USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.08

Required Report - public distribution

**Date:** 5/11/2006

**GAIN Report Number:** TU6025

# Turkey

# Cotton and Products

# Annual report

# 2006

**Approved by:**
Jim Higgiston, Agricultural Counselor
U.S. Embassy

**Prepared by:**
Ibrahim Sirtioglu, Agricultural Marketing Specialist

---

**Report Highlights:**
MY 2006 cotton area and production are estimated at 700,000 hectares and 900,000 MT, up about twenty percent from MY 2005. Farmers who were upset with returns in corn reportedly switched to cotton. Domestic consumption is expected to decline about six percent in MY 2005 due to increased competition from China in the international markets. Total cotton imports were 388,000 MT during the first seven months of MY 2005 with the U.S. supplying 218,000 MT. Imports are expected to reach 680,000 MT by the end of the marketing year compared to 724,000 MT last year.

---

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

## Table of Contents

**Executive Summary**

MY 2006 cotton area and production are projected at about 700,000 hectares and 900,000 MT, up about twenty percent compared to last year. Farmers' dissatisfaction with return of alternative crops such as corn played a major role in increase of cotton planting. Turkish farmers are also in search of ways to make cotton planting feasible and to be able to compete with the imported cotton. Total number of cotton harvesters will double compared to last marketing year and expected to reach 260 in MY 2006, which will lessen the dependence on hand picking and decrease costs.

Cotton production is continuing to increase gradually in the Southeast Anatolian (GAP) region due to an increase in irrigated land. However, expansion of the irrigation network in the GAP has been very slow due to a lack of funds. Average annual expansion during the last five years was only about 10,000 hectares, while the total target area that remains to be irrigated is over 1 million hectares. In all other regions, cotton production is continuing to fluctuate in accordance with the return on alternative crops. Observers continue to think that cotton production will fluctuate between 900,000 MT and 1 MMT for years to come.

In MY 2005, domestic cotton consumption is expected to decline about six percent to 1.45 MMT. A minor decline is also expected in MY 2006. The absence of import quotas beginning in 2005 hurt Turkish textile exports since the cost of production, including electricity and labor, is higher in Turkey compared to newly emerging textile-producers like China. The strong Turkish Lira against the US dollar also affected Turkish textile exports adversely and caused an increase in imports of low cost yarn from the C.I.S. (Uzbekistan, Turkmenistan) and fabric from Asian countries (Pakistan, China, India).

Total imports are expected to reach 680,000 MT by the end of the marketing year compared to 724,000 MT last year. High year-end stocks of MY 2004 and decline in domestic consumption during MY 2005 had an adverse effect on imports. Further decline in cotton imports are foreseen for next year due to the expected increase in domestic production and reduced local consumption. Turkey imported a total of 388,000 MT of cotton during the first seven months of MY 2005. The U.S. was the leading supplier with 218,000 MT. Total Turkish cotton exports during the same period were only 26,000 MT. A strong Lira and low domestic production were the reasons for reduced exports. About fifty percent of the cotton exports were to local duty free zones. Some of these exports might be imported back in to the country after further processing.

The United States continues to be the leading cotton supplier to the Turkish market during the current marketing year. This is due to the quality of U.S. cotton. Although the availability of GSM-102 credit guarantees has been important, banking officials have indicated that commercial rates are approaching GSM rates. In addition, industry sources indicate that the late announcement of the program during the last two financial years adversely affected registrations. Total marketing year-end U.S. cotton imports are expected to reach 400,000 MT, making Turkey one of the leading importers of U.S. cotton once again. Geographical proximity helps Greece and Syria remain important cotton suppliers to Turkey.

**PSD, Cotton**

| Turkey<br>Cotton<br>(HECTARES) (MT) | 2004 | Revised | 2005 | Estimate | 2006 | Forecast |
|---|---|---|---|---|---|---|
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] |
| **Market Year Begin** | | 08/2004 | | 08/2005 | | 08/2006 |
| **Area Planted** | 700000 | 700000 | 600000 | 580000 | 700000 | 700000 |
| **Area Harvested** | 700000 | 700000 | 600000 | 580000 | 700000 | 700000 |
| **Beginning Stocks** | 321800 | 216290 | 388642 | 276025 | 355983 | 226025 |
| **Production** | 903565 | 900000 | 772929 | 750000 | 816475 | 900000 |
| **Imports** | 742230 | 742735 | 729384 | 680000 | 653180 | 600000 |
| **MY Imp. from U.S.** | 455414 | 455414 | 400000 | 400000 | 375000 | 370000 |
| **TOTAL SUPPLY** | 1967595 | 1859025 | 1890955 | 1706025 | 1825638 | 1726025 |
| **Exports** | 33094 | 33000 | 32659 | 30000 | 21773 | 60000 |
| **USE Dom. Consumption** | 1545859 | 1550000 | 1502313 | 1450000 | 1491427 | 1425000 |
| **Loss Dom. Consumption** | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL Dom. Consumption** | 1545859 | 1550000 | 1502313 | 1450000 | 1491427 | 1425000 |
| **Ending Stocks** | 388642 | 276025 | 355983 | 226025 | 312438 | 241025 |
| **TOTAL DISTRIBUTION** | 1967595 | 1859025 | 1890955 | 1706025 | 1825638 | 1726025 |

**Production**

Most of Turkey’s cotton is planted between mid-March and mid-May and harvested from mid-August through November. The crop is grown in three main areas - the Aegean region, Cukurova and Southeastern Anatolia. Small amounts of cotton also are produced around Antalya and Antakya. The most popular variety in the Aegean region is “Nazilli 84” and “Nazilli 88”; in Cukurova “Carolina Queen”, “Delta Pine”, and “BA 119”, “Stone Mill”; and “Diyarbakir Gold” is the most popular variety in the Southeast. 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 GAP (1 5/32) regions. Quality and properties of cotton has improved significantly in the GAP region due to improved quality of seeds.

Up until three years ago, virtually all of Turkey’s cotton was handpicked. However, the high cost - estimated at about forty percent of total production – and scarcity of labor, was an obstacle for cotton farmers. As a result, farmers have started to invest in cotton harvesters and the number harvesters increased significantly and are expected to reach to 260 this harvesting season. While a majority of the cotton harvesters are modern ones, about 70 of them are tractor-pulled old technology harvesters. In the Cukurova and Aegean regions significant quantity of local cotton will be collected by harvesters this season, making cotton production more profitable for farmers.

It is also reported that co-ops (Cukobirlik, Antbirlik, Taris) have plans to produce bio-diesel from cottonseed to cut fuel costs as well. However, the GOT recently announced a higher than expected consumption tax for bio-diesel (YTL 0.65 per liter) and declared that bio-diesel produced by co-ops would not be exempt from the tax. The high tax diminished the cost advantages of using bio-diesel and it is not clear if the co-ops will proceed with their investment plans.

All of Turkey's estimated five hundred gins are privately owned. Most of the gins in the Aegean region are roller gins, more suitable for longer staple cotton, while about half of the gins in Cukurova and the Southeast are roller gins and half are saw gins. However, the recent increase in machine harvesting triggered construction of new saw gins. Agricultural co-ops, Taris and Cukobirlik, both invested in new saw gins to meet the need of their members. The ginning rate averages about 42 percent in the Aegean region and about 39 percent in Cukurova and GAP regions. Ginners generally purchase seed cotton directly from growers, playing an important role in domestic marketing. Lint generally is graded and certified by the government–regulated inspectors at the gins, using the green card system. Domestic regulations require that all locally produced cotton be ginned before the end of April of each year.

Domestic cotton planting area and production will be 700,000 hectares and 900,000 MT in MY 2006, which is significantly higher compared to the 580,000 hectares and 750,000 MT of MY 2005. Planting is expected to increase in all cotton growing regions but most of the increase will take place in the Aegean region. Farmers who planted alternative crop, such as corn, in the Cukurova and Aegean regions were not happy with the returns and have reportedly returned to cotton planting. Also modern farming practices and GOT's higher production bonus payment for MY 2005 cotton crop were important factors contributing to the increase.

In February, the GOT announced YTL 0.32 per kilo production bonus for MY 2005 seed cotton. The new bonus represents forty percent increase over last year's bonus showing GOT's desire to support domestic cotton production. Even though the bonus was announced late and it is not known when actual payments will be completed, it still is considered to be a tool to attract farmers to plant cotton. The GOT also announced that production bonus payment for seed cotton would continue in MY 2006.

**Consumption**
The textile industry is one of the most important and dynamic sectors in the Turkish economy, accounting for seven percent of GNP, 22 percent of the industrial employment and 26 percent of total exports. Total spinning capacity is estimated at about 1.9 MMT, of which 1.5 MMT is for cotton and the remainder is for synthetics.

In MY 2005, domestic cotton consumption declined about six percent to 1.45 MMT due to the appreciation of the Turkish lira against the US dollar affecting textile exports adversely. Strong Turkish Lira also caused increase in imports of low cost yarn and fabric from Uzbekistan, Turkmenistan, India and Pakistan.

The worldwide free flow of textile products starting in 2005 has hurt Turkish textile products exports since the cost of production, including electricity and labor, is higher in Turkey compared to newly emerging textile-producing countries. The Turkish textile industry is facing increasing competition from China, India, Pakistan and Vietnam in export markets. It has been reported that world wide Turkish apparel exports increased only 5 percent in 2005 compared to 14 percent in 2004 and 26 percent in 2003. It is also reported that Turkish textile exports to the U.S. in 2005 declined due to increased competition, particularly China.

In recent years, Turkish companies have been struggling to keep their shares in export markets by increasing productivity, lowering profit margins, extending payment periods and replacing raw materials with low cost imports. But it seems it is still difficult for Turkish textile industry to compete with low prices of China. The over-valued Turkish lira, higher cost of domestic labor and energy is keeping the cost of textile exports high. Turkish textile industry is in transition to adjust to the new conditions. While some companies are downsizing and focusing on more value added products, other companies are moving production units to countries where cost of production is less than Turkey, such as Central Asian Countries. As a result, domestic cotton consumption is expected to decline in the coming few years if the major necessary steps are not taken by the government and the industry.

Newly imposed import quotas by the U.S. and E.U. on certain textile and apparel categories on Chinese exports allow Turkish firms time to prepare for tougher competition in coming years. The future of Turkey's textile industry will depend on how well Turkish mills adjust to the new conditions during the interim.

**Cotton yarn and fabric**

Turkey is the leading cotton yarn and fabric producing country in Europe and among the top three producers of the world. Total number of spindles and rotors are 6 million and 550,000 respectively making Turkey one of the top producers of cotton yarn and fabric. There are about 600 mills in Turkey scattered all around the country with a higher concentration in Kahramanmaras, Gaziantep, Adana, Kayseri and Malatya. About eighty percent of the cotton yarn and fabric factories are less than ten years old, making the industry a very modern and cost efficient one. While some small mills are ceasing operation because of competition, others are continuing to invest in new technologies to remain competitive. Despite the recent developments listed above, the industry is increasingly focusing on producing value added, high technology, and fashion-oriented products to compete with low-priced products produced in Asian countries.

**Marketing Channels**

The bulk of the domestic cotton is sold directly to mills and the remainder is traded on spot basis, mainly at the exchange in Izmir. The Izmir exchange also trades some cotton from other regions and countries. There are smaller spot markets in Adana and in the Southeast. The new cotton futures market in Izmir started operating last fall. Presently, the trading of futures is very limited and so far has had no impact on cotton trading. The other supporting infrastructure such as bonded storage facilities is under construction and will be available for traders in the near future. This might vitalize the futures trading.

**Trade**

According to available official data, Turkey's cotton imports reached 388,000 MT during the first seven months of MY 2005. Marketing year-end total imports are expected to be about 680,000 MT, about ten percent less than last year due to decline in local consumption. U.S. cotton continues to have a large share of the market, totaling 218,000 MT in exports due to consistent quality and the availability of the GSM-102 Export Credit Guarantee Program. Industry sources indicated that late announcements of the program in recent years affected their U.S. cotton purchases adversely. U.S. trade data indicate that about 251,000 MT were exported or registered as sales to Turkey during the first nine months of the marketing year. Greece and Syria continue to be important suppliers as well with 100,000 MT and 24,000 MT of exports, respectively, due to geographical proximity. Brazil emerged as a new supplier with 6,300 MT during the same period.

Turkey exported 27,000 MT of cotton during the first seven months of MY 2005; however, about half (14,000 MT) were to various Turkish Free Trade Zones. Some cotton exported to the free trade zones is typically imported back in to the country. Turkey's hydrofoil cotton exports for medical use increased about twenty percent to reach 7,000 MT during the same period. (Hydrofoil cotton exports are shown in the "others" category of the attached exports trade matrix.)

Despite the expected increase in domestic cotton production next year, inconsistency in government support and the slow pace of development of the GAP, Turkey is expected to remain a net cotton importer for years to come.

**Import Trade Matrix, Cotton**

# Import Trade Matrix

## Country Turkey

## Commodity Cotton

| | | | Metric tons |
|---|---|---|---|
| Time Period | MY 2003 | | MY 2004 |
| Imports for: | Aug/July | | **Aug/July** |
| U.S. | 307441 | U.S. | 455414 |
| Others | | Others | |
| Greece | 77490 | Greece | 158715 |
| Syria | 31388 | Syria | 48780 |
| Turkmenistan | 26411 | Uzbekistan | 15874 |
| Mersin Free Zone | 14964 | Turkmenistan | 14478 |
| Iraq | 8554 | Israel | 9009 |
| Israel | 7354 | Egypt | 7718 |
| Azerbaijan | 6028 | Mersin Free Zone | 4704 |
| Egypt | 5338 | Azerbaijan | 4186 |
| Uzbekistan | 3141 | Uganda | 3940 |
| Ethiopia | 2600 | Kazakhstan | 2965 |
| Total for Others | 183268 | | 270369 |
| Others not Listed | 8604 | | 16952 |
| Grand Total | 499313 | | 742735 |

| | |
|---|---|
| Time Period | MY 2005 |
| Imports for: | Aug/Feb |
| U.S. | 218248 |
| Others | |
| Greece | 100327 |
| Syria | 24085 |
| Brazil | 6281 |
| Turkmenistan | 5510 |
| Uzbekistan | 4965 |
| Tanzania | 4365 |
| Egypt | 4087 |
| Azerbaijan | 3816 |
| India | 3380 |
| Uganda | 2290 |
| Total for Others | 159106 |
| Others not Listed | 10779 |
| Grand Total | 388133 |

**Export, Trade Matrix Cotton**

# Export Trade Matrix

**Country** Turkey

**Commodity** Cotton

| | | | |
|---|---|---|---|
| Time Period | Aug/July | Units: | Metric tons |
| Exports for: | MY 2003 | | **MY 2004** |
| U.S. | | U.S. | |
| Others | | Others | |
| Mersin Free Zone | 19457 | Mersin Free Z. | 5778 |
| Italy | 12158 | Kayseri Free Z. | 2326 |
| Germany | 4261 | Portugal | 2025 |
| Bangladesh | 4139 | Italy | 1780 |
| Portugal | 3868 | Thailand | 1446 |
| Netherlands | 3754 | Germany | 615 |
| France | 3611 | Poland | 571 |
| China | 3541 | Pakistan | 400 |
| Kayseri Free Z. | 2729 | Vietnam | 388 |
| Greece | 2080 | Bangladesh | 310 |
| Total for Others | 59598 | | 15639 |
| Others not Listed | 17348 | | 17361 |
| Grand Total | 76946 | | 33000 |

| | |
|---|---|
| Time Period | MY 2005 |
| Exports for: | Aug/Feb |
| U.S. | 200 |
| Others | |
| Mersin Free Zone | 12800 |
| Kayseri Free Zone | 1157 |
| China | 904 |
| Poland | 727 |
| Portugal | 722 |
| Italy | 671 |
| Indonesia | 517 |
| Pakistan | 488 |
| Germany | 258 |
| India | 114 |
| Total for Others | 18558 |
| Others not Listed | 8513 |
| Grand Total | 26870 |

**Export Trade Matrix, Cotton yarn**

# Export Trade Matrix

| | | | |
|---|---|---|---|
| **Country** | Turkey | | |
| **Commodity** | Cotton Yarn | | Metric tons |
| Time Period | Jan/Dec | | Jan/Dec |
| Imports for: | CY 2004 | | **CY 2005** |
| U.S. | 2123 | U.S. | 1126 |
| Others | | Others | |
| Italy | 22435 | Italy | 22320 |
| Portugal | 18354 | Portugal | 15078 |
| Bulgaria | 12900 | Bulgaria | 9848 |
| Greece | 7671 | Greece | 7757 |
| Poland | 6343 | Poland | 7538 |
| Romania | 5142 | Germany | 5172 |
| Spain | 3955 | Romania | 4020 |
| Germany | 3464 | Spain | 3760 |
| United Kingdom | 2819 | Hungry | 2843 |
| Israel | 2476 | Israel | 2730 |
| Total for Others | 85559 | | 81066 |
| Others not Listed | 18825 | | 22941 |
| Grand Total | 106507 | | 105133 |

**Import Trade Matrix, Cotton yarn**

# Import Trade Matrix

| | | | |
|---|---|---|---|
| **Country** | Turkey | | |
| **Commodity** | Cotton Yarn | | Metric tons |
| Time Period | Jan/Dec | | Jan/Dec |
| Imports for: | CY 2004 | | **CY 2005** |
| U.S. | 24 | U.S. | 28 |
| Others | | Others | |
| India | 17937 | Uzbekistan | 25795 |
| Turkmenistan | 16156 | Turkmenistan | 22277 |
| Uzbekistan | 14950 | Pakistan | 19450 |
| Pakistan | 13945 | India | 14543 |
| Kayseri Free Zone | 12084 | Kayseri Free Zone | 9548 |
| Egypt | 2880 | Egypt | 3297 |
| Syria | 2274 | Italy | 1282 |
| Italy | 2056 | Kazakhstan | 799 |
| U. E. A. | 413 | Mersin Free Zone | 617 |
| Greece | 378 | Greece | 381 |
| Total for Others | 83073 | | 97989 |
| Others not Listed | 2104 | | 2030 |
| Grand Total | 85201 | | 100047 |

**Export Trade Matrix, Cotton Fabric**

# Export Trade Matrix

| | | | |
|---|---|---|---|
| **Country** | Turkey | | |
| **Commodity** | Cotton | Fabric | Metric tons |
| Time Period | Jan/Dec | | Jan/Dec |
| Imports for: | CY 2004 | | **CY 2005** |
| U.S. | 10110 | U.S. | 9720 |
| Others | | Others | |
| Italy | 11281 | Italy | 12990 |
| Ataturk Free Zone | 10855 | Ataturk Free Zone | 9409 |
| Poland | 7591 | Poland | 7591 |
| Istanbul Free Zone | 6267 | Romania | 7233 |
| Romania | 5291 | Bulgaria | 5379 |
| Russia | 3337 | Germany | 4735 |
| Germany | 3018 | Poland | 4555 |
| United Kingdom | 2661 | Russia | 3677 |
| France | 2407 | Istanbul Free Zone | 3320 |
| Spain | 1802 | United Kingdom | 3249 |
| Total for Others | 54510 | | 62138 |
| Others not Listed | 25554 | | 27896 |
| Grand Total | 82738 | | 99754 |

**Import Trade Matrix, Cotton fabric**

# Import Trade Matrix

| | | | |
|---|---|---|---|
| **Country** | Turkey | | |
| **Commodity** | Cotton | Fabric | Metric tons |
| Time Period | Jan/Dec | | Jan/Dec |
| Imports for: | CY 2004 | | **CY 2005** |
| U.S. | 691 | U.S. | 787 |
| Others | | Others | |
| Pakistan | 27124 | Pakistan | 40404 |
| China | 15028 | China | 18832 |
| India | 13386 | India | 11525 |
| Turkmenistan | 12565 | Indonesia | 11001 |
| Ataturk Free Zone | 11009 | Turkmenistan | 10929 |
| Bulgaria | 9326 | Ataturk Free Zone | 9273 |
| Indonesia | 7443 | Italy | 7723 |
| Italy | 7177 | Bulgaria | 7209 |
| U. A. E. | 5370 | Thailand | 3012 |
| Uzbekistan | 3416 | U. A. E. | 2796 |
| Total for Others | 111844 | | 122704 |
| Others not Listed | 18337 | | 21895 |
| Grand Total | 130872 | | 145386 |

**Stocks**
There are no official stock estimates. Turkish mills prefer to maintain stocks at minimal levels due to the high cost of financing (approximately 2 percent per month). In general, this policy works to their advantage during the first half of the marketing year when local supply is abundant and prices are low. 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**
The GOT has huge investments in the GAP region, as agriculture and rural development are still top priorities for the government. The farmers' cooperatives, TARIS, Cukobirlik and Antbirlik have historically provided their members with low-cost loans, seed and fertilizer and are supposed to buy members' cotton at announced prices. However, since the economic crisis in 2000 and as a part of the IMF economic reform program these cooperatives became more independent and are not permitted to operate at a loss, which would require funds from the federal treasury. TARIS, located in the Aegean region, continues to play an important role buying and selling cotton. The role of Cukobirlik in the Cukurova region, however, has been declining.

In February 2006, the GOT announced a YTL 0.32 (approx. US$ 0.24) per kilogram production bonus for MY 2005 crop seed cotton. The new bonus represents a forty percent increase from last year, showing the GOT's desire to support domestic cotton production. The aim of the government is to keep cotton and cotton products within the registered economy and support production. Even though the bonus was announced late and it is not known when the actual payments will be distributed, it still is considered to a tool to attract farmers to plant cotton. The GOT also announced that production bonus payments for seed cotton would continue in MY 2006.

As with all crops, subsidized credits from the Turkish Agricultural Bank and subsidies on the cost of all fertilizers stopped in October 2001. The State Irrigation Authority (DSI) provides irrigation water for a fee but there is a continuing debate whether the price of water is below its actual cost. Pesticides are commercially available.

**Trade Policy**
According to the 2006 import regime, cotton imports from all sources are duty-free. In late April 2006, the government of Turkey began enforcing a regulation regarding issue date of phytosanitary reports for cotton. Accordingly, all phytosanitary certificates for cotton need to be issued prior to the shipment date (up to 20 days prior), defined as the bill of lading date (or any other document showing date of shipment). This recent policy change has caused considerable obstacles for U.S. cotton exporters, as they had previously been able to successfully export cotton to Turkey by providing a phytosanitary certificate with an issue date after the bill of lading date. Presently, Turkish cotton phytosanitary certificates requirements prevent imports of re-gin motes. Turkey requires that the certificate should state that the cotton is free from plant material and re-gin motes, by definition, do not qualify.

Cotton yarn and fabric imports from the E.U. and E.F.T.A. countries are free from import tax. Imports of cotton yarn and fabric from other countries are subject to four percent and eight percent import tax, respectively.

**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. Marketing and promotion

activities done by the Cotton Council International and Cotton Incorporated as well as use of the Cochran program has helped to maintain high awareness among the Turkish mill owners. Timely seminars on the U.S. cotton and GSM are continuing to generate a great deal of interest and demand for U.S. cotton.
(Exchange rate:  US$ 1 = YTL 1.32)