United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** September 04,2020

Report Number: TU2020-0030

Report Name: Cotton and Products Update

Country: Turkey

Post: Ankara

Report Category: Cotton and Products

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Report Highlights:

The Turkish cotton crop for MY 2020/21 is now estimated at 350,000 hectares and 615,000 MT (2.825 million bales). Low yields, unattractive cotton prices, inflated costs, uncertainty created by COVID-19, and better returns from alternative crops in addition to not enough subsidies from GoT and the fourth-year rotation rule are the major reasons for the expected decrease in planting areas. Domestic cotton consumption for MY 2019/20 is estimated to be about 1.4 million metric tons (6.4 million bales). Cotton imports for MY 2019/20 also went up to 919,779 MT (4.22 million bales), during the first eleven months of the marketing year, due to lower local supplies and favorable global prices. The U.S. continues to be the major cotton supplier for Turkey.

I. Production

Post now forecasts cotton planting area in the Republic of Turkey to decrease to 350,000 hectares (ha) for Marketing Year (MY) 2020/21. This represents a considerable reduction in production area compared to previous MY. The production amount is now projected as 615,000 metric tons (MT) (2.825 million bales).

Several reasons contributed to the significant reductions in the planting area. The mandatory rotation rule of the Turkish Ministry of Agriculture and Forestry (MinAF) forced some farmers not to plant cotton this MY or they would not have been entitled to subsidies, as the same crop can't be subsidized on the same land four years in a row. Another reason for the decreased planting area was that the Government of Turkey (GoT)'s 0.80 TL/kg subsidy established in MY 2018/19 was not increased for MY 2019/20, despite high inflation and the Turkish Lira (TL) losing value against major currencies. Farmers did not expect that the subsidies would be increased to a satisfactory level for MY 2020/21 to compensate for the continued value loss of the TL and increased input costs; therefore, many switched to alternative crops which they believed would provide better margins.

As of August 2020, the amount of the subsidy for MY 2020/21 has not been declared by GoT. As mentioned in our earlier reports, the prices of production inputs such as fertilizer and pesticides increased due to the TL losing value. Meanwhile, cotton prices dropped in global markets going into the planting season too, encouraging more farmers to switch to alternative crops. COVID-19 affected the choice of some farmers, as food become more important than clothes in retail markets. Many farmers chose to hedge their bets this year as they were unsure how this pandemic would affect global and domestic markets for textiles, hence cotton. In addition, although it was not reported to be a major issue in Turkey, some, especially elderly, farmers might have been scared off by the pandemic situation during the planting season and chose not to gather seasonal workers or work in the fields during the planting season.

Low yields, unattractive cotton prices, inflated costs, uncertainty created by COVID-19, and better returns from alternative crops in addition to not enough subsidies from GoT and the fourth-year rotation rule are the major reasons for the expected decrease in planting areas.

Since the weather conditions have been better during MY 2020/21 compared to the last MY during both planting and growth stages, the production reduction compared to last MY is lower than the cut in the planting area. Market sources indicate that there is no major pest problem seen in the Southeast Region (GAP Region), which seemed to be a problem last MY. 2019/20 was an especially bad productivity year whereas MY 2020/21 seems so far quite good.

Better Cotton Initiative (BCI) production is continuing to increase year by year and Turkey is expected to produce about 94 thousand MT of BCI cotton in MY 2020/21 according to the Better Cotton Practices Association of Turkey (IPUD).

II. Consumption

Although COVID-19 brought some European ready-to-wear/fast-fashion/textile orders from China to Turkey in January and February 2020, increasing the production of garments, as the pandemic started affecting Europe and Turkey in March, the utilization rates in the textile/ready-to-wear apparel industry dropped to less than 50 percent for three to four months. With some normalization in lifestyles in Europe and Turkey as of June 2020, capacity utilization rates and export numbers for the textile and ready-to-wear industry is also becoming comparable to the previous year. Post now estimates the domestic consumption of cotton to be 1.4 million MT (6.43 million bales) for MY 2019/20, decreasing earlier estimates.

Assuming that adapted normalization of lifestyles without major lockdowns continues in Europe, the U.S., and Turkey despite coronavirus, MY 2020/21 consumption is forecasted to be 1,550,000 MT (7.1 million bales). If a successful vaccine for COVID-19 is approved sooner rather than later, consumption might rise to an even higher amount as reflected in earlier predictions for MY 2020/21.

III. Trade

Turkey's cotton imports for the first eleven months of MY 2019/20 were 919,779 MT (4.22 million bales). The United Sates provided 38 percent of market share. Other major suppliers were Brazil (177,592 MT), Greece (158,442 MT), and Azerbaijan (64,937 MT). Marketing year end imports are expected to be about 990,000 MT (4.5 million bales), a considerably larger amount compared to MY 2018/19. The recovering domestic economy in the first eight months of MY 2019/20 made up for the reduced yarn and textile/fashion production during COVID-19 affected months. In addition, from January to March 2020, some European textile/fashion orders moved from coronavirus-affected-China to Turkey until the virus hit Turkey and Europe and slowed down the demand for textile/clothing.

Turkey's cotton exports were 72,719 MT (333,996 bales) for the first eleven months of MY 2019/20. Pakistan (10,443 MT), Italy (9,019 MT), and Germany (5,802 MT) were the most important buyers of Turkish cotton. About 10,000 MT of cotton was exported to local free trade zones by international cotton trading firms with the possibility of some amounts being re-imported later. Additionally, Turkey exported about 44,500 MT of hydrophilic cotton for medical use during the same period, which added to exports in the production, supply and distribution estimate (PSD). Total Turkish cotton exports are projected to reach 80,000 MT at the end of MY 2019/20.

Cotton yarn imports of the first six months of the CY 2020 were up about six percent compared to the same period of the last CY, going up to 88,442 MT. Cotton yarn exports for the first six months of CY 2020 went down about 31 percent to 52,549 MT compared to the first six months of CY 2019. The major destination for Turkish cotton yarn is European countries such as Italy, Portugal, Germany, and Spain. The COVID-19 situation affected the yarn exports since the textile factories in Europe were forced to close (and/or slow down) for a period during the pandemic situation. Turkey bought cotton yarn mostly from Central and South Asian countries such as Uzbekistan, Turkmenistan, India, and Pakistan. Purchases of cotton yarn were high during the first three months of 2020, as some European textile/ready to wear clothing orders were diverting to Turkey from China due to coronavirus, explaining why the imports did not decrease like the exports of yarn did.

Turkish cotton fabric imports and exports during the first half of the CY 2020 were 112 million m^2 and 172 million m^2 respectively. Cotton fabric imports decreased down about 17 percent compared to first half of CY 2019, and cotton fabric exports decreased also about 17 percent during same period. Textile/fashion/ready-to-wear clothing industry slowed down due to coronavirus all over the world.

The imports of cotton did not decrease much, even as the retail industry in Turkey and the export businesses were greatly affected by coronavirus, as many buyers had purchase agreements and commitments that they could not (and/or did not want to) break; in addition, the cheaper cotton prices in the global markets encouraged purchases. This created higher than usual ending-stocks for MY 2019/20 which will be carried and be used in MY 2020/21. This situation will decrease Turkish cotton imports compared to MY 2019/20 in MY 2020/21, even if the consumption is expected to be a bit higher. If a vaccine for COVID-19 becomes widely available, changing consumer lifestyles and creating a better retail environment in Turkey, Europe, and the U.S., cotton imports may increase more than projected at this time.

Market sources report that there is a trend of importing more Brazilian cotton as the price of Brazilian cotton is cheaper compared to U.S. cotton. Post still expects that the U.S. will be the main supplier for cotton in the short to medium term.

IV. Policy

In addition to three percent antidumping tax imposed on U.S.-originated cotton by Turkey and additional tariffs to imports of some kinds of cotton yarn in January and August 2019 as mentioned in our Cotton and Products Annual Report 2020, GoT has imposed some new additional tariffs on several kinds of cotton yarns in May 2020. Free Trade Countries such as, but not limited to, the EU will not be affected by these new additional tariffs. The following HS coded cotton yarns will be affected by these new additional custom tariffs established by a presidential decree: 5204.11, 5204.19, 5204.20, 5207.10, and 5207.90. There will be additional 13 percent tariff for these HS codes until September 30, 2020 and eight percent thereafter. Furthermore, some man-made fibers are also among the affected 800 items in the list. For the complete list of items and specific rates, please refer to the decree itself.

Turkey has a large textile industry driving the demand for cotton, and due to low domestic cotton production and the slow pace of the GAP development project, the country will continue to import cotton for years to come.

V. Production, Supply and Distribution Tables

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

Cotton	2018/2019		2019/2020		2020/2021	
Market Begin Year	August 2018		August 2019		August 2020	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	520	480	560	570	0	350
Beginning Stocks	1,777	1,471	1,594	1,366	0	2,560
Production	3,700	3,764	3,400	3,445	0	2,825
Imports	3,499	3,497	4,300	4,547	0	3,904
Total Supply	8,976	8,732	9,294	9,358	0	9,289
Exports	482	481	350	367	0	344
Use	6,900	6,885	7,300	6,430	0	7,119
Loss	0	0	0	0	0	0
Total Dom. Cons.	6,900	6,885	7,300	6,430	0	7,119
Ending Stocks	1,594	1,366	1,644	2,560	0	1,825
Total Distribution	8,976	8,732	9,294	9,358	0	9,289

Source: USDA forecasts, FAS Istanbul forecasts.

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

Cotton	2018/2019		2019/2020		2020/2021	
Market Begin Year	August 2018		August 2019		August 2020	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	520	480	560	570	0	350
Beginning Stocks	387	320	347	297	0	557
Production	806	820	740	750	0	615
Imports	762	761	936	990	0	850
Total Supply	1,954	1,901	2,024	2,037	0	2,022
Exports	105	105	76	80	0	75
Use	1,502	1,499	1,589	1,400	0	1,550
Loss	0	0	0	0	0	0
Total Dom. Cons.	1,502	1,499	1,589	1,400	0	1,550
Ending Stocks	347	297	358	557	0	397
Total Distribution	1,954	1,901	2,024	2,037	0	2,022

Source: USDA forecasts, FAS Istanbul forecasts

VI. Trade Matrices

a. Cotton Trade Matrices

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

TURKEY					
COTTON					
Import Trade Matrix					
Units:	**Bales**				
Time Period	**Aug/July**		**Aug/July**		**Aug/June (11 Months)**
Imports for:	**MY 2017/18**		**MY 2018/19**		**MY 2019/20**
U.S.	1,782,414	U.S.	1,655,938	U.S.	1,618,184
Others		**Others**		**Others**	
Brazil	481,412	Greece	453,987	Greece	815,674
Greece	475,487	Brazil	446,220	Brazil	727,714
Turkmenistan	229,634	Azerbaijan	322,307	Azerbaijan	298,253
Australia	227,986	Australia	92,828	Mexico	209,324
Azerbaijan	122,347	Turkmenistan	72,298	Tajikistan	132,783
Syria	91,088	Mexico	71,898	Turkmenistan	62,758
Tajikistan	87,588	Argentina	59,474	Argentina	60,834
Mali	86,403	Tajikistan	50,160	Kyrgyzstan	52,929
Sudan	73,901	Burkina Faso	37,956	Kazakhstan	45,884
Benin	72,592	Kyrgyzstan	36,950	Sudan	44,331
Total of others	1,948,436	**Total of others**	1,644,079	**Total of others**	2,450,484
Others not listed	293,559	Others not listed	199,321	Others not listed	155,844
GRAND TOTAL	4,024,410	**GRAND TOTAL**	3,499,338	**GRAND TOTAL**	4,224,512

Source: Trade Data Monitor

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

TURKEY					
COTTON					
Import Trade Matrix					
Units:	**Metric Tons**				
Time Period	**Aug/July**		**Aug/July**		**Aug/June (11 Months)**
Imports for:	**MY 2017/18**		**MY 2018/19**		**MY 2019/20**
U.S.	388,075	U.S.	360,538	U.S.	352,318
Others		**Others**		**Others**	
Brazil	104,815	Greece	98,844	Brazil	177,592
Greece	103,525	Brazil	97,153	Greece	158,441
Turkmenistan	49,997	Azerbaijan	70,174	Azerbaijan	64,937
Australia	49,638	Australia	20,211	Mexico	45,575
Azerbaijan	26,638	Turkmenistan	15,741	Tajikistan	28,910
Syria	19,832	Mexico	15,654	Turkmenistan	13,664
Tajikistan	19,070	Argentina	12,949	Sudan	13,245
Mali	18,812	Tajikistan	10,921	Kyrgyzstan	11,524
Sudan	16,090	Burkina Faso	8,264	Argentina	9,990
Benin	15,805	Kyrgyzstan	8,045	Kazakhstan	9,652
Total of others	424,222	**Total of others**	357,956	**Total of others**	533,530
Others not listed	63,915	Others not listed	43,397	Others not listed	33,931
GRAND TOTAL	876,212	**GRAND TOTAL**	761,891	**GRAND TOTAL**	919,779

Source: Trade Data Monitor

b. Cotton Yarn Trade Matrices

Table 7: Cotton Yarn Imports to Turkey, metric tons (MT)

TURKEY	COTTON YARN		
Import Trade Matrix	**Units: MT**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-June**
Import from:	**CY 2018**	**CY 2019**	**2020**
U.S.	51	0	6
Others			
Uzbekistan	41,815	72,840	37,490
Turkmenistan	49,990	51,076	21,405
India	16,849	13,906	10,614
Pakistan	13,701	16,022	6,081
Azerbaijan	3,727	7,893	2,838
Vietnam	10,445	8,894	2,521
Egypt	3,575	5,087	2,162
Tajikistan	7,237	5,215	2,028
Syria	71	115	854
China	1,962	1,958	802
Total of others	149,372	183,006	86,795
Others not listed	7,461	2,948	1,641
GRAND TOTAL	**156,884**	**185,954**	**88,442**

Source: Trade Data Monitor

Table 8: Cotton Yarn Exports from Turkey, metric tons (MT)

TURKEY	COTTON YARN		
Export Trade Matrix	**Units: MT**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-June**
Export to:	**CY 2018**	**CY 2019**	**2020**
U.S.			
Others			
Italy	27,607	25,680	10,239
Portugal	30,358	25,944	7,799
Egypt	10,819	14,846	5,622
Germany	8,409	7,987	4,073
Pakistan	15,493	6,945	3,369
Spain	9,702	8,549	2,752
Bulgaria	4,408	4,562	2,128
Greece	3,980	4,002	1,967
Poland	7,885	5,118	1,363
Czech Republic	3,608	2,928	1200
Total of others	122,269	106,561	40,512
Others not listed	34,402	33,121	12,037
GRAND TOTAL	**156,671**	**139,682**	**52,549**

Source: Trade Data Monitor

c. Cotton Fabric Trade Matrices

Table 9: Cotton Fabric Imports to Turkey, thousands of square meters (m^2)

TURKEY	COTTON FABRIC		
Import Trade Matrix	**Units: 1,000 m2**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-June**
Import from:	**CY 2018**	**CY 2019**	**2020**
U.S.	121	57	2
Others			
Pakistan	92,097	84,299	34,925
China	67,167	58,142	21,503
Turkmenistan	22,964	22,036	14,302
Egypt	32,470	27,721	13,011
Turkey (Free Trade Zone)	33,486	27,874	8,568
Greece	1,407	4,329	5,108
Italy	10,736	8,680	4,491
India	7,245	9,658	1,782
Malaysia	2,906	5,624	1,363
Germany	2,705	2,469	1,331
Total of others	273,184	250,831	106,382
Others not listed	25,353	25,997	5,592
GRAND TOTAL	**298,658**	**276,885**	**111,976**

Source: Trade Data Monitor

Table 10: Cotton Fabric Exports from Turkey, thousands of Square Meters (m^2)

TURKEY	COTTON FABRIC		
Export Trade Matrix	**Units: 1,000 m2**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-June**
Export to:	**CY 2018**	**CY 2019**	**2020**
U.S.	4,840	3,441	1,105
Others			
Italy	72,396	70,482	27,465
Belgium	19,959	28,946	14,727
Spain	21,436	20,594	9,155
Romania	29,907	25,521	8,631
Tunisia	19,139	19,583	7,871
Georgia	15,422	14,653	7,532
Morocco	17,461	17,929	6,917
Germany	22,760	16,305	6,771
France	15,492	12,392	6,629
Egypt	10,275	10,847	5,663
Total of others	244,247	237,251	101,361
Others not listed	182,099	177,254	69,809
GRAND TOTAL	**431,186**	**417,947**	**172,276**

Source: Trade Data Monitor

Attachments:

No Attachments