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Turkey

Oilseeds and Products Update

Soybean and Products Update

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Report Highlights:

Turkish soybean area for MY 2018/19 is about 26,000 hectares and production is 100,000 MT, lower due to increases in cotton planting in recent years. During MY 2017/18, due to the lucrative domestic crushing market, import demand shifted from meal to soybeans, with imports of 2.7 MMT of soybeans, up about 22 percent and soybean meal imports of 520,000 MT, down 27 percent. Brazil was the leading soybean supplier with 1.2 MMT and Argentina was the leading supplier for soybean meal with 465,000 MT. Imports of soybean and meal from the United States were lower than anticipated due to market access problems related to delayed biotech approvals. Total imports of soy and meal have been increasing, but recent economic crises will slow the poultry sector's growth and adversely affect the total demand for soy and products imports in MY 2018/19.

Turkey Oilseeds and Products Update

SOYBEANS

Soybean PSD (1000 hectares and 1000 MT)

Oilseed, Soybean	2016/2017		2017/2018		2018/2019	
Market Begin Year	Sep 2016		Sep 2017		Sep 2018	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	30	30	25	24	30	26
Area Harvested	30	30	24	24	26	26
Beginning Stocks	274	274	313	313	428	380
Production	100	100	90	90	99	100
MY Imports	2271	2271	2600	2777	2600	2500
Total Supply	2645	2645	3003	3180	3127	2980
MY Exports	132	132	25	20	25	5
Crush	1000	1000	1250	1530	1350	1325
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1200	1200	1300	1250	1380	1300
Total Dom. Cons.	2200	2200	2550	2780	2730	2625
Ending Stocks	313	313	428	380	372	350
Total Distribution	2645	2645	3003	3180	3127	2980

Production

In the Cukurova region, where ninety-five percent of the local soybean crop is planted, soybeans have to compete with wheat, corn, and cotton. Farmers in the Cukurova region planted more cotton due to attractive returns, which consequently reduced soybean planted area. Attractive returns on peanuts also created an alternative to planting soybeans in the region. As a result, crop rotation has become the main reason for soybean planting in the region.

Accordingly, MY 2018/19 domestic soybean planting was 26,000 hectares and production 100,000 MT. While the planting area has been shrinking over the years, yields are increasing due to better seed quality.

The government encourages oilseed production in Turkey by increasing the production bonus payments annually. However, there was no increase for the MY 2018/19 soybean crop and the production bonus remained at TL 600 per metric ton, which is equivalent to ~\$111/MT (when TL 5.4= \$1, as of November 20, 2018).

Consumption

An increase in crushing margins fueled domestic processing of soybeans. All in all, domestic consumption of soybeans was 2.7 MMT during MY 2017/18, up about twenty-six percent compared to last marketing year. Consumption is expected to decline somewhat to 2.6 MMT in MY 2018/19 due to reduction in crushing margins, though full-fat soy feeding will be up slightly.

Turkey has a large and developed poultry meat and egg sector, which relies on soy protein as a critical component of poultry feed. Turkey's poultry meat and egg industries enjoyed continued high growth during the calendar year (CY) 2017 and the first quarter of 2018, but starting in the spring, major issues began to impact both industries adversely. Turkey's biosafety law and slow approval process for genetically engineered (GE) soy and corn varieties significantly impacted feed prices. Turkish importers faced market access problems while importing soybeans, due to delays in the domestic approval process for GE varieties that have already been approved in many other countries, including the EU. This prevented the domestic poultry industry from accessing affordable raw materials needed for feed and caused soybean prices in Turkey to increase significantly, increasing the cost of production for both poultry meat and egg industries.

This was coupled with continuing depreciation of the Turkish Lira during the first eight months of 2018 where the Turkish Lira lost about seventy percent of its value against the major currencies of the world. Even though the currency has recovered somewhat since then, the economy is now experiencing a major credit shortage whereby industry is not able to access credit from local banks. This depreciation and lack of credit put a burden on companies who have debt in dollars or other foreign currencies, when domestic sales are in Turkish Lira. These developments put major financial pressure on some local poultry operations. One of the leading poultry producers and a large feed producer filed for bankruptcy protection in recent months to help them reschedule their debt repayments. They cited increased raw material prices, the recent currency devaluation, and lack of credit as the reasons for the bankruptcy.

Despite the difficulties, the currency devaluation has also assisted the poultry and egg industries to increase exports. Accordingly, poultry meat and egg exports were up about eighteen percent as of September 2018, compared to same period last year. In recent years, both industries have exported about twenty percent of their total production, with 80 percent produced for the domestic market. Increased number of tourists to Turkey during summer 2018 also assisted with driving demand and the recovery of domestic consumption.

Trade

The reduction in crushing in MY 2018/19 is predicted to drive a ten percent decline in imports of soybeans for crushing, while meal imports will increase to compensate. Total soybean imports during MY 2017/18 (September 2017-August 2018) were 2.7 MMT, up about twenty-two percent compared to the previous marketing year due to lucrative domestic crushing margins. Brazil was the leading supplier with 1.2 MMT. Ukraine (608,000 MT), the United States (428,000 MT) and Paraguay (328,000 MT) were the other leading suppliers. Turkey became the leading buyer of Ukrainian soybeans in recent years due to geographical proximity and favorable pricing. Turkey also imported a total of 113,000 MT of soybeans in September 2018 and Brazil was the sole supplier.

During MY 2017/18, imports from the United States were less than predicted due importer concerns

that trace amounts of biotech soy varieties awaiting approval in Turkey could lead to shipments being rejected. There have been no new approvals of biotech soy varieties in Turkey since August 2, 2017, leading to a situation where some varieties approved in other major markets, such as the EU, are not yet approved in Turkey. As a result, Turkish importers looked to other sources, such as Brazil for soy and Argentina for meal, despite the higher prices. As long as the market access issue continues, soy imports from the United States may remain limited for both products in coming months.

Soybean exports slowed and were about 20,000 MT during MY 2017/18. The United States was the main destination with 18,000 MT. Exports to the United States were likely organic soybeans and likely transshipped from other countries in the region, as there is no significant organic production of soybeans in Turkey. Syria (1,500 MT) was the other soybean export destination.

Turkey, with its growing domestic population and with modern poultry industries that export a significant portion of their production, will continue to be among the leading importing countries of soybean and meal.

SOYBEAN MEAL

Soybean Meal PSD (1000 MT)

Meal, Soybean	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2016		Oct 2017		Oct 2018	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1000	1000	1250	1530	1350	1325
Extr. Rate, 999.9999	0.77	0.77	0.7704	0.719	0.7704	0.7509
Beginning Stocks	190	190	255	253	198	350
Production	770	770	963	1100	1040	995
MY Imports	790	787	500	552	700	700
Total Supply	1750	1747	1718	1905	1938	2045
MY Exports	45	44	45	30	45	45
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1450	1450	1475	1525	1675	1700
Total Dom. Cons.	1450	1450	1475	1525	1675	1700
Ending Stocks	255	253	198	350	218	300
Total Distribution	1750	1747	1718	1905	1938	2045

Production

Increased crushing margins from high soybean oil prices fueled domestic crushing in MY 2017/18, and

as a result, soybean meal production reached 1.1 MMT, which is up about twenty percent compared to the previous marketing year. In MY 2018/19 though, since the crushing margin declined significantly, domestic soybean meal production is expected to decline to 995,000 MT.

Consumption

Domestic consumption of soybean meal is about 1.5 MMT for MY 2017/18 and expected to reach 1.7 MMT in MY 2018/19 due to the continued growth (albeit slower than recent years) in poultry meat and egg production.

Trade

Imports of soybean meal for MY 2018/19 are expected to increase to 700,000 MT. Turkey imported a total of 552,000 MT of soybean meal during MY 2017/18, which is about thirty percent less than the previous marketing year due to the increase in domestic production. Argentina continued to be the leading supplier with 465,000 MT, which represents 84 percent of imports. Germany (33,000 MT) and the United States (29,000 MT) were the other sources.

Turkey exported about 30,000 MT of soybean meal during the marketing year. The United States was the main destination with 20,000 MT, followed by the "Turkish Republic of Northern Cyprus" with 5,000 MT. Exports to the United States were likely meal from organic soybean transshipped from other countries in the region.

SOYBEAN OIL

Soybean Oil PSD (1000 MT)

Oil, Soybean	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2016		Oct 2017		Oct 2018	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1000	1000	1250	1530	1350	1325
Extr. Rate, 999.9999	0.17	0.17	0.1704	0.1699	0.1704	0.1698
Beginning Stocks	47	47	14	14	27	66
Production	170	170	213	260	230	225
MY Imports	0	0	0	0	0	0
Total Supply	217	217	227	274	257	291
MY Exports	68	68	50	58	70	85
Industrial Dom. Cons.	80	80	90	90	95	100
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	55	55	60	60	70	65
Total Dom. Cons.	135	135	150	150	165	151

Ending Stocks	14	14	27	66	22	55
Total Distribution	217	217	227	274	257	291

High prices for soybean oil drove an increase in soybean oil production through larger domestic crushing in MY 2017/18 and reached 260,000 MT. Feed and industrial use continues to be the main usage areas for soybean oil in Turkey. Since no genetically engineered (GE) varieties of soybean are approved for human consumption under Turkey's biosafety law, soybean oil usage in food is not allowed when produced from GE soybeans.

Due to large domestic crushing, Turkey did not import soybean oil during MY 2017/18. Exports during the same period however were 58,000 MT. Algeria (20,000), was the leading buyer of Turkish soybean oil followed by China (15,000 MT) and Iraq (13,000 MT).