



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 6/6/2001

GAIN Report #TU1026

Turkey

Cotton and Products

Annual

2001

Approved by:

**Susan Schayes, Agricultural Counselor
U.S. Embassy Ankara**

Prepared by:

Ibrahim Sirtioglu, Agricultural Specialist

Report Highlights:

Turkish cotton area and production (730,000 hectares/820,000MT) are projected to increase to increase in MY 2001, despite recent heavy rains and floods that effected cotton growing regions. Domestic consumption fell significantly during MY2000 due to repercussions from the financial crises that Turkey is experiencing. At 340,000 MT, MY 2000 imports are estimated to fall 35% below MY1999 levels. Devaluation of the lira has helped improve the outlook for textile exporters and, despite ongoing problems, consumption is projected to increase next year.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Ankara [TU1], TU

Executive Summary	1
Production	2
Consumption	3
Marketing Channels	4
Trade	4
Stocks	6
Policy	6
Marketing	7

Executive Summary

MY 2001/2002 area and production will be higher than early estimates, 730,000 hectares and 820,000MT. The increase in planting is attributed to farmer dissatisfaction with the alternative crops. Excessive rains and floods shortly after planting in the Southern Cukurova, Southeast Anatolian(GAP) and some parts of the Aegean region, forced farmers to replant.

Most observers are forecasting cotton production will remain between 800,000MT and 850,000MT for the next three years, as expansion in the Southeast just compensates for declining area in traditional cotton growing areas, particularly Aegean and to a lesser degree in the Cukurova region.

Our consumption estimate was reduced to 1.07 MMT for MY2000 when Turkey experienced one of the worst economic crises of its modern history. Following recent devaluations, the export-dependent Turkish textile industry started to recover from the crisis and textile exports are increasing both to E.U. and United States.

Official statistics place cotton imports during the first five months of the MY2000/01 at 153,021MT. Given the low production and higher level of consumption, imports are projected at about 340,000MT in MY2000/01, significantly less than 522,544MT of last year due to low domestic consumption. Demand for imported cotton is expected to improve during the next marketing year.

The United States is expected to remain one of the leading cotton suppliers to the Turkish market during the marketing year due to the quality and the availability GSM-102 guarantees. U.S. sales also have been aided by the declining quality and quantity of Central Asian cotton. Geographical proximity and the E.U. support system helped Greece to become an important supplier as well.

PSD Table						
Country	Turkey					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		08/1999		08/2000		08/2001
Area Planted	0	719000	0	670000	0	730000
Area Harvested	719000	719000	670000	670000	0	730000
Beginning Stocks	129112	129112	180060	180060	136515	195060
Production	791218	791218	762043	760000	0	820000
Imports	522544	522544	315704	340000	0	360000
TOTAL SUPPLY	1442874	1442874	1257807	1280060	136515	1375060
Exports	43545	43545	32659	15000	0	30000
USE Dom. Consumption	1219269	1219269	1088633	1070000	0	1170000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1219269	1219269	1088633	1070000	0	1170000
Ending Stocks	180060	180060	136515	195060	0	175060
TOTAL DISTRIBUTION	1442874	1442874	1257807	1280060	0	1375060

Production

Outlook

There is a lack of systematic crop surveys and reliable official data for cotton. According to unofficial estimates, MY2001/02 cotton area and production will be at about 730,000 hectares and 820,000MT. Higher than expected planting is attributed to farmer dissatisfaction with alternative crops. Unusually rainy weather during the month of May in most cotton growing regions and floods in many necessitated replanting in some areas. Some farmers are reported to have planted vegetables and corn instead. Fields which needed to be replanted will be vulnerable to October rains, which would lower quality and yield.

Virtually all of Turkey's cotton is handpicked. Increasing harvest labor costs (estimated to account for about forty-five percent of the total production costs) have added to the already high capital costs of cotton production and have caused some farmers to shift to less capital-intensive crops in traditional cotton growing areas. As a result, there is a growing interest in machine harvesting.

Given the slow pace of extension of irrigation infrastructure in the Southeastern Anatolian Project (GAP), increases in cotton area are just expected to offset declining cotton area in traditional growing areas for at least the next several years. The major shift from cotton production is occurring in Cukurova, where farmers are shifting to a wheat-corn rotation or to horticultural production.

Production- General

Most of Turkey's cotton is grown in three main areas: the Aegean region, Cukurova, and Southeastern Anatolia. Small amounts of cotton also are produced around Antalya and Antakya. Aegean cotton generally is considered to be the best quality and is preferred by the local textile industry. Aegean cotton is longer (1 1/8") than cotton from Cukurova(1 3/32") and other regions. While cotton production is increasing in the Southeast Anatolia as a result of Southeastern Anatolian Project(GAP) it is decreasing in the Cukurova region due to ecological problems created by excessive use of chemicals over the years and competition from other crops, mostly corn. The GAP project consists of series of hydroelectric and irrigation dams. When completed (the program is significantly behind schedule and the economic crisis has hurt Turkey's ability to expedite completion), a total of 1.7 million hectares of land will be irrigated. About 140,000 hectares on the Harran Plain are currently irrigated by the Ataturk dam, of which ninety percent is planted in cotton.

Cotton is generally planted between mid-March and mid-May. The harvest usually begins in mid-August and continues through November. The most popular variety in the Aegean region is "Nazilli 84", in Cukurova "Carolina Queen" and "Delta Pine " and "Stone Mill" and "Carmen" in the Southeast. "Gold West" variety is also reported to be becoming popular in the Southeast.

Most of Turkey's estimated 500 gins are privately owned. Nearly all the gins in the Aegean region are roller gins, more suitable for longer staple cotton. About half the gins in Cukurova and the Southeast are roller gins and half are saw gins. The ginning rate averages about 42 percent in the Aegean Region and 39 percent in Cukurova. Ginners generally purchase seed cotton from growers and, as a result play an important role in domestic marketing channels. Lint is generally graded and certified by government-regulated inspectors at the gins, using the green card system. Domestic regulations require that all locally produced cotton be ginned before the end April.

Consumption

The textile industry is the most important and dynamic sector in the Turkish economy, accounting for 7 percent of GNP, 28 percent of industrial employment and 38 percent of total exports. More than 96 percent of the textile industry is privately owned and the remaining state-owned mills are being slowly privatized.

Total spinning capacity is estimated at about 1.6MMT, of which about 1.25MMT is for cotton and the remainder is for synthetics. Consumption is difficult to estimate without timely (and accurate) trade statistics because it is highly export-dependent and because there are significant incentives to under report consumption to avoid taxes and other costs. As is the case with the Turkish economy as a whole—observers estimate that as much as one-third of the Turkish economy operates off the books.

The recent financial crises caused domestic demand for textiles to fall, but following devaluation, which improved Turkey's competitiveness in the international markets, the demand for cotton is reported to have improved. Unofficial sources forecast MY 2000/01 cotton consumption to be about 1.07MMT. Industry observers indicate that domestic utilization of cotton should improve next year if the economy recovers as expected and demand continues from export markets.

The industry estimates that 40 percent of total textile production and 70 percent of ready-made garment production are exported. The E.U. remains Turkey's largest market, with Germany being the leading importer within the E.U.. Textile exports to the FSU, mainly on a cash basis through a combination of small scale "suitcase trade" and regular border trade, have stagnated due economic problems in Russia. However, the United States is becoming an increasingly important market, reportedly accounting for ten percent of total exports. Exporters point to an increase in U.S. textile import quotas, as well as Turkey's increasing focus on quality, as two reasons for the increase.

Marketing Channels

The bulk of local cotton is sold directly to mills and the remainder is traded on a spot basis, mainly at the bourse in Izmir. The Izmir bourse also trades some cotton from other regions. There are smaller spot markets in Adana and the Southeast. Both cotton producers and the textile industry are expected to benefit from establishment of a cotton futures market in Izmir. Preparations are continuing to open the trading floor for the coming season.

Trade

Official trade figures for the first five months of MY2000/01 indicate that cotton imports will reach about 340,000MT while exports expected to remain at about 15,000MT. MY2001 imports will be dependent on recovery of local production and the overall world economy.

The driving force behind Turkey's growing imports was the rapid expansion of its export-oriented textile industry. The basic question is whether future increases in production (mainly from the GAP) will be sufficient to meet increasing demand. Given the higher cost of production and the slow pace of development of the GAP, many observers expect Turkey to remain a net cotton importer for at least the next five years. Although the longer term outlook is less certain, the general consensus is that Turkey will continue to import certain types of cotton, i.e. SIV, even after the GAP is fully developed.

The United States still is one of the leading supplier due to the quality and reliability of U.S. cotton and availability of GSM-102 credit guarantees. Greece has become an important supplier, and was the leading supplier during the first five months of MY2000, due to its geographical proximity and low prices from the E.U. subsidies. Central Asia and Syria remain important suppliers in spite of reduced production and increasing reports of quality problems.

(Note: The following trade matrix for is for the first five months of the MY2000/01.)

Import Trade Matrix			
Country	Turkey		
Commodity	Cotton		
Time period	MY2000	Units:	Metric tons
Imports for:			1
U.S.	30347	U.S.	
Others		Others	
Greece	37030		
Syria	24572		
Turkmenistan	18244		
Uzbekistan	9411		
Pakistan	6256		
Australia	6117		
Egypt	3391		
Azerbaijan	3267		
Israel	3150		
Argentina	2124		
Total for Others	113562		0
Others not Listed	9112		
Grand Total	153021		0

Export Trade Matrix			
Country	Turkey		
Commodity	Cotton		
Time period	MY2000	Units:	Metric tons
Exports for:			1
U.S.		U.S.	
Others		Others	
Mersin Free Trade zone	3783		
Italy	1926		
Netherlands	1058		
Portugal	911		
Germany	461		
Romania	436		
England	266		
Thailand	257		
India	205		
Bangladesh	190		
Total for Others	9493		0
Others not Listed	925		
Grand Total	10418		0

Stocks

There are no official stock estimates. Turkish mills prefer to maintain stocks at minimal levels due to the high cost of financing (approximately eight percent per month). This policy works to their advantage during the first half of the marketing year. However, it also makes them vulnerable to price increases in the world market, as well as to speculative price increases in the local market, during the second half of the marketing year.

Policy

Production Policy

Nearly 35 percent of the population lives in rural areas and earns the bulk of its income from farming. As a result, agriculture and rural development are top priorities for the government. The massive investment in the GAP is probably the best example of this policy. The quasi-government farmers' cooperatives, TARIS, Cukubirlik and Antbirlik provide their members with low cost loans, seed and fertilizer and are supposed to buy members' cotton at government announced prices. Almost 35-40 percent of the textile industry is suspected of operating off- the-books.

The GOT issued a 9 cents per kilogram bonus payment for seed cotton in an effort to keep cotton and cotton products within the registered economy. The GOT is expected to continue with the program next year as well.

There are no special input subsidies for cotton. As with all crops, subsidized credit is available at about half of commercial rates for cotton production. The government also provides about a 10 percent subsidy on the cost of all fertilizers. Irrigation water is provided by the State Irrigation Authority (DSI) for a fee. However, there is a continuing debate whether the price of water represents its actual cost. Pesticides are commercially available. Except for minor white fly damage in Cukurova, insect damage (and disease) generally are not major problems.

Trade Policy

Cotton imports from all sources remain duty-free.

Marketing

U.S. cotton enjoys a good reputation among Turkish spinners due to its consistent quality and the reputation of the United States as a reliable supplier. However, to maintain and expand its position in this growing market, new as well as potential users will need to be identified and appropriate trade servicing activities conducted to maximize the likelihood that they become repeat customers. Timely seminars on U.S. cotton and GSM in these areas likely will generate a great deal of interest as well as demand. In addition to routine Cotton Council International activities, seminars, trade visits and market monitoring, Cotton Incorporated has stepped up its programs in Turkey to include seminars and fabric fashion shows.

TURKEY'S COTTON YARN AND COTTON FABRIC TRADE

	Exports	Imports
Cotton Yarn(MT)	92,921	40,622
Cotton Fabric(1)	16,229	15,134
Cotton Fabric(2)	53,958	30,970

(1) Cotton Fabric LTE 200 grm per SQ mtr

(2) Cotton Fabric GT 200 grm per SQ mtr

source: State Statistics Institute