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Turkey

Cotton and Products Annual

Turkey Cotton and Products Annual Report

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Report Highlights:

Marketing Year (MY) 2016 Turkish cotton area and production are projected to increase about 15 percent. Planting area is expected to be 425,000 hectares and production is forecast at 650,000 metric tons (MT) (2.98 million bales). High local cotton prices and low returns on alternative crop such as corn during MY 2015 were the main reason for the increase. Domestic consumption however is expected to decline in MY 2015 is due slowdown in exports of textile products.

The antidumping investigation on U.S. cotton exports to Turkey has created a great uncertainty in the market and caused U.S. exports to decline about 24 percent in MY 2014 to 338,000 MT (1.5 million bales). The importers are still cautious of a possible duty on U.S. imports and total imports during the first five months in MY2015 was about 83,000 MT (380,000 bales). Despite the decline, the United States continued to be the leading supplier of cotton to the Turkish market due to its quality.

Executive Summary:

Turkish cotton area and production are projected to increase about 15 percent in MY 2016 to 425,000 hectares and 650,000 MT. Low returns in corn production and high local cotton prices, partly because of the antidumping investigation, during MY 2015 persuaded farmers to plant more cotton. Lack of rains during the winter months in all regions will require additional irrigation of cotton fields during the season. The lack of adequate irrigation water may become an issue if spring rains are not within seasonal averages or above. Using irrigation water will increase production costs for farmers.

In an effort to encourage cotton planting, the Turkish government increased cotton production bonuses two years in a row. Accordingly, the bonus for seed cotton was increased to 0.55 per kg for MY 2014 and to 0.65 per kg for MY 2015. However, the announcements for increases were usually made too late in the season to have the desired effect. Due to local inflation and devaluation of Turkish Lira, the farmers are requesting the bonus to increase to TL 0.75 per kg for MY 2016 crop.

Overall, yields 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, have also helped to increase yields. Mechanical harvesting is reported to have increased field and ginning yields as well.

In general, high production costs and competition from other crops are having an adverse effect on cotton production. The only initiative that will increase cotton production in Turkey is the progress of the Southeastern Anatolian Project (GAP) project. The GOT announced an initiative in 2008 to allocate about \$12 billion over five years to speed up the GAP project and finalize the construction of dams, irrigation channels and other infrastructure in the Southeast Anatolian region, bringing irrigation to an additional 780,000 hectares of land by 2016. But the recent conflict along the Syrian border is adversely affecting the execution of the project and only about 25,000 hectares of new area is expected to be irrigated the in 2016 season.

The Turkish textile industry continues to be the one of the leading sectors in the Turkish economy providing 12 percent of total exports in 2015. A total of 53,000 companies operate in the sector, providing a total of about 0.4 million jobs in garment production alone. Exports of ready-to-wear items and textiles in 2015 were both 9.4 % lower than in 2014, at \$17 billion and \$8 billion respectively.

The decline in exports was due to a slow recovery of the EU market, effects of strong dollar that caused shrinkage in margins and Turkish exports diversification efforts into new markets. As a result, the EU's share in Turkish exports decreased to 72 percent in 2015 for ready-to-wear, down from 80 percent in 2012. 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 quality.

Despite the uncertainties caused by the antidumping investigation, the United States continued to be the leading cotton supplier to the Turkish market, supplying 42 percent during MY 2014 and 27 percent during the first five months of MY 2015 imports. Available information indicate that despite the antidumping investigation marketing year end U.S. cotton share will be about 40 percent.

Commodities:

Cotton

Production

As a result of low returns during MY 2015 on competing crops, such as corn, farmers are returning to cotton planting in MY 2016 and planting area and production is expected to increase to 425,000 hectares, and production to about 650,000 MT. Lack of winter rains though may raise production costs and lack of adequate irrigation water can be a problem, particularly in the Cukurova region. In general, Turkish farmers are always concerned with the availability of irrigation water, and higher input prices such as seed, fertilizer, fuel and electricity.

The government increased the production bonus for cotton to TL 0.65 per kilogram for 2015 crop seed cotton, but since the announcement was after planting it did not affect production. Farmer leaders are pressing the government for a 0.75 TL per kilogram bonus due to increases in cost of production and devaluation of the Turkish Lira, claiming that such increase will motivate farmers to plant cotton. On the other hand, the slow progress in irrigation projects, particularly in the GAP region, is also not helping cotton planting area.

Region	Area (ha.)	Production (MT)
Aegean	90	140
Cukurova	60	100
GAP	275	427
Total	425	650

Turkey used to be a world leader in organic cotton production, but increasing global production has reduced margins, and domestic production has declined in recent years. MY 2015 organic production is estimated at 10,000 MT compared to 30,000 MT in MY 2006. Field preparations indicate that production will go up to 14,000 MT in MY 2016.

Turkey became part of the Better Cotton Initiative (BCI) three years ago and estimated to have produced about 26,000 MT of BCI cotton in MY 2015. BCI cotton production is expected to increase in MY 2016 to 35,000 MT since higher profitability has generated interest among the farmers in all regions.

PSD, Turkey, MT

Turkey Cotton (HECTARES)(MT)

	2014	Revised	2015	Estimate	2016	Forecast
	Post Old	Post Estimate [New]	Post old	Post Estimate New	Post Old	Post Estimate [New]
Market Year Begin		14-Aug		15-Aug		16-Aug
Area Planted	430000	430000	370000	370000	0	425000
Area Harvested	430000	430000	370000	370000	0	425000
Beginning Stocks	180055	180055	225055	228830	0	228830
Production	700000	700000	580000	580000	0	650000
Imports	775000	800068	775000	800000	0	800000
MY Imp. from U.S.	350000	338534	350000	350000	0	350000
TOTAL SUPPLY	1655055	1680123	1580055	1608830	0	1653830
Exports	50000	51293	55000	55000	0	60000
USE Dom. Consumption	1380000	1400000	1330000	1350000	0	1375000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1380000	1400000	1330000	1350000	0	1375000
Ending Stocks	225055	228830	195055	203830	0	218830
TOTAL DISTRIBUTION	1655055	1680123	1580055	1608830	0	1653830

Yields are continuing to improve because farmers that continue to plant cotton are the most efficient, experienced, well-equipped, and have larger fields. The GOT is also increasing its efforts to combine small and divided farms. Therefore, better planting techniques and economies of scale are helping farmers achieve higher yields. Increases in the use of certified seeds over the years have also helped increase yields. The increase in certified seed use is driven by a 10-percent higher production bonus for certified seed users. It is now calculated that 95 percent of the seeds used for cotton planting are certified seeds.

Harran is the heart of the cotton growing area in the GAP region, where 140,000 hectares are under irrigation. An estimated 15,000 hectares of land have been affected by salt accumulation caused by poor irrigation practices. However, drainage channels have been built to prevent harm to cotton fields caused by rising underground water levels due to excessive 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 in the area to move away from open irrigation systems to closed systems to prevent loss of water.

Pests, including budworm and bollworm, are a problem for cotton producers, particularly in the Aegean and Çukurova regions. Therefore, the government ban on aerial pesticide spraying in May 2006 harmed producers in the region. According to growers, there is no other cost-effective way to control infestations in traditional varieties. Turkey does not permit planting of genetically engineered “Bt” insect-protected cotton.

PSD Bales (1000 bales)

Cotton	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	430	430	370	370	0	425
Beginning Stocks	1357	826	1596	1062	0	942
Production	3200	3200	2650	2660	0	2983
Imports	3675	3672	3800	3672	0	3672
MY Imports from U.S.	0	1554	0	1606	0	1606
Total Supply	8232	7698	8046	7394	0	7597
Exports	236	236	250	252	0	275
Use	6400	6400	6400	6200	0	6310
Loss	0	0	0	0	0	0
Total Dom. Cons.	6400	6400	6400	6200	0	6310
Ending Stocks	1596	1062	1396	942	0	1012
Total Distribution	8232	7698	8046	7394	0	7597
Stock to Use %	24.05	16	20.99	14.6	0	15.37
Yield	1620	1620	1559	1565	0	1528

Production Policy

The GOT has spent more than \$25 billion over the past three decades on a gigantic irrigation and agricultural extension project in Southeast Anatolia known as the GAP project. When finished, some 1.5 million hectares of land will be irrigated and a total of 22 dams will be completed. So far, about 74 percent of the hydro electric projects are completed, but only 26 percent of the irrigation projects. In 2008, the government promised to allocate \$12 billion over five years for dams, irrigation and infrastructure in the region. During the last three years, the GOT dispersed allocated funds for the project to vitalize some of the irrigation projects. When realized, a total of 1.04 million hectares of land will be irrigated, which could eventually increase cotton planting and production in the region.

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, and Southeastern Anatolia. Small amounts of cotton are also produced around Antalya.

The most popular varieties in the Aegean region are "Claudia", "Gloria" and "White Gold"; in Çukurova it is "Delta Pine-SG 125" and "BA 119"; and "Gloria" in the Southeast "Stone Mill ST 468" and "Candia" and "Diyarbakir Gold".

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 total number of harvesters in Turkey has increased rapidly to about 1,100. The great majority, about 750, of them are new modern harvesters; about 250 are secondhand, and about 100 are old tractor-pulled harvesters. Presently about 95 percent of Aegean cotton is picked by harvester, and 80 percent of Çukurova and 65 percent of South East Anatolian (GAP) cotton. The demand for 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 500 gins are privately owned. The majority of the gins in the Aegean region are roller gins, more suitable for longer staple cotton, while about half of the gins in Çukurova and the Southeast are roller gins and half are saw gins. However, the recent increase in machine harvesting has triggered the construction of new saw gins. The agricultural co-ops 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 41 percent in the Aegean region, about 39 percent in GAP and 38 percent in Çukurova. Ginners generally purchase seed cotton directly from growers. Lint is graded by a gin expert and certified using a green card system.

Consumption

MY 2015 consumption is expected to drop to 1.35 MMT due political and economic problems in the export destinations and slow recovery in the European Union. Additionally, historically low world petroleum prices increased utilization of manmade fibers.

Since the beginning of 2015, many factors started to adversely affect Turkish textile industry. The sudden devaluation of the Euro against the U.S. dollar caused Turkish importers' incomes to decline.

Turkish mills buy their raw material in U.S. dollars and export to EU countries (the leading market for Turkish textile exports) in Euros. Present market conditions do not permit sales price increases. Political problems with Russia and in the Middle East have had a negative effect on exports to these areas as well.

Problems in the export markets have also affected the flow of materials and money in the domestic market. Due to lack of sales, producers with large capacities reduced their usage and some small mills had temporarily ceased operations. In the view of the above, domestic cotton consumption in MY 2015 is expected to decline to 1.35 MMT (6.2 million bales) and a small recovery is expected in MY 2016 with a slow recovery in the European economies. MY 2016 cotton consumption is expected to be about 1.375 MMT (6.3 Million bales).

Turkish mills that benefited from the high demand of recent years have continued to invest in new machinery and increasing their capacity. It is estimated that about 1 million new spindles were added in 2013 and an additional 0.65 million were added in 2014. According to sources in 2014, Turkey was the largest buyer of modern ring spinning equipment to meet the market demand for high quality fine yarn.

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. The new investments will help the industry recover from capacity lost during the 2008 economic crises, lower production costs, improve product range and economies of scale.

The textile industry continues to be one of the most important sectors for the Turkish economy, accounting for 8 percent of GNP, 16 percent of industrial employment and 12 percent of total exports. Investments by the Turkish textile industry since 1985 are estimated more than US\$90 billion. With recent investments, Turkey's production capacity is estimated to reach 7.5 million spindles and 700,000 rotors. Turkish textile exporters have the advantage of faster order response times and higher quality than their competitors.

According to the Exporter's Union data, ready-to-wear items and textiles exports in 2015 were both 9.4 % lower than in 2014, at US\$17 billion and US\$8 billion respectively. Overall, the share of textiles and products in total exports were 12 percent. Total exports of textiles and garments to the United States were about the same as last year, at US\$845 million.

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 GOT, in an effort to make Istanbul a new regional financial center, has moved the administration of the Izmir's futures market (VOB) to Istanbul, and made it a part of the Istanbul Stock Exchange. The futures market in Izmir was in operation for a few years and had reached significant trading volumes for products other than cotton.

On the other hand, the Izmir Cotton Exchange formed a new company and built a large bonded storage facility where farmers can leave their cotton for future sales. The new facility will bring new opportunities to Turkish farmers in cotton marketing and ease early season price pressures.

Accordingly, the GOT has announced a 7 TL/kg monthly support payment to farmers who utilize bonded warehouses for future sales. Presently, there is only one such storage facility in Izmir, Turkey which has a capacity of 15,000 MT. Utilization of the facility has increased over the years and reached about eighty percent in MY 2015. The Şanlı Urfa Commodity Exchange in the GAP region is also building a 20,000 MT capacity bonded warehouse that will start operation in MY 2016.

Policy

On October 18, 2014, the GOT initiated an antidumping investigation on U.S. cotton exports to Turkey. The time limit to announce the final decision will end in mid-April yet, but as of now it is not clear what the outcome will be. The investigation has caused confusion in the market and U.S. cotton orders have declined significantly during MY 2014 and in MY 2015 as importers were worried about a possible temporary import duty while the investigation is continuing. The local textile industry met the investigation with frustration, pointing out that domestic production can only meet less than half of the sector's needs, and that the U.S. supplies about half of the required imports. The Turkish textile industry is resisting against the possible antidumping duty, claiming that such a move will make Turkish textile exports more expensive and may cause Turkish products to lose market share in international markets. The textile industry is one of the crucial industries in Turkey, providing about 12 percent of total exports and about 2.5 million jobs.

Trade

Turkey's cotton imports were 313,000 MT (1.4 million bales) during the first five months of MY 2015, about same as the same period last marketing year. Available local supplies, confusion caused by the antidumping investigations on U.S. cotton exports to Turkey, and lower domestic consumption were reasons for low imports. The United States was the leading supplier with 83,000 MT, followed by Greece with 68,000 MT, and Brazil with 35,000 MT. Total U.S. registered cotton for sale to Turkey during the first seven months of the marketing year is 275,000 MT (1.26 million bales).

Turkey also imported 130,000 MT of cotton yarn and 395 million M² of fabric in 2015. While imports of yarn were about same as last year, fabric imports were down about 29 percent due to decline in Turkish textile exports. Turkey sourced its yarn and fabric imports from Central Asian countries, Pakistan, and China.

Turkey's cotton exports were about 3,300 MT (15,000 bales) during the first five months of MY 2015. Bangladesh (870MT) and Greece (500 MT) were the leading foreign destinations for Turkish cotton. About 400 MT of cotton was also exported to the Mersin and Kayseri Free Trade Zone with a possibility of being re-imported later. Turkey also exported about 15,500 MT (70,000 bales) of hydrophilic cotton for medical use during the same period, which added to exports in the PSD.

Additionally, Turkey exported 129,000 MT of cotton yarn and 386 million M² of fabric in 2015. While yarn exports were up about 16 percent, textile exports were up only two percent. The EU member countries continued to be the leading export markets for Turkish cotton yarn and fabric.

Turkey is expected to remain a net cotton importer for years to come due to the large textile industrial capacity, low domestic cotton production, and the slow pace of the GAP development project.

Turkey Cotton Imports

	Turkey		
Commodity	Cotton	Units:	Metric Tons
Time Period	Aug/July		Aug/Dec
Imports for:	MY 2014		MY 2015
U.S.	338534	U.S.	83220
Others			
Turkmenistan	169841	Greece	67756
Greece	128132	Brazil	38022
Brazil	62570	Turkmenistan	35087
Syria	28389	Burkina Faso	25424
Tajikistan	14404	Tajikistan	12611
Argentina	13261	Cod d'Ivoire	12327
Uzbekistan	6143	Syria	8600
Cod d'Ivoire	4643	India	5186

India	4300	Uzbekistan	5066
Mali	3944	Argentina	4771
Total of Others	435627		214850
Others not listed	25907		14975
Grand Total	800068		313045
Country	Turkey		
Commodity	Cotton	Units:	Bales
Time Period	Aug/July		Aug/Dec
Imports for:	MY 2014		MY 2015
U.S.	1553871	U.S.	381979
Others			
Turkmenistan	779570	Greece	311000
Greece	588126	Brazil	174520
Brazil	287196	Turkmenistan	161050
Syria	130306	Burkina Faso	116696
Tajikistan	66115	Tajikistan	57884
Argentina	60868	Cod d'Ivoire	56580
Uzbekistan	28196	Syria	39474
Cod d'Ivoire	21310	India	23803
India	19737	Uzbekistan	23253
Mali	18103	Argentina	21898
Total of Others	1999527		986158
Others not listed	118914		68736
Grand Total	3672312		1436876