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## **Turkey**

### **Poultry and Products Annual**

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**Report Highlights:**

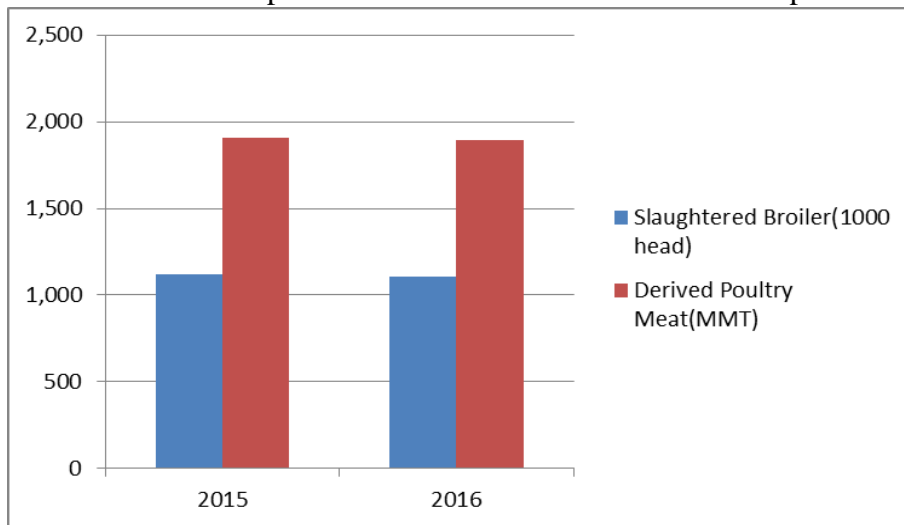
Following several stagnant years, Turkey's broiler meat production is recovering – forecast to rise 4 percent and 1 percent in 2017 and 2018, respectively. Producers continue to be challenged by the lack of an affordable and dependable feed supply. Consumption remains firm due to broiler meat's relatively low price compared to beef. However, growth is driven by population, not expansion in per capita consumption. Only minor export growth (1 percent) is forecast in 2018.

**Production:**

Following a decade of growth, broiler meat production in Turkey declined in 2016 (see Chart 1) on soft domestic and foreign demand. Exports had declined due to turmoil in the Southeast region of Turkey where the largest export market border crossing to Iraq is located. However, improved export demand bolstered production to rebound 2 percent to a record 1.95 million metric tons in 2017. As export and domestic demand is expected to remain robust, Post is forecasting a one percent increase to 1.975 million metric tons in 2018.

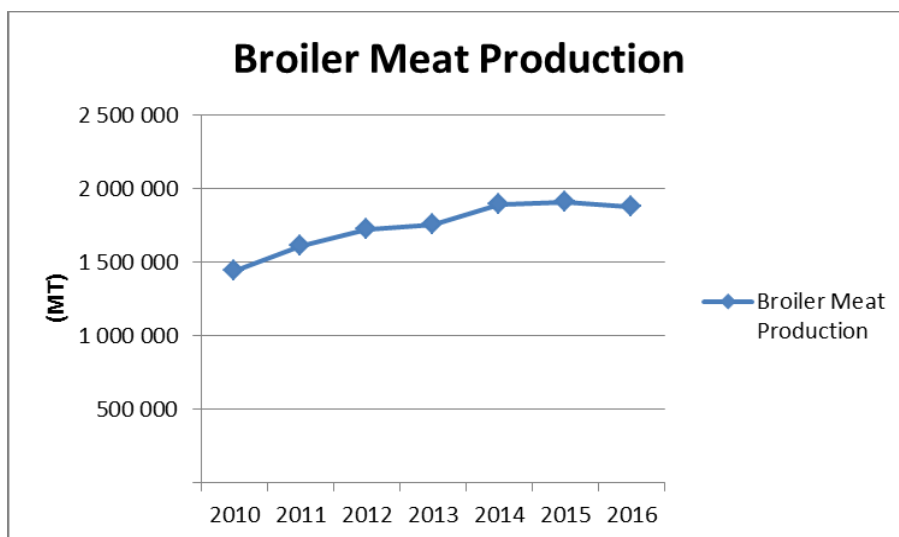
Ninety three percent of total poultry production is broiler meat, seven percent is turkey meat.

**Chart 1.** Slaughtered broilers in comparison with derived meat in MT for the period from 2015-2016.



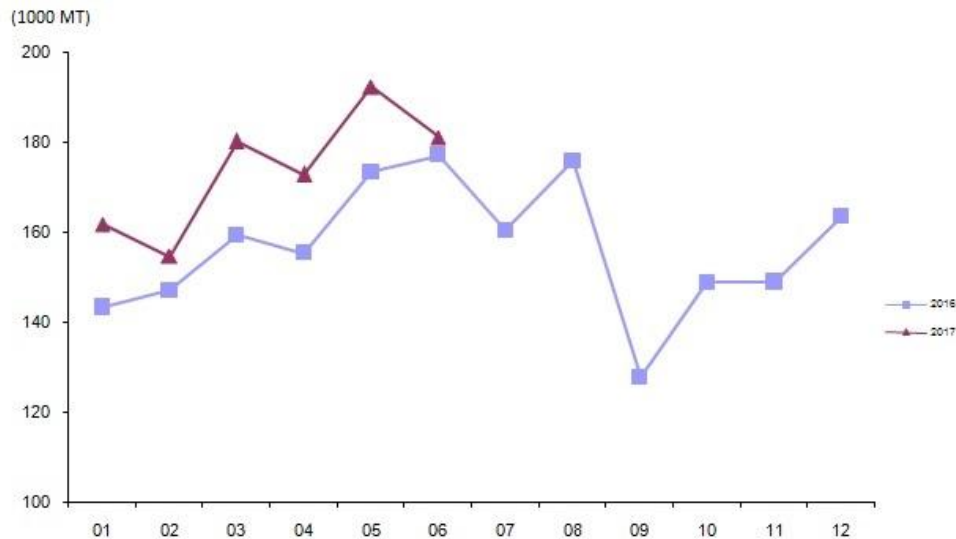
Source: Ministry of Agriculture, 2017

**Chart 2.** Broiler Meat Production from 2010 to 2016, MT



Source: Ministry of Agriculture, 2017

**Chart 3.** Broiler Meat Production from 2016 to June, 2017 month by month comparison, MT



Source: Turkish Statistical Institute, 2017

#### Absence of Avian Influenza

Despite the fact that many neighboring countries have been struggling with avian influenza outbreaks since December 2016, Turkey has not detected any cases yet. According to agricultural press reports in Turkey, there have been suspicions of the disease after wild birds deaths in the Black sea region, however it has not been confirmed yet.

#### Industry Struggles to Maintain Profits but Investment and Modest Growth Continue

The Turkish poultry industry is concerned that the sector is not competitive globally and that poultry production in Turkey should be subsidized by the government since they provide a sufficient amount of lowest-cost protein to the public. Companies have been working with low profit margins and some leading poultry producers have faced financial difficulties. According to the sector, 2015 was the worst year for production and export, despite increases in 2016; those gains were not able to compensate for 2015 losses. 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 US\$ 258 million). *Banvit* has been the leading Turkish poultry meat producer for years. According to BESDBIR (Turkish Breeding and Poultry Meat Producers Association), although it seems attractive for foreign investors to be involved in the Turkish poultry sector since shares are selling at a low price, maintaining operations is costly and often not very profitable. Despite the difficulties further explained below, which the industry has faced during the past five years, the sector is expected to continue to grow modestly.

#### Inputs and Cost of Production

Poultry production in Turkey relies on two important imported inputs: feed and breeding materials (day-old chicks and hatching eggs).

The most important and costly input of poultry sector is feed. The compound feed sector has been importing more than 40 percent of their total raw material needs from other countries. Therefore problems that the sector has been facing during supplying of feed raw material might be leading to increased production costs and this reduces Turkey’s competitiveness compared to other leading exporters.

Affordable and dependable feed supply is a major constraint for the industry. Imported feed is hindered by Turkey’s strict biosafety regulation. Recently, four more genetically engineered (GE) traits were approved by the Biosafety Board of Turkey for feed import to Turkey and currently, there are 36 approved GE events for feed in Turkey. For detailed information please see the GAIN report date: 8/2/2017 No: 7031 [here](#).

Since there are no sustainable production or import policies in place, the Turkish poultry sector has suggested that MinFAL work together to establish a committee to discuss production and import policies between Turkish feed producers and officials. There are concerns that MinFAL is working independently from the agriculture sector and needs to take the sector’s comments and concerns into account while harmonizing EU legislation into Turkish acquis.

Additionally, Turkey's currency, the Turkish Lira (TRY), hit an all-time low level against the U.S. dollar in 2017 which makes it hard to import feed stuff. Imported feed inputs are relatively expensive and paid in foreign currency, while majority of the poultry is sold domestically in local currency. Moreover, the inward processing scheme allows tariff free import of feed for poultry that is exported, but this doesn’t cover feed for poultry for the domestic market.

The use of poultry byproducts for feeding poultry had been prohibited as of 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) reconsider this prohibition. For more information please see the GAIN report date: 1/7/2016 No: 6003 [here](#).

**Table 1.** Compound Broiler and Laying Hens Feed Production in Turkey, 2014-2017\* (tons)

<b>Year</b>	<b>Broiler Feed</b>	<b>Laying Hens Feed</b>
<b>2014</b>	3.979.945	2.480.547
<b>2015</b>	4.779.916	3.417.209
<b>2016</b>	3.827.073	5.840.262
<b>2017*</b>	1.836.742	2.374.242

Source: DG of Food and Control, 2017, \* shows the data until June

One other issue facing the industry is that the Poultry Meat Producers Association of Turkey has announced that they will stop their day-old chicks production for the biggest poultry producers in

Turkey due to the high production costs as of August 31, 2017. The farms under the Association in question have been raising nearly 4.5 million of day-old chicks per day for the big integrated poultry meat producers who are paying 1 TRY for 1 chick. However the association declared that they are producing chicks under production cost. This could lead to a new crisis between the association and the sector. The association wants the sector to increase buying prices of chicks and MinFAL will be intervening into this dispute to find a solution and avoid problems in the Turkish poultry sector.

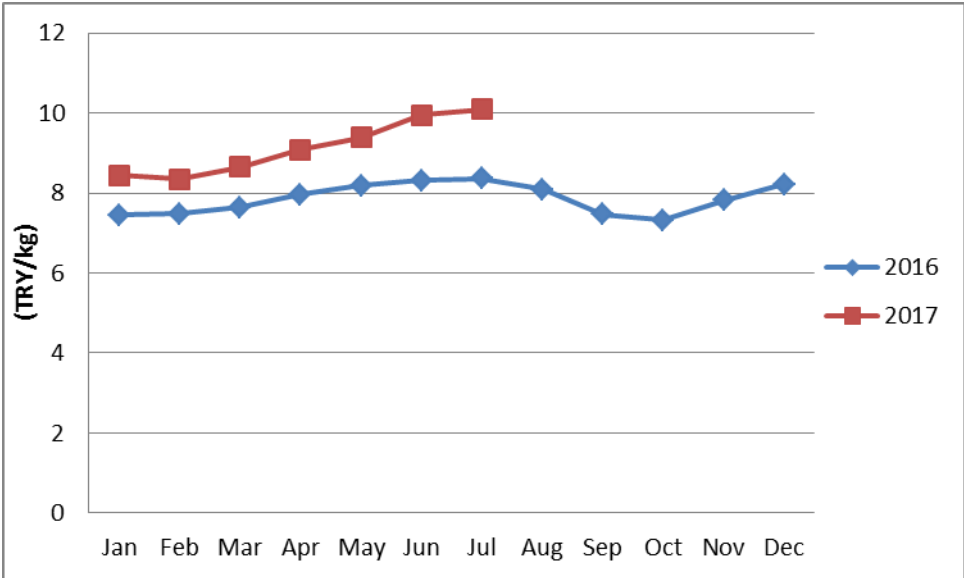
**Consumption:**

Chicken is the most popular meat in Turkey. Although consumers prefer beef, high prices constrain its consumption. Broiler consumption declined slightly in 2016 and is forecast to increase only slightly (1 percent) in both 2017 and 2018 due to the speculative news in the press regarding hormones and antibiotics applied to poultry and ongoing price increases. Broiler meat consumption was 21.94 kg per capita annually in 2016 and it is expected to be 22.05 kg per capita in 2017. Thus consumption gains are generally driven by population growth, not per capita consumption

Turkish consumers prefer unprocessed poultry parts. Consumption does not appear to have been impacted by suspected avian influenza incidents reported in the press since the public has confidence in MinFAL’s cooperation with the Turkish poultry sector.

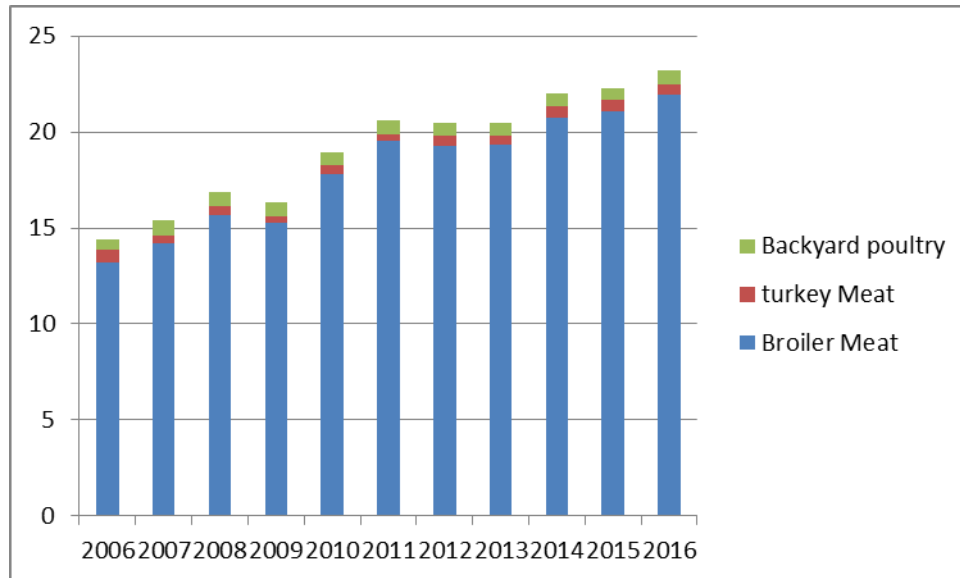
Inflation, and particularly food inflation, has been a big issue in Turkey in the past year and also depresses consumption. Poultry meat prices have increased by 11 percent in 2017 compared to the previous year.

**Chart 5.** Broiler Meat Price (TRY/kg)



Source: Meat and Milk Board (ESK), 2017. (Note: As of September 7, 2017, 1 \$= 3,5 TRY)

**Chart 6.** Poultry Meat Consumption (including turkey meat and backyard poultry) (annual kilograms per capita)



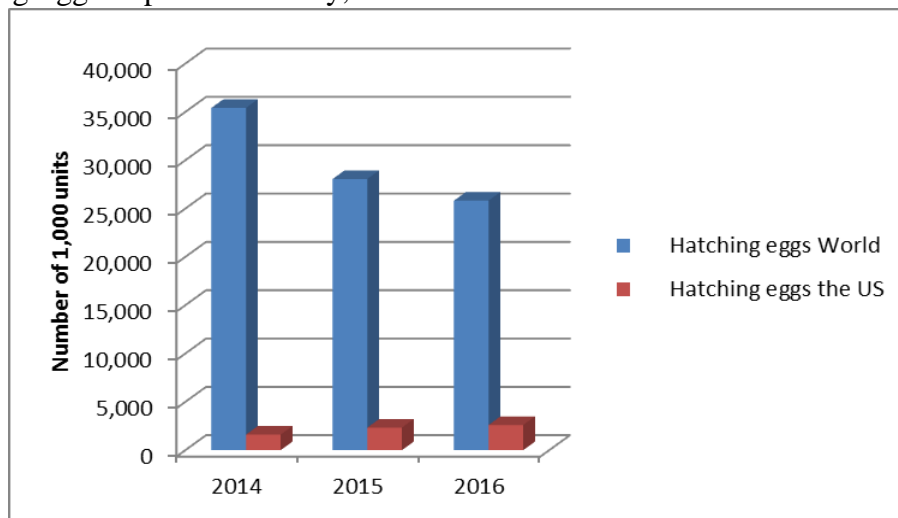
Source: BESDBIR (Turkish Breeding Poultry Association), 2017.

**Trade:**

**Import and Transshipment**

Turkey has a high tariff on poultry meat which discourages imports, though it is a transshipment hub for poultry meat to other countries in the Middle East. On July 25, 2017, Turkey lifted the avian influenza related bans on U.S. poultry and poultry products from all previously banned U.S. States. Post estimates that the quantity of transshipped poultry products will gradually increase in 2017 and 2018.

**Chart 7. Hatching Eggs Imports to Turkey, 2014-2016**



Source: Turkish Statistical Institute, 2017

In 2016, Turkey imported nearly 1.3 million head of day-old chicks worth \$9.9 million and 25.8 million units of hatching eggs worth \$23 million. The UK, France, and Germany are the main suppliers of

hatching eggs and day-old chicks to Turkey. In early 2016, FAS Ankara worked with the Turkish government to remove longstanding barriers to Turkish industry's ability to import U.S. hatching eggs and day-old chicks. As a result, hatching eggs exports from the United States to Turkey increased 11.6 percent in 2016 when compared to the previous year.

***Export:***

After two years of decline, Turkey's broiler meat exports are expected to surge sharply (13 percent) in 2017 to 360,000 MT. Exports are forecast 4 percent higher in 2018 to 375,000 MT. Trade recovery is largely due to increased shipments to Iraq, Turkey's largest broiler meat market accounting for nearly half of total shipments. Expansion in trade with Syria and Congo is also driving exports higher.

Turmoil in neighboring countries and their subsequent transportation impact have constrained shipments. However demand is strong in regional markets such as Syria and Libya as turmoil in those countries has negatively impacted production in those areas, driving imports higher. The Turkish poultry sector has been turning towards to Saudi Arabia, Kuwait and Russia recently. However, the Turkish industry believes that Gulf countries prefer importing from the United States and Brazil because production costs (and hence prices of exported products) in those countries are cheaper than Turkey.

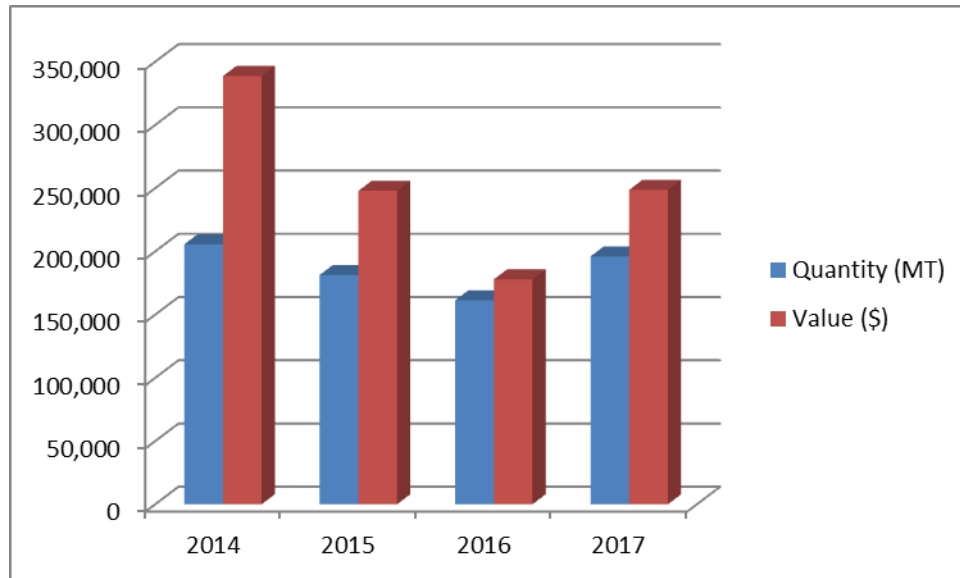
Ongoing attempts of Ministry of Food, Agriculture and Livestock (MinFAL) and the poultry sector to open new and previously closed foreign markets is expected to bear fruit in 2018. The poultry sector believes that the new regionalization legislation for avian influenza, which is based on the EU regionalization procedures, will help open the new foreign markets by building trust in the Turkish market. Additionally, free zones against animal diseases, particularly avian influenza, and export from the district-level would be allowed by the main importing markets.

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

***Export to the EU;*** Turkey is not able to export to EU countries since Turkey's animal health standards are not compatible with the EU standards, especially due to the presence of Newcastle disease in Turkey. MinFAL has been working to comply with the EU standards and while it is believed that Turkey's production and health status are compatible with the EU legislation, the poultry sector prioritizes efforts to open other export markets for Turkey.

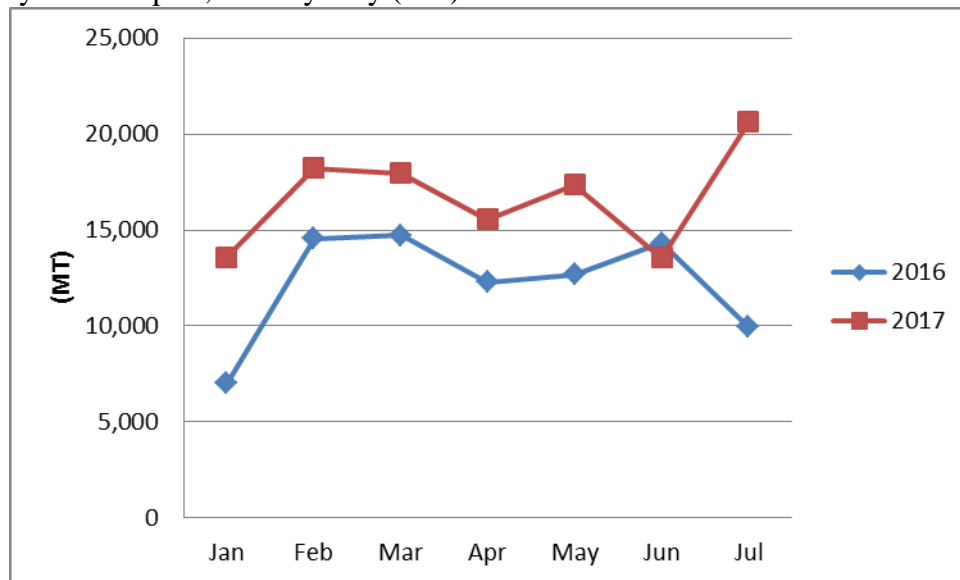
After the egg contamination scandal in Europe, the Turkish Ministry of Agriculture announced that eggs produced in Turkey do not contain any harmful insecticide. Turkey's National Monitoring Program has been in place since 2005. According to the Turkish egg sector, this scandal in the EU has led Turkish eggs to be more exportable products for the markets who imported eggs from the EU before. However, the new export market opportunities caused egg prices in Turkey to rise in August 2017. The Turkish poultry sector sees the issue in Europe as an opportunity for Turkey to export eggs to the EU as well, though they currently do not.

**Chart 8.** Turkey Poultry Meat Export Results, First six months of year Comparison 2014-2015-2016-2017



Source: Turkish Statistical Institute and BESDBIR (Turkish Breeding Poultry Assoc), 2017.

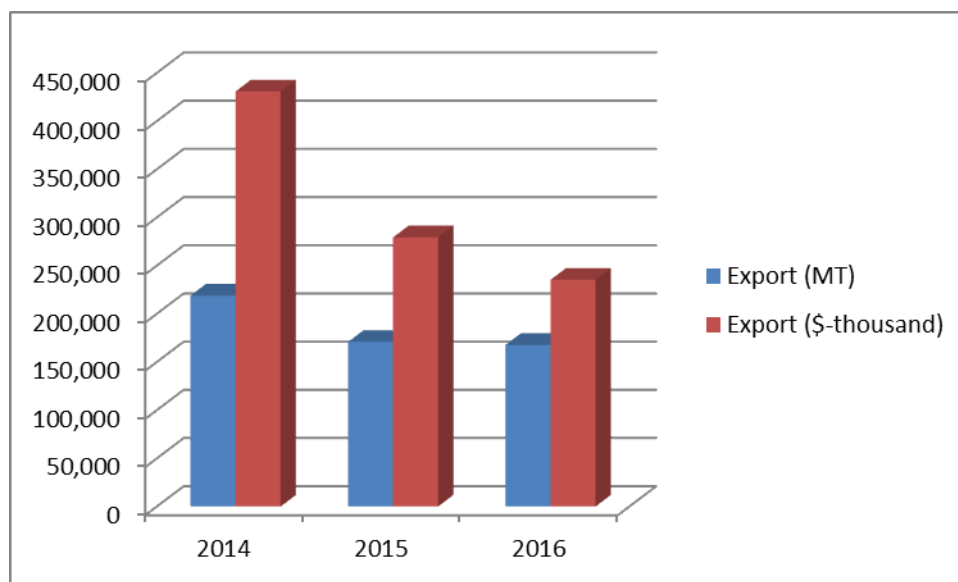
**Chart 9.** Poultry Meat Export, January-July (MT) 2016-2017



Source: Turkish Poultry Meat Producers and Breeders Association (BESDBIR), 2016. (The commodities included are HS codes; 020711,020712,020713,020714 and 160232)

**Chart 10.** Turkey's Poultry Meat Export to Iraq, Comparison (MT) - (thousand \$)





Source: Turkish Statistical Institute, 2017

### Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Market Begin Year	2016		2017		2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Turkey						
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	1871	1900	1925	1950	0	1975
Total Imports	0	0	0	0	0	0
Total Supply	1871	1900	1925	1950	0	1975
Total Exports	296	320	310	360	0	375
Human Consumption	1575	1580	1615	1590	0	1600
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1575	1580	1615	1600	0	1780
Total Use	1871	1900	1925	2000	0	2200
Ending Stocks	0	0	0	0	0	0
Total Distribution	1871	1900	1925	2000	0	2200

(MIL HEAD) ,(1000 MT)