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Report Highlights:

Turkiye’s cotton production forecast for marketing year (MY) 2022/23 is revised higher to nearly 1.1 million metric tons (MMT) (4.94 million bales), based on increase in cotton area harvested and ideal weather conditions throughout the growing season. At the same time, production of sustainable cotton continues to slowly increase to meet the requirements of foreign apparel brands. In contrast to cotton production, the consumption forecast is scaled back to 1.5 MMT (6.89 million bales) on account of concerns over a global economic slowdown, deteriorating economic conditions in Turkiye, and the fallout from the war in Ukraine. Given these tough conditions, textile factories have cut back on production and are now operating at reduced capacity levels not seen since the early months of the pandemic in 2020. For the same reasons dampening consumption along with the projected increase in domestic production, the cotton import forecast for this period is cut back to 850,000 metric tons (3.91 million bales).

I. Production

Turkiye's MY 2022/23 cotton production forecast is adjusted slightly higher to nearly 1.1 MMT (4.94 million bales) due to ideal weather conditions and better-than-expected yields across major cotton-growing areas, especially in the southeastern part of the country where most of the cotton is grown.

The new MY 2022/23 production forecast is about 30 percent higher compared to the previous year. This forecasted year-on-year increase was largely fueled by an expansion in area harvested. In fact, the area harvested forecast for MY 2022/23 grew by more than 100,000 ha from the previous year to 555,000 ha. Strong international cotton prices, the expectation of favorable profit margins, and good yields the year before all came together to incentivize farmers to plant more cotton and, in some cases, even as a second crop.

For MY 2022/23, cotton produced under the Better Cotton Initiative (BCI) is forecast at 108,000 MT (496,000 bales) on 47,700 ha of land, according to the Better Cotton Practices Association of Turkiye (IPUD). BCI production, which represents about 10 percent of the country's total cotton production, is increasingly important as the Turkish textile and apparel industry seeks to produce sustainable and traceable products to meet the demands from high-end consumers in Europe and the United States.

Looking ahead to MY 2023/24, cotton production in Turkiye will likely contract amid a softening in global cotton prices and reduced domestic and international demand for textiles and apparel. From the perspective of local cotton producers, another factor that could have a drag on future production is inadequate government support payments to cover the rising cost of fuel, fertilizer, and seed. Facing these higher input costs, farmers are disappointed that MY 2022/23 payments remain unchanged at 1.10 Turkish Lira (TL) per kilogram (kg) (~$0.06/kg) of cotton for the third straight year.[1] The president from 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, nearly double the current amount for farmers to break even.

II. Consumption

The MY 2022/23 cotton consumption forecast is cut back to 1.5 MMT (6.89 million bales), which is down year-over-year by about 20 percent or 375,000 MT. The leading reason for this downward revision is the downturn in international apparel demand in recent months amid concerns of a global economic slowdown.

Dealing with international economic headwinds and the side effects of the war in Ukraine, many middle- and lower-income consumers in Turkiye, Europe, the United States, and elsewhere have started pulling back on discretionary purchases and are spending less of their disposable income on apparel. This latest trend is in stark contrast to the spring and early summer months of 2022 when consumers were beginning to spend more on clothing as pandemic restrictions were being lifted and people were returning to the workplace and resuming international travel.

With consumers in Europe spending less on clothing, European apparel brands have cut back on orders for Turkish-made apparel, only ordering enough to keep retail store shelves filled. U.S. brands have likewise pulled back on orders. At the same time, apparel demand from Ukraine has largely stopped because of the war. In contrast, however, sales of Turkish branded apparel to Russia has reportedly increased.

[1] Based on November 30, 2022, exchange rate of $1=18.635TL.

Similarly, domestic demand for apparel has likewise slowed down due to deteriorating economic conditions in Turkiye. For more than a year, Turkiye has suffered from skyrocketing inflation, soaring food prices, increasing unemployment rates, and a weakened currency, which have all eroded Turkish consumers' purchasing power.[2] In response, many lower- and middle-income consumers have reduced spending on fashion and apparel, opting instead to spend their disposable income on food and other necessities.

The downturn in apparel demand has forced Turkish clothing, textile, and yarn makers to stop production or operate at reduced capacity. According to the Central Bank of Turkiye (CBT), capacity utilization rates (CUR) in the textile industry fell to 70 percent in November 2022, their lowest level since the early months of the pandemic in 2020 and the 2008 economic crisis. This latest utilization rate is 11 percentage points lower compared to March of this year. The CUR in the ready-to-wear apparel industry fell to 80 percent in November, down 4 percentage points from March. Meantime, yarn producers are reporting a drop off in orders from domestic and international buyers.

Ahead of the downturn in apparel demand, many of the planned investments in the textile industry were canceled during the first half (H1) of 2022. The number of canceled licenses for investment subsidies during this period was on par with those during H1 of 2020 when the pandemic put the brakes on new investment.

III. Trade

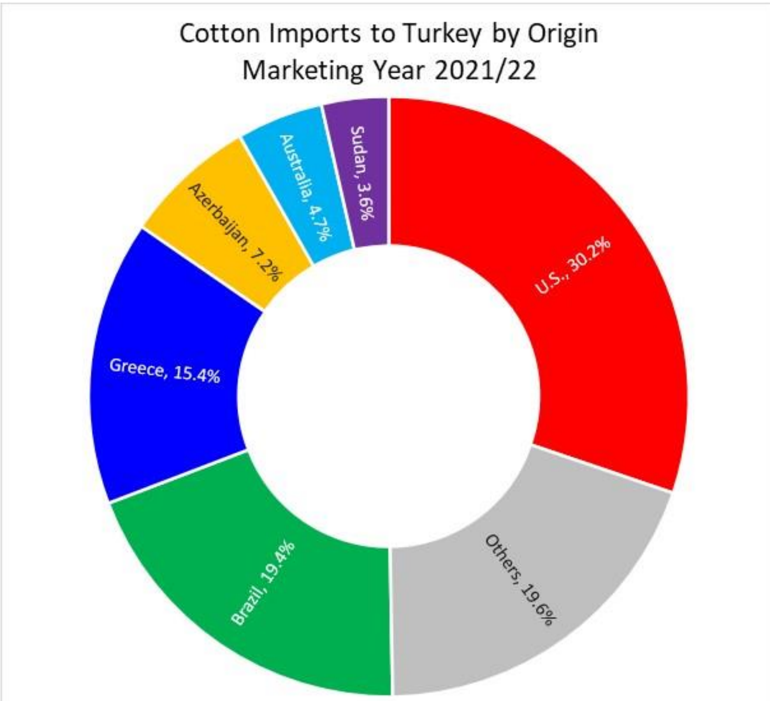
Cotton Imports

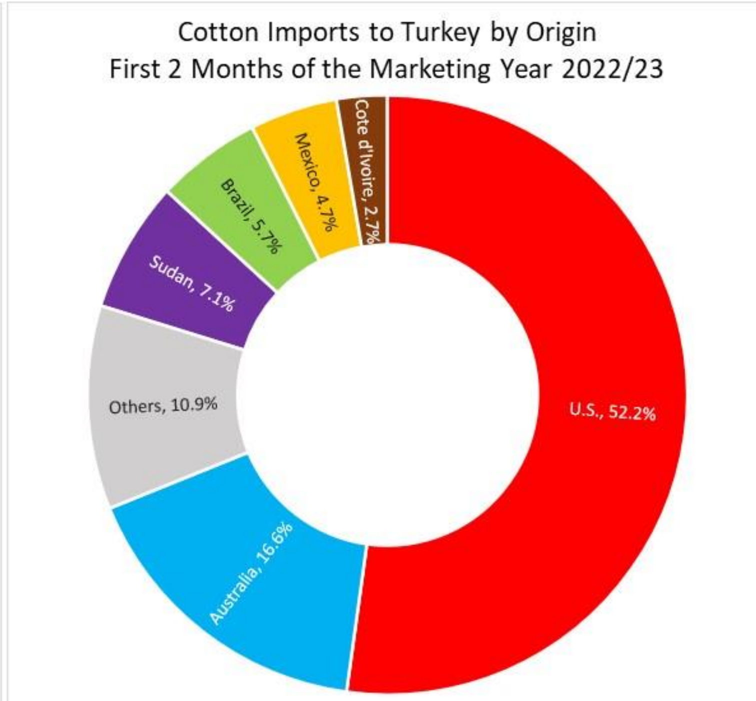
The MY 2022/23 cotton import forecast is adjusted downward to 850,000 MT (3.9 million bales), which is 350,000 MT lower than last year's levels. This revision is made based on the slowdown in cotton demand and the anticipated increase in domestic cotton production. While the annual import figure is lowered, imports during the first the first two months (Aug-Sep) of MY 2022/23 did in fact climb 2 percent higher than the same time last year. According to market sources, this nominal increase was mainly due to the delayed arrival of U.S. cotton shipments. Notwithstanding this temporary uptick in monthly shipments, the annual import forecast is projected to decline.

In MY 2021/22, Turkiye's cotton imports reached about 1.2 MMT (5.52 million bales), which is 4 percent higher than the previous year. This year-over-year increase was mainly due to an uptick in demand for apparel in Turkiye, Europe, and the United States during the late spring and early summer months of 2022 after pandemic restrictions had been lifted. For the marketing year, the United States was the leading source of imported cotton, accounting for 30 percent (363,399 MT). In addition, U.S. cotton imports climbed 26 percent year-over-year in part due to the removal of the anti-dumping duty in April 2021 and robust demand for American cotton. The other leading suppliers were Brazil (19 percent), Greece (15 percent), Azerbaijan (7 percent), and Australia (5 percent).

[2] Consumer Price Index (CPI) inflation climbed to 85.51 percent and domestic producers price index (PPI) is 157.69 percent as of October 2022. CPI inflation of "food and nonalcoholic beverages" is 99.05 percent. *Source: Turkish Statistics Institute*

Chart 1: Cotton imports to Turkiye from various sources (previous & current MY)





Source: Trade Data Monitor, LLC

Cotton Exports

In MY 2021/22, Turkiye exported 123,487 MT (567,171 bales) of cotton. Leading buyers were Pakistan (28,366 MT), Bangladesh (13,157 MT) and Germany (11,163 MT). Most of Turkiye's cotton exports were organic, according to market sources. About 42,000 MT of Turkiye's total cotton exports in MY 2021/22 were hydrophilic cotton for medical and cosmetic use. Top buyers of Turkish hydrophilic cotton are European countries and Russia. The export amount shown in the production, supply and distribution (PS&D) tables below includes hydrophilic cotton.

Cotton Yarn Trade

Turkiye's cotton yarn imports were 209,284 MT for the first three quarters of calendar year (CY) 2022, approximately 32 percent higher than the same period the previous year. Major suppliers for cotton yarn were Uzbekistan, Turkmenistan, India, and Pakistan.

In contrast, cotton yarn exports from Turkiye decreased about 30 percent to 108,977 MT for the first nine months of CY 2022 compared to the same period the previous year. The decline in yarn exports during this period was due to strong domestic demand during the first half of the year and a parallel softening in demand from Europe starting in the summer. Top export markets were Portugal, Italy, Egypt and Morocco.

Cotton Fabric Trade

For the first three quarters of CY 2022, cotton fabric imports reached 236 million square meters (m^2), up about 9 percent from the same time last year. Leading cotton fabric suppliers to Turkiye were Pakistan (73 million m^2), China (50 million m^2), Turkmenistan (47 million m^2), and Egypt (24 million m^2).

During the same nine-month period, cotton fabric exports totaled about 330 million m^2, down about 15 percent from the same period a year ago. Major destinations for Turkish cotton fabric were Italy (72 million m^2), Tunisia (24 million m^2), Spain (21 million m^2) and Morocco (21 million m^2).

IV. Policy

Turkiye's textile and apparel sector is a major part of the country's economy, accounting for 15 percent of all exports. The sector depends on domestic and imported cotton to produce finished products, most of which are exported to destinations around the globe. Turkiye's economic troubles and the threat of a global economic slowdown may cut into the industry's profitability in the near term. However, despite these all too familiar headwinds, the sector is expected to overcome these challenges and remain an integral part of the country's economy for years to come.

Investments in Sustainable Cotton

With growing awareness about the effects of climate change and the need for greater sustainability, there are changes afoot across the Turkish cotton value chain. For instance, farmers from the different cotton-growing regions across Turkiye are reportedly interested in having the government ease its stance on biotechnology and allow growers to access biotech cotton seeds. Despite this interest, however, the government is unlikely to back off from its strict rules against planting of genetically engineered cotton for the foreseeable future. In addition to improved cotton seed, farmers are calling on the government to start providing low-cost, long-term credit to farmers who are interested in adopting precision irrigation systems to save on scarce water resources. Most cotton in Turkiye is watered using furrow irrigation which is less efficient than newer precision irrigation systems.

The Turkish cotton industry is investing in and expanding its production of sustainable cotton, like BCI cotton, in response to the demands from foreign customers. BCI cotton represents just 10 percent of Turkiye's total cotton production. In addition to BCI, Turkiye is in the early phases of producing regenerative cotton, similar to the U.S. Regenerative Cotton Program. Production of regenerative cotton is projected to gradually increase in the coming years as demand grows and farmers gain more knowledge and experience of growing this kind of cotton. As evidence of the demand for regenerative cotton, some local yarn producers have already started using it to meet the contractual requirements from global fashion/garment/apparel brands.

For the first time this year, a Turkish company started harvesting colored cotton and has plans to increase production in the future. Colored cotton is considered environmentally friendly since it eliminates the need to use chemicals and water to dye the cotton.[3] At the same time, contacts report an uptick in textile recycling to make yarn. While the recycled yarn is reportedly lower quality compared to virgin yarn, this appears to be a step in the right direction for lowering the textile sector's carbon footprint.

The Turkish ready-to-wear apparel industry has historically faced challenges in sourcing organic cotton/yarn/fabric locally. In an attempt to fix this issue, the Turkish Ministry of Trade published a communiqué in May 2021 to require the registration of cotton exports, most of which are organic. The intention behind this registration requirement is to discourage organic cotton exports and promote the domestic use of organic cotton to make higher-valued textile and apparel products for eventual export.

[3] News in Turkish: https://www.sabah.com.tr/yasam/kamu-ozel-sektor-isbirligi-renkli-pamukta-ekimi-artirdi-6198677

Expanding Licensed Warehouse Capacity

Turkiye continues to expand its licensed warehouse capacity to store domestic cotton. In the coming years, warehouse capacity is projected to reach 186,000 MT, which is 2.5 times more than the current level of 72,500 MT. This anticipated warehouse expansion is part of a larger modernization effort to improve the quality and consistency of graded cotton that is being bought and sold on the exchanges. The added storage space will benefit farmers as they will be able to access credit for their stored cotton and sell it to end-users more easily.

As evidence of this anticipated expansion, the Soke Commodity Exchange recently announced that they planned to partner with Izmir and Aydin Commodity Exchanges to establish a new licensed warehouse with 15,000 square meters of storage space. In addition, this past September, Izmir Commodity Exchange doubled its licensed warehouse storage capacity from 17,000 MT to 35,000 MT.

Complaints about Delayed U.S. Cotton Shipments & Import Tariffs

For much of the past year, Turkish importers have complained about delayed shipments of U.S. cotton. These complaints made headlines this last summer when firms using U.S. cotton complained that their businesses had suffered because of the delayed shipments. These delays, which were not singular to Turkiye, were a symptom of the global supply chain disruptions resulting from the pandemic.

In the past, one of the major policy issues confronting imports of U.S. cotton was a 3 percent anti-dumping duty. The duty was lifted in April 2021 after having been in place for the preceding five years. See GAIN report - TU2021-0021 for details. The Turkish yarn and fabric producers, as well as the textile, fashion, and apparel industries were all supportive of having the duty removed to reduce the cost of U.S. cotton. The duty on imported cotton from the United States and other origins is now zero.

V. Production, Supply and Distribution Tables

Table 1: Production, Supply and Distribution, Bales
(thousands of hectares, thousands of 480lb. bales)

Cotton	2020/2021		2021/2022		2022/2023	
Market Begin Year	August 2020		August 2021		August 2022	
Turkiye	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	350	350	450	450	555	555
Beginning Stocks	2,766	2,363	2,708	2,422	2,765	2,556
Production	2,900	2,894	3,800	3,789	4,400	4,937
Imports	5,327	5,328	5,524	5,525	4,700	3,904
Total Supply	10,993	10,584	12,032	11,737	11,865	11,397
Exports	585	583	567	570	650	712
Use	7,700	7,578	8,700	8,612	8,300	6,889
Total Dom. Cons.	7,700	7,578	8,700	8,612	8,300	6,889
Ending Stocks	2,708	2,422	2,765	2,556	2,915	3,796
Total Distribution	10,993	10,584	12,032	11,737	11,865	11,397
Stock to use %	32.69	29.68	29.84	27.83	32.57	49.93
Yield	1,804	1,800	1,839	1,833	1,726	1,937

Source: USDA forecasts, FAS Istanbul forecasts.

Table 2: Production, Supply and Distribution, Metric Tons
(thousands of hectares, thousands of MT)

Cotton	2020/2021		2021/2022		2022/2023	
Market Begin Year	August 2020		August 2021		August 2022	
Turkiye	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	350	350	450	450	555	555
Beginning Stocks	602	514	590	527	602	556
Production	631	630	827	825	958	1,075
Imports	1,160	1,160	1,203	1,203	1,023	850
Total Supply	2,393	2,304	2,620	2,555	2,583	2,481
Exports	127	127	123	124	142	155
Use	1,676	1,650	1,894	1,875	1,807	1,500
Total Dom. Cons.	1,676	1,650	1,894	1,875	1,807	1,500
Ending Stocks	590	527	602	556	635	826
Total Distribution	2,393	2,304	2,620	2,555	2,583	2,481
Stock to use %	32.69	29.68	29.84	27.83	32.57	49.93
Yield	1,804	1,800	1,839	1,833	1,726	1,937

Source: USDA forecasts, FAS Istanbul forecasts

VI. Trade Matrices

a. Cotton Trade Matrices

Table 3: Cotton Imports to Turkiye (HS Code: 5201), 480lb. Bales

TURKIYE					
COTTON					
Import Trade Matrix					
Units:	**Bales**				
Time Period	**Aug/July**		**Aug/July**		**Aug/Sept (2 months)**
Imports for:	**MY 2020/21**		**MY 2021/22**		**MY 2022/23**
U.S.	1,324,275	U.S.	1,669,078	U.S.	423,623
Others		**Others**		**Others**	
Brazil	1,299,056	Brazil	1,071,442	Australia	135,065
Greece	797,573	Greece	848,155	Sudan	57,430
Azerbaijan	562,220	Azerbaijan	396,428	Brazil	46,109
Tajikistan	260,540	Australia	258,212	Mexico	38,287
Mexico	229,938	Sudan	198,843	Cote d'Ivoire	22,207
Syria	134,537	Tajikistan	159,752	Mali	16,608
Uzbekistan	126,068	Turkmenistan	151,012	Turkmenistan	16,254
Sudan	92,002	Mexico	117,456	Azerbaijan	12,617
Kazakhstan	79,624	Spain	90,941	Burkina Faso	11,060
Kyrgyzstan	76,252	Mali	74,443	Argentina	9,186
Total of others	3,657,809	**Total of others**	3,366,684	**Total of others**	364,824
Others not listed	344,399	Others not listed	488,136	Others not listed	23,061
GRAND TOTAL	5,326,483	**GRAND TOTAL**	5,523,898	**GRAND TOTAL**	811,508

Source: Trade Data Monitor, LLC

Table 4: Cotton Imports to Turkiye (HS Code: 5201), metric tons (MT)

TURKIYE					
COTTON					
Import Trade Matrix					
Units:	**Metric Tons**				
Time Period	**Aug/July**		**Aug/July**		**Aug/Sept (2 months)**
Imports for:	**MY 2020/21**		**MY 2021/22**		**MY 2022/23**
U.S.	288,327	U.S.	363,399	U.S.	92,233
Others		**Others**		**Others**	
Brazil	282,836	Brazil	233,279	Australia	29,407
Greece	173,651	Greece	184,664	Sudan	12,504
Azerbaijan	122,409	Azerbaijan	86,312	Brazil	10,039
Tajikistan	56,726	Australia	56,219	Mexico	8,336
Mexico	50,063	Sudan	43,293	Cote d'Ivoire	4,835
Syria	29,292	Tajikistan	34,782	Mali	3,616
Uzbekistan	27,448	Turkmenistan	32,879	Turkmenistan	3,539
Sudan	20,031	Mexico	25,573	Azerbaijan	2,747
Kazakhstan	17,336	Spain	19,800	Burkina Faso	2,408
Kyrgyzstan	16,602	Mali	16,208	Argentina	2,000
Total of others	**796,394**	**Total of others**	**733,009**	**Total of others**	**79,431**
Others not listed	74,984	Others not listed	106,279	Others not listed	5,021
GRAND TOTAL	**1,159,705**	**GRAND TOTAL**	**1,202,687**	**GRAND TOTAL**	**176,685**

Source: Trade Data Monitor, LLC

b. Cotton Yarn Trade Matrices

Table 5: Cotton Yarn Imports to Turkiye, metric tons (MT)

TURKIYE	COTTON YARN		
Import Trade Matrix	**Units: Metric Ton**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Sept.**
Import from:	**CY 2020**	**CY 2021**	**2022**
U.S.	7	0	2
Others			
Uzbekistan	90,183	125,607	118,313
Turkmenistan	50,529	58,968	33,642
India	25,233	19,890	33,218
Pakistan	12,563	5,815	8,041
Azerbaijan	5,315	15,134	5,871
Tajikistan	5,987	3,506	2,873
Egypt	4,655	2,267	2,696
China	1,363	883	1,128
Kazakhstan	205	537	930
Oman	23	0	761
Total of others	**196,056**	**232,607**	**207,473**
Others not listed	6,527	1,780	1,809
GRAND TOTAL	**202,590**	**234,387**	**209,284**

Source: Trade Data Monitor, LLC

Table 6: Cotton Yarn Exports from Turkiye, metric tons (MT)

TURKIYE	COTTON YARN		
Export Trade Matrix	**Units: Metric Ton**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Sept.**
Export to:	**CY 2020**	**CY 2021**	**2022**
U.S.	1,417	1,731	1,327
Others			
Portugal	21,304	44,670	22,950
Italy	20,867	32,538	19,162
Egypt	16,600	21,665	14,527
Morocco	1,075	2,545	8,633
Germany	8,137	8,036	5,586
Spain	6,123	6,819	3,424
Bulgaria	4,449	5,921	3,345
Greece	4,237	5,232	3,329
Pakistan	16,805	15,842	3,261
France	2,094	3,335	3105
Total of others	101,691	146,603	87,322
Others not listed	27,410	49,877	20,328
GRAND TOTAL	**130,518**	**198,211**	**108,977**

Source: Trade Data Monitor, LLC

c. Cotton Fabric Trade Matrices

Table 7: Cotton Fabric Imports to Turkiye, thousands of square meters (m^2)

TURKIYE	COTTON FABRIC		
Import Trade Matrix	**Units: 1,000 m2**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Sept.**
Import from:	**CY 2020**	**CY 2021**	**2022**
U.S.	40	57	144
Others			
Pakistan	81,431	87,994	72,557
China	50,993	55,167	50,435
Turkmenistan	65,039	73,476	46,761
Egypt	28,001	27,452	23,517
Italy	10,254	10,797	9,469
India	4,977	9,560	7,172
Germany	3,337	3,290	3,277
Spain	2,268	3,391	3,196
Portugal	1,085	676	2,585
Uzbekistan	0	2,805	2,573
Total of others	247,385	274,608	221,541
Others not listed	16,563	14,702	14,673
GRAND TOTAL	**263,988**	**289,368**	**236,359**

Source: Trade Data Monitor, LLC

Table 8: Cotton Fabric Exports from Turkiye, thousands of Square Meters (m^2)

TURKIYE	COTTON FABRIC		
Export Trade Matrix	**Units: 1,000 m2**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Sept.**
Export to:	**CY 2020**	**CY 2021**	**2022**
U.S.	3,003	4,297	6,717
Others			
Italy	67,847	104,011	71,877
Tunisia	21,191	26,983	24,180
Spain	21,537	29,975	21,237
Morocco	16,681	24,829	20,676
Belgium	28,600	33,360	17,673
Egypt	14,747	28,391	17,600
Portugal	11,901	23,934	13,363
Georgia	16,365	13,606	9,717
Iran	3,005	12,416	9,425
Romania	20,329	22,010	8,804
Total of others	222,204	319,515	214,550
Others not listed	204,205	212,726	109,223
GRAND TOTAL	**429,413**	**536,537**	**330,490**

Source: Trade Data Monitor, LLC

Attachments:

No Attachments