



Foreign Agricultural Service

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Turkey

Cotton

Cotton update

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Report Highlights:

The international economic downturn had an adverse effect on Turkey's export dependant textile industry. Reduced exports will lower domestic utilization of cotton to 960,000 tons and imports to 200,000 tons or less. Cotton exports, on the other hand, are expected increase to 40,000 tons.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report

Turkish cotton production was adversely effected by repeated floods in the Aegean region. Cotton fields were replanted following early season floods, and were inundated again during the second (hand) picking, resulting in a further negative effect on yields and production in the region. According to trade contacts, as much as 30,000 tons of cotton were destroyed. However, increases in production in regions of Eastern Turkey (mostly under the GAP) are expected to keep overall production at about 802,000 tons.

The export dependent Turkish textile industry is being adversely effected by the global economic crises. Although the European market, which imports over half of Turkey's exports, is relatively strong, the downturn in Russia has had an adverse effect on overall cotton usage. The boom in investment which the textile industry has enjoyed for the last few years appears to have come to an end, at least temporarily. Earlier in the year, the GOT ended some of the subsidies it was providing to investors in the textile sector, including tax incentives for purchases of equipment and establishment of mills. Some new mills which are burdened with new debts are reported to be closing permanently. To cope with the current crisis, a number of established textile mills have closed their plants for a few weeks while they dispose of old stocks of yarn and grey cloth.

As a result of the downturn, post has decreased its MY 1998 domestic cotton utilization projection to 960,000 tons and is lowering its import projection to about 200,000 tons. Lower domestic demand has caused prices for domestically produced cotton to decrease sharply, i.e. US\$1.20 per kg for Standard 1 Aegean cotton which previously sold for US\$1.40-1.60 per kg. Cotton from the other regions is also being quoted at very low prices: US\$0.9 per kg for Cukurova and GAP (Southeast Anatolia) cotton and US\$0.95 per kg for Hatay (South of Cukurova) cotton. Exporters are taking advantage of historically low domestic prices and post is raising its export estimate to 40,000 tons.

Although the Government of Turkey reversed an earlier decision to increase the cotton tax to over 30%, and is applying a 5.2 percent duty (note - textile exporters receive duty exemptions), U.S. cotton is entering the market at US\$1.45 per kg FOB, making it uncompetitive. As of November 6, outstanding sales and accumulated exports of U.S. upland cotton, during the U.S. marketing year beginning August 1, 1998, were only 60.4 thousand running bales, versus 193.6 thousand during the same period of the previous year. Imports from nearby cotton suppliers, including Syria, Israel, Russia and Greece are reported to be continuing because of their lower prices and faster delivery times which minimize financing costs.

Banking contacts report that they are either barely maintaining or are cutting back their loan portfolios to the textile sector. Not only are they concerned about the textile industry situation, but they are also worried about domestic economic and political uncertainties (a confidence vote is scheduled in the Turkish Parliament later this week). Long term financing from Europe is constrained. CCC financing for GSM programs, while available from USDA, is also being allocated more cautiously, with a number of large banks reporting that they are only offering the program to their most credit worthy clients.

PSD Table						
Country:	Turkey					
Commodity:	Cotton					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		08/1996		08/1997		08/1998
Area Planted	743000	743000	710000	721723	730930	730930
Area Harvested	743000	743000	710000	721723	730930	730930
Beginning Stocks	126521	126521	136097	136097	138097	138097
Production	784000	784000	785000	785000	802000	802000
Imports	320440	320440	310000	310000	325000	200000
TOTAL SUPPLY	1230961	1230961	1231097	1231097	1265097	1140097
Exports	34864	34864	23000	23000	25000	40000
USE Dom. Consumption	1060000	1060000	1070000	1070000	1100000	960000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1060000	1060000	1070000	1070000	1100000	960000
Ending Stocks	136097	136097	138097	138097	140097	140097
TOTAL DISTRIBUTION	1230961	1230961	1231097	1231097	1265097	1140097