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Global Agricultural Information Network

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Grain and Feed Update

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Approved By:

Christine Strossman, Agricultural Counselor

Prepared By:

Kubilay Karabina, Agricultural Specialist

Report Highlights:

Total marketing year (MY) 2018/19 production is forecast at 18.75 million metric tons (MMT) for wheat and 5.5 MMT for corn. Post reduced some commodities' consumption forecasts assuming a slight decrease in demand from the feed sector in 2018/2019. Despite amendments to export regulations in the month of September, exports of wheat products rebounded to the level of previous years. As a high government priority, Turkey is closely monitoring the prices of staple foods like bread and red meat and continues to take policy actions to tackle food price inflation.

Post:
Ankara

Production

Wheat

Total wheat production is forecast at 18.75 million metric tons (MMT) in marketing year (MY) 2018/19, down about four percent compared to the previous marketing year due to lower yields than expected in the Central Anatolia and Thrace regions. In addition to the winter drought problems in the Southeastern region, the quality of the crop deteriorated throughout Turkey, especially in the Central Anatolia and Thrace regions due to unexpected heavy rainfall in May and June, as well as hail damage. Total wheat area is estimated at 7.615 million hectares (ha).

Post estimates MY 2017/18 wheat production at 19.5 MMT, due to low yields in some parts of Turkey because of winter drought conditions. Well-distributed rains in the spring partially compensated for the winter drought problems in some regions.

Contrary to the previous two years, in autumn 2018 after the wheat planting was finished, there were wetter than usual conditions in Turkey. According the Turkish National Meteorological Service data, average rainfall in Turkey from October 2018 through December 2018 was 245 millimeters (mm), which is 50 percent higher than the same period in 2017 which was lower than average at 163.2 mm. Autumn 2018 rainfall was 25 percent higher than the national historical average. All regions received more rainfall than last year in the same period. Most notable was the Southeastern region where average rainfall from October 2018 through December 2018 was 367.8 mm, compared to 80.6 mm in 2017.

Due to farmers' financial concerns and increased costs of inputs, it is expected that some farmers will use less certified seed and fertilizer in order to minimize their costs for the current growing season.

Barley

Post revised the production forecast down to 6.4 MMT of barley in marketing year 2018/19. The decrease is primarily due to insufficient rain during the spring, especially in April, which did not compensate for winter drought effects in unirrigated fields. Fall 2018 barley planting is finished across the country, and planted area is expected to shift from wheat to barley due to higher returns compared to wheat.

Post revised the barley production estimate down to 6.2 MMT for MY 2017/18 due to lower than expected yields in the Central Anatolia Region.

Corn

Post maintains the production forecast at 5.5 MMT of corn in marketing year 2018/19. A yield decrease of 100,000 MT of second crop production in the Southeastern region due to heavy rains was offset by the higher yield in Central Anatolia. The second crop corn harvest is continuing slowly compared to the previous year due to heavy rains. Eighty percent was completed by the end of December 2018. Second crop corn yields were close to expectations, with the exception of the Southeastern region where some of crop wasn't able to be harvested from the fields because of heavy rains. In the southeast of Turkey, where most of the second crop corn was harvested (800,000 MT), yields were around 800-1,000 kg/ha. In the Cukurova region, yields were around 1000-1100 kg/ha, in line with the long-term yield average. In the Aegean growing region, such as the area around Aydin, second crop yields were around 900-1100 kg/ha, similar with the long term yield average.

Konya, in the Central Anatolia region, is becoming a prominent corn production area in recent years. Karapinar, Karatay and Cihanbeyli are the sub provinces of Konya where farmers grow corn as a first crop with drip irrigation. In the Central Anatolia region, the harvest started in September 2018 for the first crop and yielded 1.4 MMT of corn, which was about 1,500 kg/ha.

Rice

The rice harvest began in the Thrace region in the first week of September 2018. All of Turkey's paddy rice harvest was completed by November 2018 in all regions. Post revised the production forecast up to 610,000 MT of milled rice in marketing year 2018/19. The main reason for the bumper crop is new seed varieties, in addition to good weather. Osmancik and Baldo varieties are the well-known varieties among farmers and consumers and have dominated the region for many years. However, new varieties such as Cammeo, Ronaldo, and Luna are becoming more popular due to their high yields and high milling rates.

Consumption

Post maintains the wheat consumption forecast at 18 MMT in marketing year 2018/19. Feed wheat availability is expected to increase compared to the previous year so usage is forecast at 1.2 MMT, up 200,000 MT from MY 2017/18. For marketing year 2017/18, post revised the wheat consumption forecast down to 17.7 MMT, due to a decrease in feed wheat usage as availability was limited due to the general characteristics of the crop. The crop was better quality than expected, so less preferred for feed use. For detail regarding yield and quality, please see the [Grain and Feed Update](#) in October 2017.

According market sources, there has been a slowdown in compound feed production among prominent feed companies since the month of August due to general economic issues. Post revised the barley consumption forecast down to 6.55 MT in marketing year 2018/19 in parallel with the revised decrease in production forecast and assuming a decrease in demand from the feed sector.

Post revised the corn consumption forecast to 7.9 MMT in marketing year 2018/19, assuming a decrease in demand from the feed sector. Apart from the feed sector's general overview, alternative sources such as feed wheat has increased in some feed rations in recent months due to competitive price.

Trade

Wheat

In order to stabilize domestic prices, Turkey blocked exports of flour made from domestically-grown wheat starting the first week of September 2018. In the scope of a new amendment to the Inward Processing Regime (IPR), Turkish millers are only able to export flour made from imported wheat. After this amendment, it took almost two months for millers to adjust to the new system. This was particularly difficult for those millers located in the Southeast of Turkey which generally utilize domestic wheat for flour exports. Flour exporters are compensating for these losses with sales in the last quarter of 2018. Although wheat flour exports have resumed, millers are reported to have cash flow issues. With the new system, Turkey's wheat import figures are increasing in line with wheat flour export figures.

Turkey's wheat flour exports during the first six months of MY 2018/19 (from June to November) were just below last year's exports of the same period, reaching 1,727,000 MT. Exports during the same period of last year were 1,741,000 MT. Iraq continues to be the leading importer with 850,000 MT during this time period, followed by Syria with 192,000 MT, and Angola with 134,000 MT.

While the government blocked exports of flour made from domestically-grown wheat, there was not any restriction for pasta producers. Although Turkish legislation requires use of durum wheat for pasta, there is an exception allowing pasta producers to blend milling wheat with durum wheat for certain export markets. Turkey exported a record 1.15 MMT of pasta in MY 2017/18. Turkey's pasta exports were up ten percent during the first six months (from June to November) of MY 2018/19, reaching 595,000 MT. African countries are the main export market for Turkish pasta. Angola is the leading importer with 88,500 MT, followed by Benin with 71,000 MT, and Somalia with 52,000 MT during the first half of this marketing year.

For MY 2018/19, total wheat exports from Turkey, including wheat products, are forecast at 6.2 MMT, similar to MY 2017/18, assuming strong demand from major customers continues.

Turkey continues to import wheat in order to produce wheat products, especially wheat flour. With the new IPR policies, the demand for imported wheat is linked with flour exports. Wheat imports during the first six months of MY 2018/19 were about 2.5 MMT, of which about 2.4 MT was milling wheat and the remaining 105,000 MT was durum wheat. The main wheat supplier was Russia (2.2 MMT), followed by Ukraine (124,000 MT) and Kazakhstan (105,000 MT).

Post increased the wheat import forecast to 5.5 MMT, based on expectations that wheat products exports will remain robust, creating a continued demand for imported wheat.

As a government-affiliated body, the Turkish Grain Board (TMO) has been very active in the market so far in MY 2018/19. In addition to TMO announcing an intervention price, TMO has supplied domestic and imported wheat to the domestic market.

As indicated in the Grain and Feed Update in October 2018, TMO received authorization through a presidential decree published in the [Official Gazette](#) on August 15, 2018, to import 2.25 MMT of wheat, barley, corn, and rice at zero customs duty, in order to stabilize domestic prices during the year.

As part of this authorization, in September 2018, TMO held a series of international import tenders for 252,000 MT of milling wheat and 246,000 MT of barley in order to supply them to flour and feed millers for domestic usage. Following these, TMO [announced](#) that it continues selling domestic wheat at around 1100 TL/MT (from its stocks of approximately 3.5 MMT) to provide stability to the internal wheat and flour market. In an effort to control food price inflation in Turkey, TMO could sell imported goods to the domestic market for domestic usage at a lower price than its import cost.

TMO received another authorization through a presidential decree published in the [Official Gazette](#) on January 16, 2019 to import an additional 2.6 MMT of wheat, barley, corn, pulses and rice at zero customs duty, in order to stabilize domestic prices during the year. This authorization is valid until December 31, 2019.

Table 1: TMO’s zero duty quotas authorization (Valid from January 16- December 31, 2019)

HS code	Product	Tariff Quotas (MT)	Tariff (%)
07.13	Pulses	100,000	0
10.01	Wheat	1,000,000	0
10.03	Barley	700,000	0
10.05	Corn	700,000	0
10.06	Rice	100,000	0

Barley

With the help of TMO’s zero duty tender, which was held in September 2018, barley imports during the first six months of MY 2018/19, were about 93,000 MT. The main barley supplier was Russia (57,000 MT), followed by Spain (30,000 MT).

Post increased the barley import forecast to 250,000 MT in MY 2018/19 based on TMO’s import authorization. There is still a 35 percent duty on barley for private sector importers.

Corn

As mentioned in previous reports, TMO imported about 615,000 MT of corn, with several tenders issued in MY 2017/18, to meet the demand from the feed sector and stabilize the domestic corn price. TMO also received authorization for corn imports with zero tariff as mentioned above for 2019. In this regard, TMO issued a tender for 342,000 MT of corn on January 18, 2019. Corn imports are forecast at 2 MMT in MY 2018/19 assuming a softening of demand from the feed sector for corn.

Rice

Post revised the rice import forecast down to 240,000 MT in MY 2018/19 mainly due to better than expected yields in domestic production. In addition, with the Turkish lira having lost more than 40 percent of its value against the U.S. dollar this year, domestic prices of commodities in Turkey are now generally lower than international market prices.

According to Turkish statistics, Turkey has imported about 6,995 MT of rice during the first three months (September, October and November) of MY 2018/19, of which about 1,200 MT was milled rice, 5,100 MT was paddy rice and 660 MT was brown rice, milled equivalent.

TMO received authorization to import 100,000 MT of paddy rice at zero customs duty in order to stabilize domestic prices during the year, as mentioned above. In the scope of this authorization, through a tender held on December 25, 2018, TMO bought 35,000 MT of paddy rice (of which about 30,000 MT is Calrose) and 5,000 MT of milled rice.

Post revised the rice export estimates down to 48,000 MT, milled equivalent, in MY 2017/18 due to lower demand than expected. Libya was the main destination with 12,000 MT, followed by Syria with about 11,700 MT and Iraq with about 5,300 MT milled equivalent.

In order to stabilize domestic prices, Turkey blocked exports of domestically-grown rice starting with a [communiqué](#) published in the Official Gazette on September 28, 2018. Exporters can still mill imported paddy rice to export. Due to this policy change, Post also revised the rice export forecast down to 40,000 MT in MY 2018/19, assuming some Turkish exporters continue to mill imported paddy rice in the scope of inward processing regime as in previous years.

Turkey [maintains the new additional levies on U.S. rice](#) of 50 percent, which are in addition to the existing tariff rates of 34 percent for paddy rice, 36 percent for husked brown rice, and 45 percent for milled rice.

Stocks

TMO is expected to actively intervene in the grain sector with its stocks and authority to import tariff-free in 2019. Because of high interest rates and capital costs, traders are expected to hold fewer stocks, which will affect imports and ending stocks estimates for all commodities in the following year.

Policy

As a government high priority, Turkey is closely monitoring prices of staple foods like bread and red meat. After the currency depreciation in the month of August and due to ongoing domestic food price inflation problems, Turkey has taken some actions; including limiting exports and providing cheap raw materials to the animal feed and flour sectors for domestic use via the Turkish grain Board. Although the price of Turkish domestically-produced commodities has historically been higher than international markets, they are now generally lower than international market prices since the currency depreciation, as seen in table 2.

Table 2: Average Domestic Prices at Commodity Exchanges in Turkey and Corresponding World Prices of Commodities CIF as of January 2019, TL/MT (FX \$1=5.4TL)

	Milling Wheat	Durum Wheat	Corn	Barley	Rice (Osmancik variety)
Domestic Price (TL)	1300	1400	1150	1120	4950
(\$ USD equivalent)	240	260	213	207	916
World (CIF \$USD)	255	290	195	260	500-950 (various varieties)

In order to combat food inflation, there are some instruments which have been used by Turkey frequently in recent months. These include: elimination of tariffs, allocation of quotas to a governmental organization, price ceilings, price supports, adjustments to quality standards and discounts for goods produced by governmental organizations such as herbicides or fertilizer.

The GOT will continue to support agricultural production according to the concept of “agricultural basins.” According to an [announcement](#) in 2019, Turkey will be divided into 941 “basins” based on climate and soil conditions, and will subsidize 21 strategic crops, with a specific set of crops for each basin. Subsidies will be available for crops if they are on the subsidy list.

Production, Supply, and Distribution

Wheat Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jun 2016		Jun 2017		Jun 2018	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7815	7815	7800	7800	7615	7615
Beginning Stocks	3118	3118	1327	1327	4359	3159
Production	17250	17250	21000	19500	19000	18750
MY Imports	4533	4533	6226	6226	4700	5500
TY Imports	4542	4542	6130	6130	4700	5500
Total Supply	24901	24901	28553	27053	28059	27409
MY Exports	6174	6174	6194	6194	6000	6200
TY Exports	6177	6177	6218	6218	6000	6200
Feed and Residual	700	700	1300	1000	1200	1200
FSI Consumption	16700	16700	16700	16700	16800	16800

Total Consumption	17400	17400	18000	17700	18000	18000
Ending Stocks	1327	1327	4359	3159	4059	3209
Total Distribution	24901	24901	28553	27053	28059	27409
Yield	2.2073	2.2073	2.6923	2.5	2.4951	2.4622
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2016/2017		2017/2018		2018/2019	
	Jun 2016		Jun 2017		Jun 2018	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Turkey						
Area Harvested	3400	3400	3400	3400	3600	3550
Beginning Stocks	961	961	338	338	771	571
Production	4750	4750	6400	6200	7400	6400
MY Imports	141	141	753	753	100	250
TY Imports	291	291	700	700	100	250
Total Supply	5852	5852	7491	7291	8271	7221
MY Exports	14	14	20	20	100	20
TY Exports	14	14	20	20	100	20
Feed and Residual	4600	4600	5800	5800	6400	5650
FSI Consumption	900	900	900	900	900	900
Total Consumption	5500	5500	6700	6700	7300	6550
Ending Stocks	338	338	771	571	871	651
Total Distribution	5852	5852	7491	7291	8271	7221
Yield	1.3971	1.3971	1.8824	1.8235	2.0556	1.8028
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn	2016/2017		2017/2018		2018/2019	
	Sep 2016		Sep 2017		Sep 2018	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Turkey						
Area Harvested	570	570	600	600	530	530
Beginning Stocks	862	862	804	804	1063	1063
Production	5500	5500	6000	6000	5500	5500
MY Imports	1389	1389	2719	2719	2200	2000
TY Imports	1421	1421	2800	2800	2200	2000
Total Supply	7751	7751	9523	9523	8763	8563
MY Exports	97	97	90	90	50	50
TY Exports	37	37	90	90	50	50
Feed and Residual	5800	5800	7300	7300	7000	6800
FSI Consumption	1050	1050	1070	1070	1100	1100
Total Consumption	6850	6850	8370	8370	8100	7900
Ending Stocks	804	804	1063	1063	613	613
Total Distribution	7751	7751	9523	9523	8763	8563

Yield	9.6491	9.6491	10	10	10.3774	10.3774

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

Rice, Milled Market Begin Year	2016/2017		2017/2018		2018/2019	
	Sep 2016		Sep 2017		Sep 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Turkey						
Area Harvested	98	98	99	99	100	100
Beginning Stocks	128	128	71	71	96	103
Milled Production	500	500	520	520	540	610
Rough Production	746	746	776	776	806	910
Milling Rate (.9999)	6700	6700	6700	6700	6700	6700
MY Imports	280	280	350	350	350	250
TY Imports	300	300	350	270	350	250
Total Supply	908	908	941	941	986	963
MY Exports	57	57	55	48	60	40
TY Exports	56	60	55	45	60	40
Consumption and Residual	780	780	790	790	800	800
Ending Stocks	71	71	96	103	126	123
Total Distribution	908	908	941	941	986	963
Yield (Rough)	7.6122	7.6122	7.8384	7.8384	8.06	9.1

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