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Turkey

Cotton and Products Annual

Domestic Consumption Declines Amid Economic Downturn

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Report Highlights:
Turkish cotton planting and production for Marketing Year (MY) 2019/20 is projected to be about 540,000 hectares and 900,000 metric tons (4.13 million bales). Turkish cotton area and production for MY 2018/19 was 525,000 hectares and 840,000 MT (3.85 million bales) as weather conditions and pest attacks adversely affected production. Domestic consumption in MY 2018/19 is estimated to decline to 1.40 MMT (6.42 million bales) due to the ongoing local economic downturn but expected to recover in MY 2019/20, reaching 1.45 MMT (6.65 million bales). The textile industry continues to be one of the leading sectors in the Turkish economy and the United States remains the top supplier of cotton to the Turkish market.

Executive Summary:

Turkish cotton planting area for MY 2019/20 is forecast at 540,000 hectares and production at 900,000 MT, (4.13 million 218 lb bales). Farmers in the Aegean and Cukurova region are reportedly happy with the returns from higher local cotton prices in early MY 2018/19 and are willing to again plant cotton. The Southeastern Anatolia (GAP) region farmers have no alternative to planting cotton this season due to late picking and continuous rains in winter months which created field conditions that did not permit planting any other crops. GAP farmers suffered lower returns over the past season due to quality losses and a late harvest coinciding with a major depreciation of the Turkish Lira following the summer months of 2018.

Available information indicates that Turkish cotton planted area and production for MY 2018/19 is 525,000 hectares and 840,000 metric tons (MT) which is 3.85 million bales. Yields were adversely affected by excessive rains following planting that necessitated replanting, cool weather during the season, untimely fumigation which stimulated pest attacks in all regions and continuous rains during the picking season in the GAP region. While harvest was done in a timely fashion in the Aegean and Cukurova regions, rains postponed picking for many weeks in the GAP region, lowering quality and yields significantly.

Starting from mid-summer 2018, the Turkish economy has been going through a downturn, including a major depreciation of the Turkish Lira (TL), where within four weeks its value dropped about forty-four percent against the leading global currencies. Even though the TL gained some of its value back, the economic situation contributed to a major credit bottleneck due to local banks' resistance to extend credit. Local annual inflation also went up, reaching twenty percent as of the end of February. While depreciation of the TL helped Turkish textile product exporters, high local inflation adversely affected purchasing power of local consumers. Local economic experts predict that the economic stagnation will end in late 2019, with one percent economic growth predicted for CY 2019.

In an effort to increase cotton planting, the Turkish government (GOT) had increased the cotton production bonus for five years in a row until MY 2017/18 but kept it the same for MY 2018/19 Accordingly, the bonus for seed cotton remained 0.80 Turkish Lira (TL) per kg for MY 2018/19. (US$ 1 = TL 5.45 Tl as of March 8). Due to the high domestic annual inflation, farmers are requesting a further increase of the bonus for the MY 2019/20 crop.

The textile industry continues to be the one of the leading sectors in the Turkish economy, accounting for about 16 percent of total exports in 2018. Approximately 36,000 companies operate in the sector, providing about 515,000 jobs in garment production alone. Exports of ready-to-wear items in CY 2018 were $17.6 billion and textiles were $8.4 billion, both up about four percent compared to a year before. The EU has been the leading market for Turkish textile and garment exporters as buyers prefer to work with low stocks - hence they prefer to work with Turkey due to geographical proximity, short response time, and good quality.

Overall, domestic textiles and products sales had increased significantly in recent years due to a

rapid increase in numbers of shopping malls with clothing and textile stores. The increasing youth population, immigration to urban areas and an increase in tourist numbers had all contributed to domestic consumption. However, the recent economic crisis is negatively affecting domestic consumption of textiles. Accordingly, MY 2018/19 cotton consumption is expected to decline to 1.40 MMT (6.43 Million bales).

Despite the three percent antidumping surcharge, the United States continued to be the leading cotton supplier to the Turkish market, supplying 41 percent of imports with 99,312 MT (0.45 million bales) during the first six months of MY 2018/19. Available information suggests that the U.S. cotton share will be about 45 percent by the end of the marketing year. In mid-January, the GOT also announced an import tax ranging between five to eight percent for cotton yarn imports from certain categories of countries.

Production

Turkish cotton planting area for MY 2019/20 is expected to be about 540,000 hectares and production at 900,000 MT (4.13 million bales). In spite of the lower than usual yields during last summer, good returns on cotton for the past three years for Aegean and Cukurova region farmers are expected persuade them to plant cotton this summer as well. GAP region farmers will have to plant cotton since late harvesting that lasted until the end of month of February prevented planting alternative crops leaving cotton the only crop that they can plant. However, lower than expected yields and income for GAP cotton farmers last season and major price increases for fertilizer and other chemicals may force those farms to reduce usage of these inputs in the coming season which might result in lower yields in the region.

MY 2019/20 Production and Area by Region

Region	Area (thousand ha.)	Production (thousand MT)
Aegean	130	220
Cukurova	100	180
GAP	310	500
Total	**540**	**900**

Source: Post Estimates

MY 2018/19 cotton planting area and production are estimated at 525,000 hectares and 840,000 MT. This represents an increase in planting by about 45,000 hectares compared to MY 2017/18 due to the higher returns of previous years, but reduction in the production forecast by about 40,000 MT. Field yields are reported to be lower due to excessive rains in June that forced farmers to do a second planting. It also increased pests, which together with untimely fumigation resulted in lower yields in all regions. Timely picking was also prevented in the GAP region due to continued rains causing yields and quality loss.

Most of Turkey's cotton is planted between mid-March and mid-May, and harvested from mid-August through November. The crop is grown in three main areas: the Aegean region, Çukurova (near Adana on the Southern Coast), and Southeastern Anatolia. Small amounts of cotton are also produced around Antalya.

Overall, yields and quality have been improving in recent years because farmers who continue planting cotton are the most efficient, and have modern equipment and larger fields. Increased utilization of certified seeds, estimated to be about 95 percent of total seeds, has also helped increase yields. The increase in certified seed use is driven by a 10 percent higher production bonus for certified seed users. Additional information can be found in the latest Planting Seeds Report. The GOT is also increasing its efforts to combine small, fragmented, and divided lots which make up many Turkish farms. Therefore, better planting techniques and economies of scale are helping famers achieve higher yields. Mechanical harvesting is reported to have increased field and ginning yields and reduced picking cost

Aegean cotton is considered the best quality and is preferred by textile producers. Aegean cotton is longer staple (1 5/32") than cotton from Çukurova (1 3/32") or the GAP (1 1/8") region, although the quality of the cotton has improved significantly in the GAP region due to improved seed quality. The most popular varieties in the Aegean region are "Fiona", "Gloria" and "Lima."; in Çukurova they are "Delta Pine-BP 332", Lima and "Gloria"; and in the Southeast, "Stone Mill ST 468", "Candia", "Delta Pine 339" and "Lima".

The total number of mechanical harvesters in Turkey has increased rapidly to about 1,230. The great majority of them, about 1,000, are new modern harvesters and about 230 are used and modified harvesters. Presently about 95 percent of Aegean cotton is picked by harvester, and 85 percent of Çukurova and 75 percent of Southeast Anatolian (GAP) cotton. The demand for mechanical harvesters has increased in recent years since the high cost and scarcity of labor have caused cotton picking delays and losses.

All of Turkey's estimated 550 cotton gins are privately owned. The great majority of the gins in the Turkey are roller gins. However, the recent increase in machine harvesting has triggered the construction of new saw gins. The agricultural cooperatives Tarış and Cukobirlik have invested in new saw gins to meet the needs of their members. Private groups continue to invest in saw gin projects in the GAP region as well.

The ginning rate average is about 39 percent in the Aegean and GAP regions, and 38 percent in Çukurova. Ginners generally purchase seed cotton directly from growers. In recent years, an increasing amount of local cotton is graded by HVI machines at the measurement centers run by the regional commodity exchanges.

Pests, including budworm and bollworm, are a problem for cotton producers in all three main regions. Producers are opposed to the continuing government ban on aerial pesticide spraying, as they assert that there is no other cost-effective way to control infestations in traditional varieties. Turkey does not permit planting of genetically engineered crops, including cotton, although BT cotton has been shown to reduce pesticide use in other cotton producing countries.

Price Table

TURKEY	
Aegean cotton, color 41, per lb	
MY 2018/19	US cent
2018 August	74.63
2018 September	* N/A
2018 October	71.24
2018 November	77.51
2018 December	72.72
2019 January	81.63
2019 February	83.38
*Not Announced	

PSD, Turkey, Bales (1000 Hectares/1000 bales)

Cotton	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	470	480	520	525	0	540
Area Harvested	470	480	520	525	0	540
Beginning Stocks	1528	964	1877	1241	0	1195
Production	4000	4040	3700	3855	0	4130
Imports	4024	4022	3200	2984	0	3000
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	9552	9026	8777	8080	0	8325
Exports	325	325	300	460	0	370
Use	7350	7460	6800	6425	0	6655
Loss	0	0	0	0	0	0
Total Dom. Cons.	7350	7460	6800	6425	0	6655
Ending Stocks	1877	1241	1677	1195	0	1300
Total Distribution	9552	9026	8777	8080	0	8325

PSD Turkey, Metric Tons (1000 Hectares)

Cotton	2017/2018	Revised	2018/2019	Estimate	2019/2020	Forecast
	Post Old	Post Estimate [New]	Post old	Post Estimate New	Post Old	Post Estimate [New]
Market Year Begin		Aug 2017		Aug 2018		Aug 2019
Area Planted	470000	480000	550000	525000	0	540000
Area Harvested	470000	480000	550000	525000	0	540000

Beginning Stocks	210002	210002	260002	270490	0	260490
Production	870000	880000	920000	840000	0	900000
Imports	850000	876211	700000	650000	0	650000
MY Imp. from U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1930002	1966213	1880002	1760490	0	1810490
Exports	70000	70723	80000	100000	0	80000
USE Dom. Consumption	1600000	1625000	1550000	1400000	0	1450000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1600000	1625000	1550000	1400000	0	1450000
Ending Stocks	260002	270490	250002	260490	0	280490
TOTAL DISTRIBUTION	1930002	1966213	1880002	1720490	0	1810490

Production Policy

The main initiative that will increase cotton planting area in Turkey is the progress of the Southeastern Anatolian Project (GAP). Over the years, the GOT's commitment to the project had continued by allocating large sums annually to the GAP project to finalize the construction of dams, irrigation channels, and other infrastructure in the Southeast Anatolian region. However, the recent economic down turn and technical problems in individual construction sites and security problems in the region are reportedly slowing down the progress. Presently, about 650,000 hectares of land is estimated to be irrigated in the region by the project canals and individual wells.

The GOT has spent more than US$ 25 billion over the past three decades on the GAP project. When finished, the ultimate goal is that some 1.4 million hectares of land will be irrigated and a total of 22 dams will be completed. So far, about 79 percent of the hydroelectric projects are completed, but only 23 percent of the irrigation projects. During the last four years, the GOT allocated funds for the project to revitalize some of the irrigation projects. In a few years, it is expected that a total of 1.04 million hectares of land will be irrigated (both through the project and through the private sector's independent efforts), which could eventually increase cotton planting and production in the region.

The Harran region is an example of the goals of the GAP project. It is at the heart of the cotton growing area in the GAP region, and 140,000 hectares are under irrigation. The GOT also provides technical and financial assistance to farmers to build modern drip irrigation systems to prevent ecological problems and the waste of water resources. There are also studies and efforts in the area to move away from open canal irrigation systems to closed systems to prevent water loss during transport.

Six years ago, Turkey became part of the Better Cotton Initiative (BCI), which refers to cotton produced with sustainable farming practices such as using less chemicals and water during production. BCI cotton production continued to increase in recent years and is estimated to have reached 53,000 MT in MY 2018/19 up about 29 percent from the previous crop year. Higher profitability in BCI cotton production generated interest among farmers in all regions. BCI cotton production is expected to increase further to 90,000 MT in MY 2019/20 due to increased demand from local textile companies for this type of cotton. Turkey produces about 10,000 MT of organic cotton each year as well.

Consumption

MY 2017/18 domestic cotton consumption is expected to decline to 1.40 MMT (6.42 million bales) down about fourteen percent compared to last marketing year, due to ongoing domestic market shrinkage because of recent economic turmoil. Domestic consumption is expected to recover in MY 2019/20 reaching 1.45 MMT (6.65 million bales) as result of an expected recovery in the domestic economic outlook and in export markets. Over the years, Turkish mills have invested in new machinery and technology to increase quality and to lower costs in order to stay ahead in the very competitive international textile trade.

While domestic consumption is expected to take a temporary hit in 2018/2019, the longer term trend is positive. The increasing youth population, immigration to urban areas and rapid growth in number of shopping malls with clothing stores significantly increased the total volume of textile products sold in the Turkish domestic market in recent years. The total number of shopping malls with textile stores increased two-fold over the last ten years reaching 400 in 2018 (of which about 120 are in Istanbul), which had a major contribution to domestic textile products sales.

In recent years, the increased number of tourists visiting Turkey from neighboring Middle Eastern countries also contributed to local sales of textile products. Additionally, Turkish clothing producers are increasing their number of stores in export markets in the Middle East, North Africa and Europe, to penetrate more into the markets where they are already operating. The upward export trend in traditional export markets such as Europe and Russia, and also in new markets such as Japan and Ukraine will help to support the domestic cotton consumption recovery in MY 2019/20.

The textile industry continues to be one of the most important sectors for the Turkish economy, accounting for 8 percent of GNP and 16 percent of industrial employment. Turkish textile mills continue to renew their technology with new equipment. Accordingly, investments by the Turkish textile industry since 1985 are estimated at more than $90 billion. Presently, Turkey’s production capacity is estimated at 7.5 million spindles and 700,000 rotors. Turkey ranks among the top five countries in the world in terms of yarn production capacity and number six in ready-to-wear-items production. Turkish textile exporters have the advantage of faster order response times and higher quality compared to many of their competitors.

According to the Exporter’s Union data, in 2018, ready-to-wear items exports were $17.6 billion and textile exports were $8.4 billion, both up about four percent compared to a year ago. Overall, the share of textiles and products in total exports was about 16 percent.

Domestic cotton is mainly sold directly to mills and the remainder is traded on a spot basis at the exchange in Izmir. The Izmir exchange also trades some cotton from other regions and countries. There are smaller spot markets in Adana and in the Southeast.

The Izmir Cotton Exchange formed a company and built a large licensed storage facility with 15,000 MT capacity where farmers can leave their cotton for future sales. The Şanli Urfa Commodity Exchange in the GAP region has also built a 20,000 MT capacity licensed storage facility that started operations as of January 2019. These new facilities will bring new opportunities to Turkish farmers in cotton marketing, ease early season price pressures, and enable them to sell later in the season with higher prices.

Trade

Turkey’s cotton imports were 241,887 MT (1.1 million bales) during the first six months of MY 2018/19, about forty percent less than the same period last marketing year due to attractive prices of local cotton and reduced local demand. The United States was the leading supplier with 99,312 MT, followed by Brazil with 33,987 MT and Greece with 32,766 MT.

Total U.S. registered cotton exports during the first six months of the marketing year, plus reported export commitments to Turkey (as of March 7) equals 219,000 MT (1 million bales) down about thirty-six percent compared to the same period last year. Demand for U.S. cotton is expected to pick up during the second half of MY 2018/19 and year-end imports from the United States are expected to reach 350,000 MT (1.6 Million bales).

Turkey’s cotton exports were about 50,000 MT (230,000 bales) during the first six months of MY 2018/19. Bangladesh (13,000 MT) and Indonesia (10,000 MT) were the leading foreign destinations for Turkish cotton. A total of 5,400 MT of cotton was also exported to the Mersin and Kayseri Free Trade Zones with a possibility of being re-imported later. Turkey also exported about 20,000 MT (76,000 bales) of hydrophilic cotton for medical use during the same period, which added to exports in the PSD table.

Turkish cotton yarn imports were down about seventeen percent to 156,491 MT during CY 2018. Cotton yarn exports, however, were up 23 percent reaching 156,698 MT during the same period. While Central Asian (Turkmenistan, Uzbekistan) and South Asian (India, Pakistan) countries were the main sources for yarn imports, European Union member countries were the main destination for Turkish yarn exports.

Turkish cotton fabric imports and exports during CY 2018 were 298,807 mm2 and 431,486 mm2 respectively. While cotton fabric imports decreased about 23 percent year on year, exports were up five percent. European countries continue to be the main destination for Turkish cotton fabric exports and Asian countries were the main sources for imports.

Policy

Cotton imports are subject to zero import tax. However, since April 2016, U.S. cotton is subject to a three percent antidumping duty. Turkish importers are able to benefit from the inward processing regime under which importers are not required to pay the three percent import tax if they are exporting the materials produced from the imported cotton. Overall, despite the 3 percent duty, U.S. cotton still maintains its market share of forty-five percent of Turkey's imported cotton market.

Turkey also issued a new import tax in mid-January on imported cotton yarn, to stem imports from countries such as Turkmenistan, India and Pakistan, which have been exporting large quantities of cotton yarn to Turkey. According to the new cotton yarn import regime, imports from countries with whom Turkey has a trade agreement, such as EU and EFTA member countries and South Korea, Bosnia, Malaysia and Singapore, continue to face zero tariffs. However, imports of cotton yarn from other countries, such as the United States and including countries under the Generalized System of Preferences, are subject to 5 percent for HS 520511-520512 and HS 520611-520612. Other categories such as HS 52051-520528 and HS 520613-520625 are subject to eight percent from these sources.

The new import tax is expected to slow down cotton yarn imports to Turkey. The tax on cotton yarns has been met with mixed reactions from the industry. While local yarn producers support the new tax initiative, textile products producers argued that their costs would go up. Turkish importers of cotton yarn also benefit from the inward processing regime and are not required to pay the tax if they export the product made with this yarn.
Turkey has a large textile industry driving the demand for cotton, and due to constraints on domestic cotton production, the country will continue to import cotton for years to come.

TURKEY					
Cotton Import Trade Matrix, Units: MT					
Time Period	**Aug/July**		**Aug/July**		**Aug/Dec**
Imports for:	**MY 2016/17**		**MY 2017/18**		**MY 2018/19**
U.S.	380,820	U.S.	388,076	U.S.	99,312
Others		**Others**		**Others**	
Brazil	84,830	Brazil	104,815	Brazil	33,987
Turkmenistan	77,538	Greece	103,525	Greece	32,766
Greece	74,685	Turkmenistan	49,998	Azerbaijan	22,657
Syria	25,691	Australia	49,637	Australia	19,465
Burkina Faso	24,721	Azerbaijan	26,638	Kyrgyzstan	3,135

Sudan	17,322	Syria	19,831	Sudan	3,209
Azerbaijan	17,106	Tajikistan	19,069	Benin	2,944
Tajikistan	14,772	Mali	18,814	Tajikistan	2,656
Australia	14,189	Sudan	16,091	Chad	2,099
Argentina	9,986	Benin	15,806	Turkmenistan	2,148
Total of others	360,840	Total of others	424,224	Total of others	125,066
Others not listed	59,347	Others not listed	63,911	Others not listed	17,509
GRAND TOTAL	801,007	GRAND TOTAL	876,211	GRAND TOTAL	241,887

TURKEY					
Cotton Import Trade Matrix, Units: Bales					
Time Period	**Aug/July**		**Aug/July**		**Aug/Dec**
Imports for:	**MY2016/17**		**MY 2017/18**		**MY 2018/19**
U.S.	1,747,963	U.S.	1,781,269	U.S.	455,842
Others					
Brazil	389,370	Brazil	481,101	Brazil	156,003
Turkmenistan	355,900	Greece	475,180	Greece	150,395
Greece	342,804	Turkmenistan	229,491	Azerbaijan	103,995
Syria	117,920	Australia	227,834	Australia	89,344
Burkina Faso	113,470	Azerbaijan	122,268	Kyrgyzstan	14,389
Sudan	70,508	Syria	91,024	Sudan	14,729
Azerbaijan	78,516	Tajikistan	86,955	Benin	13,512
Tajikistan	67,803	Mali	86,356	Tajikistan	12,191
Australia	65,127	Sudan	73,858	Chad	9,634
Argentina	45,835	Benin	72,550	Turkmenistan	9,859
Total of others	1,656,255	Total of others	1,946,617	Total of others	574,051
Others not listed	272,402	Others not listed	293,922	Others not listed	80,366
GRAND TOTAL	3,676,622	GRAND TOTAL	4,021,808	GRAND TOTAL	1,110,261

TURKEY			
Cotton Yarn Import Trade Matrix, Units: MT			
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Dec**
Imports for:	**CY 2016**	**CY 2017**	**CY 2018**

U.S.	0	114	50
Others			
Turkmenistan	68,639	51,448	49,991
Uzbekistan	22,640	39,847	41,815
India	14,007	23,565	16,834
Pakistan	11,107	22,918	13,698
Vietnam	14,637	18,972	10,444
Tajikistan	1,743	10,455	7,237
Kayseri FTZ	5,765	6,407	3,821
Azerbaijan	2,483	2,432	3,729
Egypt	3,951	3,543	3,243
China	4,791	3,397	1,962
Total of others	149,763	182,984	152,774
Others not listed	5,989	5,501	3,667
GRAND TOTAL	155,752	188,682	156,491

TURKEY Cotton Yarn Export Trade Matrix Units: MT			
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Dec**
Export for:	**CY 2016**	**CY 2017**	**CY 2018**
U.S.	246	488	587
Others			
Italy	28,035	27,847	27,627
Portugal	22,215	24,019	30,356
Germany	9,415	9,722	8,415
Spain	8,100	8,006	9,654
Poland	8,782	7,695	7,834
Egpyt	5,422	7,523	7,923
Bulgaria	4,830	4,303	4,228
Greece	3,471	3,774	3,913
Kayseri FTZ	2,017	3,646	4,840
	2,571	3,544	15,491
Total of others	94,858	100,079	120,281
Others not listed	29,330	26,776	35,830
GRAND TOTAL	124,434	127,343	156,698

TURKEY

Cotton Fabric Import Trade Matrix, Units: 1000 M2			
Time Period	Jan-Dec	Jan-Dec	Jan-Dec
Export for:	CY 2016	CY 2017	CY 2018
U.S.	0	0	0
Others			
China	82,012	94,612	67,271
Turkmenistan	37,978	89,032	22,951
Pakistan	53,579	76,748	92,093
Egypt	30,052	42,985	32,469
Italy	13,651	13,767	10,773
India	9,383	11,930	7,269
Spain	6,222	4,874	4,319
Bahrain	5,417	4,043	3,905
Ethiopia	223	3,257	4,486
Tunisia	1,943	1,697	2,251
Total of others	240,460	342,945	247,787
Others not listed	34,877	44,691	51,020
GRAND TOTAL	275,337	387,636	298,807

TURKEY			
Cotton Fabric Export Trade Matrix Units: 1000 M2			
Time Period	Jan-Dec	Jan-Dec	Jan-Aug
Export for:	CY 2016	CY 2017	CY 2018
U.S.	4,825	4,653	4,229
Others			
Italy	73,513	69,591	72,397
Romania	32,577	29,298	21,451
Germany	25,416	27,725	22,770
Spain	31,210	24,553	29,906
Morocco	24,628	21,926	17,459
Tunisia	20,056	18,557	19,158
Egypt	11,847	14,040	34,059
France	13,643	13,505	15,421
Belgium	7,803	12,839	15,511
Bulgaria	6,680	4,419	19,066
Total of others	247,373	236,453	267,198
Others not listed	178,712	168,315	160,059
GRAND TOTAL	430,910	409,143	431,486