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Turkey

Grain and Feed Update

Turkey Grain Update

Approved By:
Rachel Nelson
Prepared By:
Rachel Nelson

Report Highlights:
Wheat plantation **is almost** finished in most parts of Turkey. Russia's wheat export ban has affected Turkish traders in several ways. Iranian exports of wheat flour to Iraq displaced some of Turkey's exports.

Post:
Ankara

Commodities:
Wheat

Executive Summary:

Wheat plantation is almost completed in most parts of Turkey except South East Anatolia where dry weather conditions delayed plantation. Wheat plantation in Central Anatolia, Cukurova, and the Aegean region is almost completed and plant development is very good so far. Wheat plantation in Southeast Anatolia usually is finished in November or December. High wheat prices in MY 2009 and expectations among farmers that the prices offered by TMO will be good due to upcoming elections in 2011 led to continued high levels of wheat acreage.

Russia banned wheat exportation in August 2010. This ban affected the Turkish wheat market tremendously. First, wheat importers took precautionary measures by importing wheat from Russia and Kazakhstan before the ban was in effect. After the ban U.S wheat was the only acceptable alternative to Russian wheat on the market due to the need for high quality, especially high protein content.

For the first shipments from U.S in July, the price was around 275 USD/MT and the price of DNS reached 330 USD/MT in September and 360 USD/MT in October, 04, 2010. Due to shipment problems involving frozen rivers in the U.S after November traders imported a high amount of wheat from U.S from July to October but this trade slowed down in October.

Besides traditional wheat suppliers like Kazakhstan, non-traditional suppliers like Germany and Lithuania were also important during the Russian wheat ban. These suppliers don't have a price advantage over U.S wheat but they have logistical advantages as well as tariff preferences. According to traders 90,000 MT of wheat was contracted from Germany and 50,000 MT was contracted from Lithuania. German and Lithuanian wheat contracted under EU wheat quota which was allocated to traders by TMO in August 25, 2010. Turkey allocates 330,000 MT of zero tariff wheat quota to EU every year and normally only TMO is authorized to use this quota every year. Because of the Russian wheat ban, this quota was allocated to traders in MY 2010.

An inward processing regime is a system that enables Turkish wheat traders and processors to import wheat at a zero tariff rate if they export wheat or wheat products. In MY 2010, the inward processing regime changed slightly. Previously traders and processors made commitments to export wheat in the future in order to be allowed to import wheat at a zero tariff rate but on June 2, 2010 traders and processors could only import wheat at a zero tariff rates after they actually exported wheat products. This policy change led to decreased wheat imports. This policy change is active until May 1, 2011.

Grain storage capacity was very limited due to high amounts of soybeans being stored. Due to ambiguity in the enforcement of new biotechnology regulations, which were to be enforced after September 26, 2010, soybean processors and traders import high amounts of soybean before this date. This led to a limited capacity of storage left for wheat imports in November 2010.

Due to the upcoming winter season in Kazakhstan, Kazakh wheat is not expected to be imported in December or January. The Kazakh wheat price is 330 USD/MT (13% Protein content).

The Turkish Grain Board was not very active at the market in MY 2010, when they procured just 979,557 MT of wheat (640,738 MT of milling wheat and 338,818 MT of durum wheat). TMO opened 334,000 MT of wheat stocks to traders to stabilize the market in September 01, 2010 but traders didn't show much interest, as TMO stocks don't contain a high enough protein level. Mostly protein content of wheat stock is 12% or below. Therefore, TMO only sold 50,617 MT of wheat at that time.

TMO has 2,129,407 MT of wheat stocks as of November 4, 2010. Traders and processors have high wheat stocks at the moment.

Traders started to contract with U.S. suppliers in July 2010 and first U.S wheat (46,000 MT) arrived in August, 2010 which had 12% protein. According to trader estimates 370,000 MT of U.S wheat was sold to Turkey from June to November, 2010. Traders expect that strong demand for U.S. wheat will continue until July 2011, when Russia is expected to lift its wheat export ban.

Wheat import increase will slow down in November and December, 2010. Wheat import is forecast at 2.5 MMT in MY 2010.

Table 1 WHEAT FOREIGN TRADE

TURKEY: WHEAT FOREIGN TRADE			
MONTH	IMPORTS MY 2008 (MT)	IMPORTS MY 2009 (MT)	IMPORTS MY 2010 (MT)
June	224,741	172,901	125,320
July	131,565	95,530	159,029
August	251,868	284,780	226,965
September	375,754	267,215	
October	415,633	409,970	
November	266,728	229,368	
December	299,517	289,393	
January	236,786	187,219	
February	349,971	130,891	
March	392,171	378,095	
April	357,526	252,511	
May	307,081	225,663	
MY TOTAL	**3,609,341**	**2,923,536**	**511,314**

Due to the Russian wheat export ban, wheat imports from Russia will remain at 550,000 MT in MY 2010 and wheat imports from the United States will reach 500,000 MT in MY 2010.

Table 2: MAJOR WHEAT SUPPLIERS TO TURKEY

TURKEY: MAJOR WHEAT SUPPLIER				
Country	MY 2007 (MT)	MY 2008 (MT)	MY 2009 (MT)	MY 2010 (MT)*
Russia	886,393	2,003,918	2,184,316	407,572
Kazakhstan	1,032,444	219,298	432,536	78,651
Ukraine	59,828	154,432	108,802	1,747
Hungary	142,248	143.951	18,458	3,102
Moldova	446	55,399	40,049	2,785
Lithuania	48,402	106,872	88,948	0
U.S.	45,537	46,821	0	3,367
Others	312,474	1,022,457	50,427	14,090
MY Total	**2,527,772**	**3,609,341**	**2,923,536**	**511,314**

*June 2010-August 2010

TOM’s low quality wheat stocks will be used for export in MY 2010. Wheat exports will reach 500,000 MT in MY 2010.

Table 3 MAJOR WHEAT EXPORT MARKETS

TURKEY: MAJOR WHEAT EXPORT MARKETS				
Country	**MY 2007 (MT)**	**MY 2008 (MT)**	**MY 2009 (MT)**	**MY 2010 *(MT)**
Syria	0	0	334,973	0
Italy	9,326	0	225,366	32,950
Egypt	0	0	145,034	20,415
Lebanon	0	0	38,968	0
Iraq	235	0	1,816	200
Georgia	0	3,108	0	0
Sudan	3,100	4,424	2	0
Israel	26	0	108,035	17,740
Tunisia	0	0	108,744	5,716
Others	5,332	591	380,270	49,336
MY Total	**18,019**	**8,123**	**1,343,208**	**126,357**

*June 2010-August 2010

The Turkish wheat flour industry was expecting record exports in MY 2010, but due to the Russian wheat export ban, wheat flour export prices increased 480 USD to 500 USD/MT in MY 2010. Iran is a new supplier in the wheat flour market for the northern part of Iraq. Not only does Iran enjoy a price advantage but they also have political connections. Iran built 2 MMT of grain silos on the border of Kazakhstan and started to buy high quality Kazakh wheat, process it, and export it to Iraq at a price of 400 USD/MT. This led to competition for Turkish wheat flour exporters in Iraq, starting from October and increasing in November 2010. This competition is unfortunate for Turkish exporters because their other markets such as the Philippines, Indonesia and other more distant countries have lower profit margin.

Wheat flour exports are forecast at 1.5 MMT in MY 2010.

Table 4 WHEAT FLOUR EXPORT

TURKEY: WHEAT FLOUR EXPORT				
Month	**MY 2007 (MT)**	**MY 2008 (MT)**	**MY 2009 (MT)**	**MY 2010 (MT)**
June	75,630	102,002	176,761	164,783
July	131,013	107,338	166,938	215,832
August	118,713	130,138	140,478	150,960
September	92,422	138,073	154,753	
October	61,629	151,091	194,313	
November	66,435	86,329	126,860	
December	95,015	82,984	175,065	
January	111,714	91,302	131,663	
February	92,919	109,721	145,332	
March	75,298	141,706	138,893	
April	60,276	186,165	166,880	
May	73,775	141,185	153,496	
MY TOTAL	**1,054,839**	**1,468,034**	**1,871,432**	**531,575**

Table 5 MAJOR WHEAT FLOUR MARKET

TURKEY: MAJOR WHEAT FLOUR MARKET				
Country	**MY 2007 (MT)**	**MY 2008 (MT)**	**MY 2009 (MT)**	**MY 2010 *(MT)**
Iraq	338,432	631,478	796,528	279,531
Indonesia	177,657	305,967	429,826	115,191
Philippines	240	69,824	126,749	15,727
Sudan	31,672	66,523	72,337	3,164
Yemen	0	670	16,491	7,015
Israel	26,148	66,523	24,370	4,281
Others	480,690	329,009	405,131	106,666
MY Total	**1,054,839**	**1,469,994**	**1,871,432**	**531,575**

Turkish pasta exporters kept their strong export position in MY 2010. Their strength lies in the diversity of their export markets. Pasta export in MY 2010 are forecast at 280,000 MT.

Table 6 PASTA FOREIGN TRADE

TURKEY: PASTA FOREIGN TRADE				
MONTH	**MY 2007 (MT)**	**MY 2008 (MT)**	**MY 2009 (MT)**	**MY 2010* (MT)**
June	12,342	15,748	16,783	21,119
July	15,174	16,705	23,300	29,095
August	16,746	16,782	22,001	25,961
September	15,001	12,210	19,053	
October	13,864	13,034	21,123	
November	20,536	10,283	19,642	
December	16,723	9,957	25,488	
January	15,257	12,180	25,298	
February	16,279	10,492	21,507	
March	16,602	15,048	26,664	
April	14,883	13,196	25,435	
May	17,877	15,283	24,789	
MY TOTAL	*191,285*	*160,918*	**271,083**	**76,175**

Table 7 MAJOR PASTA EXPORT MARKETS

TURKEY: MAJOR PASTA EXPORT MARKETS				
Country	**MY 2007 (MT)**	**MY 2008 (MT)**	**MY 2009 (MT)**	**MY 2010 *(MT)**

Iraq	16,153	13,437	24,977	7,753
Benin	11,766	4,370	19,663	4,391
Japan	3,598	10,260	14,170	4,232
Togo	12,838	8,941	21,458	7,762
Angola	2,157	7,088	17,000	2,999
Others	144,917	116,822	173,815	49,038
MY Total	**191,429**	**160,918**	**271,083**	**76,175**

Not only pasta exporters but also semolina exporters enjoy a diversity of target markets. Semolina exports are forecast at 100,000 MT in MY 2010.

Table 8 SEMOLINA FOREIGN TRADE

TURKEY:SEMOLINA FOREIGN TRADE				
MONTH	**MY 2007 (MT)**	**MY 2008 (MT)**	**MY 2009 (MT)**	**MY 2010 (MT)**
June	3,874	5,788	4,931	8,656
July	3,583	7,835	7,368	13,966
August	4,139	3,843	6,022	7,643
September	5,142	2,980	8,902	
October	6,399	3,169	5,885	
November	11,511	3,051	6,362	
December	7,691	1,939	7,937	
January	7,418	2,223	10,217	
February	6,217	3,157	8,654	
March	4,521	2,227	8,656	
April	7,252	3,342	13,966	
May	7,408	6,120	7,643	
MY TOTAL	75,154	45,676	96,543	30,302

Table 9 TURKEYS MAIN SEMOLINA EXPORT MARKETS

Countries	**MY 2007 (MT)**	**MY 2008 (MT)**	**MY 2009 (MT)**	**MY 2010 (MT)**
Oman	0	0	10,938	3,737
Iraq	3,582	6,253	15,547	7,520
Saudi Arabia	3,139	7,833	13,136	2,357
Egypt	8,783	5,528	9,755	4,528
Syria	7,015	4,192	11,168	5,450
Others	52,636	21,870	35,999	6,710
Total	75,155	45,676	96,543	30,302

Table 10: PSD for Wheat

Wheat Turkey	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jun 2008		Market Year Begin: Jun 2009		Market Year Begin: Jun 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,700	7,700	7,800	7,800	8,000	8,000
Beginning Stocks	416	420	1,546	1,550	1,740	1,733
Production	16,800	16,800	18,450	18,450	17,000	17,500
MY Imports	3,468	3,468	3,218	2,922	3,500	2,500
TY Imports	3,578	3,577	3,218	2,922	3,500	2,400
TY Imp. from U.S.	20	20	38	0	0	500,000
Total Supply	20,684	20,688	23,214	22,922	22,240	21,733
MY Exports	2,238	2,238	4,374	4,389	4,000	3,100
TY Exports	2,342	2,342	4,374	4,389	4,000	3,100
Feed and Residual	700	700	800	800	700	700
FSI Consumption	16,200	16,200	16,300	16,000	16,500	16,500
Total Consumption	16,900	16,900	17,100	16,800	17,200	17,200
Ending Stocks	1,546	1,550	1,740	1,733	1,040	1,433
Total Distribution	20,684	20,688	23,214	22,922	22,240	21,733
1000 HA, 1000 MT						