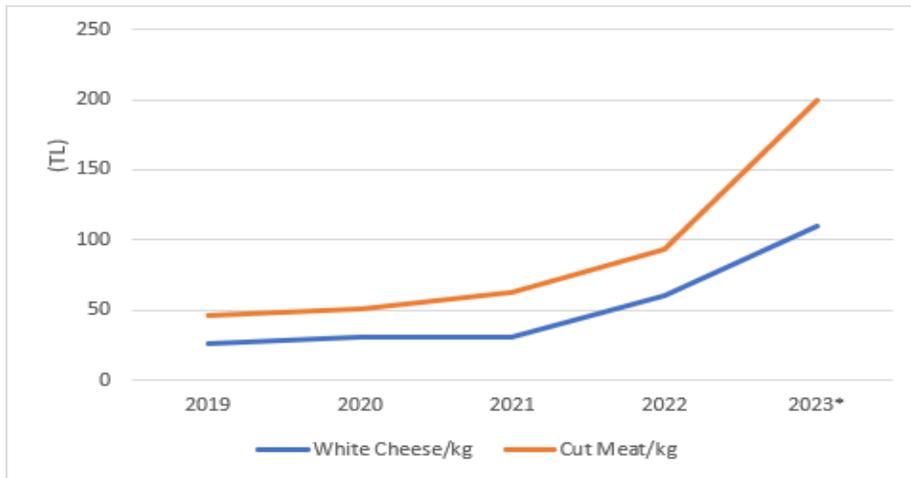
According to the Ministry of Agriculture & Forestry (MinAF), there are three main reasons apart from the effects of earthquake, for higher domestic beef prices: (1) insufficient cattle inventories; (2) a shortage of forage and grazing land; and (3) foreign dependency on imported ingredients for compound feed production. In addition, as noted above, high input prices for fuel, fertilizer, labor, and electricity are also responsible for higher prices.

Chart 6. Average Retail Meat Prices, 2023



Source: The average retail prices of supermarkets (A101, Sok, Migros) for middle-income consumers.

Chart 7. Meat Prices versus Cheese Prices at Retail Level, 2019-2023



Source: Turkish Statistical Institute (TurkSTAT)

Government Intervenes to Reduce Meat and Dairy Prices

For the last several years, Turkiye has struggled with record inflation. Despite government efforts to combat rising prices, overall inflation climbed 64 percent in 2022, according to official numbers. Independent thinktanks believe the actual inflation rate was probably double this figure. Meantime, the issue of inflation has become increasingly political ahead of the general elections in May 2023.

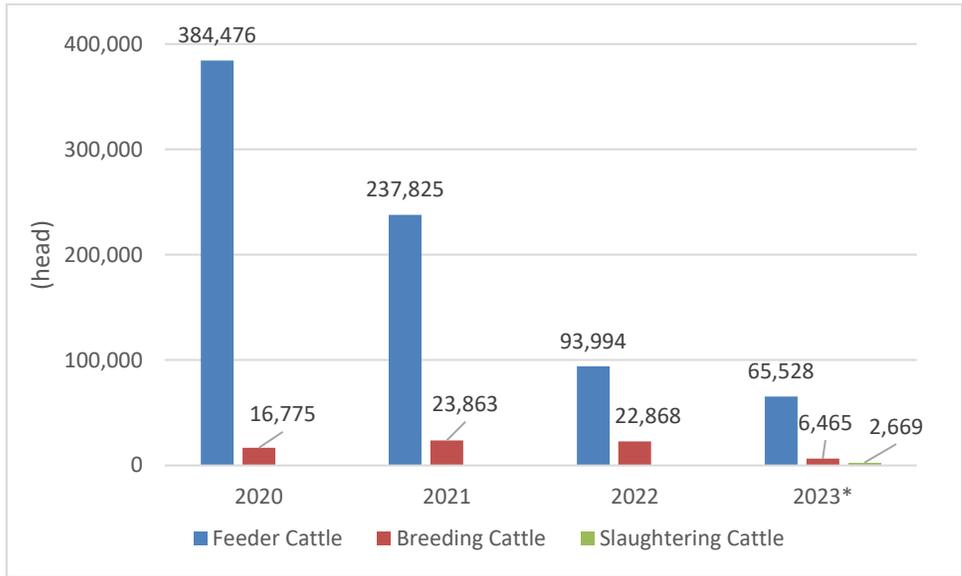
With food prices accounting for the biggest share of overall inflation, the government has introduced different measures in recent years to ease food prices. Among these various interventions, the government cut the value added tax (VAT) on food items, zeroed-out import duties on grain, stopped exports of certain ag products, and temporary authorized beef and feeder cattle imports. In addition, to keep prices down, the government allegedly pressured livestock producers not to raise their farmgate prices amid rising input costs. In response, farmers complained that they were already losing money from farmgate prices that were too low and asked the government for additional support.

In order to avoid major increases in milk and meat prices before the general elections and before the month of Ramadan, the Ministry of Agriculture and Forestry (MinAF) authorized the state-controlled Meat and Milk Board (ESK) to intervene in the markets, by importing 500,000 head of cattle and 85,000 MT of beef this year. This move to import cattle and beef is a bit unorthodox since Turkey typically discourages the importation of cattle (excluding breeding animals) and beef. From Post's perspective, these amounts are too small to make a major dent in local meat prices.

Cattle Imports

In 2023, Turkiye's cattle imports are forecast to increase to 280,000 head, more than double the previous year. However, this projection is significantly below the 500,000 head that ESK is authorized to purchase, because Post understands that global supplies of available for cattle import are quite tight. In line with historic trends, most of these imported cattle will be feeder cattle for beef production. As of February of this year, Turkiye started importing slaughtering cattle from Czech Republic, Hungary, Romania, Slovakia, and France.

Chart 8. Turkey Cattle Import Numbers by Category, 2020-2023

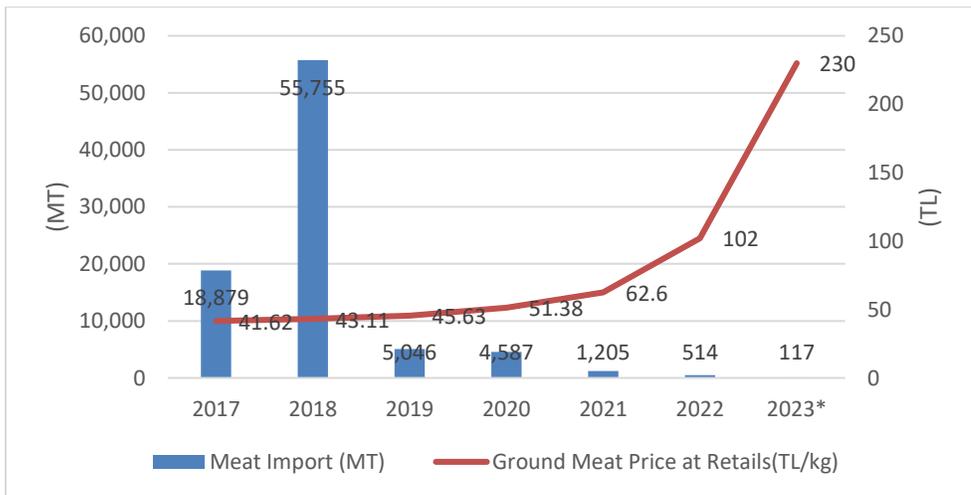


Source: Trade Data Monitor, LLC. * 2023 data includes January-February imports only

Beef Imports

In 2023, ESK is planning import 85,000 MT of beef. Of this amount, 20 percent will be sold through ESK stores and 80 percent will be sold to the government-affiliated Agricultural Credit Cooperative Markets (ACCM). ESK branded ground beef is currently being sold at the ACCMs at to ensure the supply of beef is available to consumers at affordable prices. The Butcher Federation is complaining that these discounted sales will undercut local butchers.

Chart 9. Meat Import and Retail Ground Meat Prices, 2017-2023*



Source: Trade Data Monitor, LLC. Price data from supermarkets (A101, Sok, Migros) for middle-income consumers. *Prices for 2023 includes January-March and import data for 2023 includes January-February from TDM.

New Foot and Mouth Disease (FMD) Strain in Turkiye

In March 2023, MinAF detected for the first time an SAT-2 strain of foot and mouth disease (FMD) in cattle. The cases are located in the eastern half of Turkiye, though media reports strongly suggest there may be additional cases in other parts of the country. In response to the detection, MinAF has instituted various measures to halt the spread of the virus. Animal movements (except slaughter), and the import and export of cattle are temporarily prohibited until the disease is brought under control. As of April, 12 million doses of vaccine had been produced and 4.5 million animals had been vaccinated, according to MinAF. For more information on this incident, please see our [report](#).

Meantime, the Turkish livestock industry is worried that the virus will further impact meat and milk yields, thereby driving retail prices for these products even higher.

Attachments:

No Attachments.