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Turkey

Cotton and Products Annual

Turkey Cotton and Products Annual 2012

Approved By:
Rachel Nelson

Prepared By:
Ibrahim Sirtioglu, Agricultural Marketing Specialist

Report Highlights:
Turkish cotton area and production are expected to decline about thirteen percent to 420,000 hectares and 630,000 MT (2.89 million bales) in MY 2012. High cotton prices adversely affected MY 2011 utilization but an increase in exports and domestic consumption prevented a larger drop. Domestic consumption is expected to increase in MY 2012 to 1.2 MMT (5.5 Million bales). Total imports during the first six months of MY 2011 were 219,000 MT (1.3 million bales). The US supplied about thirty-seven percent of this total.

Executive Summary:

The Turkish economy is stable and has been growing steadily in recent years. In fact, Turkey is the third fastest growing market for U.S. agricultural products in the world after China and Vietnam. A young and growing population and growing GDP make it a key market for many U.S. agricultural products. Turkey is the second largest export market for U.S. cotton.

Turkish cotton area and production are projected to decrease about thirteen percent to 420,000 hectares and 630,000 MT (2.8 million bales) in MY 2012. Domestic cotton production and area was 480,000 hectares and 710,000 MT (3.2 million bales) in MY 2011, respectively.

Overall yields improved in recent years, because the farmers who continue planting cotton are the most efficient, and have invested in modern equipment and larger fields. Increased utilization of certified seeds, estimated to be about 85 percent of the total amount planted, also helped to increase yields. Mechanical harvesting is reported to have increased ginning yields as well.

Over the years the strength of the Turkish Lira against the major foreign currencies has facilitated imports of low cost fabric and garments and hurt domestic production. In an effort to protect local producers, the Turkish government (GOT) announced on March 25, 2011 an antidumping investigation on imports of fabric and garments and issued a temporary import tax. Accordingly, imports of fabric and garments were subject to a twenty-percent and thirty-percent import tax, respectively, starting from July 2011 and continuing during the investigation period of nine months. At the end of the investigation period, the government extended both import taxes for three years. Turkish garment producers were very pleased with the extension of the import duties, because they had previously suffered from competition from low cost imports from Asian countries. Turkish companies have been trying to hold on to their markets, domestically and internationally, by emphasizing their advantage in shipping times and focusing on quality, fashion, design and innovations in technical textiles.

The textile and garment industries are crucial to Turkey's economy, accounting for 8 percent of its GDP, 16 percent of its total industrial production and about 10 percent of its manufacturing jobs. Turkey is the second largest apparel and textile supplier to the EU after China, and is the world's eighth largest textile exporter and fifth largest apparel exporter. Increasing domestic consumption and cost of production among leading competitors such as China and India has made Turkish products more competitive in export markets.

Turkish textile and apparel exports amounted to US$ 24 billion in 2011, up from US$ 21.1 billion in 2010 and 18.8 billion in 2009. The increase was due to an increase in EU demand. Buyers there wanted to work with low stocks, and so preferred Turkey due to geographical proximity, short response time and quality. Turkish exporters also benefited from a devaluation of the Turkish Lira against the major currencies of about 17 percent during the second half of 2011.

The United States continued to be the leading cotton supplier to the Turkish market, supplying sixty-five fifty percent during MY 2010. The US market share was thirty-seven percent during the first half of the MY 2011 but is expected go up to more than sixty percent at the end of the marketing year. Total cotton imports from the U.S. in MY 2012 are expected to reach 350,000 MT (1.6 million bales).

Turkey cotton exports were about to 8,500 MT (39,000 bales) in MY 2010 about fifteen percent less than the year before. Exports during the first half of the MY 2011 were about 23,000 MT (105,000 bales), higher than usual due to attractive local cotton prices, and marketing year end exports are projected to reach 30,000 MT. About sixty percent of exports were to international markets, primarily China (6,000 MT), and about forty percent were to the Mersin Free Trade Zone. These may or may not be imported back into the country later.

Commodities:

Cotton

Production:

MY 2012 cotton planting area and production is projected to decline about thirteen percent to 430,000 hectares, or 630,000 MT (2.89 million bales).

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

The most popular variety grown in the Aegean region is "Carmen" and "White Gold"; in Cukurova is "Delta Pine-SG 125", and "BA 119"; and in the Southeast is "Stone Mill ST 468" 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 Cukurova (1 3/32") or the GAP (1 1/8) region, although the quality of cotton has improved significantly in the GAP region due to improved seed quality.

During MY 2011, local cotton prices moved along with world prices. A sudden drop in world cotton prices following record high prices and continuing low domestic prices disappointed farmers and persuade some of them plant other crop such as corn and soybean in the Cukurova region. Prices declined forty-six percent last spring from the previous year's highs.

Local Standard 1 Aegean cotton was US$ 2.4 per kilogram in October 2011 and went down to US$ 2.06 per kilogram in January 2012. A cotton export ban in India raised hopes of local producers for a recovery of domestic prices, but the ban was removed quickly. Local cotton is presently quoted for US$ 2.05 per kilogram, compared to US$ 4.84 per kilogram a year ago.

Even though farmers are not happy with the returns on cotton, recent floods in the Hatay region destroyed wheat fields, which will leave farmers with no other choice than to plant cotton. Excessive rains in the GAP region also prevented wheat planting last fall. This left cotton as the only option for some farmers. Similarly in the Hatay region, floods destroyed wheat fields, which are expected to be replaced by cotton. Hot summers in the GAP region adversely affect corn production, which creates risks and also makes cotton more attractive than corn.

All the cotton growing regions have received adequate rains and irrigation water is reported to be sufficient in all regions. But in spite of availability of irrigation water, higher input prices such as seed, fertilized, fuel and electricity continue to be concerns for cotton farmers.

Despite the fact that planting of cotton will start in the very near future, the Turkish government (GOT) has not announced production bonuses (support payments) for the MY 2012 crop yet. High input prices and uncertainty about the production bonus for cotton versus alternative crops such as corn, will affect the final decisions of farmers. The seed cotton production bonus in the previous year was TL 0.42 per kilogram. Farmer leaders argue that this year the bonus should be TL 0.60 per kilogram due to increased production costs.

Late planting last fall postponed the harvesting in the GAP region, leaving cotton vulnerable to fall rains. Late and compressed planting resulted in maturing of fields at the same time that has also caused problems in picking due to a lack of harvesters and labor. There were problems in ginning as well, since ginning capacity in the region is limited.

The Ministry of Foreign Trade undertook a program to establish HVI machine classification of Turkish cotton. They planned to create facilities furnished with HVI machines in Izmir, Urfa and Adana. The initial plan was to start the project in 2011 but due to budget problems the new system is expected to be functional in five years. When active, the system will collect data for each bail in a national database. The new system was intended to facilitate making production support payments according to quality, and also allowing cotton trade in a futures market.

Turkey used to be the world leader for organic cotton production but increasing world production has lowered the margins and as a result Turkish organic production has declined in recent years. MY 2011 production is estimated about 10,000 MT compared to 30,000 MT in MY 2006. But field preparations indicate that production will go up to 12,000 MT in MY 2012.

Field yields are improving because the farmers that continue to plant cotton are the most efficient and experienced, well equipped and have larger fields. GOT is also increasing its efforts to unite small and divided farms. Therefore, better planting techniques and economies of scale are helping to achieve higher yields. Increases in the use of certified seeds over the years had also helped increasing yields. The increase in certified seed use is driven by a ten percent higher production bonus for certified seed users. It is now calculated that 85 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 the cotton fields from rising underground water levels due to excessive irrigation. GOT also provides technical and financial assistant to farmers to build modern drip irrigation systems to prevent ecological problems and wasting water resources.

The Turkish government announced a new initiative in 2008 to allocate about US$12 billion in five years to speed up the GAP project and build many dams, irrigation channels and other infrastructure in the Southeast Anatolian region to irrigate an additional 780,000 hectares of land by 2014. The GOT continued to allocate funds for the project during 2011 and committed to do so again in 2012. Cotton planting will increase significantly following the completion of the project.

Pests including budworm and bollworm are a problem for cotton producers, particularly in the Aegean and Cukurova 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 Bt insect-protected cotton.

Consumption:

During MY 2011 domestic cotton consumption is estimated at about 1.15 MMT (5.28 million bales). In spite of the slowing European economies Turkish companies managed to protect and increase their market share in Europe. However, high cotton prices adversely affected cotton usage. Mills searched for ways to cut production costs by producing finer counts, hence using less cotton. Some mills are also reported to have utilized more man-made fiber in their blends. During MY 2012 a strong domestic market and a projected recovery in the world economies are expected to cause local demand for cotton to rise to 1.2 MMT (5.5 million bales).

Turkish mills that benefited from high demand in the last two years invested in new machinery and increased their capacity. It is estimated that about 1.5 million new spindles will be added by the middle of 2012. These new investments will help the industry recover capacity lost during the 2008 economic crises, and to lower production costs and increase economies of scale.

Despite the economic slowdown in Europe the Turkish textile industry managed to increase exports of ready-to-wear and textile products in 2011. Increase in domestic demand and higher cost of production had reportedly caused Chinese and Indian producers to focus more on their home markets and adversely affected their competitiveness in international markets. Trade figures available indicate that during 2011 Turkish textiles and ready-to-wear items exports show increased for two years in a row. The high quality of Turkish textile products, geographical proximity, fast response time, and improved designs all helped lead to export increases. Additionally, a high world cotton price increased the cost of production for the Far-eastern producers who buy and sell in US dollars but Turkish textile industry buys its raw materials in US dollars and sells to EU member countries on a Euro bases. Also, Turkish producers who were covered by long-term cotton purchasing contracts were slow to increase prices, and this helped maintain sales to European countries. The extended antidumping duties on imported fabric and garments, twenty percent and thirty percent respectively, will also support domestic consumption of cotton in the coming three marketing years.

Investments by the Turkish textile industry since 1985 are estimated at about US$ 90 billion. When the new investments are finalized, production capacity is estimated to reach 6.5 million spindles and 650,000 rotors in Turkey.

According to the Exporter’s Union data, ready-to-wear items and textile exports were up 10 percent and 21 percent respectively in 2011, reaching US$ 16 billion and US$ 8 billion. Exports of both categories increased significantly during January 2012 compared to the same period a year ago. Textile exports were up about nineteen percent and ready-to-wear items about sixteen percent. A relatively very cold winter in Europe and in Turkey also increased sales of textiles in both markets.

The share of textiles and products in total exports were eighteen percent. The European Union continued to be the leading market for Turkish ready wear and textile exports in 2011, constituting thirty-five percent and twenty-eight percent of exports respectively. Total exports of textiles and garments to the United States were up slightly in 2011, reaching US$ 670 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 new futures market in Izmir has been in operation for a few years and reached significant trading volumes for products other than cotton. The Futures Market Administration (VOB) is working on creating a legal framework, infrastructure such as bonded storage facilities, and bidding standards for Turkish cotton so that it can be included in the futures market system.

Trade:

Cotton imports during the first half of MY 2011 were 219,000 MT (1 million bales). The United States supplied 81,000MT (372,000 Bales), Brazil supplied 53,000 MT, Greece supplied 48,000 MT and Australia supplied 8,000 MT during the same period. MY 2011 imports are expected to remain at about 480,000 MT (2.2 Million bales) due to high domestic production and unwillingness of mills to place large orders. Turkey imported a total of 729,428 MT (3.3 million bales) of cotton in MY 2010, of which 476,925 MT (2.1 million Bales) or sixty-five percent was U.S. cotton

U.S. exports to Turkey are projected to speed up during the second half of the marketing year. The U.S. registered 135,000 MT (620,000 bales) of cotton for sales to Turkey during the first seven months of the marketing year.

The Export Credit Guarantee Program (GSM-102) continued to play an important role in facilitating sales of U.S. cotton to Turkey. Cotton imported under the program in FY 2011 was about US$291 million. During the first allotment of FY 2012 total cotton registrations reached US$111 million and additional cotton sales were registered under the recent announcement as well.

Turkey also imported 98,000 MT of cotton yarn and 630 million M^2 of fabric in 2011. While imports of yarn were down thirty-five percent compared to a year ago, fabric imports were down about twenty percent. The decline in imports of both categories was due to the recent regulation that limits imports of textiles and yarn. Central Asian (Uzbekistan, Turkmenistan) and South Asian countries (India, Pakistan) and China were the suppliers for both items.

Turkey cotton exports were 8,500 MT (39,000 bales) in MY 2010, about fifteen percent less than the year before. Exports during the first half of MY 2011 were higher than usual (23,000 MT or 105,000 bales), due to attractive local cotton prices, and marketing year end exports are projected to reach

30,000 MT (137,700 bales). About sixty percent of exports were to international markets, mostly to China (6,000 MT) and about forty percent were to the Mersin Free Trade Zone. Turkey also exports about 24,000 MT (110,000 bales) of hydrophilic cotton annually for medical use; this is not listed in the trade matrices of this report.

Additionally, Turkey exported 90,000 MT of cotton yarn and 298 million M^2 of fabric in 2011. While exports of cotton yarn were up about four percent, fabric exports were down about eleven percent. 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, insufficient domestic cotton production and the slow pace of development of the GAP project.

Policy:

The Turkish government has spent more than US$ 22.5 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 seventy-four percent of the hydro electric projects are completed but only fifteen percent of the irrigation projects. In 2008 the government promised to allocate US$ 12 billion in five years for dams, irrigation and infrastructure in the region. During the last three years, the GOT allocated funds for some of the irrigation projects. If actually realized, a total of 1.04 million hectares of land will be irrigated by 2014 which could eventually increase cotton planting and production in the region.

The total number of harvesters in Turkey increased with great speed reaching approximately 1,000. The great majority, about 680 of them, are new modern harvesters. About 220 are secondhand and about 100 are old tractor-pulled harvesters. The demand for harvesters has increased particularly during the last season when a delay in planting caused cotton fields to mature at the same time and a lack of harvesters and labor caused 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 Cukurova and the Southeast are roller gins and half are saw gins. However the recent increase in machine harvesting has triggered construction of new saw gins. The agricultural cooperatives Taris and Cukobirlik have invested in new saw gins to meet the needs of their members. There are saw gin projects in the GAP region as well by private groups.

The ginning rate averages about 41 percent in the Aegean region, about 39 percent in the GAP and 38 percent in Cukurova. Ginners generally purchase seed cotton directly from growers. Lint generally is graded and certified by the government–regulated inspectors at the gins, using a green card system. The government started a project about three years ago to introduce a mechanized HVI testing system and has sent technicians to the United States for training at USDA’s Memphis facilities. Accordingly, there was going to be HVI measurement centers in Izmir, Adana and Urfa and Turkey will eventually move to the HVI testing system in the next five years. However, a lack of funds has postponed the project.

Import Trade Matrix

	Turkey		
Commodity	Cotton	Units:	Metric tons
Time Period	Aug/July		Aug/Jan
Imports for:	MY 2010		MY 2011
U.S.	476,925	U.S.	80974
Others			
Greece	87365	Brazil	52958
Turkmenistan	51250	Greece	47851
India	11135	Australia	8458
Uzbekistan	16672	Argentina	7481
Syria	1988	Turkmenistan	7010
Brazil	27851	India	3428
Egypt	5209	Tajikistan	3347
Argentina	6186	Egypt	1988
Burkina Faso	3610	Mersin FTZ	1721
Tajikistan	21088	Uzbekistan	1637
Total of Others	232354		135879
Others not listed	20149		2308
Grand Total	729428		219145

Turkey

Commodity	**Cotton**	**Units:**	**Bales**
Time Period	Aug/July		Aug/Jan
Imports for:	MY 2010		MY 2011
U.S.	2147776	U.S.	371600
Others			
Greece	401005	Brazil	243077
Turkmenistan	235238	Greece	219636
India	51110	Australia	38822
Uzbekistan	76524	Argentina	34338
Syria	9125	Turkmenistan	32176
Brazil	127836	India	15734
Egypt	23909	Tajikistan	15362

Argentina	28394	Egypt	9125
Burkina Faso	16570	Mersin FTZ	7900
Tajikistan	96794	Uzbekistan	7513
Total of Others	1066505		623683
Others not listed	92484		10593
Grand Total	3348074		1014876

Production, Supply and Demand Data Statistics:

Turkey Cotton (HECTARES)(MT)						
	2010	Revised	2011	Estimate	2012	Forecast
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]
Market Year Begin		Aug-10		11-Aug		12-Aug
Area Planted	320000	320000	480000	480000	0	430000
Area Harvested	320000	320000	480000	480000	0	430000
Beginning Stocks	254068	254068	216068	214909	0	219909
Production	460000	460000	700000	710000	0	630000
Imports	730000	729428	450000	480000	0	600000
MY Imp. from U.S.	480000	476925	300000	320000	0	350000
TOTAL SUPPLY	1444068	1443496	1366068	1404909	0	1449909
Exports	8000	8587	40000	35000	0	30000
USE Dom. Consumption	1220000	1220000	1120000	1150000	0	1200000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1220000	1220000	1120000	1150000	0	1200000
Ending Stocks	216068	214909	206068	219909	0	219909
TOTAL DISTRIBUTION	1444068	1443496	1366068	1404909	0	1449909

PSD Bales (1000 bales)

Cotton Turkey	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	320	0	480		430
Area Harvested	320	320	480	480		430
Beginning Stocks	1,928	1,166	1,712	984		1,006
Production	2,100	2,110	3,100	3,259		2,892

Imports	3,350	3,348	2,500	2,203		2,754
MY Imports from U.S.	0	2,189	0	1,469		1,606
Total Supply	7,378	6,624	7,312	6,446		6,652
Exports	146	40	250	160		140
Use	5,600	5,600	5,300	5,280		5,508
Loss	-80	0	-80	0		0
Total Dom. Cons.	5,520	5,600	5,220	5,280		5,508
Ending Stocks	1,712	984	1,842	1,006		1,004
Total Distribution	7,378	6,624	7,312	6,446		6,652
Stock to Use %	30	17	33	18		18
Yield	1,429.	1,436.	1,406.	1,478.		1,464.
TS=TD		0		0		0