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Turkey

Poultry and Products Annual

Turkish Poultry Sector Continues to Grow in 2018

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Report Highlights:

Turkey's poultry sector continues to grow in 2018, albeit at a slower pace than the 10 percent growth seen in 2017. Growth is driven by increasing exports and increasing chicken consumption due to high red meat prices. The devaluation of the Turkish currency has financially hit Turkish poultry producers, due to high feed prices dependent on imported inputs and limited supply of domestically produced feed materials.

Poultry and Products Annual Report 2018 – Republic of Turkey

Note Regarding Global Reporting Change for USDA Poultry Reports:

This report provides chicken meat estimates and forecasts for 2017-2019. The prior broiler meat series has been discontinued and will not be revised or updated in the future.

Official USDA data will be available via the PSD database (<http://www.fas.usda.gov/psdonline>) on October 11, 2018. The October data release will include a historical chicken meat series back to 1999. The broiler meat series will terminate with 2016 data.

Chicken meat is defined as meat of domestic fowl (*Gallus gallus/Gallus domesticus*) including all chickens: broiler, layer, hybrid, domestic breeds, spent hens, ex-breeding stock, etc.

Commodities:

Meat, Chicken

Production:

In 2019, chicken meat production is expected to slow to 4 percent growth because of the Turkish currency devaluation and its impact on the poultry feed sector and imported breeding materials, such as day old chicks and hatching eggs. Broiler meat production growth rate slowed in 2018 when compared with the 10 percent growth seen in 2017, but it still may reach 5 percent, for a total of 2.25 million metric tons (MT). The slowdown in growth is because of higher feed prices and the devaluation of the Turkish currency, which makes imported inputs more expensive.

Since 2014, growth in Turkish poultry production had been slowing because of soft domestic and foreign demand. However, in 2017, the sector grew by 10 percent to reach 2.1 million MT of broiler meat and 52,000 MT of turkey meat, with a total of 2.18 million metric tons of total poultry meat production. Growing domestic and foreign demand sparked this production increase.

The main difficulties of the Turkish poultry sector are feed prices, as they are dependent on many imported inputs, and Turkey's currency has been losing value. The currency devaluation also impacts other costs, such as electricity, and there are additional issues around grandparent stocks needed to get more high quality broiler meat. The other issues facing the sector are prohibited use of animal byproducts in poultry feeding, unreliable statistical data, requirements in the last few years to lower antibiotic use in production being implemented as part of Turkey's harmonized regulation to the EU, strict biosafety rules which impact trade, low margins of farms which produce day-old chicks for the industry, and utilizing and disposing of manure.

According to Turkish poultry producers, the vast majority of Turkish poultry production costs are related to feed. Currently, the price of poultry is 68 percent based on the price of feed, and 14 percent is the cost of the day-old chicks. Because feed is such an important component, the issues impacting price and availability of inputs for poultry feed are critical for the sector. Turkey grows soybeans, corn, and a significant amount of wheat, but it is not enough to meet the demands for the growing poultry sector, so they must import additional soybeans and grains. Turkey's biosafety law limits imports and puts financial risks on importers. See the latest FAS Turkey [Oilseeds Update Report](#) and the [Turkey Oilseeds Annual Report](#) for more details on the issues facing soybean availability.

Though soybean imports face zero tariffs, Turkey's biosafety law and slow approval process for genetically engineered (GE) soy and corn varieties significantly impacted imports and increased feed prices. Turkish importers faced market access problems importing soybeans, due to delays in the domestic approval process for GE varieties that have already been approved in many other countries, including the European Union (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 poultry and meat industries.

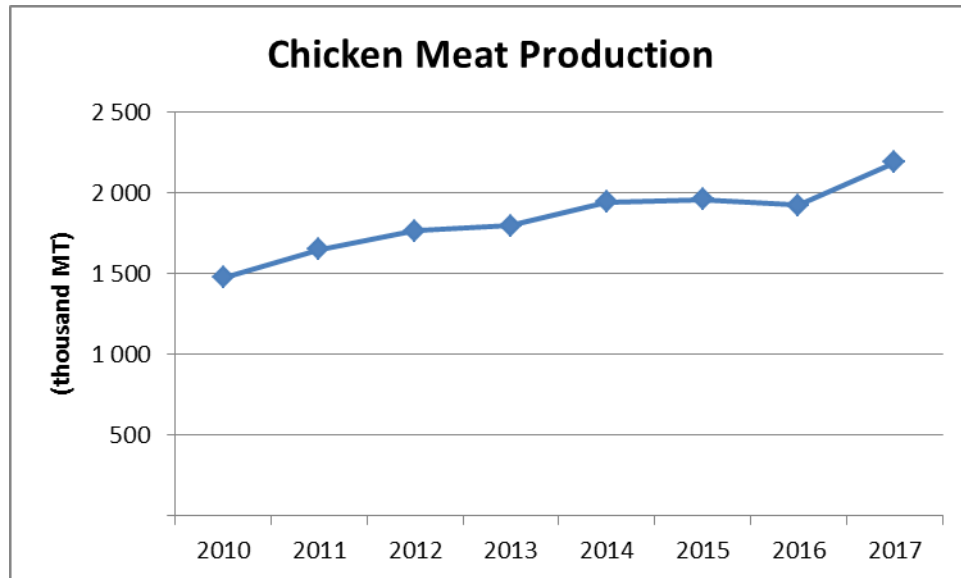
Corn is the most important grain component in the poultry feed sector. As part of a series of measures against food inflation implemented by the Turkish government to try to combat the high feed prices, the government has reduced the tariff on corn and other grains. However, with the devaluing Turkish Lira (TRY), the prices of imported grains remain very high. The poultry sector is supportive of this model of reducing tariff rates for feed imports and does not believe it will hurt domestic production of corn. Please see the recent FAS Turkey Grain and Feed report dated 7/26/2018 [here](#) and the [Turkey Grain and Feed Annual Report](#).

Turkey's currency, the Turkish Lira (TRY), hit an all-time low level against the U.S. dollar in 2018 which makes it more difficult to import feedstuffs. The lira has fallen 37 percent against the dollar this year. Imported feed inputs are paid in foreign currency, while the majority of the poultry is sold domestically in local currency. General operations of businesses in Turkey are also hit by the fluctuations in the currency, including the rising costs of electricity and petrol linked with the devaluation in Turkey's currency. This devaluation also put a burden on companies who have debt in dollars or other foreign currencies, when domestic sales are in Turkish Lira.

Additionally, it was recently prohibited to use animal byproducts in poultry feeding, which had been one affordable protein source for the sector in the past. The use of byproducts for feeding had been prohibited since January 2017 as part of the EU harmonization process. Because of concern about increasing poultry meat prices due to high production costs, the poultry sector has requested that the Ministry of Food, Agriculture, and Livestock (MinFAL) (recently re-named Ministry of Agriculture and Forestry) reconsider this prohibition. For more information please see the GAIN report date: 1/7/2016 No: 6003 [here](#).

Additionally, the cost of day-old chicks has been impacted due to the shortage of grandparent stocks. One of the reasons for this shortage are import bans of poultry from certain countries or parts of countries (such as certain U.S. states) due to avian influenza outbreaks, although OIE recommendations state that low pathogenic avian influenza (LPAI) cases and avian influenza in wild birds are not justifiable reasons for blocking trade.

Chart 1. Chicken Meat Production from 2010 to 2017, Thousand MT



Source: Ministry of Agriculture, 2018; For this report, “chicken meat” includes hens, broilers, turkeys, etc.

In 2017, 1.2 billion broilers and 5.1 million turkeys were slaughtered in Turkey. The number of slaughtered broilers has increased 11 percent and the number of slaughtered turkeys increased nine percent in 2017 compared with 2016.

The sector, which produces poultry for integrated processing facilities, has had a difficult time meeting the newer international welfare standards on cages while still being able to produce poultry efficiently. This implementation also increases the costs of production.

Also the sector has stated that the cost to produce chicks for the integrated companies has increased 200 percent, and they will not be able to supply chicks to the poultry establishments at formerly offered prices. The sector expects that due to these rising costs of production, poultry meat prices might be more expensive for the second half of 2018, to compensate for the rising costs of inputs.

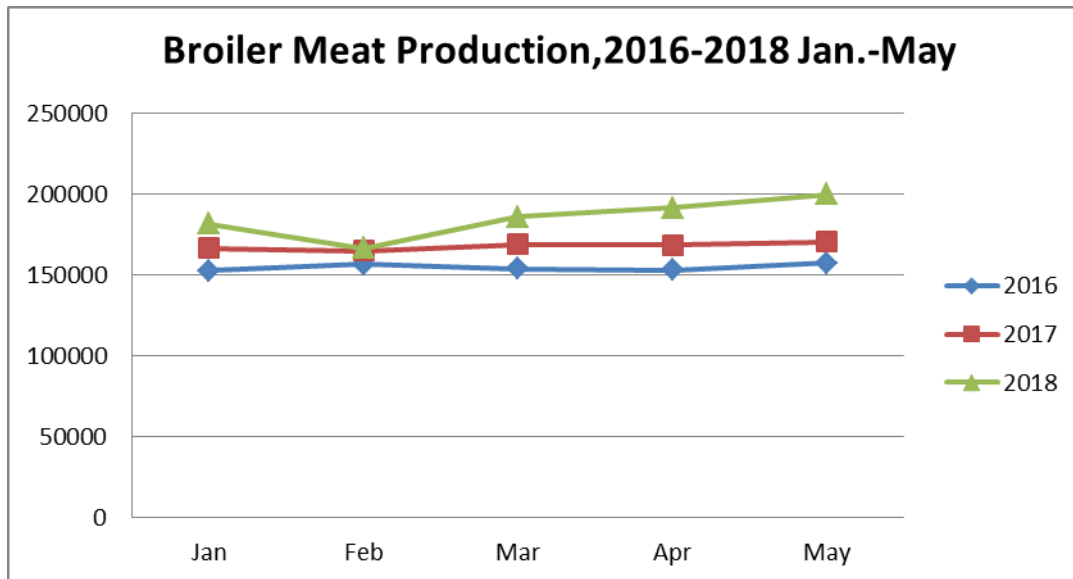
According to sector representatives, they believe poultry should benefit more from the EU-funded IPARD (Instrument for Pre-Accession Assistance- IPA) support program. See additional information in the support policies section below. The Turkish government is following the issues in the sector, and has included goals in the 2018-2022 Ministry of Agriculture and Forestry Strategy Plan to address carcass efficiency of domestically-raised laying hens and broilers and that these should be improved by using the latest breeding methods.

Chart 2 Chicken Meat Production by Month, 2016-2017 Comparison, Thousand MT



Source: Turkish Statistical Institute, 2018; includes hens, broilers, turkeys, etc.

Chart 3. Broiler Meat Production 2016-2018 January-May Comparison, MT



Source: Turkish Statistical Institute, 2018; this chart excludes hens and turkey meat

Although there were some reports in the Turkish press regarding suspicions of potential avian influenza cases in backyard poultry in early 2018, the Ministry of Agriculture and Forestry has not confirmed any cases yet. Neighboring countries, especially Iran, have struggled with avian influenza outbreaks.

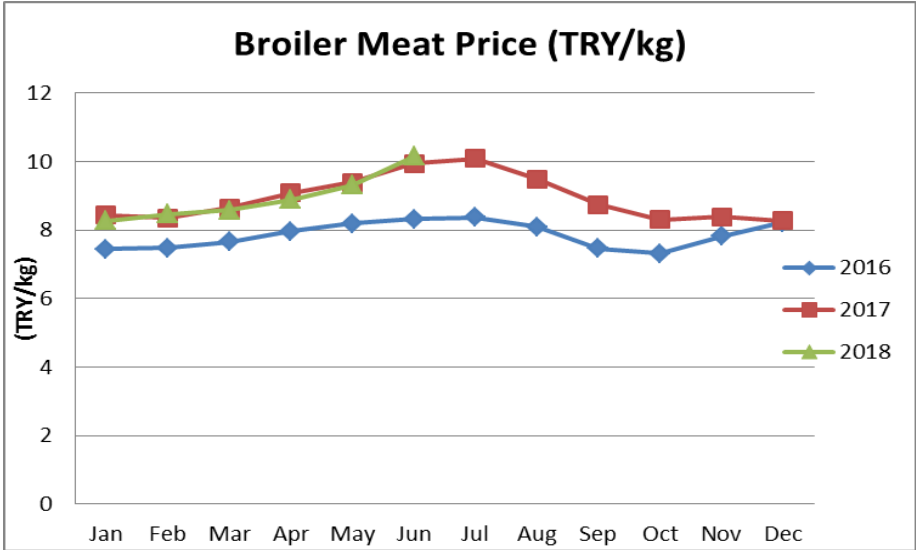
The total annual returns of the poultry sector were approximately \$5 billion in 2017, according to BESDBIR, the Turkish Breeding and Poultry Meat Producers Association. However, despite its

continued growth, the Turkish poultry sector’s struggles with high input costs and unstable exchange rates have impacted a number of companies that have been working with low profit margins. This additional financial stress can be seen for some leading poultry producers. For example, in 2016, two major poultry producing companies, *Aytac* and *Mudurnu*, closed because of financial losses. At the beginning of 2017, BRF SA of Brazil bought 79.48 percent of Banvit’s shares with 915.06 million TL (about \$258 million at the time of purchase in 2017). In 2018, Keskinoglu, a leading poultry company which had been experiencing a liquidity shortage, announced that they applied for a “concordat” (bankruptcy protection) to continue their business activities. Keskinoglu has been a leader in supplying eggs and chicken meat throughout Turkey for 55 years and has exported to 75 countries. The company had a turnover of TL 1.1 billion in 2017 and ranked 136th in the Istanbul Chamber of Industry’s ranking of companies. Under the bankruptcy protection they will continue business activities and have decided to share this situation with the public for transparency.

Consumption:

Chicken is the most popular meat in Turkey. It also is the most affordable meat, particularly compared to beef and lamb - the high prices of which have been hot topics in the country. Food inflation in Turkey recently was generally [over 12 percent](#), but has reached [19.75 percent in August 2018](#). The poultry meat prices at markets have been increasing in line with normal inflation but because chicken is a staple, consumers are sensitive to price increases and the industry has been hesitant to increase retail prices. An eight percent increase in poultry meat prices has been seen at the markets, according to Turkish press. However, poultry meat consumption has not been impacted by the increasing poultry meat prices, since the price of chicken is still far below red meat prices. The price of chicken is slowly increasing to cover higher costs of production, as seen in the chart below.

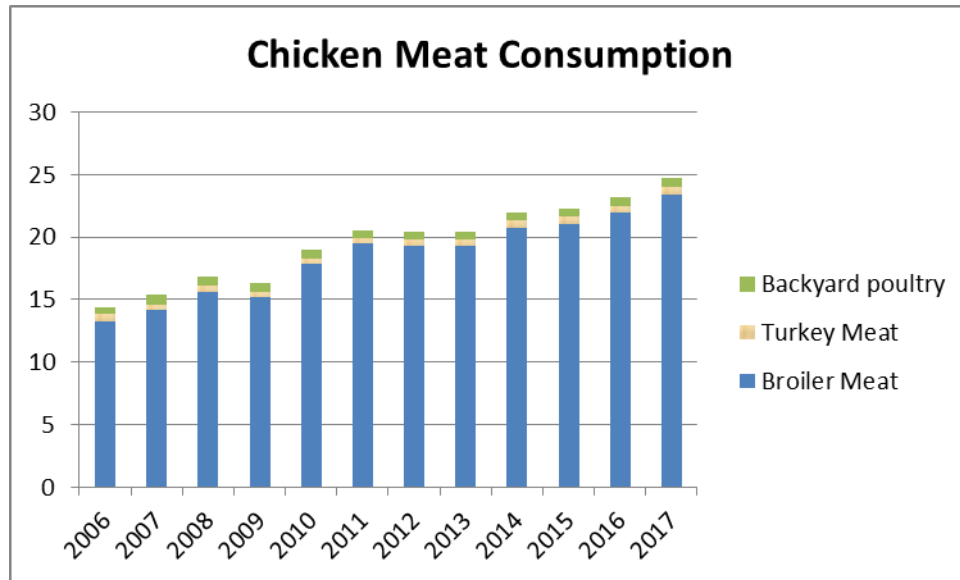
Chart 4. Broiler Meat Price (TRY/kg)



Source: Meat and Milk Board (ESK), 2018. (Note: As of July 2018, 1 \$= 4,8 TRY)

Poultry meat consumption in Turkey is usually high during summer due to the popularity of barbecuing. Additionally, Ramadan has been taking place in the summer, and consumption of many products increases during this period.

Chart 5. Chicken Meat Consumption in Turkey, with breakdown by type including turkey meat and backyard poultry (Annual kilograms per capita)



Source: BESDBIR (Turkish Breeding Poultry Association), 2018.

Broiler consumption per capita increased six percent in 2017 to 24 kg. It remains affordable compared to red meat, and chicken consumption is forecast to increase three percent in both 2018 and 2019 despite the biggest companies’ financial crisis which may lead to retail price increases of chicken.

Trade:

Import and Transshipment

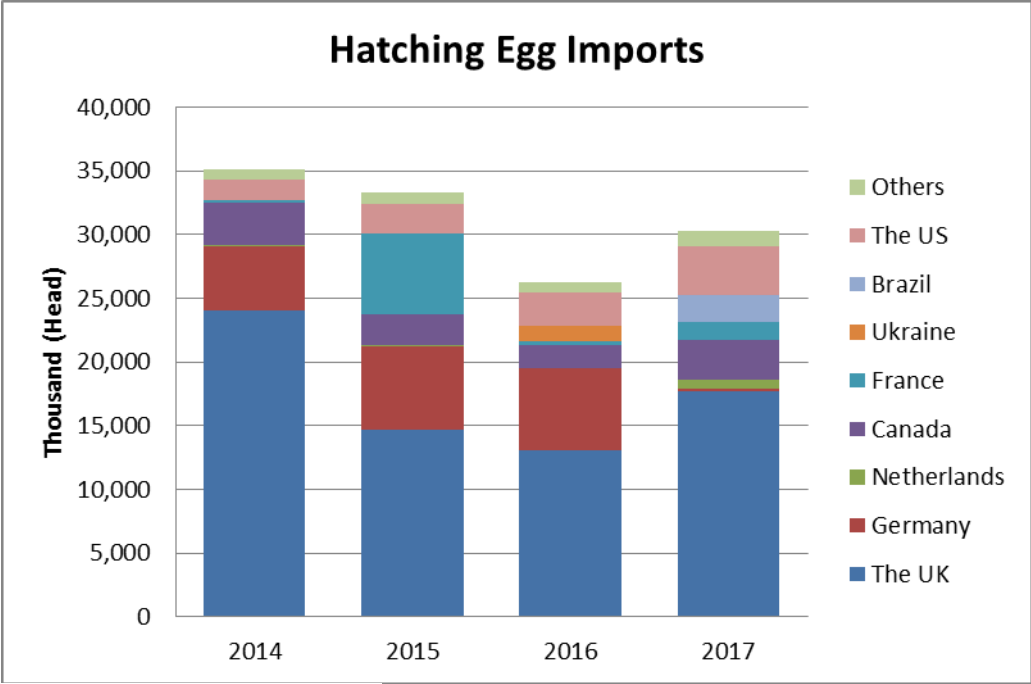
Turkey is a poultry meat exporter, mostly to Iraq and Middle Eastern countries. There is no import of poultry meat to Turkey, though Turkish Statistics Institute (TUIK) does show some limited imports. These records are likely the data for exported products which are sent back to Turkey or cancelled exported products. Tariffs on poultry meat entering Turkey are 65 percent, which also discourages imports.

Turkey’s location serves as a transshipment hub for poultry meat to other countries in the Middle East. In 2018, Turkey lifted the avian influenza related bans on U.S. poultry and poultry products from all U.S. states. The prior bans had also impacted Turkey’s access for an important imported input, day-old chicks and hatching eggs.

Turkey imports day-old chicks and hatching eggs mostly from England and Canada, which is very crucial for the sector. In 2017, Turkey’s importers were having trouble sourcing day-old chicks and hatching eggs because of avian influenza outbreaks seen in the EU, mostly in Germany and Netherlands. For this reason, domestic day-old chick prices increased in 2017 and chick producers were not able to supply chicks to the integrated facilities at reasonable prices. However, through

government collaboration, Turkey made new trade protocols with Spain, Portugal and Brazil and small quantities of imports were initiated from those countries.

Chart 6. Hatching Eggs Imports to Turkey, 2014-2017



Source: Turkish Statistical Institute, 2018

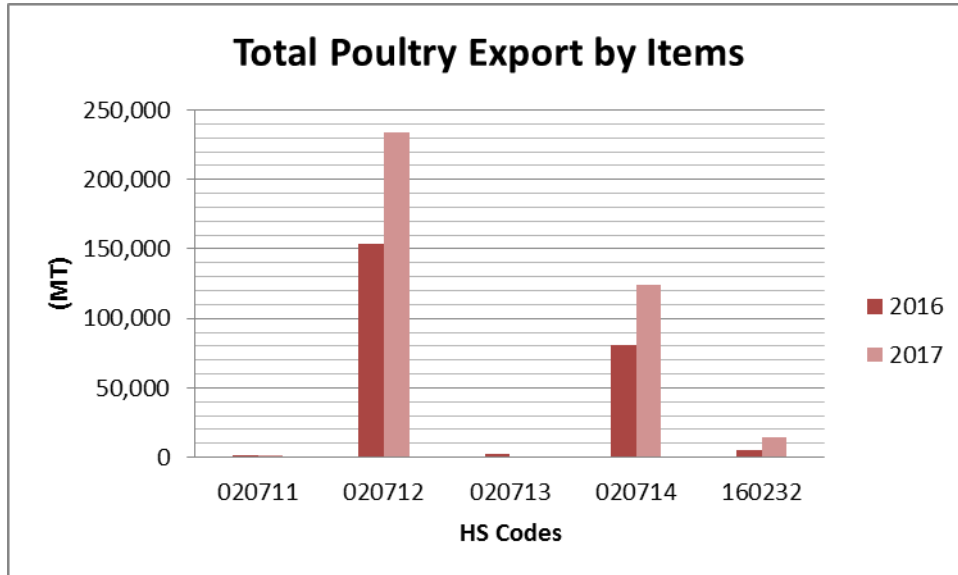
In 2017, Turkey imported nearly 1.3 million day-old chicks worth \$9.2 million and 31.2 million units of hatching eggs worth \$31 million, which is 10 percent higher than the previous year. The UK, France, and Spain this year are the main suppliers of hatching eggs and day-old chicks to Turkey. Turkey imported nearly 4 million units of hatching eggs from the United States in 2017, which is 40 percent higher when compared to 2016. Aviagen and Cobb are the most important suppliers for the Turkish production and mostly broiler breeding materials are imported. Removal of longstanding barriers, such as lifting AI bans, helped the Turkish industry access U.S. hatching eggs and day-old chicks.

Exports:

Exports remain an important income source for the sector since they can sell in dollars and make up for losses in the domestic market where they sell poultry in Turkish Lira. It is expected that poultry meat exports will increase again in 2018 by five percent. Problems in neighboring countries, economic crises in Middle East countries, and transportation problems to Syria and Iraq had impacted to Turkish poultry exports which had been declining since 2015. However, 2017 was the best year yet for poultry exports which reached \$361 million. Turkey exported 369,705 MT of poultry meat (excluding paws exported to Hong Kong and China and broiler meat to China) in 2017, which was higher than anticipated. These increased exports are the result of new health protocols which were done with Saudi Arabia and Japan after the second half of 2017. Turkey is the 5th largest exporting country of poultry meat, currently shipping product to over 70 countries. The sector has asked the

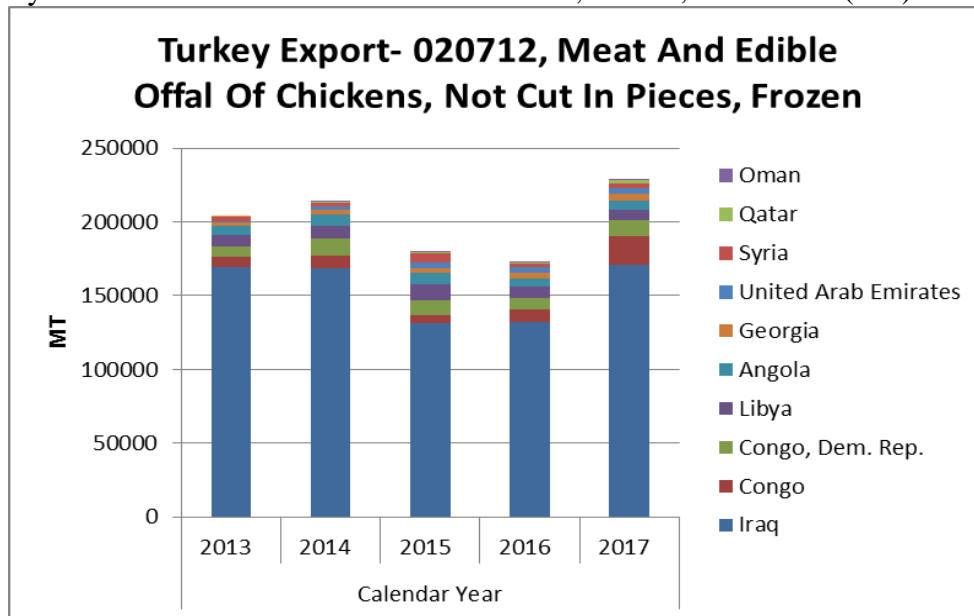
Turkish Ministry of Agriculture and Forestry for subsidies to support high feed and electricity costs, as this would help the Turkish sector to compete with Brazil and Thailand.

Chart 7. Turkey Total Poultry Export by Items, Comparison 2016-2017, MT



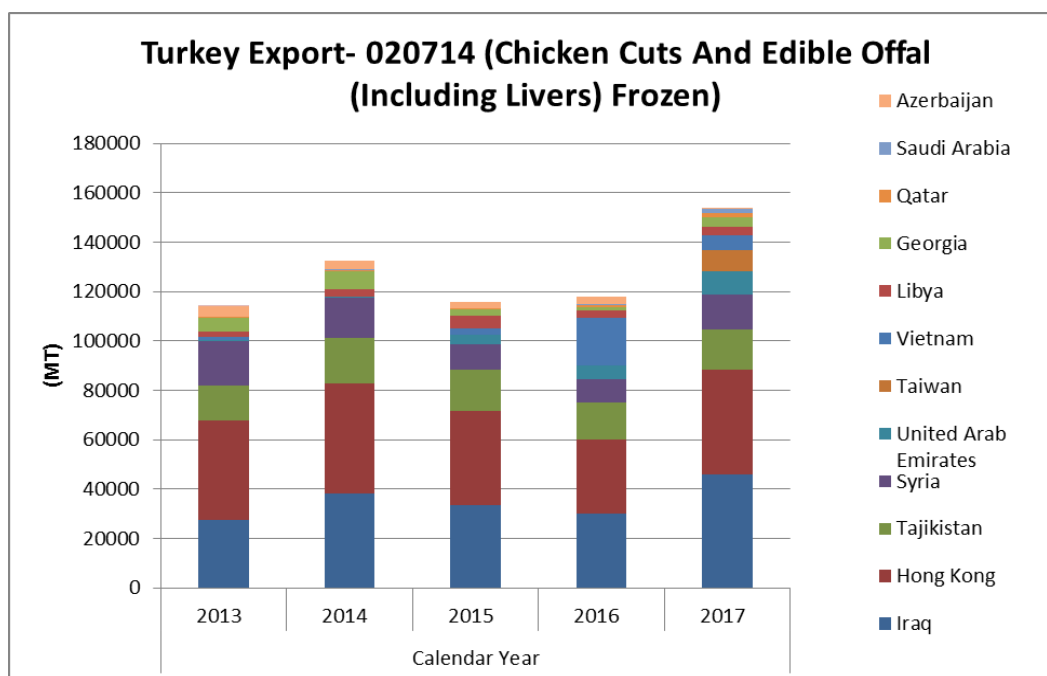
Source: Turkish Statistical Institute, 2018 (Chicken paws to Hong Kong and Vietnam and all broiler meat to China were removed)

Chart 8. Turkey Total Meat and Edible Offal of Chickens, Frozen, 2013-2017 (MT)



Source: Global Trade Atlas, 2018

Chart 9. Turkey Chicken Cuts and Edible Offal Frozen, 2013-2017 (MT)



Source: Global Trade Atlas, 2018

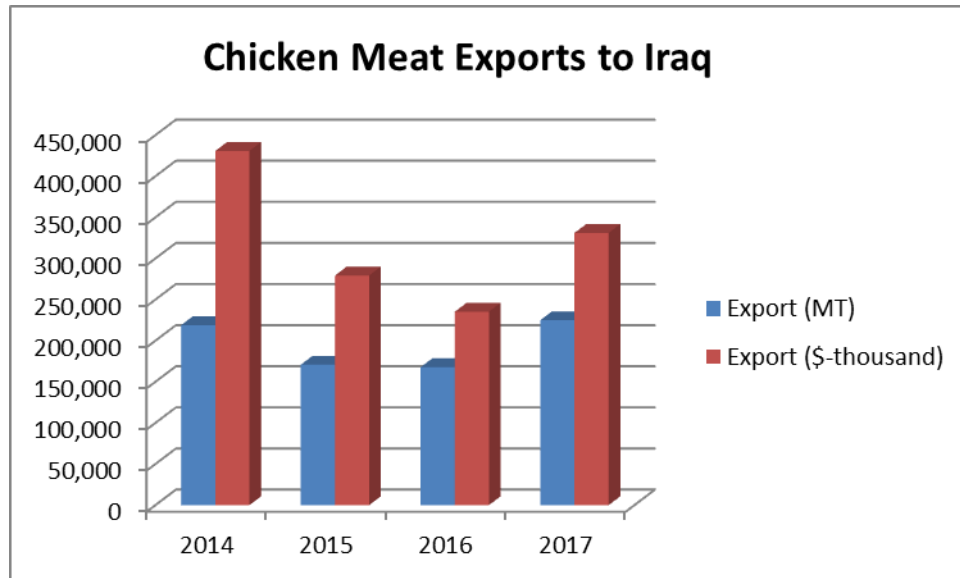
Iraq: Iraq is still the biggest Turkish market for poultry meat and has a 50 percent share of total Turkish exports. While there have been some difficulties in the last few years because of the economic turmoil in the region, Turkey’s share of Iraq poultry imports has not declined. For the last two years, exporters have had a hard time getting permission from the Iraqi authorities for vehicles passing through the border. Despite this, Turkey exported 225,000 MT of poultry products worth with \$331 million to Iraq in 2017, which is up 33 percent from the previous year.

The Iraqi government announced in early July 2018 that it will impose an extra custom tax for some products, including chicken meat, as of August 5, 2018. The extra custom tax is now 50 percent, which was raised from 10 percent, and it includes poultry products, chicken pieces, frozen poultry meat, and offal. The Iraqi government stated that this implementation will last for four years and the aim is to protect domestic production and to develop the national industry.

According to Turkish exporters, Iraq’s poultry production capacity is not sufficient for its own domestic consumption and this new tariff could cause an increase in Iraq’s domestic poultry prices, so the implementation could end up being repealed by the Iraqi government.

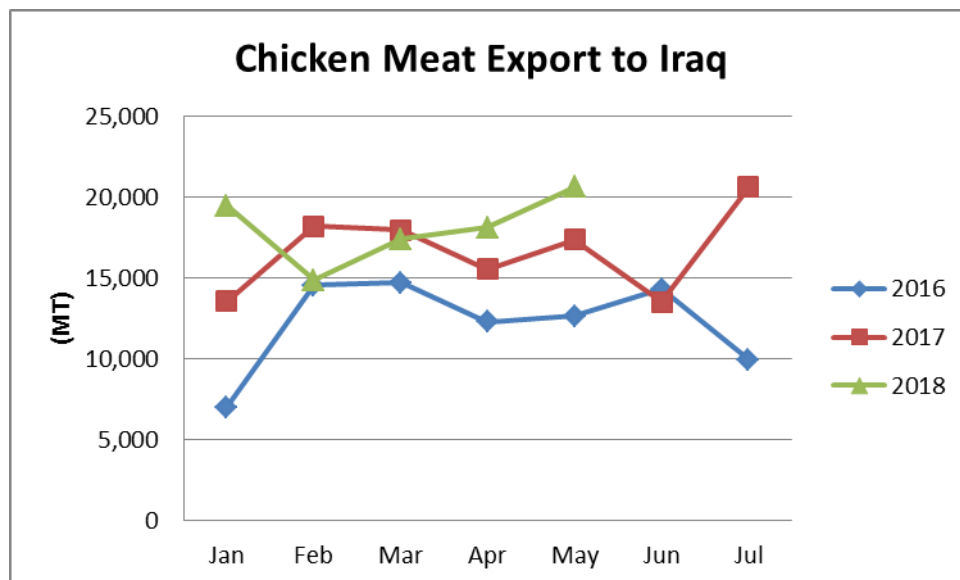
According to BESDBIR, the Turkish Poultry Meat Producers and Breeders Association, this implementation will affect Turkish poultry exports to Iraq in early August, but will not significantly reduce Turkish poultry exports to Iraq overall since Iraq will swiftly consume its domestic stocks and then need to import.

Chart 10. Turkey’s Chicken Meat Exports to Iraq, Comparison (MT) & (thousand \$)



Source: Turkish Statistical Institute, 2018

Chart 11. Chicken Meat Exports from Turkey to Iraq, January-July (MT) 2016-2017-2018



Source: Turkish Poultry Meat Producers and Breeders Association (BESDBIR), 2018. The commodities included are HS codes; 020711,020712,020713,020714 and 160232.

Russia: The Russian share of total Turkish poultry exports is not significant. In 2017, Turkey exported 40,000 MT of poultry meat to Russia. There are 16 approved Turkish poultry facilities on the Russian Ministry of Agriculture [website](#) authorized to export poultry products to Russia. However, seven of them are temporarily restricted since the production no longer complies with Russian standards.

The EU: Turkey is still not able to export to EU countries since Turkey's animal health standards and status are not compatible with the EU standards, especially due to the presence of Newcastle disease in Turkey. There are nine approved Turkish poultry establishments that can in theory export to the EU, however the raw material (poultry meat) must be EU compliant and originate from EU-approved establishments, so Turkish products cannot be used because of Turkey's animal health status. The facilities that are EU compliant are shown at https://webgate.ec.europa.eu/sanco/traces/output/TR/RPM_TR_en.pdf

While Europe's egg industry was struggling with fipronil-contaminated eggs last year, the Turkish Ministry of Agriculture announced that eggs produced in Turkey did not contain any insecticides. The Turkish poultry sector saw the issue in Europe as an opportunity for Turkey to export eggs to the EU as well, though they currently do not.

Japan: Turkey is currently negotiating a trade agreement with Japan, and has also recently negotiated a health protocol for poultry exports. One of the Turkish poultry producers, HasTavuk Co., made a deal with a Japanese company (Sumitomo Co.) to export boneless poultry meat to Japan. The Turkish company has already sent 500 MT of poultry meat to Japan.

Policy:

With the rural development component of pre-accession assistance, EU candidate countries are assisted through a particular instrument called IPARD: Instrument for Pre-Accession Assistance in Rural Development. Within this scope, selected Turkish companies are supported to invest in agricultural holdings to restructure and upgrade to the EU standards or to market their agriculture and fishery products to the EU standards. In 2016, the EU has spent approximately 253 million euro in support of meat production facilities and 39 million euro for meat processing facilities in Turkey. This includes all meat, not only poultry meat. During the 2014-2020 IPARD period, goose and laying hens egg production has been taken into the scope of support.

Regarding export refunds, 380 Turkish Lira (TL) is paid per ton of poultry meat, 485 TL is paid per ton of processed and canned products, and 35 TL is paid per thousand eggs. If eggs are intended for breeding or hatching, the refund is 50 percent more than the normal payment. As of August 27, 2018, the exchange rate is 6.2TL to \$1 USD.

For poultry products that are exported, the industry is also able to utilize the inward processing regime to import up to a certain amount of feed inputs without tariffs.

Production, Supply and Distribution Data:

Although not included in PSD estimates, chicken paw exports to China and Vietnam are also important to the Turkish broiler meat industry.

Chicken Meat PS&D Table

Meat, Chicken	2017	2018	2019
Market Begin Year	Jan 2017	Jan 2018	Jan 2019
Turkey	New Post	New Post	New Post
Beginning Stocks	0	0	0
Production	2,188	2,250	2,288
Total Imports	0	0	0
Total Supply	2,188	2,250	2,288
Total Exports	369	387	406
Human Consumption	1,819	1,863	1,882
Other Use, Losses	0	0	0
Total Dom. Consumption	1,819	1,863	1,823
Total Use	2,188	2,250	2,288
Ending Stocks	0	0	0
Total Distribution	2,188	2,250	2,288
(1000 MT)			