

Voluntary Report – Voluntary - Public Distribution

Date: January 14,2021

Report Number: TU2021-0002

Report Name: The History of US Cotton in Turkey

Country: Turkey

Post: Ankara

Report Category: Cotton and Products, Export Accomplishments - Marketing, Trade Events and Shows, Export Accomplishments - Events, Export Accomplishments - Trade Leads, Export Accomplishments - Other, Product Brief

Prepared By: Michael Conlon, Caglar Erdogan, Ibrahim Sirtioglu

Approved By: Michael Conlon

Report Highlights:

This report highlights the partnership between Cotton Council International, one of the original cooperators, and USDA's Foreign Agricultural Service in promoting U.S. cotton in Turkey. The partnership has been essential for the success of this thriving market for U.S. raw cotton. Since 1990 the United States has exported over \$12 billion worth of cotton to Turkey.

Introduction¹

The unique partnership between some 80 U.S. non-profit agricultural organizations (or cooperators) and USDA's [Foreign Agricultural Service](#) (FAS) in developing overseas markets for U.S. agriculture is one of the most successful public/private partnerships in the United States. The tremendous growth in U.S. agricultural exports illustrates the success of the cooperator program. Today, the United States is the world's largest exporter of agricultural products and this success has played an important role in strengthening the U.S. economy. In fact, since the program began, U.S. agricultural exports have increased from \$3.2 billion in 1955 to a USDA projected \$152 billion in fiscal year 2021², a remarkable 4,650 percent increase.

This report highlights the partnership between Cotton Council International (CCI), one of the original cooperators, and FAS in promoting U.S. cotton in Turkey. The partnership has been essential for the success of this thriving market for U.S. raw cotton. Since 1990 the United States has exported over \$12 billion worth of cotton to Turkey³.

Cotton Council International

In the early 1950s, after the Korean War, demand for U.S. agricultural products declined and stocks began to build up. The U.S. government, which was under pressure to take action to improve agricultural exports, enacted the [Agricultural Trade Development and Assistance Act of 1954](#), commonly known as Public Law (P.L.) 480. The legislation authorized the export sale of surplus commodities to countries in exchange for foreign currency used for market development purposes⁴. Thus, the cooperator program was born.



¹ The report was written by Michael Conlon, Agricultural Counselor in Ankara, Caglar Erdogan, Senior Agricultural Marketing Specialist in Istanbul with assistance of Ibrahim Sirtioglu, a retired FAS local employee who worked in FAS Istanbul Office for 31 years between 1989 – 2020.

² Data from USDA's Economic Research Service.

³ Data from Trade Data Monitor (TDM) as reported by Turkish Statistical Institute.

⁴ "Partners in Developing Farm Markets Overseas," James O. Howard and others, U.S. Agricultural Export Development Council, 1989.

[The National Cotton Council](#) (NCC) was excited about working with this new program. On May 23, 1955, FAS signed an agreement with NCC to explore the problems and possibilities of programs to promote U.S. cotton exports. This was the first agreement to be executed under the market development provisions of the newly enacted P.L. 480 program. In October 1956, NCC created [Cotton Council International](#) to be the export promotion arm of NCC. For almost 65 years, with strong support from the U.S. cotton industry and USDA, CCI has effectively promoted U.S. cotton exports, with the U.S. becoming the leading exporter of cotton in the world with a market share of around 35 percent⁵. One of their major success stories has been Turkey.

The History of the Turkish Cotton Textile and Clothing Industry

For centuries cotton has played a major role in Turkey, which has an ideal climate for growing cotton. Turkey was the heartland of the Ottoman Empire, an imperial state that lasted from 1299 until 1922. During this era the production and processing of cotton was an important part of the economy. The Turkish towel, or peshtemal, also became a prominent fixture in the Ottoman era in Turkish baths, which are called hamams.

Photo 1: Turkish peshtemal towel



Photo Credit: Caglar Erdogan, FAS Istanbul

⁵ Cotton Sector at a Glance – USDA ERS, November, 2020.

One of the most famous UNESCO World Heritage sites in Turkey is called [Pamukkale](#) (or “Cotton Castle” in Turkish), where white carbonate mineral was left by thermal spring water. The reason for the name is that Pamukkale is in Denizli province in the Aegean region, which is known for its cotton. Denizli province has been a large producer of handmade cotton yarn and cotton fabric for centuries and is still a large textile producer. Some of world’s best peshtemal towels and bath robes as well as other textile products are produced in Denizli province.

Photo 2: [UNESCO World Heritage site Pamukkale](#) in the province of Denizli, Turkey



Photo Credit: Caglar Erdogan, FAS Istanbul

This deep Turkish history in the textile and clothing trade has helped the U.S. clothing industry in unique ways in recent history. Beginning in the 1960s, men’s clothing factories in the United States developed a shortage of skilled tailors. To help solve this problem, U.S. independent clothing manufacturers began importing Turkish tailors to make their companies more competitive in the face of increased international competition. Tailors were plentiful and highly skilled in Turkey. Over a 40-year period, until the early 2000s, dozens of Turkish tailors came to the United States⁶.

The Rise of the Turkish Textile and Clothing Industry

With the establishment of the Turkish Republic in 1923 after the collapse of the Ottoman Empire the new government considered the textile and clothing sector one of the protected sectors of the economy and invested heavily in the industry, which flourished

⁶ “Turkish Highly Skilled Migration to the United States New Findings and Policy Recommendations,” Sebnem Koser Akcapar, Migration Research Program at Koc University, 2006.

“Why Turkish Tailors Seem So Well-Suited To Work in Tennessee”, Michael M. Phillip, Wall Street Journal, April 12, 2005.

and began exporting in the 1960s⁷. However, the industry was still mostly domestically focused and the share of total exports was only 2.96 percent by 1970.

The liberalization of the economy in the 1980s and the export-oriented strategies of the Turkish government accelerated exports of textiles and clothing. With an investment of approximately \$90 billion since 1985, the Turkish textile and clothing industry began to modernize and significantly expand.⁸ The industry was also helped by the Turkey's Customs Union agreement with the European Union in 1996 and the expiration of the Multi-Fiber Arrangement (MFA) in 2005. The MFA was an international trade agreement dealing with textiles and clothing that imposed quotas on the amount of clothing and textile exports from developing countries to developed countries. The removal of these quotas allowed the Turkish textile industry to gain a competitive advantage and expand more freely around the world.

Turkey is now one of the largest textiles and clothing producing countries in the world. Clothing and textiles are among the largest and best-performing sectors of the Turkish economy. The Turkish textile industry is the sixth largest supplier in the world and the third largest supplier to the European Union (EU).⁹ In 2019 ready-to-wear item exports were \$17.7 billion and textile exports were \$7.9 billion.¹⁰ Overall, the share of textiles and products in total exports of Turkey was about 15.6 percent in 2019.

With this tremendous growth, however, by the early 1990s the country couldn't meet the growing demand of cotton by the textile industry with domestic production alone and the industry needed to import significant amounts of cotton. Starting in 1990, the U.S. cotton industry, with the support of CCI and FAS, was able to help meet this demand.

FAS's Contribution to U.S. Cotton Exports to Turkey

A FAS office overseas often acts as the vanguard for opportunities for U.S. agriculture in a country and helps set the stage for cooperators to develop that market. This was the case with U.S. cotton in Turkey.

⁷ "Overview of the Turkish Textile and Apparel Industry," Harvard Center for Textile & Apparel Research, Baris Tan, December 2001.

⁸ "Cotton sees slump in Turkey, expected to recover," Fibre2Fashion.com, January 20, 2020.

⁹ "An overview of Turkish textiles and clothing industry," Textiletoday.com, July 30, 2018.

¹⁰ FAS GAIN Report, "Cotton and Products Annual Report – Turkey," March 25, 2020.

The FAS office in Istanbul saw opportunities for U.S. cotton in Turkey in the late 1980s. FAS organized reverse trade missions for Turkish industry representatives to visit the United States to help familiarize buyers with U.S. cotton and introduce the trade to [GSM-102 financing](#).

The GSM-102 program was an effective tool for assisting Turkish customers buy U.S. cotton. GSM-102, which is administered by FAS, provides export credit guarantees for credit extended to private U.S. banks which will then go to approved foreign banks for purchases of U.S. agricultural products by foreign buyers. The programs' goals are to develop, expand, or maintain U.S. agricultural markets overseas by facilitating commercial export sales of U.S. agricultural commodities.

In the early 1990s many Turkish companies were new to international trade and needed financing to expand their operations. The program allowed Turkish companies to pay for the cotton over time and use their capital to make investments in equipment. From 1990 until 2013, Turkish buyers of U.S. cotton were heavy users of the program.

Since 2013, however, with a reduction to GSM-102's maximum allowable tenor and additional Turkish government taxes, the Turkish trade has used the program much less. Today, Turkish firms generally have a strong relationship with U.S. suppliers and buy U.S. cotton for cash. They pay around 10 to 20 percent on signature of contract and then pay the balance on delivery of the cotton.

CCI in Turkey

CCI has been active in Turkey since 1992. The overall goal of CCI in Turkey is to build upon strong relationships with manufacturers and marketers of cotton brands in Turkey and to ensure strong demand for U.S. cotton along each step of the supply chain that increases the value for the product all the way back to the cotton fiber. In addition to USDA, CCI has had the strong support from the U.S. cotton industry.

One of the key CCI strategies is the COTTON USA Mark. Over the years the U.S. cotton industry has continued to face growing challenges from synthetic fibers. To combat this trend, in 1989 CCI developed the COTTON USA Mark and advertising strategies based on differentiating the high quality of U.S. cotton from synthetic fibers and cotton from other countries. The COTTON USA Mark identified superior products made from U.S. cotton and branding those products through all stages of processing and

marketing. The use of the COTTON USA Mark is limited to high quality, 100 percent cotton products that contain at least 50 percent U.S. cotton.

In addition, CCI developed the COTTON USA Supply Chain Marketing (SCM) program that focuses on establishing a preference for U.S. cotton among Turkish buyers of cotton fiber or manufactured cotton products. Trade servicing with manufacturers along with building relationships with trading companies are a big part of this strategy. Recently, CCI began a forensic verification program of origin of U.S. cotton that gives buyers of U.S. cotton the assurance needed to make sourcing decisions. CCI has organized numerous buyer missions for Turkish companies to travel to the U.S. cotton belt to gain a deeper understanding of U.S. cotton. COTTON USA executives have also visited Turkey to emphasize U.S. cotton qualities to Turkish textile industry leaders and to conduct meetings with key partners.

Photo 3: U.S. originated cotton at a Turkish factory, with COTTON USA logo



Photo Credit: Erdem Tekstil, CCI, Turkey

CCI has also sponsored fashion shows, trade shows, conferences, seminars and education forums and sourcing fairs. For example, over the years CCI brought the leading textile companies to Turkey to meet with Turkish textile exporters who have the COTTON USA license. Another example of note is the COTTON USA Turkey Conference, organized by CCI every other year. The most recent conference was held on September 2019 in Antalya, Turkey. Around 110 representatives from 40 of the country's leading cotton spinning mills attended the conference.

In 2020 CCI organized COTTON Day in Turkey. CCI needed to be innovative with the recent pandemic, so on November 17, the organization held the COTTON Day Turkey event online. The event featured presentations from CCI's top executives followed by questions and answers. Around 250 cotton buyers from Turkey and over 2,000 global buyers attended the online event.

Looking to the Future

The United States has been a major supplier of raw cotton to Turkey for more than 30 years, supporting the growth of the Turkish textile industry. Even with recent trade issues, the U.S. industry's partnership with Turkey is strong and CCI continues to work closely with the Turkish cotton textile industry to promote U.S. cotton in the country. By being innovative and proactive, with a strong partner in FAS and the U.S. cotton industry, CCI will ensure that Turkey will continue to remain an extremely important market for U.S. cotton in the years to come.

Attachments:

No Attachments.