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Report Highlights:

The February 6, 2023 earthquakes greatly affected Kahramanmaras, the center of Turkiye's cotton yarn and textile production, but the industry is already on the road to recovery. Turkiye's cotton production in marketing year (MY) 2023/24 is forecast to decrease to 735,000 metric tons (MT; 3.4 million bales) based on the assumption that farmers will choose to plant less cotton in response to decreasing cotton prices. Cotton farmers were unable to make adequate profits in MY 2022/23 to cover rising input costs. In MY 2023/24, Turkish cotton consumption is expected to decrease to 1.7 million MT (7.8 million bales) due to lower demand from end consumers of ready-to-wear-garments in western markets. Cotton imports in MY2023/24 are forecast to be 900,000 MT (4.13 million bales) for the same period with the United States maintaining its market share as the leading supplier with strong competition from Brazil.

Special Section: February 6, 2023 Earthquakes in Turkiye

On February 6, 2023, Turkiye suffered several devastating earthquakes in the southeast, affecting 11 provinces; the first occurred at a magnitude of 7.8 with an epicenter in Kahramanmaraş (see Map 1). It was followed by a 7.6 magnitude earthquake later the same day with an epicenter 95 kilometers northeast of the first one, in Elbistan, a smaller town in Kahramanmaraş Province. On February 20, another separate earthquake took place in Hatay province with a magnitude of 6.3, which hit already the very damaged city of Hatay (also known as Antakya or Antioch) very hard (see Map 2).

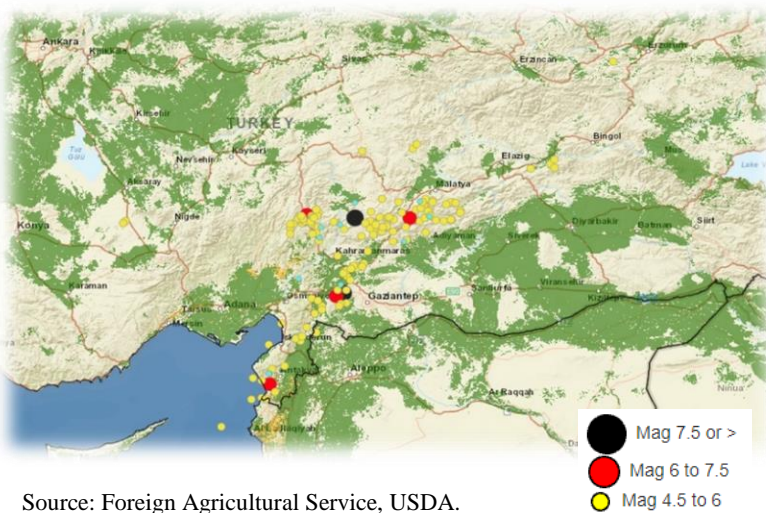
Map 1: Earthquake Zone in Turkiye



Source: Google maps.

The most severe damage is concentrated in three provinces: Adiyaman, Hatay and Kahramanmaraş. According to estimates, 15 percent of the Turkish population (12.75 million people; 2.5 million rural population) were affected by these earthquakes.

Map 2: Earthquakes, February 2023 in Turkiye



Source: Foreign Agricultural Service, USDA.
Green zone is crop (not only cotton) area.

Due to the impact of the three large earthquakes and hundreds of aftershocks, around 50,000 people lost their lives and tens of thousands were injured. The city centers of Adiyaman, Hatay, and Kahramanmaraş are mostly evacuated.

Of these affected 11 provinces, Sanliurfa, located directly east of the epicenters of the quakes, is the largest single cotton producer province in the country. Hatay is also a cotton production province, although producing less. Market sources and GoT indicate that cotton production

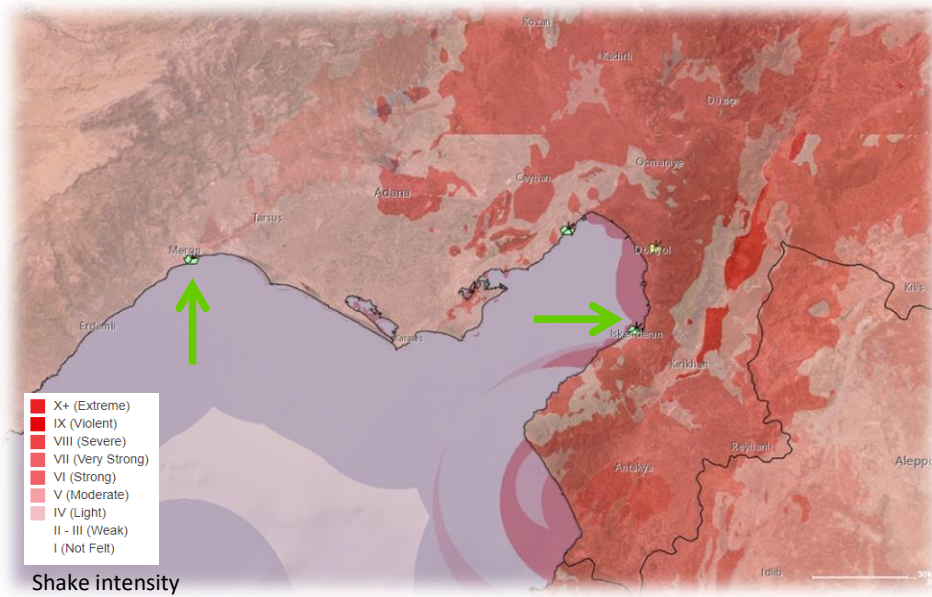
in Sanliurfa will not be majorly affected by the earthquakes; farmers were already deciding to grow less cotton this year due to economic conditions. On the other hand, the cotton production in Hatay is expected to be affected by the tremors as Hatay is heavily damaged in both urban and rural areas.

Kahramanmaraş is the largest producer of cotton yarn in the country, followed by Gaziantep. Together they represent about 50 percent of all Turkish cotton yarn production. Many yarn producers are distressed. Market sources indicate that it will take many of the yarn producers two to three months to restart production; some others will need to undertake reconstruction for six months, and some of the most damaged facilities will take up to a year to be able to restart. There is also a challenge in human

resources, as the residents of these areas are mostly seeking shelter in other geographic areas for the time being. Businesses report scarcity of labor.

The sector expects that the Government of Turkiye (GoT) will assist both farmers and industry in several different ways. According to Minister of Agriculture and Forestry's TV interview on March 16,¹

Map 3: Shake Intensity and Ports of Iskenderun and Mersin



Source: Foreign Agricultural Service, USDA.

the Port of Mersin (see Map 3, left-hand arrow). Due to heavy sea traffic, port capacity issues, and the amount of customs and custom licensed warehouses at the Port of Mersin, all imports are facing delays. Business associations asked the GoT that containers that are unloaded at the Port of Mersin be forwarded to nearby inland custom licensed areas for additional handling so that the port can receive more ships at a faster rate.

Flooding Occurred on March 15th, 2023, in Sanliurfa, Adiyaman and Malatya

On March 15, 2023, severe flooding occurred due to heavy rains in Sanliurfa and Adiyaman provinces. Sixteen people died in Sanliurfa and two in Adiyaman.

The regular annual average rainfall for Sanliurfa is 460 millimeters (mm); it rained 120 mm in 24 hours on March 15 causing extensive flooding and damaging houses, shops, warehouses and factories, especially the basements and ground floors; many tents and temporary housing established for earthquake victims are flooded.

¹ The summary of the interview can be found in Turkish on: <https://www.haberturk.com/tarim-ve-orman-bakani-vahit-kirisciden-haberturk-e-aciklamalar-3574209-ekonomi>

17 percent of Turkiye's arable land is in the earthquake zone.

The Port of Iskenderun, in Hatay Province, is one of the most important import locations for cotton Turkiye. The port sustained heavy damage in the earthquakes and is mostly not usable (see Map 3, the right-hand arrow). The operator of the port indicated that their company will use \$100 million to rebuild Iskenderun Port. Many ships with initial itineraries for Iskenderun Port have been re-routed to

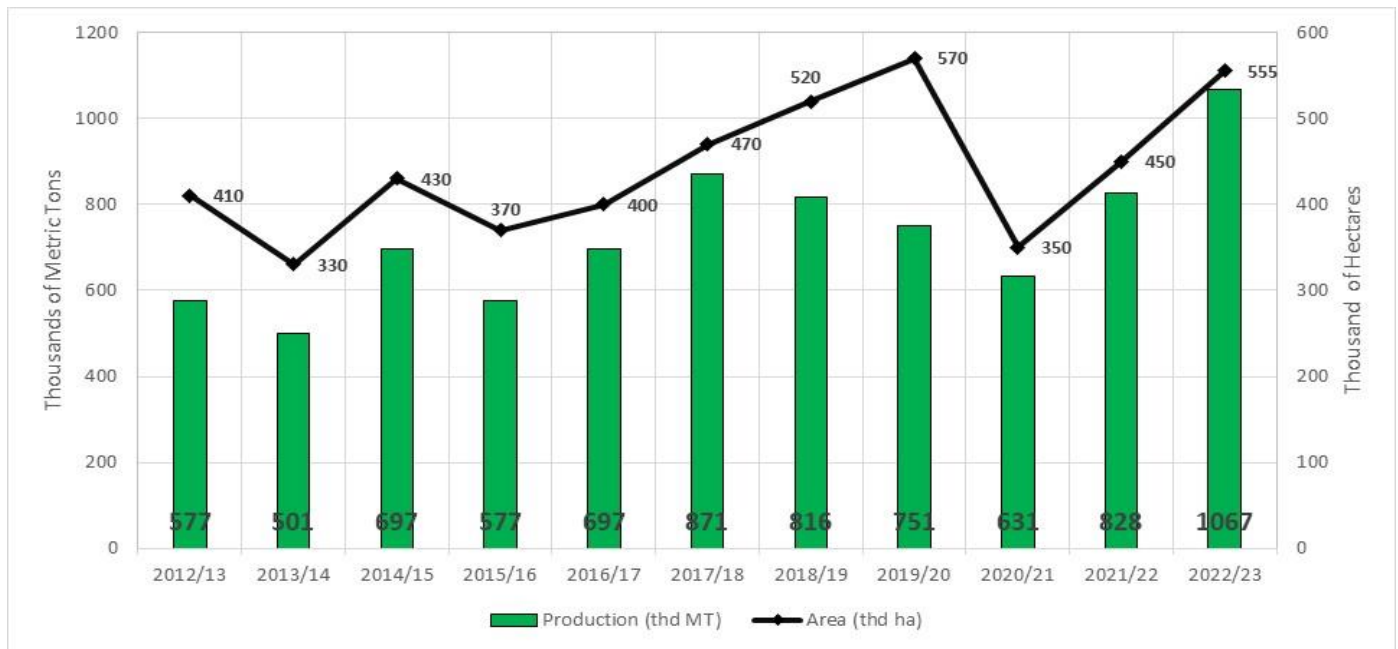
Sources indicate that arable fields were also affected. In Post’s initial analysis of the flooding, the effects due to flooding will be minimal because the cotton seeds have not yet been planted; however, the extent of the flood damage to the regional farmlands are yet to be fully assessed.

Disclaimer: *The estimates and forecasts in this report are to the best of Post’s knowledge given the available information at the time of the report. The accuracy could be affected by the impacts of recent earthquakes in Türkiye.*

I. Production

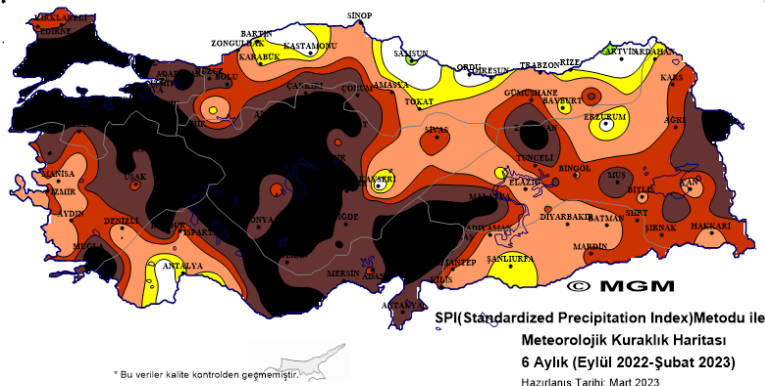
Post projects approximately 735,000 metric tons (MT) (3.4 million bales) of cotton fiber production on about 420,000 hectares (ha) in marketing year (MY) 2023/24. This forecasted production amount is about 32 percent less than the previous MY.

Chart 1: Cotton production amounts (left axis) and cotton production area (right axis) in Türkiye



Source: USDA, Foreign Agricultural Service official PS&D data.

Map 3: Standard Precipitation Index (SPI) Method Drought Map for 6 Months (Sept. 2022 – Feb. 2023)



Source: General Directorate of Meteorology of Türkiye.

Some producers will refrain from planting cotton as cotton prices decreased compared to the same time last year; meanwhile production costs are continuously increasing due to ongoing high inflation in the country and the price of inputs. Additionally, drought conditions in the last 6 months all over Türkiye may affect some cotton planting decisions adversely. Limited water and opportunities for irrigation through state-run irrigation channels due to rationing could affect the yield in some of the

regions that do not experience sufficient rains.

Furthermore, due to the earthquakes, some farmers, especially in Hatay province, will refrain from growing cotton due to the various negative conditions caused by the earthquake in the planting season: lack of labor, damaged equipment, or loss of motivation due to personal hardship and financial constraints for the time being. Some other farmers in the area might choose to plant “edible crops” such as wheat, corn, or soy to contribute to calls for increased food and feed security. Some arable areas in the earthquake zone might be left fallow for this season. As mentioned earlier, many cotton yarn factories are damaged in Kahramanmaras and Gaziantep; knowing this, some farmers will not produce cotton this year, knowing that their closest customers will not be needing cotton for a few months and it will be harder to sell the cotton while these factories are closed, especially since immediate cashflow is very much needed to cope with the strain of emergency conditions.

Low Cotton Prices and Increasing Input Costs Lead to Less Cotton Production

Domestic cotton prices are down about 25 percent compared to the same time last year. The average price of Turkish cotton in March 2022 was nearly \$1.30 per pound but decreased to 98¢ per pound in February 2023.

The downward trend in the domestic price of cotton parallels the drop of cotton prices in international markets because of the lower demand in ready-to-wear garment from global end consumers including Turkiye, Europe, and the United States. Cotton yarn factories in Turkiye have been working under their capacity for the first half of MY 2022/23.

Although the yields were high and there was record high cotton production in Turkiye in MY 2022/23, farmers could not generate much profit which will discourage cotton planting for MY 2023/24. The reason for this is twofold: decreasing cotton prices and high input prices for seed, fertilizer, diesel, and electricity. According to market sources, farmers in the Aegean region who returned to cotton farming in MY 2022/23 after a decade of vegetable farming because of encouraging profit margins in cotton production in MY 2020/21 and MY 2021/22 will return to vegetable farming since they were disappointed by low or no profits.

On top of lower cotton prices which are expected to drive lower production in MY 2023/24, farmers are also dealing with rising input costs and deteriorating macro-economic conditions. According the [Turkish Statistical Institute's](#) (TurkStat) Agricultural Inputs Price Index (AIPI), inflation was about 103 percent for 2022.¹ Similarly, the consumer price index (CPI) and the producer price index (PPI) rose.² The cost of inputs such as fertilizer, pesticides, seeds, and labor have all seen major increases this past year and are particularly vulnerable to foreign exchange risk since they are fully or partially imported, except labor.

Table 1: Indicative Cotton Prices in Turkiye

Aegean Cotton Price *	Color Grade 41
MY 2021/22 & 2022/23	US cent per lb.
2022, March	129.28
2022, April	142.95
2022, May	151.53
2022, June	157.96
2022, July	144.91
2022, August	128.85
2022, September	115.88
2022, October	97.35
2022, November	89.96
2022, December	91.54
2023, January	94.29
2023, February	98.35

* Average of prices that occurred at [Izmir Commodity Exchange](#) during real time transactions each month.

² CPI inflation for 2022 was 64.27 percent and PPI inflation for 2022 was 97.72 percent. Some Turkish NGOs related to economics find these calculations of GoT overly optimistic and announce much higher inflation rates.

Farmers partially rely on subsidies to offset rising input costs. The subsidy for MY 2021/22 and 2022/23 were same with the previous MY subsidy for cotton and remained at the level of 1.10 Turkish Lira (TL)/kilogram (kg; ~ 6¢ until December 2022 when the President of Turkiye himself declared that GoT increased the subsidy level for cotton by 0.50 TL/kg (~ 3¢) and for a total 1.60 TL/kg (~ 9¢) for MY 2022/23 retrospectively. Although the increase was positively received by farmers, they were not totally satisfied. The president of the Sanliurfa Chamber of Agricultural Engineers, a major agricultural association in the southeast part of Turkiye, declared that the minimum subsidy should have been 2.00 TL/kg, to break even as FAS noted in the [previous update](#) in November 2022 after the harvest. Moreover, market sources indicate that subsidies that are not announced before the planting season do not assist with planting decision of farmers and criticized GoT for not planning ahead well. Additionally, subsidies are not paid out to farmers until six months after the harvest which farmers unions and agricultural chambers complain is very late.

Turkiye's Cotton Production Concentrated in Three Areas

There are three major cotton production regions in Turkiye. The first one is the Aegean region, located by the central Aegean Sea in the western part of the country, mostly in the Aydin and Izmir provinces.

The second is the Cukurova region, which is the area in and around Adana province and several neighboring provinces in the Eastern Mediterranean area located in south-central Turkiye. Cukurova has traditionally been a cotton production area for Turkiye, but in the last decade many cotton fields have been replaced by citrus orchards due to ease of exports and more stable income. In addition, farmers in this region have been planting alternative crops such as wheat, maize, and soybeans.

The third and largest area of production for cotton is in the southeast of Turkiye, where the Southeast Anatolia Project (GAP) has been underway since the late 1980s. GAP is a major hydroelectric and irrigation project constructed by the Government of Turkiye (GoT) and supporting the plains of the southeastern area of the country. The GAP area includes the northern Mesopotamia region north of the Turkish – Syrian border. According to market sources, the investment pace has slowed in the last decade or so, especially in terms of the irrigation phases of the project.

In addition to these three major planting zones, there is a small amount of cotton production around Antalya. Most of Turkiye's cotton is planted between mid-March and mid-May and harvested from mid-August through November.

Sufficient Seed Supplies Available for Planting MY 2023/24 Cotton Crop: Will There Be a Challenge in the Earthquake Zone?

Market sources indicate that cotton seeds for planting are readily available in the market from different sources and brands for planting in MY 2023/24. Seeds for different varieties of cotton are readily available for farmers who are willing to pay for them. Turkiye does not allow GE seeds in accordance with the [Biosafety Law](#). For more information about the law, please see our [Agriculture Biotechnology Annual Report](#).

Market sources indicate that some of the store locations of local dealers of agricultural inputs such as seed, fertilizer and pesticides were damaged or demolished due to the earthquakes in some of the affected cities. At this point it is difficult to know if there will be a challenge of input distribution in the earthquake zone, but Post predicts that farmers who wish to plant cotton will find enough seeds even in those cities, as planting season is still approximately a month away.

The increased utilization of certified seeds, estimated to be about 95 percent of total seeds, compared to a few decades ago has also helped increase yields. Additional information can be found in the [Planting Seeds Sector Report](#).

Farmers and farmer associations are interested in seeing government research centers develop new and better seed types to meet the challenges in the current farming conditions, such as more drought resistant varieties. Additionally, allowing imports and development of GE seeds can help improve yields in Turkiye. However, due to Turkiye's aforementioned Biosafety Law, farmers do not currently have access to GE insect resistant or drought resistant seeds.

Sustainable & Organic Production Expected to Grow

Turkiye is hoping to increase the production of both [Better Cotton Initiative](#) (BCI) cotton and organic cotton in the coming years as the demand for organic apparel and garments is expected to grow. BCI refers to cotton produced with sustainable farming practices, such as using fewer chemicals and less water during production. This area is considered a growing niche market in which Turkiye can be more successful in comparison to some of the other larger garment-producing countries.

In MY 2022/23, BCI cotton production was about 108,310 MT (497,464 bales), or almost 10 percent of total cotton production, as reported by Turkiye's [Association of Better Cotton Initiative](#) (IPUD). The Association forecasts that BCI cotton production will increase further to approximately 162,590 MT (746,769 bales) in MY 2023/24 due to increased demand from local textile companies. The first harvest of BCI cotton in Turkiye was in 2013.

IPUD has started implementing the second phase of the education program that they conduct financed by [European Bank of Reconstruction and Development](#) (EBRD) and trained agriculture engineers of the member companies. Market sources indicate that the orders for apparel and garments made from this type of cotton, yarn, and fabric is increasing, especially from European clothing and fashion brands, the most important market for Turkiye's ready-to-wear-apparel and garments.

The Turkish Ministry of Agriculture & Forestry (MinAF) reported production of organic cotton during 2020/21 fell considerably from the previous year to 6,075 MT (27,902 bales), representing a reduction of about 75 percent. MinAF has not published organic agricultural statistics from further back than MY 2020/21 so far. Organic cotton farming is expected to grow over the long term.

II. Production Policy

Better Irrigation Technology Important to Future Cotton Production in Turkiye

Drought conditions that plagued the country in MY 2020/21 have returned in 2022/23. Discussions among farmers and the Turkish government about the need for new and better irrigation techniques and technologies, which are lacking all over the country, have intensified again. However, not much progress has been made in installing new technologies so far, and furrow irrigation remains the main way farmers water their crops. More investment in irrigation systems in the main crop-growing regions of the country will be needed as water resources are expected to become increasingly scarce in the years to come because of climate change.

The GoT has spent more than \$25 billion over the past three decades on a large irrigation and agricultural extension project in Southeast Anatolia, known as the GAP project. When finished, the goal of the project is to irrigate 1.4 million hectares of land using water from 22 dams. To date, about 80

percent of the hydroelectric projects are completed, but only 25 percent of the irrigation projects. Damage to the irrigation channels in the GAP region due to the recent earthquakes may further delay the progress of these goals. During the last five years, the GoT allocated funds for the project to revitalize some of the irrigation projects, probably due to increasing dry weather conditions. In a few years, it is expected that a total of 1.1 million hectares of land in this region will be irrigated, both through the project and through the private sector's independent efforts. This increased irrigation could eventually increase cotton planting and production in the region.

Government & Industry Incentives Support Conventional and Organic Cotton Production

The GoT uses subsidies to incentivize cotton production. Except for the additional retrospective 0.50 TL/kg increase in December 2022 declared by the president (see page 4), the cotton subsidies have stayed the same (in TL terms) the last two years. As mentioned in [earlier reports](#), the GoT ties the subsidy payment to having the farmers rotate their crops in order to improve soil quality. Farmers are unable to receive subsidy payments if they plant the same crop for three-years in a row. As many farmers chose to rotate to a different crop in MY 2020/21, after the regulation initially passed, they will still be eligible to receive the subsidy in MY 2023/24 if they plant cotton, but many will rotate crops since the cotton prices are low nowadays. These subsidies are intended to support farmers, who are facing tighter profit margins from rising input costs.

Demand for organic cotton is expected to increase going forward due to growing demand from U.S. and European clothing brands. To spur greater domestic production of organic cotton, the [Turkish Garment Manufacturers' Association](#) (TGSD), in cooperation with the MinAF, announced an organic cotton production project in December 2022. The project worked with farmers in the Aegean Region to grow 5,000 MT of organic cotton on 20,000 ha of land for MY2022/23. TGSD is offering farmers a purchase guarantee for the product that will be harvested during the three-year transition period. TGSD is undertaking these projects to produce more organic cotton domestically, since sourcing it from abroad is difficult and expensive.

As mentioned in [earlier reports](#), sourcing organic cotton, yarn, and fabric is challenging as the demand for organic garments is growing faster than the increase in organic cotton cultivation in the world. Consumers of ready-to-wear-apparel demand more organic and “better cotton” (e.g., [U.S. Cotton Trust Protocol](#) cotton or BCI cotton) made garments, in addition to demanding better traceability of their apparel and garments, especially in developed countries. As the traceability requests increase from ordering brands, TGSD has said that they will increase the traceability of each garment.

Turkiye's Cotton Production is Highly Mechanized

The total number of mechanical harvesters in Turkiye has increased rapidly to about 1,500 by the beginning of 2023, according to the latest data from TurkStat, representing a 15 percent increase compared to two years ago. Most harvesters are modern and new, and about 20 percent are used and modified harvesters. According to market sources, about 50 percent of these harvesters are in the Southeast Anatolian region, 30 percent are in the Aegean region, and 20 percent of the harvesters are in the Adana region, including Cukurova, Osmaniye, Mersin, Antalya, and Hatay. Most of the cotton in Turkiye is being harvested by machine, and human labor is confined to smaller fields where using a harvester is inefficient. The demand for mechanical harvesters has increased in recent years because the high cost and scarcity of labor have resulted in cotton picking delays and losses.

There are an estimated 575 cotton gins in Turkiye, all of which are owned privately by companies or cooperatives. The majority of the gins in Turkiye are roller gins. However, the recent increase in machine harvesting has triggered the construction of new saw gins. The agricultural cooperatives [Taris](#) and [Cukobirlik](#) have invested in new saw gins to meet the needs of their members. Private groups continue to invest in saw gin projects in the GAP region as well.

The ginning rate average is about 38-40 percent, depending on the season's cotton quality and the region where the farming and ginning is done. Ginners generally purchase seed cotton directly from growers. In recent years, an increasing amount of local cotton is graded by High Volume Instrument (HVI) testing machines at the measurement centers run by the regional commodity exchanges. The [Izmir Commodity Exchange](#) is the domestic pioneer in this area with [its two laboratories](#) in the Aegean region. They also have established a branch in the GAP region in Sanliurfa. Also, [Soke Commodity Exchange](#) (SCE) has a cotton grading lab working with HVI machines to grade local cotton by international standards.

III. Consumption

Post forecasts that consumption of cotton in Turkiye will increase to 1.70 million metric tons (MMT) (7.81 million bales) in MY 2023/24, representing a 21.4 percent increase compared to last season. Cotton consumption for MY 2022/23 is now estimated at 1.40 MMT (6.43 million bales), 7 percent lower than the [previous estimate](#) in November 2022.

Consumption Decreases

As the demand from end users of ready-to-wear-apparel around the globe has decreased due to worsening macro-economic conditions, the use of cotton lint in yarn factories in Turkiye has also decreased for MY 2022/23. Furthermore, earthquakes damaged either the buildings or machinery of the many spinners in Kahramanmaras and in Gaziantep (and a few in other regional cities like Malatya). Even the manufacturers with undamaged facilities are having their machinery calibrated as all machinery was disturbed by earthquakes. Many other facilities have bigger impairments and will have to remain closed to make additional repairs. These damaged yarn plants, which used both domestic and imported cotton, will have adverse effects on cotton consumption in the second half of the MY 2022/23.

Additionally, the continuing war in Ukraine also have negative effects on the buying patterns of consumers, especially in Europe, who cut back on discretionary purchases including ready-to-wear-garments. Europe is the main export market of Turkish textile and ready-to-wear garment industry therefore the demand for cotton in Turkiye is majorly affected by ready-to-wear-apparel demand of European counties.

Moreover, domestic demand in Turkiye for ready-to-wear-apparel also slowed down because of the deteriorating macro-economic conditions in the country and extreme inflation of the currency. Post's [Exporter Guide](#) has additional information about the macro-economic situation for interested readers.

Declining Apparel Orders from Russia and Ukraine Is Impacting Turkiye's Cotton Consumption

The war in Ukraine continues to affect orders for Turkish ready-to-wear apparel and garments from both Ukraine and Russia, both major markets. Ready-to-wear-apparel orders from Ukraine have naturally decreased. At the same time, some European fashion brands, many of which source from Turkiye,

stopped operations in Russia. These combined developments continue to have a negative impact on Turkish exports.

Some of these lost sales to Russia will be made up by luggage trade, a practice where travelers come to Türkiye to buy in cash and return with the goods in hand to sell in their home countries. This used to be a common practice for sales to Russia, and renewed luggage trade could compensate for lost purchases that tourists would have made during the summer travel season (as a major decline in Ukrainian tourists is expected for summer 2023).

Additionally, Turkish brands that have stores in Russia reported having increased sales after many large western brands closed their stores. Türkiye has taken a more neutral path in terms of limiting exports and pausing trade with Russia.

Accumulated Cotton Yarn Stocks Will Be Used

Since the end user demand in the ready-to-wear-garment industry in major markets has stagnated, excess yarn stocks accumulated at yarn manufacturers' warehouses in Türkiye before the February earthquakes during the second half of MY 2022/23. Now that many yarn and fabric producers had to halt production in Kahramanmaraş and Gaziantep, this excess inventory will serve as a buffer. Fabric producers are buying the previous stocks of cotton yarn while many yarn factories temporarily stopped production in the earthquake area.

Fabric, garment, and apparel producers complain that cotton yarn prices have increased 10-20 percent since the beginning of February 2023. This increase is most probably due to the effect of the earthquakes since more than 50 percent of the manufacturers of cotton yarn in Türkiye are in the earthquake zone. This unexpected increase in yarn prices put some ready-to-wear-garment producers in a difficult position; for instance, if a garment producer gave a price for t-shirt production in December 2022 and signed a contract with a European brand when yarn prices were low, the producer may now be facing financial losses if the garment production is being done in early March since the cost of materials increased suddenly and unexpectedly. These factors also create difficulties for producers to give buyers accurate prices for the time being. However, Post expects that this is a temporary challenge caused by the natural disaster and should stabilize reasonably quickly.

On the other hand, market sources predict that yarn manufacturers in other areas of Türkiye will increase capacity for a while to partially compensate for the damaged factories in the earthquake zone. Yarn factories all over Türkiye have been working with low capacity at 40 to 70 percent in the first half of the MY 2022/23; Post predicts that they can quickly increase their production. This can satisfy some of the yarn demand not met by earthquake zone factories while they are offline.

As of mid-March, producers of yarn are very careful in purchasing cotton as there are many unknowns in the market like the effects of the earthquake, the upcoming Turkish presidential and parliament elections, the reaction of exchange rates and financial markets to the election results, the war in Ukraine, and lower ready-to-wear-garment demand from Europe and the U.S. as well as domestically.

Türkiye's Textile Industry Remains a Major Driver of the Turkish Economy

The textile industry continues to be one of the most important sectors for the Turkish economy. According to the [Turkish Exporter's Assembly](#) data, in calendar year (CY) 2022, exports of ready-to-wear items reached \$21.2 billion, up about five percent year-over-year. Exports of textile and raw materials climbed to \$10.4 billion, an increase of about four percent compared to a year ago. This was a

record high export figure for Türkiye in the textile, garment, and apparel industry. Overall, the share of textiles and products of Türkiye's total exports was about 12.5 percent in 2022, making it one of the top export industries of the country. Turkish textile exporters have the advantage of faster order response times and higher quality compared to many of their competitors.

Türkiye's yarn production capacity is estimated at 8-8.5 million spindles and 800,000-900,000 rotors. Türkiye ranks among the top five countries in the world in terms of yarn production capacity and number six in ready-to-wear-items production. Over the years, Turkish mills have invested in new machinery and technology to increase quality and lower costs to stay ahead in the very competitive international textile trade. These investments signal a long-term, positive trend for cotton consumption in Türkiye.

Domestic Cotton Traded on Domestic Exchanges

Domestic cotton is mainly sold directly to mills, and the remainder is traded on a spot basis at the exchange in Izmir and Soke. The Izmir exchange also trades some cotton from other regions and countries. There are smaller spot markets in Adana and in the Southeast.

The [Izmir Commodity Exchange](#) formed a company and built a [large licensed storage facility](#) with a capacity of 15,000 MT where farmers can store their cotton for future sales. The [Sanliurfa Commodity Exchange](#) in the GAP region has also built a [licensed storage facility](#) with a capacity of 20,000 MT that started operations in January 2019. Furthermore, the [Soke Commodity Exchange](#) declared in December 2021 that they would build a licensed cotton warehouse in the Soke region, with the support of the [Izmir Development Agency](#) and the [Southern Aegean Region Development Agency](#). The facility is scheduled to open in 2023. These storage facilities will bring new opportunities to Turkish farmers in cotton marketing, ease early season price pressures, and enable them to sell later in the season with higher prices.

IV. Trade

Post forecasts approximately 900,000 MT (4.13 million bales) of cotton imports for MY 2023/24, which is 12.5 percent lower than the previous year's estimate. Türkiye's cotton imports reached 474,040 MT (2.18 million bales) during the first half of the MY 2022/23. Post forecasts that with the decreased yarn production capacity due to the earthquake damage and large ending stocks from last season due to lower textile and garment demand in the second half of 2022 will create lower demand for cotton. The cotton stocks at hand and local production will be utilized first.

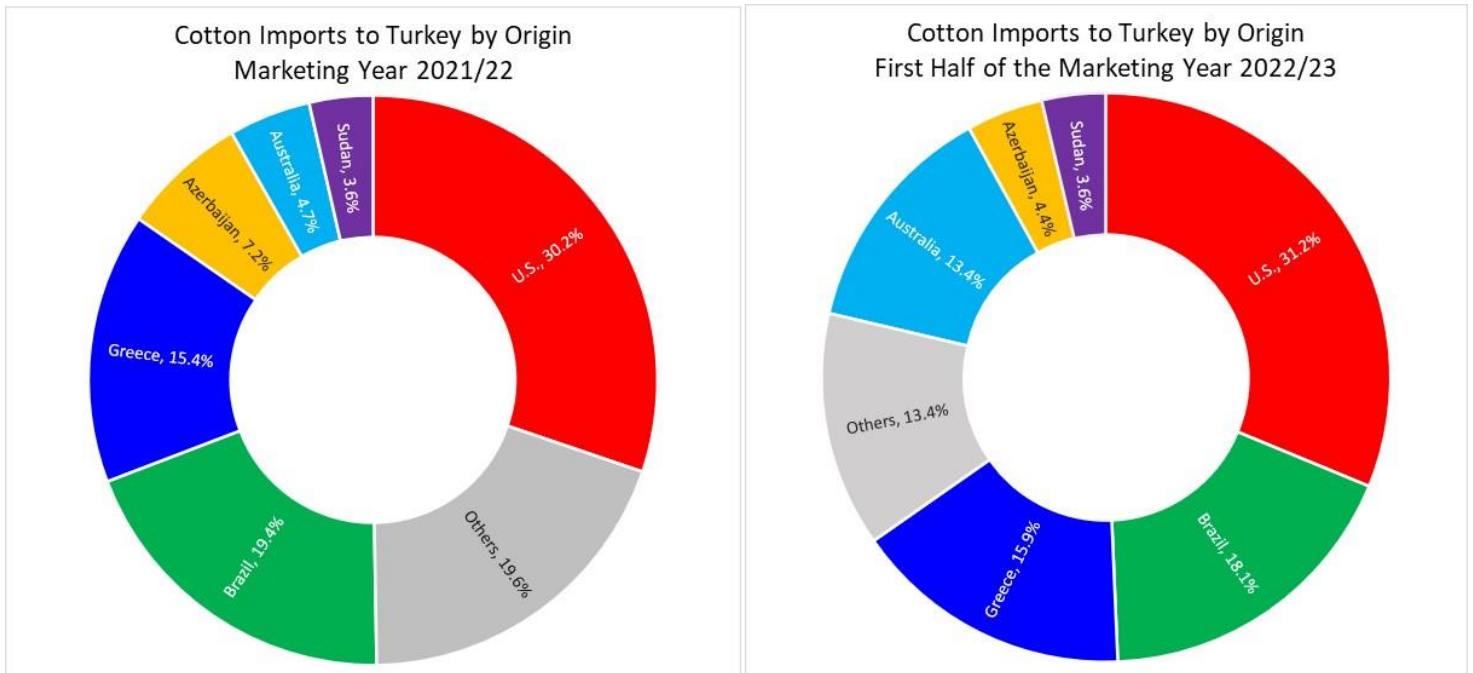
With demand for cotton expected to continue to outpace local production, Türkiye will remain a major import market.

Imports of US Cotton Off to Good Start Due to Decrease in Supply Chain Bottlenecks in the U.S.

In the first six months of MY 2022/23, the United States has been the leading supplier of cotton to Türkiye with imports of 147,971 MT (679,625 bales) and a market share of about 31 percent. Imports from Brazil totaled 85,898 MT (394,526 bales), with a market share of about 18 percent. The other leading supplier of cotton was Greece with 75,461 MT (346,590 bales), representing a market share of about 16 percent. Some other important cotton suppliers for the first half of the MY 2022/23 were Azerbaijan, Australia, and Sudan.

As the transatlantic logistic challenges that stemmed from the pandemic during the past few years eased, the U.S. become the leading cotton supplier to Turkiye again. In contrast, Greece was the largest supplier last year during the same period due to transatlantic container shipping challenges affecting shipments from both the United States and, to a lesser extent, Brazil.

Chart 2: Cotton imports to Turkiye from various sources (previous & current MY)



Source: Trade Data Monitor, LLC.

Turkiye Exports Small Amounts of Cotton

Cotton exports for MY 2023/24 are estimated at 150,000 MT (688,945 bales), 25 percent lower than the previous MY. The export level for 2022/23, 200,000 MT (918,593 bales), although not an extensive amount, is about 60 percent higher than MY 2021/22. The reason for this increase in cotton exports is the good harvest in 2022/23 season and the decrease in the cotton yarn demand by Turkish industry mainly caused by the decreased orders of ready-to-wear garment orders. Post expects that the exports of cotton will decrease for MY 2023/24 due to the expected decrease in cotton production in Turkiye in MY 2023/24 as mentioned in the production section of this report. As Turkiye is a major yarn, textile, and garment producing country, most of the cotton produced or imported is used domestically. Only a small amount is exported, some of which is organic cotton.

Imports of Cotton Yarn Increase but Exports of Cotton Yarn Decrease

Turkiye imports and exports sizeable volumes of cotton yarn. In CY 2022, imports of cotton yarn increased by about 5 percent year-over-year, reaching 246,317 MT. Cotton yarn exports also decreased compared to the previous CY by about 31 percent to 135,786 MT. Stagnating demand for ready-to-wear apparel in international, especially European, markets contributed to the decline of the cotton yarn exports from Turkiye, as European countries account for 63 percent of Turkish cotton yarn exports.

While Central (Uzbekistan, Turkmenistan, Azerbaijan) and South (India, Pakistan) Asian countries were the main sources for yarn imports, European Union (EU) member countries were the main destination

for Turkish yarn exports. In addition to EU countries, Egypt and Morocco continued to be important cotton yarn customers of Turkiye in CY 2022.

Additionally, the president of the Kahramanmaraş Commodity Exchange announced that countries like Uzbekistan, Kyrgyzstan, Pakistan, and India increased prices of cotton yarn by 60 – 70¢/kg in the aftermath of the earthquake.³ Kahramanmaraş has about 65 cotton yarn producers and exported yarn to about 50 different countries. Post forecasts that yarn prices will stabilize with time as the situation of the Turkish industry is better understood and the supply and demand balance is reestablished. The consensus from market sources is that other manufacturers in different regions of Turkiye can increase production with their currently underutilized capacity if demand increases.

Cotton Fabric Imports Stagnate and Exports Decline

Turkiye’s cotton fabric imports and exports were 290 million meters squared (m²) and 423 million m², respectively, during CY 2021. Cotton fabric imports were about the same year-on-year, while cotton fabric exports decreased about 21 percent. As demand for ready-to-wear apparel decreased both in the domestic market and in export markets in the second half of 2022, demand for fabric also decreased.

EU countries continue to be the main destinations for Turkish cotton fabric exports, together with Tunisia, Morocco, Egypt, and Iran. Meanwhile, Turkmenistan, Pakistan, China, and Egypt are the main suppliers of cotton fabric to the Turkish ready-to-wear-garment production industry. A few European countries and India were also among the sources for imports of cotton fabrics for 2022.

V. Policy

No Duty on Imported Cotton, But Yarn from non-FTA Partners Faces Higher Import Tax

Cotton imports are subject to a zero import duty. Until April 2021, there was a three percent anti-dumping duty on U.S. cotton imports that had been in place for the previous five years. The Turkish textile, fashion, and ready-to-wear-apparel industry and the cotton yarn and fabric producers were supportive of removing the anti-dumping duty since they were the ones with increased costs as buyers of U.S. cotton. Details of the removal of the anti-dumping duty can be found in [our report](#).

Turkiye issued a new import tax in January 2019 on imported cotton yarn. According to the new cotton yarn import regime, imports from countries with which Turkiye has a trade agreement, such as the EU and EFTA member countries, South Korea, Bosnia, Malaysia, and Singapore, continue to face zero tariffs. However, imports of cotton yarn from other countries, such as the United States and other Most Favored Nation (MFN), are subject to 5 percent tariffs for imports under HS 520511-520512 and HS 520611-520612, and 8 percent for imports under HS 52051-520528 and HS 520613-520625.

Furthermore, under a presidential decree in August 2019, the government decided to apply additional tariffs to some kinds of imported cotton yarn. This will affect the countries that are not in a free trade agreement (FTA) with Turkiye. For these countries, such as the United States and other MFN countries, yarns with HS Codes from 520531 to 520548 and HS Codes from 520631 to 520643 will face an additional tariff of 5 or 8 percent depending on the HS Code. The FTA countries will continue to have a zero-import tariff.

³ News excerpt in Turkish: <https://www.dunya.com/sectorler/deprem-felaketi-dunya-pamuk-ipligi-fiyatlarini-etkiledi-haberi-688030>

Exporters' Unions Ask for Zero Tariffs on Cotton Yarn for a While

The Aegean Region Ready-to-wear-apparel and Garment Exporters' Union requested GoT to decrease tariffs on yarn imports to zero for six months as there will be supply-demand balancing challenges caused by the earthquakes. They are having a hard time providing costs to customers because of the instability of prices. Furthermore, they indicated that current overvaluation of the Turkish lira against major currencies, despite super inflation in the country, affects their competitiveness as they have to pay expenses like labor and energy in TL.

Mandatory Registration Requirement Discourages Organic Cotton Exports

On May 25, 2021, the Turkish Ministry of Trade published a communiqué making the registration of cotton exports mandatory. The intention behind this registration requirement is to discourage organic cotton exports and instead use that cotton in local production for eventual export. The Turkish ready-to-wear apparel industry is facing difficulty in sourcing organic cotton, yarn, and fabric locally, at a time when orders from Europe for garments made from organic cotton is increasing.

An online system, administered by the Istanbul Textile and Confectionary Exporters Union ([ITKIB](#)), is used to register the intended exports. This system is used for some other food products in Turkiye too. A trading company becomes a member of the online system, registers the intended exports of cotton, and then waits for approval from ITKIB acknowledging the submission of the required documents for export. Market sources indicate that the system specifically asks if the cotton to be exported is organic or conventional, and a statement to discourage (but not outright ban) exports of organic cotton appears if the user picks organic.

VI. Production, Supply and Distribution Tables

Table 3: Production, Supply and Distribution Table, Bales
(thousands of hectares, thousands of 480lb. bales)

Cotton	2021/2022		2022/2023		2023/2024	
Market Begin Year	August 2021		August 2022		August 2023	
Turkiye	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	450	450	555	555	0	420
Beginning Stocks	2,708	2,422	2,765	2,556	3,265	3,819
Production	3,800	3,789	4,900	4,937	0	3,376
Imports	5,524	5,525	4,300	3,674	0	4,134
Total Supply	12,032	11,737	11,965	11,167	3,265	11,328
Exports	567	570	700	919	0	689
Use	8,700	8,612	8,000	6,430	0	7,808
Loss	0	0	0	0	0	0
Total Dom. Cons.	8,700	8,612	8,000	6,430	0	7,808
Ending Stocks	2,765	2,556	3,265	3,819	3,265	2,831
Total Distribution	12,032	11,737	11,965	11,167	3,265	11,328
Stock to use %	29.84	27.83	37.53	51.96	0	33.32
Yield	1,839	1,833	1,922	1,937	0	1,750

Source: USDA forecasts, FAS Istanbul forecasts.

Table 4: Production, Supply and Demand Table, Metric Tons
(thousands of hectares, thousands of MT)

Cotton	2021/2022		2022/2023		2023/2024	
Market Begin Year	August 2021		August 2022		August 2023	
Turkiye	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	450	450	555	555	0	420
Beginning Stocks	590	527	602	556	711	831
Production	827	825	1,067	1,075	0	735
Imports	1,203	1,203	936	800	0	900
Total Supply	2,620	2,555	2,605	2,431	711	2,466
Exports	123	124	152	200	0	150
Use	1,894	1,875	1,742	1,400	0	1,700
Loss	0	0	0	0	0	0
Total Dom. Cons.	1,894	1,875	1,742	1,400	0	1,700
Ending Stocks	602	556	711	831	711	616
Total Distribution	2,620	2,555	2,605	2,431	711	2,466
Stock to use %	29.84	27.83	37.53	51.96	0	33.32
Yield	1,839	1,833	1,922	1,937	0	1,750

Source: USDA forecasts, FAS Istanbul forecasts

VII. Trade Matrices

a. Cotton Trade Matrices

Table 5: Cotton Imports to Turkiye (HS Code: 5201), 480lb. Bales

TURKIYE					
COTTON					
Import Trade Matrix					
Units:	Bales				
Time Period	Aug/July		Aug/July		Aug/Jan (6 months)
Imports for:	MY 2020/21		MY 2021/22		MY 2022/23
U.S.	1,324,275	U.S.	1,669,078	U.S.	679,625
Others		Others		Others	
Brazil	1,299,056	Brazil	1,071,442	Brazil	394,526
Greece	797,573	Greece	848,155	Greece	346,590
Azerbaijan	562,220	Azerbaijan	396,428	Australia	291,185
Tajikistan	260,540	Australia	258,212	Azerbaijan	95,740
Mexico	229,938	Sudan	198,843	Sudan	78,393
Syria	134,537	Tajikistan	159,752	Mexico	56,774
Uzbekistan	126,068	Turkmenistan	151,012	Syria	55,272
Sudan	92,002	Mexico	117,456	Mali	28,577
Kazakhstan	79,624	Spain	90,941	Argentina	28,205
Kyrgyzstan	76,252	Mali	74,443	Cote d'Ivoire	26,249
Total of others	3,657,809	Total of others	3,366,684	Total of others	1,401,511
Others not listed	344,399	Others not listed	488,136	Others not listed	96,112
GRAND TOTAL	5,326,483	GRAND TOTAL	5,523,898	GRAND TOTAL	2,177,249

Source: Trade Data Monitor. LLC

Table 6: Cotton Imports to Turkiye (HS Code: 5201), metric tons (MT)

TURKEY					
COTTON					
Import Trade Matrix					
Units:	Metric Tons				
Time Period	Aug/July		Aug/July		Aug/Jan (6 months)
Imports for:	MY 2020/21		MY 2021/22		MY 2022/23
U.S.	288,327	U.S.	363,399	U.S.	147,971
Others		Others		Others	
Brazil	282,836	Brazil	233,279	Brazil	85,898
Greece	173,651	Greece	184,664	Greece	75,461
Azerbaijan	122,409	Azerbaijan	86,312	Australia	63,398
Tajikistan	56,726	Australia	56,219	Azerbaijan	20,845
Mexico	50,063	Sudan	43,293	Sudan	17,068
Syria	29,292	Tajikistan	34,782	Mexico	12,361
Uzbekistan	27,448	Turkmenistan	32,879	Syria	12,034
Sudan	20,031	Mexico	25,573	Mali	6,222
Kazakhstan	17,336	Spain	19,800	Argentina	6,141
Kyrgyzstan	16,602	Mali	16,208	Cote d'Ivoire	5,715
Total of others	796,394	Total of others	733,009	Total of others	305,143
Others not listed	74,984	Others not listed	106,279	Others not listed	20,926
GRAND TOTAL	1,159,705	GRAND TOTAL	1,202,687	GRAND TOTAL	474,040

Source: Trade Data Monitor. LLC

b. Cotton Yarn Trade Matrices

Table 7: Cotton Yarn Imports to Turkiye (HS Code: 5204, 5205, 5207), metric tons (MT)

TURKIYE	COTTON YARN		
Import Trade Matrix	Units: Metric Ton		
Time Period	Jan-Dec	Jan-Dec	Jan-Dec
Import from:	CY 2020	CY 2021	CY 2022
U.S.	7	0	3
Others			
Uzbekistan	90,183	125,607	141,371
Turkmenistan	50,529	58,968	40,879
India	25,233	19,890	35,555
Pakistan	12,563	5,815	9,313
Azerbaijan	5,315	15,134	6,763
Tajikistan	5,987	3,506	3,453
Egypt	4,655	2,267	3,364
China	1,363	883	1,508
Kazakhstan	205	537	1,147
Oman	23	0	781
Total of others	196,056	232,607	244,134
Others not listed	6,527	1,780	2,180
GRAND TOTAL	202,590	234,387	246,317

Source: Trade Data Monitor. LLC

Table 8: Cotton Yarn Exports from Turkiye (HS Code: 5204, 5205, 5207), metric tons (MT)

TURKIYE	COTTON YARN		
Export Trade Matrix	Units: Metric Ton		
Time Period	Jan-Dec	Jan-Dec	Jan-Dec
Export to:	CY 2020	CY 2021	CY 2022
U.S.	1,417	1,731	1,615
Others			
Portugal	21,304	44,670	27,419
Italy	20,867	32,538	23,336
Egypt	16,600	21,665	18,233
Morocco	1,075	2,545	11,359
Germany	8,137	8,036	6,699
Spain	6,123	6,819	4,537
Greece	4,237	5,232	4,197
Bulgaria	4,449	5,921	4,123
Bangladesh	1,100	15,808	3,965
Pakistan	16,805	15,842	3,915
Total of others	100,697	159,076	107,783
Others not listed	28,404	37,404	26,388
GRAND TOTAL	130,518	198,211	135,786

Source: Trade Data Monitor. LLC

c. Cotton Fabric Trade Matrices

Table 9: Cotton Fabric Imports to Turkiye, (HS Code: 5208, 5209), thds. of square meters (m²)

TURKIYE	COTTON FABRIC		
Import Trade Matrix	Units: 1,000 m2		
Time Period	Jan-Dec	Jan-Dec	Jan-Dec
Import from:	CY 2020	CY 2021	2022
U.S.	40	57	13
Others			
Turkmenistan	65,039	73,476	88,546
Pakistan	81,431	87,994	61,299
China	50,993	55,167	59,577
Egypt	28,001	27,452	28,047
Italy	10,254	10,797	12,239
India	4,977	9,560	9,027
North Macedonia	1,993	4,786	4,388
Uzbekistan	0	2,805	4,153
Spain	2,268	3,391	1,928
Germany	3,337	3,290	1,344
Total of others	248,293	278,718	270,549
Others not listed	15,655	10,592	19,680
GRAND TOTAL	263,988	289,368	290,242

Source: Trade Data Monitor

Table 10: Cotton Fabric Exports from Turkiye, (HS Code: 5208, 5209), thds. of square meters (m²)

TURKIYE	COTTON FABRIC		
Export Trade Matrix	Units: 1,000 m2		
Time Period	Jan-Dec	Jan-Dec	Jan-Dec
Export to:	CY 2020	CY 2021	2022
U.S.	3,003	4,297	8,066
Others			
Italy	67,847	104,011	85,468
Tunisia	21,191	26,983	31,547
Morocco	16,681	24,829	27,408
Spain	21,537	29,975	26,080
Egypt	14,747	28,391	21,896
Belgium	28,600	33,360	20,512
Portugal	11,901	23,934	15,685
Georgia	16,365	13,606	13,102
Iran	3,005	12,416	11,791
Romania	20,329	22,010	11,299
Total of others	222,204	319,515	264,787
Others not listed	204,205	212,726	150,196
GRAND TOTAL	429,413	536,537	423,050

Source: Trade Data Monitor

Attachments:

No Attachments