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# GAIN Report

Global Agricultural Information Network

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## Turkey

**Post:** Ankara

### Turkey Opened Meat Imports Before Sacrifice Holiday

**Report Categories:**

Livestock and Products

Policy and Program Announcements

**Approved By:**

YoLanda Starke

**Prepared By:**

Sinem Duyum

**Report Highlights:**

The Ministry of Food, Agriculture and Livestock (MinFAL) granted the Meat and Milk Board (ESK) permission to import beef from the EU due to dramatically rising prices since January 2015. The tenders have been carrying for 14,030 MT in total in 2015 but will not be large enough to impact prices. As increasing demand continues to outpace production growth, and speculation by industry participants fuels price increases, consumers are not likely to see price relief through 2016, which could spur additional government programs for cattle and/or beef.

## **Executive Summary:**

The Ministry of Food, Agriculture and Livestock (MinFAL) granted the Turkish Meat and Milk Board (ESK) permission to import beef from the EU due to dramatically rising prices since January 2015. The tenders, for 14,030 MT in total will not be large enough to impact prices.

As increasing demand continues to outpace production growth and speculation by industry participants fuels price increases, consumers are not likely to see price relief through 2016. This elevation could spur additional government programs for cattle/sheep and/or beef. According to meat sector contacts, Turkey needs 1.3 million MT of red meat annually and there is a shortage of approximately 300,000 MT.

## **BACKGROUND:**

### ***Five Years of Turbulence With No Stability Expected in the Near Term***

For many years, Turkey banned meat, poultry, and slaughter and feeder cattle imports. However, tight supplies due to drought and poor management has led Turkey to the Government occasionally and temporarily opening the market for meat as well as feeder and slaughter cattle since 2010. (For additional background, please refer to GAIN TR5040.) The market opening in 2010 allowed imports to rise and accounted for 22 percent of consumption in 2011. However, in late 2011, Turkey's meat import custom tariff was increased. Thus, imported carcass meat became unprofitable for meat importers.

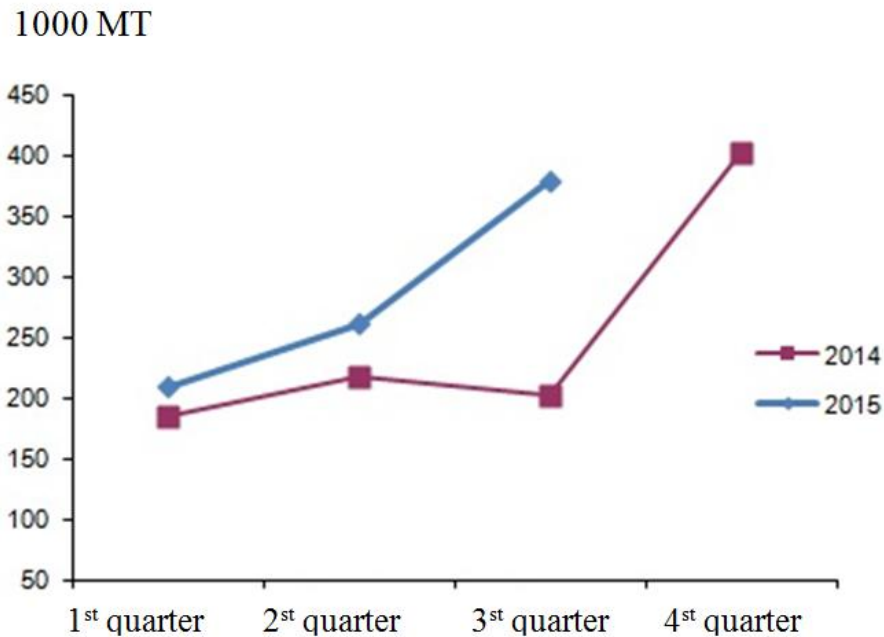
Per capita beef consumption has increased from 4.4 to 8.7 kg over the last seven years despite growing poultry meat consumption, which has grown in popularity due to its lower price.

## **SITUATION:**

### ***Prices Soar in 2015 Despite Rising Production***

Total red meat production, including beef, buffalo, sheep and goat meat, increased 14.3 percent in 2014 (1,008,272 MT) compared to 2013. Beef production increased slightly by 58,025 MT in 2014 to 882,000 MT. During the first 6 months of 2015, beef production was 756,000 MT (including buffaloes) which was 69 percent higher when compared to the same period of 2014.

### Total Red Meat Production Turkey in 2014 and 2015



*Meat Production, TurkSTAT, 2015, (including beef, buffalo, sheep and goat meat)*

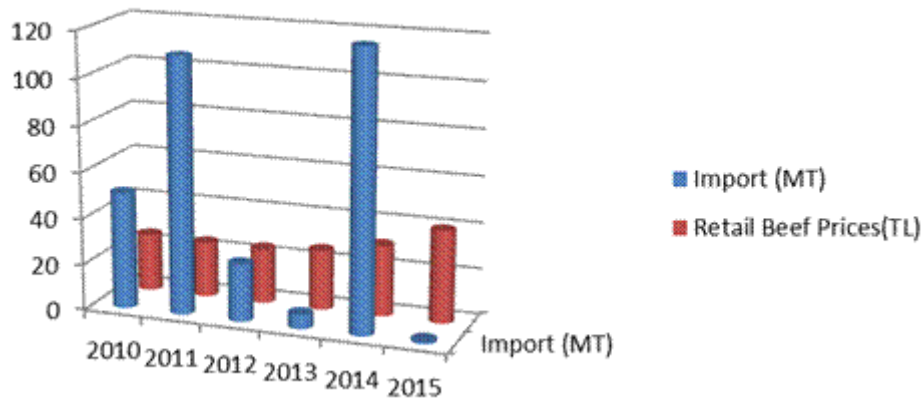
Despite rising production, beef prices surged 28 percent from January to August 2015 compared to the increase of 19 percent during January to December 2014. Additionally, put in a historical context in the table below, beef prices in 2015 are on average double their 2009 values.

Turkish Beef Retail Market Prices (TL/kg)

	Jan	Feb	Mar.	Apr.	May	June	July	Aug	Sep	Oct	Nov	Dec
<b>2009</b>	16.1	16.0	16.1	16.1	16.2	16.4	16.5	17.6	18.0	19.3	19.9	20.4
<b>2010</b>	21.8	23	23.4	24.9	23.2	22.8	23.8	24.6	25.8	26.2	25.3	24.7
<b>2011</b>	23.2	22.7	22.3	22.4	22.3	22.3	22.8	23.4	24.3	24.3	24.5	24.3
<b>2012</b>	23.8	23.6	23.4	23.4	23.6	23.6	23.5	24.1	24.2	23.9	24.3	24
<b>2013</b>	23.8	23.7	23.6	23.9	24.0	24.2	24.5	24.9	25.6	25.6	25.9	26
<b>2014</b>	25.9	26.3	26.4	27.0	27.0	28	29.0	29.5	30.4	30.3	30.5	30.8
<b>2015</b>	31.4	32.7	33.6	34.3	36.3	37.1	38	40.2	37			

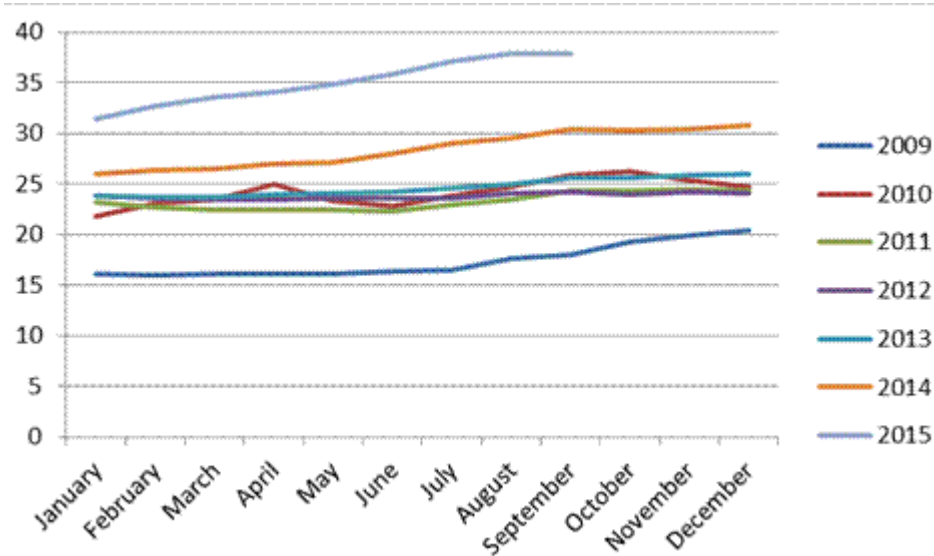
Beef Price (TL), TurkSTAT, ESK. Note: \$1 = 2.8 TL as of November 13, 2015. Prices vary by region.

Import Figures and Price Comparison Chart



Although ESK has carried out tenders since the beginning of 2015 for 14,030 MT carcass meats to be imported, the companies could not find appropriate slaughterhouses and carcass meat from the authorized importing EU countries. MinFAL has technical specifications for the slaughterhouse in which cattle are slaughtered and for meat. The slaughterhouses should be visited by MinFAL officials and get approval from the delegation of MinFAL before they start to export to Turkey.

#### Beef Prices in Turkey



Price Fluctuation since 2009 in Turkish Lira with highest price in recent years being in 2015 (Note: \$1 = 2.8 TL as of November 13, 2015).

### ***Government Intervention in 2015 Unable To Bring Price Relief for Feast of the Sacrifice in 2015***

In an effort to combat financial setbacks for producers, MinFAL has implemented several subsidy projects over the past few years in hopes of increasing meat production. (See recent GAIN report no. TR5042 on `Turkish Livestock Support and Subsidies` dated August 12, 2015 for more details). From 2011 to 2014, MinFAL gave subsidies worth \$293 million (816 million TL) to approximately 690,359 producers.

During early part of 2015, MinFAL accelerated feeder cattle imports to increase the availability of slaughter-ready supplies by mid-year so as to meet increased meat demand for the widely celebrated Muslim holiday Feast of the Sacrifice (Kurban Bayram/Eid al-Adha) which takes place in 2015 during mid September. However, some producers have stated that there is shortage of cattle within the country and the imported feeder cattle will not weigh enough at the time of the holiday (Kurban Bayram/Eid al-Adha). (For tender details, see earlier GAIN reports from 2015.)

Post anticipates that because of the pressure from domestic cattle producers, MinFAL will not stop feeder cattle imports and they will keep the import policy while continuing to review the market situation to determine how much will be imported and from where. Turkey has imported 260,000 head of feeder cattle since 2014; however the cattle prices have increased up to 20 percent in Europe.

Feeder cattle breeders in Turkey are willing to breed their animals with the feeder cattle that have higher meat producing performance. Although MinFAL believes that feeder cattle production systems in Turkey, especially related to the geography of most farms, are not appropriate for high productivity feeder cattle breeds, MinFAL has announced that subsidies are going to be paid to producers to encourage them to breed of feeder cattle. Domestic producers were pleased by this announcement.

### ***Factors Impacting Meat Prices***

According to TurkSTAT data, beef prices have not been significantly impacted by meat and live cattle imports that began in 2010. Despite the data, however, in the case of meat imports, producers believe that this *did* negatively impact their business and profitability, and this resulted in the exit of many businesses in 2010.

Producer groups have stated that meat prices remain high due to the elevated prices of inputs (including feed). Much of the feed is imported and due the recent devaluation of local currency against many foreign currencies, imported feed is becoming increasingly expensive for Turkish producers. Additionally, despite decreases in fuel prices, transportation prices remain the same. Some producers believe that subsidies should be increased as opposed to greater meat (carcass) imports. Thus they support MinFAL's relatively restrictive feeder cattle import policies.

The producer groups are also concerned that speculation by some intermediary bodies (stock holders and trading companies) disrupts the market. It is also reported that another reason for increased meat prices is that farmers may hold back animals at the stockyards in order to sell them for more money during the Feast of Sacrifice. MinFAL believes that ESK should prevent price speculation, since its main responsibility is to regulate the domestic market of live animals and meat/milk.

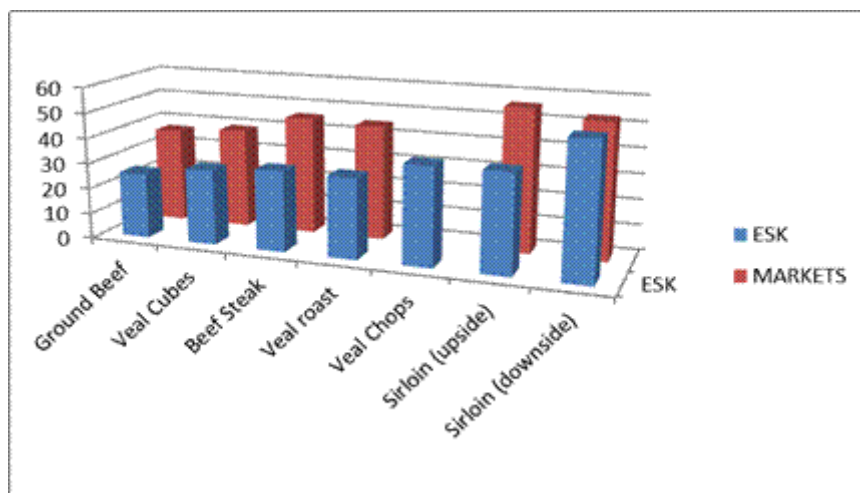
### ***Recent MinFAL Meat Import Actions***

Within the scope of the authority given by MinFAL, ESK sent two special teams to Poland and the Czech Republic in order to investigate and study prices of meat for import to Turkey. Also, as a result of their Customs Union Agreement, Turkey has a commitment to import 19,500 MT of red meat annually from the EU. These imports are most likely to be beef, as there is no shortage of lamb. The private sector also wants MinFAL to open meat imports for the private sector as well as for the ESK, which is a government board.

According to ESK officials interviewed by the national press, ESK launched a tender on August 5, 2015 to import 3,200 MT of frozen (carcass) beef from Poland tariff-free. Reportedly, the other tender was launched at the end of August, 2015 for 500 MT. Then, ESK announced the tender for 10,000 MT from authorized EU countries, and at the end of October, 2015 they announced one more tender for 330 MT from Bosnia Herzegovina. According to the officials, beef for future tenders might be imported from South America, depending on price.

ESK believes that Turkish consumer beef prices will fall to 23.50 TL per kg with delivery of this tender. ESK, which normally sells product 23 percent below the market rate, announced that they will sell product 27-28 percent below the market rate as of August 10, 2015. ESK has 3.5 percent of the market share within the meat sector and they supply the military as well as ESK's franchising markets.

As from at the end of the sacrifice holiday, and as a result of import action taken by MinFAL, meat prices have been decreased by a mere 2-3 Turkish Liras, or about 8 percent.



*Current price differences for various meat products between ESK and markets.*

## **OUTLOOK:**

The current tenders will not be large enough to impact prices. As increasing demand continues to outpace production growth and speculation by industry participants fuels price increases, consumers are not likely to see price relief through 2016. This elevation could spur additional government programs for cattle/sheep and/or beef.

### ***Additional Information***

The countries authorized to export carcass meat (chilled and frozen) to Turkey are published on the website of the Ministry of Food, Agriculture and Livestock of Turkey (MinFAL): <http://www.tarim.gov.tr/Konular/Veteriner-Hizmetleri/Ihracat-Ithalat/Ithalat>. The authorized countries are subject to change according to MinFAL concerns based on the OIE (World Organization for Animal Health) animal disease incidents reports. MinFAL officials also may choose to visit establishments within the countries seeking to export carcass meat into Turkey.

The United States is currently not eligible to export beef to Turkey. However, live cattle are eligible for export and detailed information is available at <http://www.aphis.usda.gov>.

