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Report Highlights:

It is an 'on-year' for pistachios for Turkey; consequently a high amount of production is anticipated for Marketing Year (MY) 2020/21. Turkey will carry over pistachio stocks this year for the next 'off-year'. Turkey relies on imports for almonds and walnuts to meet domestic demand. U.S. walnuts and almonds are still subject to retaliatory tariffs, resulting in a 10 percent higher customs tax than other tree nut exporting countries. Turkey is the top producer of hazelnuts in the world and the biggest exporter. The MY 2020/21 yield for hazelnuts is lower than the last marketing year.

I. PISTACHIOS

a. PRODUCTION

Pistachio production is cyclical in Turkey. There are "on-years" during which harvests are significantly larger than during "off-years". Therefore, yields can vary dramatically from year to year and also between regions and orchards in Turkey.

Marketing Year (MY) 2020/21 is an on-year and a good yield is expected for pistachios. The rainfall in winter were adequate and spring was mild and less rainy compared to the previous year when the rainfall affected pollination adversely. Post forecasts Turkey's pistachio production to be 250,000 metric tons (MT), a record high amount, in line with the projections of market sources. According to the Turkish Meteorological Institute (TMI), rainfall in irrigation year (IY) 2019/20 (October 1st, 2019 to August 30th, 2020) so far was in line with long term averages. The rain came during the right season for pistachio growing and lessened during spring and summer when the nut needs the sun and heat. There was no major frost or hail damage or pest damage. Post expects the harvest of 2020/21 to be better than an average on-year with a good harvest after the off-year of 2019/20.

There are an estimated 52 million bearing trees and about 21 million non-bearing trees, according to the Turkish Statistical Institute (TurkStat) as of MY 2020/21. Bearing trees increased 5.0 percent compared to the previous MY and non-bearing trees increased about 2.2 percent. This increase in the number of bearing trees partly explains the increase in production. Also, younger bearing trees are known to be more productive than the older ones. Southeast Turkey known to have many trees over 50 years old, increasing number of younger trees around 10-15 years old is expected to increase the yield. In addition, farmers are better trained to understand the importance of male trees as they were seen as almost redundant a generation ago and not widely planted. Over the last five years, bearing trees increased by about 30 percent, non-bearing trees by 71 percent, and total tree numbers increased by about 40 percent. Previously, trees took ten years to mature and produce a full harvest, but due to better agricultural practices, nuts can now be harvested five years after planting. Currently, the average pistachio yield is around four kilograms (kg) per tree in on-years and two kg per tree in off-years. MY 2019/20 was an off-year with a lower yield of slightly less than two kg per tree.

The southeastern part of Turkey is the traditional production area for pistachios. The provinces in this region, Gaziantep; Sanliurfa; Adiyaman; Siirt; Kilis; Kahramanmaras; Mardin; and Diyarbakir, are the most significant locations for commercial pistachio production and represent 95 percent of the total production, with around 80 percent coming from Gaziantep and Sanliurfa provinces. The remaining 5 percent of the pistachio production is in the Aegean, Mediterranean, and Marmara regions. All in all, 56 out of 81 provinces in Turkey produce pistachios, according to the Gaziantep Commodity Exchange (GCE). During the last decade, production in regions outside of Southeastern Anatolia is an increasing trend.

In recent years, in order to mitigate the natural "off year/on year" production cycle, producers and traders have been expanding implementation of good agricultural practices, especially in some parts of Southeastern Anatolia. Pistachios are mostly grown in dry conditions, as irrigation for pistachios is not common in Turkey. The common perception about pistachio trees is that they can grow naturally in marginal soil and conditions. While this may be correct, yields have proven to be much better with "good" soil conditions, sufficient maintenance, and irrigation. Moreover, more orchards are being irrigated to protect against the abnormal drought conditions in recent years. Research activities have been conducted by the universities located in the Southeastern and Eastern Anatolia Regions to develop better production methods and plant protection measures for pistachio orchards. However, the cycling effect still plays a prominent role in the amount of production currently.

The Turkish Foundation for Combating Soil Erosion, Forestation, and Protection of Natural Habitats (TEMA) has been doing a project to increase the yield of pistachios in Gaziantep and Sanliurfa provinces since 2011 with contributions from private companies. The "*May you have abundant pistachios*" project trains the pistachio farmers about how to maintain the trees which contributes to a significantly higher yield. Education about pruning and trimming techniques and training about using pesticides and fertilizers improved the orchards of the farmers who were trained, tripling yield and even coaxing fruit from about 1/3 of newly planted saplings.

There are two main types of pistachios grown in Turkey. They are both unique to Turkey and different than Iranian and Californian pistachio varieties. Most Turkish pistachios are the Gaziantep (Antep) variety, which are thinner and smaller than the typical Iranian variety. The Siirt variety accounts for about 15 percent of total production. It is a high yielding variety with less production fluctuation than the Gaziantep variety. The size and shape of the Siirt nuts are in between the Gaziantep and Iranian pistachios. Quality is directly related to size in Turkey: 90 nuts or fewer per 100 grams is considered first quality, 90-100 nuts are second quality, 100-120 nuts are third quality, and more than 120 nuts are fourth quality. With the increasing number of new saplings planted in the Sanliurfa and Siirt regions, the production of high quality pistachios is predicted to increase in the future.

b. CONSUMPTION

Most of Turkey's pistachio crop is consumed domestically and consumption varies from year to year according to availability of pistachios in the market. Traditionally, Turkish people consume 35 percent of total domestic consumption as a snacking nut and the rest are used in the production of confectionery products, especially in traditional desserts and bakery products like baklava. During the last decade or so, the use of pistachios in chocolate making and ice cream has increased as well.

MY 2020/21 is an on-year for pistachio production with an expectation of record high yield. One might expect that this would decrease the pistachio prices; however, as the Turkish Lira (TL) has been steadily losing value since the start of the MY, Post does not expect a price fall in the retail market but price retention. Along with the consistent comparative high prices of imported almonds and walnuts, the devaluation of the Turkish lira accounts for a forecast that the consumption of pistachios in Turkey will rise to 190,000 MT in MY 2020/21.

Pistachio prices currently remain stable as the new harvest of MY 2019/20 starts, despite the coming off-year and the overall food inflation in the country. The price of bulk shelled early harvest pistachios (generally used for baklava and some other traditional desserts) is about 110 to 130 TL/kg (~14.73 - 17.41 USD[1]/kg) as of September 2020, this represents a 20 to 30 percent increase in prices in terms of TL but a four percent decrease in terms of USD. Current retail prices of in-shell pistachios in Istanbul are between 105 to 140 TL/kg (~14.06 - 18.74 USD/kg) as of September 2020, depending on the retailer and location. TL retail prices have risen about 40 percent while the USD price seems to be stable compared to last year, representing value loss of the TL. (see our Retail Food Report

Retail Prices of Pistachios			
	TL/kg*	TL/USD**	USD/kg
2018	60	6.687	8.97
2019	90	5.728	15.71
2020	105	7.353	14.28

* Minimum price at an organized retailer

** As of working day Monday of September that year

[1] The exchange rate is 7.469 TL/USD as of September 11, 2019. The rate was 3.756 TL/ USD as of January 1, 2018 and 5.957 TL/USD as of January 2, 2019 for comparison.

for more information on economic conditions). Pistachio prices vary also depending on where and how the pistachios are bought (i.e., in bulk or small packages; in convenience stores or specialty markets).

Packaging of tree nuts, including pistachios, has doubled over the last few years throughout the country, especially in the coastal regions (Aegean, Mediterranean and Marmara). Purchasing of pre-packaged nuts from supermarkets is becoming more popular in larger cities as opposed to buying them in bulk from nut stores, as is the traditional sales method in Turkey. Post observes that this change of consumer behavior is increasing throughout the country as the availability of discount market chains all over Turkey also increases. (Please refer to our Retail Food Report for more information). Currently, 35 percent of total production is being packaged. The increased amount of nut packaging (versus selling in bulk), will have a positive influence on per capita consumption over time. Current per capita consumption is around 1.5 kg/year in Turkey.

c. TRADE

Turkey generally consumes most of its domestic pistachio production and a minor amount of total production is exported. Some is stored to plan for an upcoming off-year if it is an on-year. As MY 2019/20 was an off-year, Turkey exported 4,540 MT of pistachios, mostly shelled. Important export destinations were Italy, Germany, Israel , India, and Saudi Arabia.

MY 2020/21 is expected to be an on-year with a record yield. The devaluation of the TL should also encourage more exports. Post forecasts a record high level of exports at 25,000 MT. The Turkish Ministry of Trade reported in July 2019 that they have reached an agreement with the Chinese government that Turkey will be allowed to export pistachios to China. Market sources indicate that there might be few Chinese buyers for this MY.

Pistachios can normally be imported to Turkey at a 43.2 percent tariff rate. However, the Turkish government implemented a 20 percent additional tariff from summer 2018 until spring 2019 for U.S.-originated pistachios due to the implementation of additional steel tariffs on Turkish exports to the United States. On May 17th 2019, the additional tariffs on nuts were halved (reduced to 10 percent). The total tariff rate on pistachios from the United States to Turkey is now 53.2 percent, compared to 43.2 percent for all other countries.

As the MY 2020/21 is a high yield on-year, imports[2] are expected to be low. Depreciating TL should also discourage imports unless necessary. Post forecasts pistachio exports as 3,000 MT, most of which may include imports from the free trade zones in Turkey.

d. STOCKS

As 2018/19 was an on-year with a good yield, the stocks maintained from that MY were consumed in MY 2019/20, which was a lower than average yield off-year. The end-year stocks were 500 MT. Upcoming MY 2020/21 is expected to be a record high yield on-year and therefore stocks will be maintained for the following off-year despite the higher than average export expectation. Post forecasts 38,500 MT of ending stocks for MY 2020/21.

Pistachio stocks vary considerably from year to year in line with cyclical production. Moreover, pistachio production, trade, and stock statistics are not maintained by the Government of Turkey (GoT), nor related associations in the sector. The Gaziantep Pistachio Industry Association was established in 2014 with the goal to establish a system for the maintaining accurate records of pistachio production and stocks, though no active records system is in place yet.

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[2] Note import figures for nuts are calculated by using export data from other countries, and this can include shipments to free trade zones within a country as well.

According to tree nut producers, better data would help prevent price fluctuations, especially in low production years, as fluctuations have a negative impact on consumption and food industry usage. For these reasons, the GCE has taken some steps to increase the trade and storage of the commodity under safe conditions after harvest. The GCE received a GoT grant to establish a 10,000 MT capacity licensed warehouse in Gaziantep; the planned opening was originally 2019. The Minister of Agriculture and Forestry attended the groundbreaking ceremony in March 2019 for the licensed warehouse. The warehouse is expected to start accepting stocks starting this fall in September 2020. Scientists from various universities are supporting improvement of storage conditions since the cyclical nature of pistachio production in Turkey elevates the importance of stocks. Good storage conditions also minimize food safety concerns such as aflatoxin. The GCE aims to prevent price fluctuations using the licensed warehouse system, so producers, consumers, and traders will all benefit**.** They also aim for transparency in stock numbers using this warehouse system, to improve the supply-demand pricing mechanism. This licensed warehouse is a good start of a system but not enough for Turkey's storage needs and market transparency.

e. POLICY

The GoT does not provide direct supports specifically to pistachio farmers, but supports the pistachio farmers with the general agriculture subsidies if they are registered in the Farmers Registration System. Supports are announced by the GoT in the beginning of each calendar year.

The GoT offered farmers the following support for the year 2020. Most of the following has not been changed from last year, although the TL has depreciated, so in terms of USD the supports have decreased. Only fuel and fertilizer supports have been increased compared to last MY. Note that a decare (da) is equivalent to 0.1 hectares.

- 100 TL/da (13.39 USD[3]/da) and 400TL/da (53.55 USD/da) respectively for the establishment of orchards that are planted with standard seedlings and certified seedlings
- 10 TL to 100 TL /da (1.34 USD/da to 13.39 USD/da) for organic agriculture;
- 30 TL/da (4.02 USD/da) for Good Agricultural Practices;
- 19 TL/da (2.54 USD/da) for fuel and fertilizer.

II. ALMONDS

a. PRODUCTION

Almond production in Turkey is forecast to increase to 16,500 MT in MY 2020/21, up from 15,000 MT in MY 2019/20.

The almond trees started to bloom in the second half of January this year due to warm weather instead of the usual mid-February in Datca Peninsula, the region of earliest production in Turkey, famous for tasty almonds. Although Datca Peninsula is famous for its almonds among Turkish consumers, the amount of almonds harvested from the region is minor in the overall almond production of Turkey - 1,500 MT in a good year estimated by market sources. This year's weather conditions were perfect, and the harvest is expected to be at its best.

Adiyaman province in the Southeastern Anatolia Region also had a good combination of rain and sun in the expected seasons of IY 2019/20. Farmers report that it was a very good year for almond trees.

[3] The exchange rate is 7.469 TL/USD as of September 11, 2019.

Several other smaller production areas in the Southeastern Anatolia Region, such as Mardin and Batman, also had cooperative weather conditions this growing season. However, a forest fire unfortunately affected almond orchards in Adiyaman province this summer. Journalists report that 5,000 ready-to-harvest almond trees burned down which will cause a loss in the harvested amount.

There are also almond orchards in the province of Manisa, where the climate is suitable for cultivating almond trees. The market for domestically-produced almonds is usually strong, and new orchards have been established to meet the demand.

The rest of the Aegean and Mediterranean regions, such as Antalya, Mersin, Manisa and Mugla have also had a good IY, in line with long term averages and warm weather came at the right time, contributing to a good harvest.

Adiyaman and Kahta Chambers of Agriculture in the region report that the purchasing prices set by the Agricultural Credit Cooperative Union (ACCU) for the 2020/21 harvest is below last year's market prices and the expectations of farmers. The costs of inputs such as, but not limited to, fertilizer, herbicides, and labor has increased since last year due to the depreciation of the Turkish lira and inflation. The price offered by the ACCU affects the prices offered by commercial buyers, therefore effectively setting a limit to the price. The two chambers report that these low prices would discourage famers from continuing to grow almonds or at least enlarging orchards as hoped.

The district of Kahta within Adiyaman Province is the leader in almond production in Turkey since 2016, according to the Kahta Union of Hard Shelled Fruit Producers. The expectation for the province is to have 100,000 hectares of almond orchards by 2023/24, with the goal of producing enough almonds to meet domestic demand in Turkey. To assist with this goal, in 2017, the GoT established the Adiyaman Hard Shelled Fruits Research Institute which will work in cooperation with the University of Adiyaman. An almond and pistachio processing facility has also been established by the Agricultural Credit Cooperative Union with the support of the GoT and opened in spring 2018. In September 2019, the '1st Adiyaman Almond Summit' was organized by the Adiyaman Agriculture and Forestry Directorate and Ipekyolu Development Agency, a governmental agency that stimulates regional development. The GoT is encouraging farmers in the region to invest in almond orchards by increasing awareness of the potential benefits in various ways. Reaching enough production to meet Turkey's almond demand, with 50 percent produced in the Adiyaman/Kahta region by 2023/24 does not seem feasible given the current situation.

Although almonds are grown in most parts of the country, they typically have been considered a minor crop and not widely cultivated commercially in Turkey. The former Ministry of Forestry and Water Affairs (MinFWA) had been conducting "Special Afforestation Projects" for almost 30 years with the target of afforestation and improvement of non-arable lands and the rural economy by leasing the forest and government-owned lands to members of the local community and the private sector. Almonds have been the most popular trees with around 45 percent of total trees planted in the scope of these projects. Despite the increase in the number of planted almond trees, almond production has not increased significantly in these areas, likely because the trees are planted in less than ideal conditions and are not carefully tended.

Since imports and prices have been rising in recent years, the GoT has taken another action to increase domestic production via increasing the number of almond trees. As a result, the "Almond Action Plan" was prepared by the GoT for 2013-2017. In the scope of this plan, eight million almond seedlings were planned to be planted within five years. However, implementation focused on increasing forested area rather than agricultural production. The GoT also encourages producers to establish new orchards by allocating free land for 49 years, providing some interest-free financial support, and financially

supporting farmers registered in the "Farmers Registration System" for using certified seedlings in these orchards.

As a result of these incentives and government support, the establishment of almond orchards has become popular in Turkey and the private sector has concentrated on establishing new almond orchards for commercial production in Izmir, Manisa, Mugla, Denizli, Sanliurfa, Canakkale, Adiyaman and Karaman Provinces. In 2020, the Turkish Ministry of Agriculture and Forestry (MinAF) has published a guide booklet for investment in almond orchards. The study takes a sample 100 ha orchard establishment and does the financial analysis (net present value analysis) and explains technical details of establishing an almond orchard giving information on different steps. Commentators say that it will be helpful although the facts in the rural areas could be a bit different than this desktop study. The guide reports the investment as profitable, returning investment in 7 years. It is believed that these initiatives will increase the production of almonds in the future.

b. CONSUMPTION

Post forecasts that there will be a decrease in almond consumption to 25,000 MT in MY 2020/21 as a result of depreciation of TL and less use of snacks in hotels, cafes, and bars due to COVID-19. Almonds are mainly consumed as a snack food and limited amounts are used in the confectionary and cosmetics industries in Turkey. As with pistachios, the packaging of tree nuts, including almonds, has increased and about 1/3 of tree nuts are sold pre-packaged.

Almond retail prices in Istanbul, Turkey are about 90 – 140 TL/kg (12.05 – 24.10 USD[4]/kg) for both shelled roasted almonds and raw almonds. Prices vary by neighborhood and according to retailer. Prices increased in terms of TL but decreased in USD terms due to the depreciation of the TL against the USD.

c. TRADE

Turkey is a net importer of almonds and the United States continues to be the major supplier of high quality almonds in MY 2019/20. Australia, Spain, Uzbekistan, and Iran are some other minor suppliers of almonds to Turkey.

Since January 1st, 2018, import tariffs on almonds imported from all countries decreased to 15 percent. However, there were 20 percent additional tariffs on U.S.-originated tree nuts since August 2018 as retaliation to the U.S. Government increasing the tariffs on Turkish steel and aluminum. On May 17th 2019, the additional tariffs on nuts were halved (reduced to 10 percent).

In total, the final import tax on almonds from the United States is now 25 percent of the cost, insurance and freight (CIF) value of the shipment as of September 2019, and is 15 percent for almonds from all other origins. There is still a demand for high quality almonds in the Turkish market and according to the sector, domestic production will not be able to meet this demand in MY 2020/21.

A small decrease in imports is expected for MY 2020/21 in line with expected increases in domestic production and decreases in consumption. Post forecasts that imports will decrease to 20,500 MT in MY 2020/21.

Turkish customs also has a minimum reference (oversight) price for nuts. If the CIF invoice value of the in-shell almond is at or below 4,400 USD the tariff will be applied at 4,400 USD per ton. If the per ton CIF invoice value is greater than 4,400 USD, the tariff will be applied at the actual CIF invoice value. The tariff for shelled almonds is based on a minimum CIF per ton value of 6,900 USD or greater.

[4] The exchange rate is 7.469 TL/USD as of September 11, 2019

HS CODE	COMMODITY	OVERSIGHT VALUE ON CIF (USD/MT*)
080211	In Shell Almond	4,400 USD
080212	Shelled Almond	6,900 USD

*Ton: Gross Weight

If almonds are imported in the scope of the Inward Processing Regime (IPR), importers do not pay tax if the almonds will be exported after being processed, such as being shelled or packaged. Turkey's main almond export destinations are Middle Eastern and North African countries (such as Iraq, Saudi Arabia, Libya, Tunisia, and Algeria).

As of May 2020, a new regulation is in effect for suppliers of almonds to Turkey, along with suppliers of many other items such as, but not limited to, walnuts and cashews. All suppliers of almonds, i.e. exporters, to Turkey should register themselves in an online system entering company information and filing verified documents via Turkish buyers. You may consult to our report on the New Regulation Requires Registration for Exporters of Tree Nuts and Other Products to Turkey if you need to register your company in the new system. This regulation is intended to be a surveillance system to discourage the illegal flow of these nuts into the country.

d. POLICY

As with other tree nuts, the GoT supports almond farmers who are registered in the "Farmers Registration System". Supports are announced by the GoT in the middle of each calendar year. These supports are available to all farmers regardless of what they are planting.

GoT offered farmers the following supports for the year 2020:

- 100 TL/da (13.39 USD[5]/da) and 400TL/da (53.55 USD/da) respectively for the establishment of orchards that are planted with standard seedlings and certified seedlings
- 10 TL to 100 TL /da (1.34 USD/da to 13.39 USD/da) for organic agriculture;
- 30 TL/da (4.02 USD/da) for Good Agricultural Practices;
- 19 TL/da (2.54 USD/da) for fuel and fertilizer.

III. WALNUTS

a. PRODUCTION

In MY 2020/21, Post expects production of walnuts to reach 67,000 MT. Rainfall was adequate in IY 2019/20 in the Marmara and Aegean regions where some of the best commercial walnut orchards are located. The weather conditions, including enough warmth and sun, were suitable for good walnut yields throughout Turkey. There was no major hail or frost damage in the spring and weather conditions were normal for pollination. CoVID-19 did not affect the growing conditions.

Walnut trees, like almonds, are scattered throughout the country. They grow in almost every province of the country, but commercial plantations of walnuts are relatively new to Turkey. The GoT has implemented programs to encourage increasing production of walnuts. There are good commercial orchards which were established in the last 10 – 15 years in the Thrace region, in the Sakarya and

[5] The exchange rate is 7.469 TL/USD as of September 11, 2019.

Kocaeli provinces (in the Marmara Region) and in the Adiyaman province in the Southeastern Region of the country. However, these are insufficient to meet the demand for high quality walnuts among Turkish consumers. The GoT encourages producers to establish new walnut orchards by allocating free land for a term of 49 years and some interest-free financial support programs. The government also supports farmers who are registered in the "Farmers Registration System" for using certified seedling in these orchards. New orchards are being established in many provinces by the private sector due to these government incentives and high market prices. These new orchards are in the Aegean, Marmara, Southeastern Anatolia and Mediterranean regions. Chandler is becoming the most popular variety, due to consumer preference. However, some issues remain in terms of the suitability of varieties to local conditions and the reliability of certified seedlings. An agricultural cooperative in the Aegean Region announced in Fall 2019 that they completed the first harvest of a variety they developed themselves locally. They named this new local variety 'Potemia Erdin'.

Walnuts have been the second most popular tree planted under the former MINFWA's Special Afforestation Projects, accounting for around 30 percent of the total planting initiative. However, in regions such as Central and Eastern Anatolia, many trees were planted in soils or locations which were not ideal for walnut production. Irrigation is mostly not available in these lands and delivering the water to the plots is costly, especially on slopes.

In order to increase domestic production, a "Walnut Action Plan" was prepared by the GoT for the 5-year period of 2012-2016. In the scope of this plan, five million walnut seedlings were to be planted. As with the Almond Plan, the implementation of the Walnut Plan focused on increasing forest area rather than agricultural production and has not been fully implemented, with only around 3 million total walnut trees planted. Despite the increased land area planted due to the above mentioned afforestation projects, walnut production has not increased significantly.

Until 1970, walnuts had been propagated only by seeds and therefore, until the last decade, it was very difficult to find established orchards of standard cultivars in Turkey. However, the importance of propagation by grafting and budding is now understood and as a result, orchards of standard cultivars are becoming increasingly widespread. Currently, the major problem for walnut producers in Turkey is low yields. There is also great need for improved varieties. Yalova Horticulture Research Institute, which is located in the Marmara Region, is Turkey's leading walnut research facility and the developer of new varieties. Commercial production of the improved varieties developed by this institute has begun in Balikesir, Denizli, Bursa, and Kahramanmaras provinces.

b. CONSUMPTION

The walnut consumption estimate for Turkey is 142,000 MT for MY 2020/21, a bit more than last MY. As it is an on-year for pistachio and COVID-19 limits the café, bar and hotel use a bit, the consumption will stay stable and not increase much.

In Turkey, walnuts are commonly used in desserts, just like pistachios. Turkish desserts such as pestil and köme are made by combining walnuts with mulberries and grapes. Walnuts are also used in baklava, ice cream, halva production, cookies/cakes, breads/bakery, pastries, and in the dried fruit industry as well. The leaves and green shells are used as a pigment in Turkey. Walnut wood has been used for the furniture industry for many years.

Walnut consumption has increased significantly in recent years due to consumers understanding the health benefits of the nut and increased availability of packaged tree nuts, including walnuts. Most walnuts in the market are sold in bulk, in-shell. Turkish consumers purchase walnuts regularly and use

them as an ingredient in everyday foods. Walnuts are the second most-purchased nut in Turkey, after hazelnuts.

Currently, walnut retail prices are above last year's prices during the same time period in Istanbul (in terms of TL prices), due to the exchange rate of the U.S. dollar against the TL. Shelled walnuts are priced from 85 to 125 TL/kg (11.38 - 16.74 USD[6]/kg) and in-shell walnuts are from 35 to 50 TL/kg (4.69 - 6.69 USD/kg) varying by production and retail outlet.

c. TRADE

Post forecasts 83,000 MT of walnut imports in MY 2020/21. This represents a small decrease compared to last year. It is an on-year for pistachios which therefore will be more widely available and the TL continues to depreciate against major currencies. Hotels, restaurants and cafes are predicted to use slightly less walnuts due to COVID-19 since less people will visit those establishments until there is a vaccine/cure for the pandemic. The United States continues to be the major in-shell walnut supplier in MY 2019/20. After the United States, Chile, Uzbekistan, Ukraine, China, and Moldova were the other walnut suppliers, largely due to price and seasonality considerations. Due to retaliatory taxes on U.S.-originated walnuts, traders have purchased imports as much as possible from other sources. Traders agree that Turkey will continue to be an importer of walnuts due to high quality product demand by Turkish consumers. Depending on the year, around 45-55 percent of total walnut consumption is supplied through domestic production, Due to the strong demand for high quality walnuts in the Turkish market, the remaining amount is imported to meet the demand.

The import tariff has been changed in 2020 for walnuts. In August 2020, a new presidential decree declared that the tariff rates for in-shell and shelled walnuts is dropping to four percent. However, in retaliation for the tariffs put on Turkish steel and aluminum by the United States, the GoT put first a 10 percent extra tariff on all tree nuts imported from the U.S., and added a second 10 percent additional tariff. Later, on May 17th 2019, the additional tariffs on nuts were halved (reduced to 10 percent). The final total import tax on walnuts from the United States is 14 percent with the additional 10 percent retaliatory tariff, compared to four percent for walnuts from all other origins. Like almonds, walnuts had an oversight price system for customs taxation, but as of August 2020, this system was canceled for walnuts.

The 15 percent tariff rate for in-shell walnuts is now decreased to four percent as mentioned above (U.S.- origin walnuts still have an extra 10 percent retaliatory tariff) but an amount of 300 Euro per MT (approx. 355 USD/MT) Housing Development Fund (HDF) will be charged for in-shell walnuts and a 690 Euro per MT (approx. 817 USD/MT) HDF will be charged. Turkish traders comment that this represents a slight decrease in customs taxes in total for walnuts when compared to the previous system of 15 percent tariff rates (plus 10 percent for U.S.-originated) and oversight price.

As of May 2020, another new regulation is put in place for the suppliers of walnuts to Turkey, along with suppliers of many other items such as but not limited to almonds and cashews. All suppliers of walnuts, i.e. exporters, to Turkey must register in an online system with certain required company information and additionally file verification documents via Turkish buyers. You may consult our report on the New Regulation Requires Registration for Exporters of Tree Nuts and Other Products to Turkey if you need to register your company to the system for exporting to Turkey. This is intended to be a surveillance system to discourage the illegal trade of walnuts.

[6] The exchange rate is 7.469 TL/USD as of September 11, 2019.

Turkey's processing industry has grown in recent years. Imports of both in-shell and shelled walnuts, and exports of shelled walnuts have increased substantially. Importers can utilize the Inward Processing Regime (IPR) for walnuts that are imported to be further processed and exported to third countries. With the IPR, importers do not pay import tariffs if they export a value-added end product. U.S. walnuts imported under IPR tend to be processed and exported to Middle Eastern and African countries (Egypt, Saudi Arabia, Tunisia, and Libya).

d. POLICY

The GOT supports walnut farmers who are registered in the "Farmers Registration System". Supports are announced by GOT in the middle of each calendar year.

GoT offered farmers the following supports for the year 2020:

- 100 TL/da (13.39 USD[7]/da) and 400TL/da (53.55 USD/da) respectively for the establishment of orchards that are planted with standard seedlings and certified seedlings
- 10 TL to 100 TL /da (1.34 USD/da to 13.39 USD/da) for organic agriculture;
- 30 TL/da (4.02 USD/da) for Good Agricultural Practices;
- 19 TL/da (2.54 USD/da) for fuel and fertilizer.

IV. HAZELNUTS

Turkey is the largest producer and exporter of hazelnuts in the world, accounting for about 70 percent of world production and around 75 percent of world exports.

Post forecasts hazelnut production will be 550,000 MT for MY 2020/21 in Turkey, lower than the previous MY. In the Black Sea Region of Turkey, where hazelnuts are grown, in irrigation year 2019/20, the level of rain was slightly below the long-term average.

In the second half of August 2020, there was major flooding in Ordu province close to the shore of the Black Sea. Ordu is one of the major hazelnut production zones in Turkey, if not the most important. The Chamber of Agricultures in Ordu area report that hazelnuts were spread for drying when the rainstorm occurred, and some were carried into the sea with the torrents. This was an exceptional rainstorm; reportedly a tornado was seen over the Black Sea of the coast of Ordu during the storm, which is rather unusual in any region of Turkey. Also in late August, there was a rain storm and floods in Giresun province. Some of the harvested hazelnuts in Ordu and Giresun provinces were affected; these unfortunate incidents will slightly lower the overall expected yield. There has not been any major frost or hail problems in the Black Sea region this year affecting the flowers or pollination.

However, there seems to be an emerging pest problem. Stink bugs are a growing problem and are worse this MY than last. Turkey is currently using pesticides but looking into bringing in additionally biological solutions to fight this pest.

MinAF declared Turkey produced 665,000 MT of hazelnuts for MY 2020/21 in July 2020. However, even a parliamentarian from the governing coalition representing Ordu Province explained in a press conference that this kind of a yield is impossible for MY 2020/21 and has never happened before. His party actually has fired him because he was opposing the official number announced by the Minister of Agriculture and Forestry. Some Chambers of Agriculture also voiced concerns about the official production amount declared by the Minister.

[7] The exchange rate is 7.469 TL/USD as of September 11, 2019.

The president of Turkey himself declared the official Turkish Grains Board (TMO) purchasing prices for hazelnuts in a July speech. Giresun quality hazelnuts will be purchased at 22.00 TL/kg and Levant quality will be purchased at 22.50 TL/kg. The Minister of Agriculture and Forestry announced that TMO will purchase all the hazelnuts brought to them, given that the quality standards are met, and pay farmers within 20 days. These prices were found reasonable by market sources, and similar prices are being realized in the open market. This year many orchard owners stayed much longer than usual in their orchards due to COVID-19 in order to isolate themselves from town centers and worked themselves instead of hiring temporary workers (or hired less temp laborers), which helped decrease input costs. Overall, farmers seem to be more satisfied by the profit margins this year compared to previous years. The prices will not drop much since the real yield is lower than the originally declared amount by the Minister.

Although hazelnuts are grown in more than 48 provinces around Turkey, production is primarily concentrated along Turkey's Black Sea coast. Hazelnut orchards are typically located within 30 km of the coast. In the western Black Sea area, the growing region starts at Zonguldak (east of Istanbul) and extends east along the entire Black Sea and the mountains until close to the Georgian border. There are approximately 500,000 producers and 4,000,000 people directly or indirectly employed by hazelnut production in Turkey on an area of around 700,000 hectares.

The Black Sea region is divided into three distinct growing areas: (1) The hilly region from Ordu to Trabzon, centered around Giresun, and east of Trabzon, including Rize, which in a normal year produces about 55 percent of the crop, (2) The flatter, mixed farming region west of Ordu to Samsun, which produces about 15 percent of the crop, and (3) The area west of Samsun, which produces the remaining 30 percent. Hazelnuts require relatively little effort to cultivate and input requirements are low. However, with better maintenance, the yield efficiency of Turkish hazelnut orchards can easily be improved. Due to socio-economic reasons, Turkish hazelnut orchards are not well maintained, and the trees are aged, with some orchards dating back 70 years. Turkish hazelnuts usually ripen between early and late August, depending on the altitude of the orchard and weather conditions. Hazelnuts are hand-picked from the trees and dried in the sun. Harvesting takes place during several weeks in August and September. Turkey produces around 600,000 MT of hazelnuts under normal weather conditions.

Both the GoT and private companies purchase hazelnuts from producers. About one third of the exports are bought by Italian-owned Ferrero Hazelnut Company which also owns the brand Nutella. The company purchased the largest Turkish trader and its Italian competitor in 2015 and became the largest hazelnut trader in Turkey. Approximately half of all exports are carried out by international companies. Most years, TMO purchases and stocks hazelnuts on behalf of the GoT. In addition, the Union of Hazelnut Agriculture Sales Cooperatives (FISKOBIRLIK) some years purchases and stocks nuts to keep prices stable. Note that USDA does not maintain a Production, Supply and Distribution table for hazelnuts.

V. PRODUCTION, SUPPLY and DISTRIBUTION STATISTICS:

Pistachios, Inshell Basis	2018/2019		2019/2020		2020/2021	
Market Year Begins	Sep 2018		Sep 2019		Sep 2020	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	0	0	0	0	0	0
Area Harvested (HA)	0	0	0	0	0	0
Bearing Trees (1000 TREES)	0	47700	0	49558	0	52061
Non-Bearing Trees (1000 TREES)	0	19400	0	20530	0	20984
Total Trees (1000 TREES)	0	67100	0	70088	0	73045
Beginning Stocks (MT)	500	500	22500	22500	0	500
Production (MT)	210000	210000	85000	85000	0	250000
Imports (MT)	12275	5000	15000	12000	0	3000
Total Supply (MT)	222775	215500	122500	119500	0	253500
Exports (MT)	14950	17000	5500	4000	0	25000
Domestic Consumption (MT)	185325	176000	116500	115000	0	190000
Ending Stocks (MT)	22500	22500	500	500	0	38500
Total Distribution (MT)	222775	215500	122500	119500	0	253500
(HA), (1000 TREES), (MT)						

Almonds, Shelled Basis	2018/2019		2019/2020		2020/2021	
Market Year Begins	Aug 2018		Aug 2019		Aug 2020	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	0	0	0	0	0	0
Area Harvested (HA)	0	0	0	0	0	0
Bearing Trees (1000 TREES)	0	6810	0	8490	0	9522
Non-Bearing Trees (1000 TREES)	0	5100	0	5401	0	6333
Total Trees (1000 TREES)	0	11910	0	13891	0	15855
Beginning Stocks (MT)	400	400	400	500	0	500
Production (MT)	16000	16000	15000	15000	0	16500
Imports (MT)	18100	22000	17000	20500	0	16500
Total Supply (MT)	34500	38400	32400	36000	0	33500
Exports (MT)	7000	8000	7000	8000	0	8000
Domestic Consumption (MT)	27100	30000	25000	27500	0	25000
Ending Stocks (MT)	400	500	400	500	0	500
Total Distribution (MT)	34500	38500	32400	36000	0	33500
(HA), (1000 TREES), (MT)						

Walnuts, Inshell Basis	2018/2019		2019/2020		2020/2021	
Market Year Begins	Sep 2018		Sep 2019		Sep 2020	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	0	0	0	0	0	0
Area Harvested (HA)	0	0	0	0	0	0
Bearing Trees (1000 TREES)	0	8766	0	9875	0	11250
Non-Bearing Trees (1000 TREES)	0	7894	0	8897	0	10000
Total Trees (1000 TREES)	0	16660	0	18772	0	21250
Beginning Stocks (MT)	3800	3800	1800	1800	0	2800
Production (MT)	63000	63000	65000	65000	0	67000
Imports (MT)	109000	75000	110000	85000	0	83000
Total Supply (MT)	175800	141800	176800	151800	0	152800
Exports (MT)	7500	10000	8000	8000	0	8500
Domestic Consumption (MT)	166500	130000	166800	141000	0	142000
Ending Stocks (MT)	1800	1800	2000	2800	0	2300
Total Distribution (MT)	175800	141800	176800	151800	0	152800
(HA), (1000 TREES), (MT)						

Attachments:

No Attachments