

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Turkey

Grain and Feed Update

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Report Highlights:

For marketing year (MY) 2018/19, wheat production is forecast at 18.75 million metric tons (MMT), barley production at 6.4 MMT, corn production at 5.5 MMT, and paddy rice production at 910,000 MT. Turkey has taken some actions in response to currency depreciation and ongoing domestic food price inflation problems, including tariff reductions and limiting exports of wheat flour and some feed materials. The Turkish Grain Board (TMO) also received authorization to import 2.25 MMT of wheat, barley, corn and rice at zero customs duty.

Post:
Ankara

Production

Wheat

All of Turkey's wheat harvest has been completed and Marketing Year (MY) 2018/19 total wheat area is estimated at 7.615 million hectares (ha). Post revised the wheat production estimate to 18.75 million metric ton (MMT) in MY 2018/19 due to lower yields than expected in 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 Central Anatolia and Thrace regions, due to unexpected heavy rainfall in May and June, as well as hail damage.

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.

Barley

Post revised the barley production estimate to 6.4 MMT in MY 2018/19. The decrease is primarily due to insufficient rain during the spring, especially in April, which was not enough to eliminate winter drought effects in unirrigated fields.

Central Anatolia produced more than half of Turkey's barley crop as farmers traditionally plant barley in unirrigated areas. Barley area increased from 3.4 million ha last year to 3.55 million ha in MY 2018/19. Good returns on barley compared to low-quality wheat impacted farmers' planting decisions in Central Anatolia. In the Southeastern region, which is the other important area for barley, the planted area remained the same.

Corn

MY 2018/19 corn production is forecast at 5.5 MMT, an increase of 100,000 MT compared to last marketing year, based on an expected increase in corn yields, especially in Central Anatolia. MY 2018/19 total corn area is estimated at 530,000 ha, a decrease of 10,000 ha compared to MY 2017/18. Good returns on alternative crops, as well as a significant increase in the production support payment for other crops, such as cotton, are impacting planting decisions. First-crop corn harvest has been completed in the Cukurova and Southeastern regions and is continuing in Central Anatolia. In the Cukurova region, yields are similar to last year. Corn harvest began in October in Central Anatolia, where yields were especially high in irrigated areas, reaching 15-16 MT/ha which is about 20 percent higher than last year. Second-crop harvest will start in the Southeastern region (such as Viransehir and Kiziltepe) in November. Due to high irrigation and fertilizer costs and price uncertainty, farmers have expressed concern about revenues.

Post revised corn area to 540,000 ha and production to 5.4 MMT in MY 2017/18, mainly due to a decrease in second-crop area. High returns for cotton and oilseeds, as well as an increase in the production support payment for those crops, impacted planting decisions.

Rice

The MY 2018/19 paddy rice production forecast is 910,000 MT, based on marginally increased planting area with sufficient precipitation and an expected significant yield increase due to new varieties. In Central Anatolia, the Cankiri and Corum regions produce nearly a quarter of Turkey's paddy rice production. Fifty percent of the paddy rice crop is planted in the Thrace region including Edirne province. With the remaining production in the Gönen region, total planting area is about 100,000 hectares in Turkey.

The harvest normally begins in September and ends in October. Paddy rice harvest began in the Edirne and Gönen regions in the second week of September, 2018. All of Turkey's paddy rice harvest will be completed as of November 2018. Osmancik and Baldo varieties are well-known varieties among farmers and consumers and have dominated the region for many years. However, new varieties such as Cammeo, Luna, Ronaldo, and Vasco are increasing in popularity in recent years due to high yields.

Consumption

Post revised the wheat consumption forecast down to 17.7 MMT in marketing year 2017/18, due to a decrease in feed wheat usage. Availability of feed wheat was limited compared to the previous year because of the general characteristics of the crop. In MY 2018/19, feed wheat availability is expected to increase so usage is forecast at 1.2 MMT, up 200,000 MT from MY 2017/18.

Post also revised the corn consumption forecast down to 7.85 MMT in marketing year 2018/19, assuming a decrease in demand from the feed sector.

Trade

Wheat

The Turkish lira has lost more than 40 percent of its value against the U.S. dollar this year. As a response to the currency depreciation and ongoing domestic food price inflation problems, Turkey has taken some actions, including limiting exports of some wheat flour and some feed materials.

Due to concern about recently increased domestic flour prices, Turkey limited 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 will only be able to export flour made from imported wheat. After this amendment, according to sector sources, flour millers who particularly target export markets had to slow or stop their activities due to lack of imported wheat in their stocks during September.

Pasta is the other prominent wheat product for Turkish exporters. An expected decrease in flour exports will be partly offset by an increase in pasta exports in MY 2018/19. Turkey exported about 1.15 MMT of pasta as a record level in MY 2017/18. Turkey's pasta exports were up five percent during first three months of MY 2018/19, reaching 277,000 MT. African countries are the main export market for Turkish pasta. Angola is the leading importer with 48,000 MT, followed by Benin with 30,000 MT, and Somalia with 22,000 MT.

For MY 2018/19, total wheat exports from Turkey, including wheat products, are forecast at 5.9 MMT, down 300,000 MT from MY 2017/18, due to the economic environment in Turkey and ongoing issues with neighboring countries which complicate trade, such as financial issues with Iraqi importers.

Turkey's wheat flour exports during the first three months of MY 2018/19 (the months of June, July and August) were just above last year's exports of the same period, reaching 870,000 MT. Iraq continues to be the leading importer with 480,000 MT during this time period, followed by Syria with 73,000 MT, despite the current logistical problems, especially in the Iraq and Syria border areas.

Wheat product exporters are reportedly concerned about decreasing profits due to the economic environment as well high competition in the sector, and there are concerns that the situation may lead to consolidations and acquisitions. Another important constraint is that the current interest rate has reached 50 percent annually, which seriously affects liquidity.

Turkey continues to import wheat in order to produce wheat products, especially wheat flour. Wheat imports during the first three months of MY 2018/19 were about 675,000 MT, of which 585,000 was milling wheat and the remaining 90,000 MT was durum wheat. The main wheat supplier was Russia (610,000 MT), followed by Kazakhstan (42,000 MT) and Ukraine (23,000 MT). For MY 2018/19, total wheat imports into Turkey are forecast to decline to 4.5 MMT, due to several reasons, including the depreciation of the Turkish Lira and TMO's sale of domestic stocks.

As a government-affiliated body, the Turkish Grain Board (TMO) is very active in the market so far in MY 2018/19. TMO announced the intervention price at 1050 TL/MT for Anatolian Hard Red Milling Wheat (AKS), 1100 TL/MT for durum wheat and 825 TL/MT for barley in May 2018. So far, TMO procured 2.4 MMT of wheat in MY 2018/19. The exact prices in dollar terms vary as exchange rates are fluctuating. For example, as of May 2018, 1 US Dollar (USD) was about 4.6 TL and as of October 2018, 1 USD is 6 TL.

TMO also 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, . This authorization is valid until May 31, 2019 for wheat and barley, July 31, 2019 for corn, and August 31, 2019 for rice.

Table 1: TMO's zero duty quotas

HS code	Product	Tariff Quotas (MT)	Tariff (%)	Valid Until
10.01	Wheat	750,000	0	5/31/2019
10.03	Barley	700,000	0	5/31/2019

10.05	Corn	700,000	0	7/31/2019
10.06	Rice	100,000	0	8/31/2019

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. 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.

Barley

Barley imports into Turkey are expected to be 753,000 MT in MY 2017/18 due to TMO's imports and the window of opportunity for zero tariff imports by the private sector last year. Russia is the main supplier of barley to Turkey at 446,000 MT, followed by Ukraine at 158,000 MT in MY 2017/18. As of October 2018, the price of imported barley was CIF Marmara \$250/MT while the domestic barley price at the Polatli CME was 1,040TL/MT (~\$174/MT).

Post revised the barley import forecast to 500,000 MT for MY 2018/19 due to TMO's new authorization to import barley with zero tariff and stable demand from the feed sector. It is expected that TMO will sell the imported barley at the lower domestic price.

For MY 2017/18, barley exports from Turkey are expected to reach 20,000 MT, with transshipments and broken barley sales. For MY 2018/19, total barley exports from Turkey are again forecast at 20,000 MT, assuming continuing demand from neighboring countries and the fact that Turkey's internal price is now lower than the world price.

Corn

TMO announced the MY 2018/19 corn [procurement price](#) on October 14, 2018 at 950 TL/MT (\$158/MT), compared to 760 TL/MT in MY 2017/18 (which was \$215/MT, when \$1 = 3.5 TL as of the announcement date in September 2017). In the past, procurement prices were announced earlier in the harvest season, in August or September. Domestic corn prices have been fluctuating between 850 TL/MT to 1300 TL/MT since the first week of August 2018. The corn price was about 1,000 TL/MT in the domestic market just before TMO's announcement.

Corn imports in MY 2017/18 reached about 2.9 MMT due to strong demand from the feed sector. Russia (1,585,000 MT), Ukraine (743,000 MT) and Romania (315,000 MT) were the leading suppliers. 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. Increasing poultry and egg exports contributed to corn demand in Turkey. Corn imports are forecast at 2.2 MMT in MY 2018/19 assuming a softening of demand from the feed sector for corn.

Rice

Rice imports into Turkey are estimated at 350,000 MT milled equivalent in MY 2017/18. China (73,000 MT), Greece (59,000 MT), Italy (38,500 MT) and India (31,600 MT) were the leading suppliers. Turkish importers have reportedly preferred more competitive prices and origins in recent years despite quality issues. 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. Rice exports in MY 2017/18 are about 55,000 MT. Libya was the main destination with 12,000 MT, followed by Syria with about 11,700 MT, milled equivalent, which is lower than expected.

TMO did not yet announce a procurement price for paddy rice this marketing year. Also it 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. Domestic paddy rice prices (Osmancik variety) began at 2,400 - 3,000 TL/MT in September and then decreased to 2,300-2,700 TL/MT in October, which remains 15 percent higher than last year. The locally-harvested and milled rice price in bulk was 4,900 TL/MT at the beginning of October 2018. According to farmers, traders had difficulty buying new harvest rice from farmers due to high interest rates, which has caused prices to decrease since the beginning of harvest.

Due to several reasons, such as inefficient production methods, relatively high input costs and infrastructure issues, as well a protected domestic market with high tariffs, the price of Turkish domestically-produced rice has been higher than international markets for a long time. However, due to 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 markets.

Table 2: Average Domestic Prices at Commodity Exchanges as of October 2018, TL/MT (FX \$1=6TL)

Milling Wheat	Durum Wheat	Corn	Barley	Rice (Osmancik variety)
1500	1200	1000	1000	4900

Stocks

TMO is expected to actively intervene in the grain sector with its stocks and import authority this year. 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

In addition to TMO's actions in the grain market, the Turkish government eliminated the import tax on some residues and waste from the food industries, such as brans, meals (including distiller's dried grains and solubles – DDGS), corn gluten feed, and cottonseed meal through [a decree](#) published on August 10, 2018. Previous import taxes ranged from 3.2 to 6.5 percent. Also, the import tax on sunflowerseed was

decreased from 27 percent to 12 percent starting from September 8, 2018, with a \$450/MT reference price.

According to official consumer price index data, yearly total inflation increased to 24.52 percent, the highest rate since 2003. One of the main components pushing that increase was food inflation with an increase of 27.70 percent compared to the previous year. In an effort to control food price inflation in Turkey, the GOT ensures the supply of cheap bread, which is a staple food of Turkish consumers, with the help of large bread factories of municipal governments in big cities. For instance, a 250 gram loaf of bread is still 70 kr (about 12 cents) in Ankara. The government's price control on bread is reportedly putting stress on the private sector due to their increasing costs. Meanwhile, a new decree was published in the [Official Gazette](#) on October 9, 2018, reducing the minimum sedimentation ratio of wheat flour from 31 to 26. The new standard allows the food industry to produce bread with relatively lower quality wheat than is generally considered suitable for milling in MY 2018/19.

In response to U.S. tariffs on Turkish steel and aluminum, Turkey has put additional tariffs on several United States-origin products, including rice. Turkey is currently applying an additional 50 percent tariff on U.S. rice (all varieties). See Table 3.

Table 3: New Tariff Rate for paddy rice, brown rice and milled rice

Tariff Rate HS: 1006100,100620,100630			
	1006100 Paddy Rice	100620 Rice (husked) Brown	100630 Rice (Milled)
All other countries	34%	36%	45%
Additional Duty for USA	50%	50%	50%
Total Duty for USA	84%	86%	95%

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	4500	4500
TY Imports	4542	4542	6200	6200	4500	4500

Total Supply	24901	24901	28553	27053	27859	26409
MY Exports	6174	6174	6194	6194	6000	5900
TY Exports	6177	6177	6218	6218	6000	5900
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	3859	2509
Total Distribution	24901	24901	28553	27053	27859	26409
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	500
TY Imports	291	291	700	700	100	500
Total Supply	5852	5852	7491	7291	8271	7471
MY Exports	14	14	20	20	100	20
TY Exports	14	14	20	20	100	20
Feed and Residual	4600	4600	5800	5800	6400	5900
FSI Consumption	900	900	900	900	900	900
Total Consumption	5500	5500	6700	6700	7300	6800
Ending Stocks	338	338	771	571	871	651
Total Distribution	5852	5852	7491	7291	8271	7471
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	540	530	525
Beginning Stocks	862	862	804	804	1244	644
Production	5500	5500	6000	5400	5500	5500
MY Imports	1389	1389	2900	2900	2200	2200
TY Imports	1421	1421	2900	2900	2200	2200
Total Supply	7751	7751	9704	9104	8944	8344
MY Exports	97	97	90	90	50	50

TY Exports	37	100	90	90	50	50
Feed and Residual	5800	5800	7300	7300	7000	6800
FSI Consumption	1050	1050	1070	1070	1100	1050
Total Consumption	6850	6850	8370	8370	8100	7850
Ending Stocks	804	804	1244	644	794	444
Total Distribution	7751	7751	9704	9104	8944	8344
Yield	9.6491	9.6491	10	10	10.3774	10.4762

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

Rice, Milled Market Begin Year	2016/2017		2017/2018		2018/2019	
	Sep 2016		Sep 2017		Sep 2018	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	98	98	99	99	100	100
Beginning Stocks	128	128	71	71	96	96
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	240
TY Imports	300	300	350	350	350	240
Total Supply	908	908	941	941	986	946
MY Exports	57	57	55	55	60	60
TY Exports	56	60	55	55	60	60
Consumption and Residual	780	780	790	790	800	800
Ending Stocks	71	71	96	96	126	86
Total Distribution	908	908	941	941	986	946
Yield (Rough)	7.6122	7.6122	7.8384	7.8384	8.06	9.1

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