Required Report - public distribution

Date: 3/23/2018
GAIN Report Number: TR8009

Turkey

Cotton and Products Annual

Cotton and Products

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Report Highlights:
Turkish cotton area and production are forecast to increase about ten percent in Marketing Year (MY) 2018/19, reaching 520,000 hectares and 950,000 MT (4.36 million bales) as a result of good returns during the last two seasons. Domestic consumption is also expected to increase in MY 2018/19 reaching 1.6 MMT (7.3 Million bales). The United States remains the top supplier of cotton to the Turkish market, and the Turkish textile industry continues to be the one of the leading sectors in the Turkish economy.

Turkey Cotton and Products Annual Report 2018

Executive Summary

Turkish cotton planting area is forecast at 520,000 hectares and production at 950,000 metric tons (MT), which is 4.36 million bales (480 pounds each). Good returns on cotton during the last two crop years, lower than expected returns on alternative crops such as corn, recent high world cotton prices, and new areas that received irrigation water in the GAP region, which is Southeastern Turkey, will all have a positive impact on cotton planting.

In an effort to increase cotton planting, the Turkish government has increased the cotton production bonus for the last four years in a row. Accordingly, the bonus for seed cotton was increased to 0.80 Turkish Lira (TL) per kg for MY 2017/18, up about seven percent from last year. Due to domestic inflation of ten percent since the beginning of the season though, farmers are requesting a further increase of the bonus for the MY 2018/19 crop (US$ 1 = TL 3.85 as of March 15).

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. Mechanical harvesting is reported to have increased field and ginning yields and also reduced picking costs.

In contrast to the recent years' gains in planted area sparked by government support for the sector, in general, costs of production and competition from other crops are putting pressure on cotton planting. The main initiative that will increase cotton production in Turkey is the progress of the Southeastern Anatolian Project (GAP) project. This is in Southeastern Turkey, covering 9 provinces (Adıyaman, Batman, Diyarbakır, Gaziantep, Kilis, Mardin, Siirt, Şanlıurfa and Şırnak) located in the Euphrates-Tigris Basin. The GOT's commitment to the project is continuing 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. The target is to bring irrigation water through the project to a total of 780,000 hectares of land by the end of 2019. An additional amount of land is irrigated through private activities by the farmers sourcing water themselves through wells, pumping from main irrigation channels, and reservoirs. But the recent conflict along the Syrian border is adversely affecting the execution of the project and only about a total of 30,000 hectares of new area is expected to receive irrigation in the MY 2018/19 season.

The Turkish textile industry continues to be the one of the leading sectors in the Turkish economy, accounting for 16 percent of total exports in 2017. Roughly 53,000 companies operate in the sector, providing about 400,000 jobs in garment production alone. Exports of ready-to-wear items in 2017 were $17 billion and textiles were $8 billion, both roughly the same as in 2016. 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 high quality.

Domestic textile sales had increased significantly in recent years due to rapid increases in shopping malls with textile and clothing stores. Turkey's increasing young population, migration to urban areas, and an increase tourism all contribute to domestic consumption. Accordingly, MY 2017/18 consumption is expected to reach 1.57 MMT (7.2 Million bales).

Despite the three percent antidumping surcharge, the United States continued to be the leading cotton supplier to the Turkish market, supplying 30 percent of imports during the first six months of MY 2017/18. Available information suggests that despite the antidumping duty, the U.S. cotton share will be about 50 percent of the total imports by the end of the marketing year, which is about normal historically. Imports from the U.S. were 118,000 MT (0.54 million bales) during the first six months of MY 2017/18.

Production

Turkish cotton planting area is forecast to increase about ten percent in MY 2018/19 to 520,000 hectares and production to 950,000 MT (4.36 million bales). Good returns on cotton during the last two crop years, lower than expected returns on alternative crops such as corn, recent high world cotton prices, and new areas that received irrigation water in the GAP region will all have a positive impact on increased cotton planting.

In an effort to increase cotton planting, the Turkish government has increased the cotton production bonus four years in a row. Accordingly, the bonus for seed cotton was increased to 0.80 Turkish Lira (TL) per kg for MY 2017/18, up about seven percent from a year ago. Due to domestic inflation of ten percent since the beginning of the season though, farmers are requesting a further increase of the bonus for MY 2018/19 crop.

MY 2018/19 Production and Area by Region

Region	Area (thousand ha.)	Production (thousand MT)
Aegean	120	220
Cukurova	90	170
GAP (Southeast Turkey)	310	560
Total	**520**	**950**

Source: Post Estimates

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 2017/18 organic production is estimated at 10,000 MT compared to 30,000 MT in MY 2006. MY 2018/19 organic production is projected to be about 12,000 MT.

Turkey became part of the Better Cotton Initiative (BCI) four years ago and is estimated to have produced about 45,000 MT of BCI cotton in MY 2017/18. BCI cotton production is expected to increase in the coming season, reaching 60,000 MT and has generated interest among the farmers in all regions due to demand for this cotton.

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

Cotton	2016/2017	2017/2018	2018/2019

Market Begin Year	Aug 2016		Aug 2017		Aug 2018	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	400	400	470	470	0	520
Beginning Stocks	1533	929	1578	968	0	1059
Production	3200	3236	4000	3993	0	4360
Imports	3679	3677	3500	3672	0	3443
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	8412	7842	9078	8633	0	8862
Exports	334	334	300	344	0	390
Use	6500	6540	7000	7230	0	7344
Loss	0	0	0	0	0	0
Total Dom. Cons.	6500	6540	7000	7230	0	7344
Ending Stocks	1578	968	1778	1059	0	1128
Total Distribution	8412	7842	9078	8633	0	8862

Yields are continuing to improve because farmers who 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, fragmented, and divided lots which make up many Turkish farms. Therefore, better planting techniques and economies of scale are helping famers 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 estimated that 95 percent of the seeds used for cotton planting are certified seeds. Additional information can be found in the latest Planting Seeds Report.

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 in the valley are under irrigation. The GOT provides technical and financial assistance to farmers to build modern drip irrigation systems to prevent ecological problems and prevent 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.

Pests, including budworm and bollworm, are a problem for cotton producers, particularly in the Aegean and Çukurova 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.

PSD Metric Tons

Turkey
Cotton

(HECTARES)(MT)						
	2016/2017 Revised		2017/2018 Estimate		2018/2019 Forecast	
	Post Old	Post Estimate New	Post old	Post Estimate New	Post Old	Post Estimat e New
Market Year Begin	August 2016		August 2017		August 2018	
Area Planted	400000	400000	470000	470000	0	520000
Area Harvested	400000	400000	470000	470000	0	520000
Beginning Stocks	201810	201810	210001	210001	0	230001
Production	705000	705000	870000	870000	0	950000
Imports	801007	801007	800000	800000	0	750000
MY Imp. from U.S.	0	0	0	0	0	0
TOTAL SUPPLY	170781 7	1707817	188000 1	1880001	0	1930001
Exports	72816	72816	75000	75000	0	85000
USE Dom. Consumption	142500 0	1425000	155000 0	1575000	0	1600000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	142500 0	1425000	155000 0	1575000	0	1600000
Ending Stocks	210001	210001	255001	230001	0	245001
TOTAL DISTRIBUTION	170781 7	1707817	188000 1	1880001	0	1930001

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, the ultimate goal is that some 1.5 million hectares of land will be irrigated and a total of 22 dams will be completed. So far, about 75 percent of the hydroelectric projects are completed, but only 27 percent of the irrigation projects. During the last three years, the GOT dispersed funds for the project to vitalize some of the irrigation projects. In a few years, 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.

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 in the provinces along Southeastern Turkey, also known as the GAP region. 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 they are “Delta Pine-SG 125” and “BA 119” and “Gloria”; and 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 1,200. The great majority of them, about 800, are new modern harvesters. Roughly 200 are secondhand used machinery, and about 200 of them are old tractor-pulled 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 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 535 gins are privately owned. The great majority of the gins in 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 40 percent in the Aegean region, 41 percent in GAP, and 39 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 2017/18 domestic cotton consumption is expected to increase to 1.57 MMT (7.2 million bales), which is up about eleven percent compared to last marketing year. This is due to the significant new investments of Turkish mills to increase their capacities to meet the increasing demand from domestic and international markets. Turkish mills have been investing in new machinery and technology to increase quality and to lower costs to get ahead in the very competitive international textile trade.

The increasing youth population, migration to urban areas and rapid growth in number of shopping malls with textiles stores significantly increased the total volume of textiles sold in the Turkish domestic market. Total number of shopping malls with textile stores increased two fold during the last ten years, reaching 350 in 2017, of which about 100 of them are in Istanbul. This growth had a major contribution to domestic textile sales.

In recent years, increases in tourism from neighboring Middle Eastern countries also contributed to local sales of textiles. Additionally, Turkish textile producers are increasing their number of stores in export markets, such as the Middle East, North Africa and Europe, to expand in the markets where they are already present. The upward export trend in traditional export markets such as Europe and Russia, and also in new markets such as Iran, will help to support the domestic cotton consumption in MY 2017/18.

The textile industry continues to be one of the most important sectors for the Turkish economy, accounting for eight percent of GNP, 16 percent of industrial employment, and 16 percent of total exports. Turkish textile mills continue to renew their technology with new equipment to remain competitive in international markets. Accordingly, investments by the Turkish textile industry since 1985 are estimated more than US$90 billion. Presently, Turkey’s production capacity is estimated to reach 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 than their competitors.

According to the Exporter's Union data, in 2017, ready-to-wear items exports were US$17 billion and textile exports were US$8.1 billion, up marginally compared to last year. Overall, the share of textiles products in total exports was 16 percent. Total exports of textiles and garments to the United States in 2017 were US$880 million, up about four 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 Region of Turkey.

The Izmir Cotton Exchange formed a new company and built a large licensed storage facility where farmers can leave their cotton for future sales. Presently, there is only one such storage facility in Izmir, Turkey which has a capacity of 15,000 MT. The Şanli Urfa Commodity Exchange in the GAP region has also built a 25,000 MT capacity licensed storage facility that will start operations in MY 2018/19. These new facilities will bring new opportunities to Turkish farmers in cotton marketing and ease early season price pressures, which will enable them to sell later in the season with higher prices.

Policy

Cotton imports face zero import tax. However, since April 2016, U.S. cotton is subject to a three-percent antidumping duty.

Trade

Turkey's cotton imports were 401,000 MT (1.8 million bales) during the first six months of MY 2017/18 (August 2017 – January 2018), which is about thirty percent higher than the same period last marketing year due to increased local demand. The United States was the leading supplier with 118,000 MT, followed by Greece with 70,000 MT, and Brazil with 58,000 MT. Total U.S. registered cotton for sale and commitment to Turkey during the first six months (as of March 15), of the marketing year is 348,000MT (1.6 million bales), up about twenty-six percent compared to the same period last year. Demand for U.S. cotton will continue during the second half of the MY2017/18 and marketing year end imports from the United States are expected to reach 400,000 MT (1.8 Million bales).

Turkey also imported 189,000 MT of cotton yarn and 388 million square meters of fabric in 2017. While imports of yarn were up about twenty-one percent, fabric imports were also up forty-one percent. Turkey sourced its yarn imports from Central Asian countries, such as Turkmenistan and Uzbekistan, and also from Pakistan, and India. Imports of cotton yarn from Uzbekistan increased about seventy-six percent compared to last year. China, Pakistan, and Turkmenistan continue to be the leading fabric suppliers to Turkey.

Turkey's cotton exports were about 31,000 MT (142,000 bales) during the first five months of MY 2017/18. Germany (3,000 MT) and Italy (3,000 MT) were the leading foreign destinations for Turkish cotton. A total of 8,600 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 17,500 MT (80,000 bales) of hydrophilic cotton for medical use during the same period, which added to exports in the PSD table**.**

Additionally, Turkey exported 130,000 MT of cotton yarn and 409 million square meters of fabric in 2017. While yarn exports were up two percent compared to last year, fabric exports were down five percent. The EU member countries continued to be the leading export markets for Turkish cotton yarn and fabric.

Turkey has a large textile industry capacity driving the demand for cotton, and due to low domestic cotton production and the slow pace of the GAP development project, the country will continue to import cotton for years to come.

Import Trade Matrix, Cotton

TURKEY **COTTON, Import Trade Matrix, Units: Metric Tons**					
Imports for:	**MY 2015**		**MY 2016**		**MY 2017**
Time period	**Aug/July**		**Aug/July**		**Aug/Jan**
U.S.	329,384	U.S.	380,820	U.S.	118,803
		Others			
Turkmenistan	137,307	Brazil	84,830	Greece	70,326
Brazil	127,317	Turkmenistan	77,538	Brazil	58,071
Greece	104,896	Greece	74,685	Australia	41,803

Burkina Faso	51,690	Syria	25,691	Turkmenistan	17,342
Tajikistan	24,523	Burkina Faso	24,721	Burkina Faso	11,868
Cod d'Ivoire	23,602	Sudan	17,322	Syria	11,485
India	21,241	Azerbaijan	17,106	Tajikistan	10,756
Syria	17,156	Tajikistan	14,772	Benin	10,309
Uzbekistan	16,929	Australia	14,189	Mali	9,796
Argentina	10,423	Argentina	9,986	Sudan	5,517
Total of others	535,084	Total of others	360,840	Total of others	247,273
Others not listed	53,839	Others not listed	59,347	Others not listed	35,183
GRAND TOTAL	918,307	GRAND TOTAL	801,007	GRAND TOTAL	401,259

TURKEY

COTTON, Import Trade Matrix, Units: Bales

Imports for:	**MY 2015**		**MY 2016**		**MY 2017**
Time period	**Aug/July**		**Aug/July**		**Aug/Jan**
U.S.	1,511,872	U.S.	1,747,963	U.S.	545,305
Others					
Turkmenistan	630,239	Brazil	389,370	Greece	322,792
Brazil	584,385	Turkmenistan	355,900	Brazil	266,546
Greece	481,472	Greece	342,804	Australia	191,876
Burkina Faso	237,257	Syria	117,920	Turkmenistan	79,600
Tajikistan	112,560	Burkina Faso	113,470	Burkina Faso	54,474
Cod d'Ivoire	108,333	Sudan	70,508	Syria	52,716
India	97,496	Azerbaijan	78,516	Tajikistan	49,370
Syria	78,746	Tajikistan	67,803	Benin	47,318
Uzbekistan	77,704	Australia	65,127	Mali	44,964
Argentina	47,841	Argentina	45,835	Sudan	25,323
Total of others	2,456,033	Total of others	1,656,255	Total of others	1,134,979
Others not listed	247,121	Others not listed	272,402	Others not listed	161,495
GRAND TOTAL	4,215,026	GRAND TOTAL	3,676,622	GRAND TOTAL	1,841,779

Trade Matrix

TURKEY

Cotton yarn, Import Trade Matrix, Units: MT

Imports for	**2015**	**2016**	**2017**
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Dec**
U.S.	1	0	115
Others			
Turkmenistan	65,559	68,639	51,448
Uzbekistan	10,566	22,640	39,999
India	5,133	14,030	23,584

Pakistan	12,250	11,107	22,918
Vietnam	9,261	14,637	18,972
Tajikistan	1,241	1,743	10,455
Kayseri FTZ	5,514	5,765	6,407
Egypt	6,596	3,197	3,748
China	2,795	4,799	3,400
Syria	7	111	2,515
Total of others	118,922	146,668	183,446
Others not listed	11,168	9,423	5,501
GRAND TOTAL	130,091	156,091	189,062

TURKEY			
Cotton yarn, Export Trade Matrix, Units: MT			
Export for:	**2015**	**2016**	**2017**
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Dec**
U.S.	186	246	488
Others			
Italy	29,097	28,035	27,847
Portugal	25,688	22,215	24,019
Germany	8,380	9,415	9,722
Spain	9,326	8,100	8,006
Poland	9,037	8,782	7,695
Egypt	4,477	5,422	7,523
Bulgaria	5,439	4,830	4,303
Greece	3,029	3,471	3,774
Kayseri FTZ	649	2,017	3,646
Czech Republic	3,385	3,106	3,615
Total of others	98,507	95,393	100,150
Others not listed	33,269	31,521	30,005
GRAND TOTAL	131,962	127,160	130,643

TURKEY			
Cotton Fabric, Import Trade Matrix, Units: 1000 M2			
Export for:	**2015**	**2016**	**2017**
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Dec**
U.S.	0	0	0
Others			
China	98,551	82,012	94,612
Turkmenistan	62,794	37,978	89,032
Pakistan	56,549	53,579	76,748

Egypt	29,676	30,052	42,985
Italy	15,987	13,651	13,767
India	12,641	9,383	11,930
Spain	6,231	6,222	4,874
Indonesia	5,930	1,242	1,133
Bulgaria	3,362	644	1,303
Bahrain	5,099	5,417	4,043
Total of others	296,820	240,180	340,427
Others not listed	30,782	35,157	47,209
GRAND TOTAL	327,602	275,337	387,636

TURKEY			
Cotton Fabric, Export Trade Matrix, Units: 1000 M2			
Export for:	**2015**	**2016**	**2017**
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Dec**
U.S.	4,592	4,825	4,653
Others			
Italy	63,437	73,513	69,591
Romania	25,377	32,577	29,298
Germany	25,934	25,416	27,725
Spain	25,643	31,210	24,553
Morocco	19,111	24,628	21,926
Tunisia	18,685	20,056	18,557
Egypt	10,045	11,847	14,040
France	13,282	13,643	13,505
Georgia	8,327	7,803	12,839
Bulgaria	8,003	16,267	12,400
Total of others	217,844	256,960	244,434
Others not listed	99,964	169,125	160,338
GRAND TOTAL	322,400	430,910	409,425