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POLICY

Voluntary Public

Date: 11/14/2016

GAIN Report Number: TR6053

Turkey

Post: Ankara

New Turkish Agricultural Policy and Projected Impacts

Report Categories:

Policy and Program Announcements

Grain and Feed

Livestock

Approved By:

Elizabeth Leonardi, Agricultural Attaché

Prepared By:

Kubilay Karabina, Agricultural Specialist

Sinem Duyum, Agricultural Specialist

Report Highlights:

Turkey will start to implement a new subsidy program for agricultural products in 2017, the National Agriculture Project, which has an anticipated annual budget of nearly US\$4 billion. According to announcements thus far, the country of Turkey will be divided into 941 agricultural basins based on climate and soil to subsidize 19 strategic crops, with a specific set of crops for each basin. It is expected that planting area of corn will decrease by an amount up to 30 percent in MY 2017 in response to the new policies because the Turkish Grain Board, a favorite buyer for Turkish corn farmers, likely won't purchase corn from farmers in basins where corn is not on the subsidized list. Livestock subsidies will be increased in 2017 with the aim of boosting livestock inventory in Turkey and reducing feeder cattle imports.

Turkey's National Agriculture Project

Turkey will start to implement a new subsidy program for agricultural products starting in 2017. Turkish Prime Minister Binali Yıldırım announced some details about a new support policy for agriculture, which is called the National Agriculture Project, on November 14, 2016. This project covers a new allocation system for agricultural supports for crops and livestock. Within this scope, Turkey is divided into 941 agricultural basins based on climate and soil to subsidize specific crops for each zone. The project is set to begin in January 2017. The details of how this new policy will be implemented have not yet been published by the government, but the basic outline of the program and covered commodities have been announced.

The National Agriculture Project, meant to diversify Turkey's agricultural production, increase productivity and reduce the planted area of water-intensive crops in drought prone areas, will subsidize 19 crops, determined as strategic crops by the government. They are wheat, barley, corn, rye, oats, triticale, cotton, paddy rice, tea, tobacco, lentils, dry beans, chickpeas, safflower, soybean, sun flower, canola, hazelnuts, olives, and forage crops. Only wheat and forage crops will be subsidized in every basin. Farmer groups are lobbying for changes to the crops in the basin lists, so the list and its impact are still uncertain. The full list showing the crops which are covered for each basin under the new program is on the Turkish government's [website](#).

In the scope of the new policy, all subsidy payments will be given in two installments per year, which aims to reduce bureaucracy for farmers, who formerly received payments in many installments per year. Also, the Turkish government will pay half the cost of diesel. The contribution for diesel will be calculated according to which crops are grown.

The Prime Minister has said that the government will only support crops if they are on the subsidized crop list for their specific agricultural basin and the Turkish Grain Board (TMO) will have active role in the new subsidy policy in order to prevent market fluctuations and set price stability. In order to reduce TMO's warehousing burden, the Turkish government is encouraging the construction of Licensed Warehouses. Three million metric tons in capacity of new Licensed Warehouses will be finished by 2018. It is expected that TMO will not procure crops if they are not on the subsidized crop list for their specific agricultural basin. That amendment of TMO's role will probably affect planting decisions of farmers who have been planting corn and taking advantage of TMO's procurement price.

Due to increased water availability for corn production because of the new irrigation project and the government's generous price policy, the corn planting area in Turkey has increased in recent years. TMO has procured 1.6 MMT of corn so far in Marketing Year 2016, and procurement is continuing as of November 2016. Compared to last year, the private sector is reluctant to buy the first crop corn after the harvest (see GAIN Report [TR6042](#)), and therefore much of the crop is being procured by TMO, and causing a boom in TMO's corn stocks. This year, TMO announced the 2016 corn procurement price on August 26, 2016 of 740 TL/MT (\$245/MT) - it was 725 TL/MT last year, both of these slightly higher than the market price, depending upon the region. Also, the government gives subsidies of about 31 TL per ton (premium payment, fuel and fertilizer subsidy) for corn in MY2016. It was about 55 TL per ton in 2015. The main issue is that in regions where corn is not on the crop list for that basin, farmers will

lose the option to sell their corn to TMO, which historically is a reliable buyer. When TMO offers a procurement price (they do not do so every year), it is usually considered a good price.

According to market sources, corn production will be particularly affected by the new system. It is expected that the planting area of corn will decrease about 30 percent in MY 2017 due to reductions in planted areas where corn is not on the subsidized list for a particular basin. The GOT is encouraging production of other crops such as cotton, oilseeds, pulses, and wheat instead of corn in some areas where farmers have typically planted a lot of corn in recent years. It is anticipated that production of these crops will increase in the coming year in place of the reduced corn plantings. Next year, TMO will not procure corn in almost every basin in the drought-prone regions of Konya, Mardin and Sanliurfa – an area where there was about 2 MMT of corn harvested in previous years. In order to make up for this potential reduction in domestic corn production, Turkey may need to import more feed. In recent years, Turkish corn imports have primarily been sourced from the Black Sea region.

Ministry of Food, Agriculture, and Livestock (MinFAL) plans to grant a total of 11.6 billion TL (\$3.87 billion) in agricultural subsidies, including livestock, to producers in 2016. It is expected to reach 12.8 billion TL in 2017. The agriculture community is eagerly awaiting the implementation details of this new restructured subsidy program, as the Turkish government's support policies have a strong effect on the agriculture sector.

Livestock Subsidies

One of the important components of the National Agriculture Project is “The Model of Subsidizing Livestock Domestic Production”. The main purpose of this component is to increase the livestock inventory in Turkey and reduce feeder cattle imports. Breeding cattle import policy is expected to continue.

As in recent years, many of the subsidies will be given to livestock. Roughly 3.7 billion TL (\$1.1 billion USD) will be provided for the livestock sector in 2017, which is 30 percent of the total subsidies in the National Agriculture Project. This is expected to be a 26 percent increase compared to the 2016 subsidies for livestock. The sub-components of the livestock subsidies will be:

- ***Establishing areas for grazing animals*** will be applied in 25 provinces. Fifty two percent of the total grassland in Turkey and 32 percent of total cattle population are located in those provinces. The grassland will be able to be leased by producers for breeding animals.
- ***Breeding pregnant heifers production centers*** will be established in 32 provinces with 500 head of animals each as a subsidy for breeding animals. An amount of 750 TL (\$225) will be granted for each calf which reaches 4 months and is vaccinated regularly. There is also a 50 percent grant for barn building and 30 percent grant for animal purchasing.
- ***Breeding ram and male goat production centers*** will be established in 22 provinces with 500 head of animals each. The aim is to produce high quality male stock for the other herds.
- ***Buffalo production centers*** will be established with 500 head of animals each. A fifty percent grant for barn building, animal and equipment purchasing will be given.

- *Resting and control/inspection stations* will be established with the aim to reduce the number of animal deaths and diseases from rough transport conditions.

Regional Distribution in Turkey of Livestock-Related Support



500 heads capacity Breeding Ram and male goat



Breeding heifers centers, 500 heads capacity



250 heads capacity, breeding buffalo



Resting and control station in order to minimize animal number destroyed by diseases



Renting grassland to deal with livestock and grass improvement. 30 percent grant to female breeding animal for beef up to 200 heads. 750 TL grant to vaccinated calves at 4 months age.