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Turkey

Grain and Feed Update

Turkey's Wheat Harvest Underway with Some Quality and Yield Problems Noted

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Report Highlights:

Unexpected weather conditions between April and June led to slightly lower wheat and barley production forecasts, while late spring rain helped the corn crop. For MY 2018/19 wheat production forecast is 19 MMT, barley production forecast is 6.4 MMT and corn is 5.3 MMT. There is a new 25 percent “additional levy” on U.S. rice starting June 21, 2018. The Turkish government announced procurement prices for wheat, barley and chickpeas. Pulses production updates are also included in this report.

Post:
Ankara

Commodities:
Wheat

Corn

Rice, Milled

Barley

Wheat, Durum

Production

Wheat

Total wheat production is forecast down to 19 MMT for MY 2018/19 because of unexpected weather conditions between April and June, which caused yield and quality losses, especially in the Southeast, Central Anatolia and Thrace regions.

Warm and drier than usual weather conditions characterized winter throughout most of Turkey. The warm winter accelerated crop growth throughout the country and in almost all regions harvest started 10 days earlier than last year's harvest. About 70 percent of the wheat harvest was completed as of mid-July, whereas at this point last year it was only 50 percent completed. While yields and quality vary by region and by field due to irrigation and precipitation differences, there are quality issues throughout Turkey. In addition to the winter drought problems in the Southeast, 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.

In the Southeastern region, dry and warm conditions prevailed at sowing and flowering and reduced yields. While yields are similar with last year in the irrigated areas of Diyarbakir-Mardin and Urfa, there are serious yield losses in unirrigated areas due to drought. Yields are 7-8 MT/ha in irrigated areas and 1-1.5 MT/ha in unirrigated areas; while last year there were not large differences between them. These are dramatic losses for the farmers in the Southeast.

The Cukurova region has 260,000 ha of wheat planted in MY 2018/19, which is the same as last year. Soil moisture dramatically improved after January and February rains, benefiting the region's crop. Overall growing conditions were good until the harvest, despite a few unirrigated areas. The first harvest in the Cukurova region started in May and yields are similar with long term average of 5 MT/ha.

Central Anatolia is the main grain production region of Turkey. Nearly half of the fields are unirrigated and yields are directly linked to rainfall. During April, the key month for unirrigated areas, precipitation was the worst in the last 38 years in Konya, the heart of Central Anatolia. Yield losses in unirrigated areas are partly offset by irrigated areas in the region. Besides heavy rains during harvest time, excessive seed usage is other reason for reduction in quality. There are low protein values due to heavy rains in the crops in Central Anatolia, from Ankara to the Marmara region (near Istanbul).

Figure 1: Farm pictures in Konya, demonstrating drought effect on cereals



Left picture: Barley fields in Konya, July 2018; Seeds can be seen sprouting after heavy rains following drought. Right picture: Wheat fields in Konya in May 2018 showing low yields due to drought.

Plant development in Thrace Region started off well, similar to as in Central Anatolia, however insufficient rains in April and heavy rains and hail in May and June adversely affected crops. There are at least 25 percent yield losses compared to last year. Late rains in Thrace are reported to have lowered protein values as well. The quality of the crop also deteriorated in the Marmara and Aegean region due to heavy rain in June. Total wheat production is forecast at 19 MMT in MY 2018/19, of which about 2 MMT is durum wheat. Turkey's continued rapid urbanization, the growth in alternative crops, orchard development, greenhouse development, and also the increased production of sesame seeds, onions, and vegetables is slowly reducing the wheat area in Turkey.

Post revised MY 2017/18 wheat production estimate down to 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 production forecast down to 6.4 MT of barley 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. The barley area increased considerably in the unirrigated areas of the Central Anatolia region compared to last year. Good returns on barley impacted farmers' planting decisions. In the other important area for barley, the Southeast/GAP region, the planted area remained the same.

Post revised barley production estimate down to 6.3 MMT in MY 2017/18 due to lower yields in the Central Anatolia Region than expected.

Figure 2: Farm pictures in Edirne, demonstrating hail and heavy rain damage to cereals



Left picture: June 2018 Edirne, Thrace Region, wheat fields with hail damage; Right Picture: Marmara Region June 2018 picture of wheat crop with heavy rain damage

Corn

In MY 2018/19, Turkish corn planting area forecast is down about three percent to 525,000 hectares and production to 5.3 MMT. MY 2018/19 corn planting in Turkey was completed. New planted area benefited from late rains in spring. So far, corn germination and plant development are on track for normal yields.

Good returns on alternative crops, such as cotton and oilseeds, as well as a significant increase in the production support payment for those crops are impacting planting decisions. For instance, some farmers in Harran, Southeast region switched from milling wheat as first crop and corn for second crop back to cotton. However, it is expected that increasing area of corn in Central Anatolia will be partly offset by second crop production losses in Southeastern region.

Post revised corn area was 550,000 ha and production was 5.4 MMT in MY 2017/18, mainly due to the decrease in second crop area. High returns for cotton and oilseeds, as well as the increase in the production support payment for those crops, impacted planting decisions.

Rice

MY 2018/19 Turkish paddy rice area is about 100,000 hectares and production forecast is 806,000 MT. Rice planting finished in May 2018. Planting area increased marginally compared to last year, however, farmers are hopeful about yields due to new seed varieties. So far, paddy germination and plant development is favorable, except some fields in Thrace region due to heavy rains. Fifty percent of the paddy rice crop is planted in the Thrace region.

Pulses

According to Turkish Official Data, total lentil production forecast is 380,000 MT, down 12 percent compared to last year due to unfavorable weather conditions in the Southeastern region. The main areas

of lentil production there are Sanliurfa, Gaziantep, Mardin, Batman, and Diyarbakir. The lentil harvest was completed at the end of June 2018. Due to ill-timed rains in the region, some farmers had 50 percent yield losses compared to last year.

Due to good returns and government support, the planted area of chickpeas increased in 2018. The main areas of chickpeas production are Central Anatolia and somewhat in the Southeastern region. According to Turkish Official Data, the production forecast is about 550,000 MT, up 15 percent compared to last year. The Turkish Grain Board (TMO) is also authorized by the government to procure chickpeas to avoid a possible price reduction after an abundant harvest which could hurt producers. Such procurement of chickpeas is very rare. The GOT announced the MY 2018/19 chickpeas procurement price on June 25, 2018 at 3,250 TL/MT (around \$700/MT, though the TL/USD exchange rate is fluctuating). The GOT is continuing to provide different benefits to farmers under the umbrella of certified seed support, diesel, premiums, and fertilizer support, which can be used for chickpea production. Overall supports add up to about 790 TL/MT (\$170/MT) in 2018.

Consumption

Turkish domestic wheat consumption is forecast at 18 MMT in MY 2018/19, up 300,000 MT from the 2017/18 year. Availability of feed wheat is abundant this year compared to last year because of the general characteristics of the crop. The majority of wheat is utilized for human consumption as flour and pasta (some of which is exported), with the rest of the wheat used as feed. Seed and industrial consumption remains the same, so the increase in consumption is in the food and feed use sector, which typically varies inversely to the amount of wheat produced and quality expectations. Post also revised the wheat consumption estimate down to 17.7 MMT for marketing year 2017/18, due to lower feed wheat usage than expected.

MY 2017/18 barley consumption is estimated at 6.7 MMT tons, due to strong demand for import barley which could be imported with zero tariff until 1st April 2018. Barley consumption in Turkey in MY 2018/19 is projected at 6.6 MMT tons, due to high production compared to the previous year, assuming availability of imported barley will be limited because of the 35 percent tariff during the marketing year.

Trade

Wheat

Turkey has imported a total of 6.4 MMT of wheat in MY 2017/18. The vast majority (4.5 MMT) was supplied by Russia. Ukraine (382,000 MT) and Mexico (376,000 MT) were the other main sources. Turkey imported about 630,000 MT of durum wheat in MY 2017/18. Russia and Kazakhstan were the main suppliers with 203,000 MT and 201,614 MT, respectively. According to market sources, 450,000 MT of wheat was transferred to neighboring countries in MY 2017/18. For MY 2018/19, Turkey's wheat import forecast is 4.5 MMT due to demand from wheat product producers for high quality wheat after a tough harvest.

Wheat imports from Kazakhstan this year increased three fold compared to the previous marketing year. Total wheat imports from Kazakhstan were only 87,423 MT in MY 2016/17, and then reached 302,920 MT between June 1, 2017 and May 31, 2018. Of this, 201,614 MT is durum wheat. One potential reason for the increase is that some Turkish importers have started to use Poti Port in Georgia for

directly importing Kazak wheat since the Baku–Tbilisi–Kars (BTK) railway, also known as Baku–Tbilisi–Akhalkalaki–Kars railway (BTAK), became operational on October 30, 2017 and can bring wheat from Caspian ports to the Black Sea. From Poti port, traders are using small vessels as well as the railway to bring the wheat to Turkey.

Turkish wheat products exports have been stable in recent years. In MY 2017/18, wheat exports from Turkey (including flour and wheat products) are expected to be 6.2 MMT (wheat equivalent basis), of which about 3.3 MMT is wheat flour and about 1.1 MMT is pasta.

For MY 2018/19, total wheat exports from Turkey, including wheat products, are forecast at 6 MMT, down 200,000 MT from MY 2017/18, due to ongoing issues with neighboring countries which complicate trade, such as financial issues with Iraqi importers and Iraqi governments. The Iraqi government has started to impose an extra \$60 per MT as a duty on Turkish food products.

In July 2018, the Anatolian Hard Red Wheat (AKS) price is about 1050 TL/ton, barley is 870 TL/MT and corn is 980 TL/MT in the domestic market. Last year, the local prices were 1020 TL/MT, 860 TL/MT, and 880 TL/MT, respectively. The Prime Minister of Turkey announced 2018 grain intervention prices on May 12, 2018. He announced the intervention price for Anatolian Hard Red Milling Wheat (AKS) at 1050 TL/MT (\$228/MT), 1100 TL/MT (\$239/MT) for durum wheat, 825 TL/MT (\$180/MT) for barley.

For MY 2018/19, the milling wheat intervention prices increased about 12 percent (in Turkish Lira terms) compared to last year. Considering the depreciation of the Turkish Lira against the U.S. Dollar though, TMO intervention prices in terms of value in dollars decreased from \$268 last year to \$244 in MY 2018/19. The exact prices in dollar terms vary as exchange rates are fluctuating, for example as date of July 2017, 1 USD Dollar was 3.5 TL and as of July 2018, 1 USD is 4.7 TL.

The GOT gives farmers support for fertilizer, gasoline, certified seed usage, and soil analysis. Premiums and support together reach 145 TL/MT, which was 127 TL/MT last year. With the intervention price, plus the premium and input subsidies, a farmer can receive 1,200 TL per ton (1050 TL+150 TL, which is the equivalent to about \$279) for milling wheat.

Within the scope of a set of measures against food inflation, in decrees published in the Official Gazette, the Turkish government reduced the import tariff on barley from 130 percent to 35 percent on June 28, 2017, and then again from 35 percent to 0 percent as of December 31, 2017 until March 2018. After March 31, 2018 though, it has returned to 35 percent. It is expected that barley imports in MY 2018/19 will be low if the duty remains at 35 percent. Turkey has imported a total of 800,000 MT of barley in MY 2017/18 due to TMO's imports and the window of opportunity for zero tariff imports by the private sector. Russia and Ukraine were the main suppliers of barley to Turkey with 446,000 MT and 158,000 MT in MY 2017/18, respectively.

Corn

TMO was also very active in the corn market. TMO imported about 615,000 MT of corn, with several tenders issued in MY 2017/18, to meet the demand from the retail sector and stabilize the domestic corn price. Corn imports for the first nine months of MY 2017/18 (from September to May) reached about

2.2 MMT. Russia was the main supplier with 1.2 MMT, followed by Ukraine with about 570,000 MT. For MY 2017/18, corn imports to Turkey are estimated at 2.5 MMT due to strong demand from the feed sector.

Rice

Rice imports during the first nine months of MY 2017/18 (from September to May) were about 232,000 MT. For MY 2017/18 Rice import into Turkey is expected to be 350,000 MT, milled equivalent. Some importers have preferred cheaper rice varieties over higher quality ones due to the devaluation of the Turkish Lira. However, sector sources complain that some rice companies have been blending lower-priced imported rice with domestic varieties to have lower retail prices. This creates some consistency and quality problems with the rice when cooking, which impacts consumers' perception about rice in general, and hurts the industry as a whole. According to the Turkish Statistical Institute, Turkey imported 52,500 MT milled rice from China and India during the first nine months of MY 2017/18.

When comparing importer and exporter data regarding Turkish rice trade, there are some differences due to transshipments. Additionally, Turkish importers store the rice in bonded warehouses for 2-3 months until they find buyers to avoid advance payment of the 45 percent tariff and VAT.

Rice exports during the first nine months of MY 2017/18 were about 32,000 MT. Syria is the main destination with 10,400 MT, followed by Iraq with 3,400 MT. Rice exports are expected to be 55,000 MT in MY 2017/18, milled equivalent, due to strong demand from neighboring and African countries. According to the Turkish Statistical Institute, Turkey has imported/nationalized 20,000 MT of rice from the United States, milled equivalent, during the first nine months of MY 2017/18. This was likely rice stored in bonded warehouses.

The Turkish government introduced an "additional levy" on import of certain products from United States as notified to the WTO, and according to a decree published in the Official Gazette on June 25, 2018. The Decision is valid from June 21, 2018. In scope of this decree, the GOT put extra 25 percent on U.S. origin Rice (HS 1006). The decree in Turkish language can be found [here](#). The tariff on U.S. rice is now 70 percent.

Production, Supply, and Distribution

Wheat Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jun 2016		Jun 2017		Jun 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Turkey						
Area Harvested	7815	7815	7800	7800	7615	7615
Beginning Stocks	3118	3118	1327	1327	4527	3327
Production	17250	17250	21000	19500	20000	19000
MY Imports	4533	4533	6400	6400	4500	4500
TY Imports	4542	4542	6400	6400	4500	4500
Total Supply	24901	24901	28727	27227	29027	26827
MY Exports	6174	6174	6200	6200	6000	6000
TY Exports	6177	6177	6200	6200	6000	6000
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	4527	3327	5027	2827
Total Distribution	24901	24901	28727	27227	29027	26827
Yield	2.2073	2.2073	2.6923	2.5	2.6264	2.4951
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jun 2016		Jun 2017		Jun 2018	
	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	818	718
Production	4750	4750	6400	6300	7400	6400
MY Imports	141	141	800	800	100	100
TY Imports	291	291	600	600	100	100
Total Supply	5852	5852	7538	7438	8318	7218
MY Exports	14	14	20	20	100	50
TY Exports	14	14	20	20	100	50
Feed and Residual	4600	4600	5800	5800	6400	5700

FSI Consumption	900	900	900	900	900	900
Total Consumption	5500	5500	6700	6700	7300	6600
Ending Stocks	338	338	818	718	918	568
Total Distribution	5852	5852	7538	7438	8318	7218
Yield	1.3971	1.3971	1.8824	1.8529	2.0556	1.8028

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

Corn 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	570	570	600	550	530	525
Beginning Stocks	862	862	804	804	1344	844
Production	5500	5500	6000	5400	5100	5300
MY Imports	1389	1389	2500	2500	2200	2300
TY Imports	1421	1421	2500	2500	2200	2300
Total Supply	7751	7751	9304	8704	8644	8444
MY Exports	97	97	90	90	50	50
TY Exports	37	37	90	90	50	50
Feed and Residual	5800	5800	6800	6700	6800	6800
FSI Consumption	1050	1050	1070	1070	1050	1050
Total Consumption	6850	6850	7870	7770	7850	7850
Ending Stocks	804	804	1344	844	744	544
Total Distribution	7751	7751	9304	8704	8644	8444
Yield	9.6491	9.6491	10	9.8182	9.6226	10.0952

(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	96
Milled Production	500	500	520	520	540	540

Rough Production	746	746	776	776	806	806
Milling Rate (.9999)	6700	6700	6700	6700	6700	6700
MY Imports	280	280	350	350	350	350
TY Imports	300	300	350	350	350	350
Total Supply	908	908	941	941	986	986
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	126
Total Distribution	908	908	941	941	986	986
Yield (Rough)	7.6122	7.6122	7.8384	7.8384	8.06	8.06
(1000 HA) ,(1000 MT) ,(MT/HA)						