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Turkey

Cotton and Products

Cotton and Products Update

2008

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Report Highlights:

MY2008 cotton area and production is now estimated to be 380,900 hectares and 500,000 MT. The decline in the planting area is due to better returns on alternative crops, namely corn and vegetables. Frost in the early season also adversely affected planting. An overvalued Turkish Lira continued to hurt Turkish yarn and textile exports and helped competitors from lower cost countries such as India and Uzbekistan. The GOT introduced a new import tax on cotton yarn to protect domestic companies. While total cotton imports declined during the first eleven months of MY 2008 the market share of U.S. cotton increased to sixty-eight percent. The GSM-102 Credit Guarantee Program plays an important role in U.S. exports to Turkey, and a late and partial announcement of the MY 2008 program adversely impacted program utilization.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Ankara [TU1]
[TU]

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Production

MY 2008 cotton area and production are now estimated to be about 380,000 hectares and 500,000 MT (2.29 million bails) due to larger than anticipated planting of alternative crops and the effect of frost that came right after the planting season in some regions. In all regions some farmers, expecting better income from corn and vegetables, switched from cotton to these crops in all regions. This was the lowest cotton planting level since 1995, and the future of cotton production in Turkey will depend on the GOT's yet-to-be-announced production bonus for the MY 2008 seed cotton crop.

Consumption

MY 2007 domestic cotton consumption is now estimated to be about 1.25 MMT (5.74 million bails) compared to the early season estimate of 1.65 MMT (7.5 million bails).

The Turkish textile industry has been experiencing a major crisis since November 2007. A global slowdown in textile demand, the strong Turkish Lira compared to the major currencies and increased domestic production costs are reasons for the decline.

A worldwide decline in textile product demand, particularly in the EU member countries where majority of Turkish textiles are exported, have caused Turkish textile exports to decline. It is reported that Turkish denim product exports alone declined about 15 percent during the first five months of CY 2008. Consumption in the domestic textile market also declined due to prices increases.

The strong Turkish Lira continues to adversely affect textile exports and also facilitates imports of low cost cotton and fabric from competitor countries such as India, Uzbekistan, Pakistan and Turkmenistan. According to industry sources, 142,000 MT of cotton yarn was imported into Turkey in 2007 compared to 65,000 MT in 2006 and 44,000 MT in 2005. Imports of yarn continued during the first five months of 2008, reaching 180,000 MT.

The high cost of domestic production due to high labor, electricity and transportation costs have caused a large number of the mills to suspend operations. According to some sources about 183 out of 350 mills either seized operations or began working at a reduced capacity. Furthermore about 40 mills are either reported to have moved to low cost countries such as Egypt or sold their machinery to other countries, such as India. Industry sources indicate that more than 1 million spindles of spinning capacity have moved out of the country during the last twelve months.

Pressured by the textile industry, the Under Secretariat of Foreign Trade first proposed a US\$ 1.03 per kilogram import surcharge on imported cotton yarn to stop further decline in domestic yarn production. However, the weaving industry has objected to this measure on the basis that higher priced local yarn would adversely affect textile exports. Based on further discussions with the industries involved, the GOT recently announced the following new import taxes on imported cotton yarn for the next three years.

New Import Tax Structure for Cotton Yarn			
GTP	1. year	2. year	3. year
52.05(with the exception of 520512, 520522, 520532, 520542)	20% and max. US\$ 1 per kg or min. US\$ 0.35 per kg	19 % and Max. US\$ 0.95 per kg or Min. US\$ 0.33 per kg	18% and Max. US\$ 0.90 per kg or Min. US\$ 0.31 per kg
520512, 520522, 520532, 520542)	15% and max. US\$ 1 per kg or min. US\$ 0.35 per kg	19 % and Max. US\$ 0.95 per kg or Min. US\$ 0.33 per kg	18% and Max. US\$ 0.90 per kg or Min. US\$ 0.31 per kg

The industry is not expecting a sudden improvement in domestic consumption due to these new taxes, but rather hopes it will cause imports to remain at the present level instead of increasing further. In general, industry members believe that domestic cotton consumption will remain at about 1.2 MMT (5.51 Million Bails) in MY 2008.

Turkish textile exporters benefit from geographical proximity to export markets, fast response time for orders and higher quality than competitors. Therefore, the recent world shipping cost increases may help Turkish textile exporters to regain some of their lost market share from more distant suppliers.

Trade

According to available information, Turkey imported about 640,000 MT (2.93 Million bails) of cotton during the first eleven months of the MY 2007, of which 68 percent was U.S. cotton. Greece, the CIS countries and India were the other suppliers. Turkish cotton exports during the same period were about 55,500 MT (254,750 bails). Even though detailed export destinations are not available, sources indicate that the great majority of exports were to Turkish Free Trade Zones, which means that some of this cotton may be imported back in to the country.

In 2007 Turkey also imported a total of 142,000 MT of cotton yarn. India was the leading supplier with 50,500 MT, followed by Uzbekistan with 39,000 MT, Turkmenistan with 14,700 MT and Pakistan with 14,000 MT.

PSD, Cotton MT

Turkey Cotton (HECTARES)(MT)						
	2006	Revised	2007	Estimate	2008	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		Aug-06		Aug-07		Aug-08
Area Planted	670000	670000	520000	520000	380000	380000
Area Harvested	630000	630000	520000	520000	380000	380000
Beginning Stocks	240237	240237	267897	242897	227897	277897
Production	825000	825000	675000	675000	550000	500000
Imports	872660	872660	660000	675000	850000	675000
MY Imp. from U.S.	525049	525049	470000	470000	525000	450000
TOTAL SUPPLY	1937897	1937897	1602897	1592897	1627897	1452897
Exports	45000	45000	50000	65000	50000	50000
USE Dom. Consumption	1625000	1650000	1325000	1250000	1375000	1200000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1625000	1650000	1325000	1250000	1375000	1200000
Ending Stocks	267897	242897	227897	277897	202897	202897
TOTAL DISTRIBUTION	1937897	1937897	1602897	1592897	1627897	1452897

PSD Cotton, Turkey, 1000 Bails

	Cotton , Turkey 1000 -480 lb. bails								
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Aug 2006			Market Year Begin: Aug 2007			Market Year Begin: Aug 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	0	0	0	0	0	0	0	0	0
Area Harvested	630	630	630	520	550	520	380	380	380
Beginning Stocks	1665	1105	1105	1955	1230	1115	1755	1050	1275
Production	3800	3785	3785	3100	3215	3100	2300	2525	2300
Imports	4000	4005	4006	3200	3325	3100	3300	3900	3100
MY Imports from U.S.	0	2410	2410	0	2295	2157	0	2410	2065
Total Supply	9465	8895	8896	8255	7770	7315	7355	7475	6675
Exports	210	207	207	300	140	300	225	230	230
Use	7300	7458	7574	6200	6540	5740	5700	6310	5510
Loss	0	0		0	0	0	0	0	0
Total Dom. Cons.	7300	7458	7574	6200	6540	5740	5700	6310	5510
Ending Stocks	1955	1230	1115	1755	1090	1275	1430	935	935
Total Distribution	9465	8895	8896	8255	7770	7315	7355	7475	6675
Stock to Use %	26	16	14	27	16	21	24	14	16
Yield	1,313.0	1,308.0	1,308.0	1,298.0	1,273.0	1,298.0	1,318.0	1,447.0	1,318.0
TS=TD			0			0			0
Comments									
AGR Number	TU 8038								

Import Trade Matrix			
Country	Turkey		
Commodity	Cotton	Units:	MT
Time Period	Aug/July		Aug/June
Imports for:	MY 2006		MY 2007
U.S.	525049	U.S.	438801
Others		Others	
Total C.I.S.	116867	Greece	70653
Greece	94969	Total C.I.S.	52326
India	83560	India	27873
Mersin FTZ	17047	Brazil	14123
Syria	8792	Mersin FTZ	11878
Egypt	5287	Egypt	5794
Brazil	1137	Syria	4005
Total for Others	327659		186652
Others not Listed	19952		15421
Grand Total	872660		640874
		Units	Bails
Time Period	Aug/July		Aug/June
Imports for:	MY 2006		MY 2007
U.S.	2409975	U.S.	2014096
Others		Others	
Total C.I.S.	536420	Greece	324297
Greece	435908	Total C.I.S.	240176
India	383540	India	127937
Mersin FTZ	78245	Brazil	64824
Syria	40355	Mersin FTZ	54520
Egypt	24267	Egypt	26595
Brazil	5219	Syria	8382
Total for Others	1503955		856732
Others not Listed	91580		70782
Grand Total	4005510		2941611