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## **Turkey**

### **Cotton and Products Annual**

#### **2012 Turkey Cotton and Products Annual**

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**Report Highlights:**

Turkish cotton area and production are expected to decline a second year in a row to 330,000 hectares and 500,000 MT (2.3 million bales) in MY 2013. Low returns in cotton adversely affected cotton planting in all cotton planting regions. Domestic consumption is expected to continue to increase, yet, moderately in MY 2013 to 1.37 MMT (6.2 Million bales). The U.S. continued to be the leading supplier of cotton to the Turkish market. Imports during first six months of MY 2012 were 127,000 MT (0.5 million bales), which is lower than the same period in recent years due to the availability of low priced local cotton. The Export Credit Guarantee Program (GSM-102) continues to play an important role in facilitating sales of U.S. cotton and to maintain market share. Cotton registrations under the first two announcements of FY 2013 were US\$140 million and local mills are anticipating utilization of the next allotments.

## **Executive Summary:**

Turkish cotton area and production are projected to decrease twenty percent to 330,000 hectares and 500,000 MT (2.3 million bales) in MY 2013. Domestic cotton production and area was 410,000 hectares and 580,000 MT (2.6 million bales) in MY 2012. Farmers who are not happy with cotton returns were persuaded to plant other crops such as wheat, corn, soy and vegetables. GOT has not announced production bonuses officially yet, but it has been made public that the seed cotton production bonus will be raised ten percent to 500 TL (US\$ 277) per ton for MY 2013 crop. The incentive had only minor affects to support planting.

Overall yields have been improving in recent years because the 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 the total seeds, have also helped to increase yields. Mechanical harvesting is reported to have increase field and ginning yields as well.

While high production costs and competition of other crops are having adverse affects in cotton production, the only initiative that will increase cotton production in Turkey is the progress of the Southeastern Anatolian Project (GAP) project. The Turkish government announced an initiative in 2008 to allocate about US\$12 billion over five years to speed up the GAP project and build several dams, irrigation channels and other infrastructure in the Southeast Anatolian region to irrigate an additional 780,000 hectares of land by 2015. GOT continued to allocate necessary funds for the project during 2012 and but budget constraints are expected to prevent allocation in timely fashion during 2013. Cotton planting will increase significantly following the finalization of the new phase of the project.

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. GOT, in an effort to support local production, has announced on March 25, 2011, a new price investigation on imports of fabric and garments and issued a temporary import protection tax. Accordingly, imports of fabric and garments were subject to 20 percent and 30 percent import tax respectively, starting from July 2011 for three years. The new regulation and the extension have met with great enthusiasm among the Turkish garment producers who had to shut down operations due to low cost imports from Asian countries. But beginning of 2012 GOT, influenced by the favorable world trade environment, decided to lift the yarn import protection tax but kept the fabric import protection tax.

Turkish companies have been trying to hold on to their markets, domestically and internationally, by emphasizing their advantage in shipping times and focusing on 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. Generally, Turkey is the second biggest apparel and textile supplier to the EU after China, and is the eight largest textile exporter in the world and fifth largest apparel exporter. Increased domestic consumption and cost of production in leading competitors such as China and India have made Turkish products more competitive in export markets.

Turkish textile and apparel total exports amounted to US\$ 24.6 billion in 2012, marginally up from US\$24 in 2011. The slow increase in exports was due to economic difficulties in the EU market where

about 80 percent of Turkish textile products are exported. The EU has been the leading market for Turkish textile and garment exporters since buyers wanted to work with low stocks - hence they preferred Turkey due to geographical proximity, short response time and quality.

The United States continued to be the leading cotton supplier to the Turkish market, supplying 49 percent during MY 2011. US market share was 41 percent during the first half of the MY 2012 but is expected go up to more than 51 percent at the end of the marketing year. Total cotton imports from the U.S. in MY 2012 are expected to reach 425,000 MT (1.9 million bales).

Turkey is projected to remain one of the largest markets for U.S. cotton exports due to a lack of local supplies and the availability of the GSM-102 credit guarantee program. During the first two allotments of the FY 2013 program total cotton registrations reached US\$140 million and Turkish mills are waiting to register more cotton with the last allotment of the program - when announced.

Turkey cotton exports were about to 9,000 MT (41,300 bales) during the first half of in MY 2012, which is about 40 percent less than a year before due to lower production compared to last year. Far eastern countries Indonesia (2,200 MT), Bangladesh (1,600 MT) and Vietnam (800 MT) were the main buyers. A total of 1,800 MT of cotton were also exported to the Mersin Free Trade Zone with a possibility of re-import into the country later.

Turkey also exported about 16,000 MT of hydrophilic cotton for medical use during the same period.

**Commodities:**

Cotton

**Production:**

MY 2013 cotton planting area is projected to decline about 20 percent to 330,000 hectares following a 16 percent decline in MY 2012. Cotton production in MY 2013 is expected to remain about 500,000 MT (2.3 million bales). Low returns on cotton and high production costs persuaded farmers, particularly in the Cukurova and Aegean regions, to plant alternative crops such as corn, soybean and vegetables. In some areas of the GAP region, despite dissatisfaction with the returns of cotton, farmers are forced to plant cotton due to hot summers that adversely affect corn.

<b>Region</b>	<b>Area (ha.)</b>	<b>Production (MT)</b>
<b>Aegean</b>	75	120
<b>Cukurova</b>	55	80
<b>GAP</b>	200	300
<b>Total</b>	330	500

During MY 2012 local cotton prices moved along with world prices. Local Standard 1 Aegean cotton was US\$ 1.68 per kilogram in September 2012; was about the same at US\$ 1.68 per kilogram in late December 2012. Local cotton is presently quoted for US\$ 1.92 per kilogram compared to US\$ 4.84 per kilogram two years ago.

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

Turkey used to be the world leader for organic cotton production, but increasing world production has lowered the margins and domestic production has declined in recent years. MY 2012 production is estimated at 12,000 MT compared to 30,000 MT in MY 2006. But field preparations indicate that production will go up to 14,000 MT in MY 2013. Turkish producers are also taking steps to be part of the Better Cotton Initiative (BCI) and targeting production of about 15,000 MT of cotton that complies with BCI standards in two years.

Despite the fact that cotton planting will start in the very near future, GOT has not yet officially announced the production bonus for commodities, including cotton, under the program for MY 2013. Unofficial press releases indicate that the cotton bonus will be increased about ten percent to 0.5 TL per kilogram. Farmer leaders argue that such an increase will be insufficient to convince farmers to plant cotton, and that the bonus this year should be TL 0.60 per kilogram due to the increased cost of production. They argue that a higher bonus would result in higher planting.

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 combine small and divided farms. Therefore, better planting techniques and economies of scale are helping them to achieve higher yields. Increases in the use of certified seeds over the years have also helped to increase yields. The increase in the use of certified seed is driven by a ten 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 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 the waste of water resources.

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 2012 domestic cotton consumption is estimated to reach 1.35 MMT (6.2 million bales). In spite of the slowing down in the European economies Turkish yarn and garment producing companies

managed to increase their market share in Europe since Asian competitors such as India, Pakistan and Bangladesh are selling to meet increasing Chinese demand and leaving the European market to Turkish producers. During MY 2013, projected recovery in the world economy is expected to support local demand for cotton to raise production to 1.37 MMT (6.3 million bales).

Turkish mills that benefited from the high demand of 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 end of 2013. The new investments will help the industry recover from capacity lost during 2008 economic crises, lower production cost, and increase 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 17 percent of total exports. Investments by the Turkish textile industry since 1985 are estimated at about US\$ 90 billion. When the new investment is finalized production capacity is estimated to reach 7 million spindles and 650,000 rotors in Turkey. 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 2012 were about the same as 2011 - US\$ 16 billion and US\$ 8 billion respectively. Overall the share of textiles and products in total exports were 17 percent. The European Union continued to be the leading market for Turkish ready wear and textile exports in 2012, constituting 73 percent and 43 percent of exports respectively. Total exports of textiles and garments to the United States were up slightly in 2012, reaching US\$ 732 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 has reached significant trading volumes for products other than cotton. The futures market (VOB) administration has finalized the creation of the legal framework on necessary infrastructure such as bonded storage facilities and bidding standards for Turkish cotton, which will bring new facilities to Turkish farmers in cotton marketing.

**Trade:**

Cotton imports were up about 40 percent during the first half of MY 2012 reaching 310,000 MT (1.4 million bales) compared to the same period last year. The U.S. was the leading supplier with 127,000 MT (0.58 million bales). Greece (82,000 MT), Brazil (40,000 MT), and Tajikistan (29,000 MT) were the other leading suppliers.

Turkey imported a total of 519,000 MT (2.38 Million bales) of cotton in MY 2011, of which 253,000 MT (1.16 Million Bales), 49 percent, was U.S. cotton. U.S. exports to Turkey are projected to pick up with increased demand during the second half of MY 2012. The U.S. registered 194,000 MT (890,000 bales) of cotton for sale 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 and to maintain market share. Cotton imports under the program in FY 2011 were

about US\$291 million. During the first two allotments of FY 2012 total cotton registrations reached US\$140 million. Turkish mills are waiting to register more cotton during the last allotment of the program, when available.

Turkey also imported 97,000 MT of cotton yarn and 424 million M<sup>2</sup> of fabric in 2012. While imports of yarn were down about 6 percent, fabric imports were down about 33 percent.

Turkey cotton exports were about 9,000 MT (41,000 bales) during the first half of the MY 2012.

Indonesia (2,211 MT) and Bangladesh (1,165 MT) were the leading foreign destinations for Turkish cotton. About 1,800 MT of cotton was also exported to the Mersin Free Trade Zone with a possibility of being re-imported into the country later. Turkey also exported about 16,000 MT (7,300 bales) of hydrophilic cotton for medical use during the same period which added to exports in the PSD.

Additionally, Turkey exported 133,000 MT of cotton yarn and 328 million M<sup>2</sup> of fabric in 2012. While exports of cotton yarn were up about 12 percent, fabric exports were up 10 percent. EU member countries continued to be the leading export market 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.

		<b>Metric Tons</b>
<b>Turkey, Cotton</b>	<b>Units:</b>	
<b>Time Period</b>	<b>Aug/July</b>	<b>Aug/Jan</b>
<b>Imports for:</b>	<b>MY 2011</b>	<b>MY 2012</b>
<b>U.S.</b>	252663	126523
<b>Others</b>		
<b>Greece</b>	85740	81435
<b>Brazil</b>	81638	39435
<b>Turkmenistan</b>	27290	4977
<b>Tajikistan</b>	13302	29148
<b>Argentina</b>	11341	4663
<b>Australia</b>	8458	
<b>Syria</b>		13260
<b>Uzbekistan</b>	7640	
<b>Mersin FTZ</b>	7588	2697
<b>India</b>	6248	
<b>Azerbaijan</b>	4712	1202
<b>Egypt</b>		2592
<b>Kyrgyzstan</b>		1248
<b>Total of Others</b>	253957	180657
<b>Others not listed</b>	11990	2751
<b>Grand Total</b>	518610	309931
<b>Turkey, Cotton</b>	<b>Units:</b>	<b>Bales</b>
<b>Time Period</b>	<b>Aug/July</b>	<b>Aug/Sept</b>

<b>Imports for:</b>	<b>MY 2011</b>	<b>MY 2012</b>
<b>U.S.</b>	1159723	580740
<b>Others</b>		
<b>Greece</b>	393546	373786
<b>Brazil</b>	374718	181007
<b>Turkmenistan</b>	125261	22844
<b>Tajikistan</b>	61056	133789
<b>Syria</b>		60863
<b>Argentina</b>	52055	21403
<b>Australia</b>	38822	
<b>Uzbekistan</b>	35067	
<b>Egypt</b>		11897
<b>Mersin FTZ</b>	34828	12379
<b>India</b>	28678	
<b>Kyrgyzstan</b>		5728
<b>Azerbaijan</b>	21628	5517
<b>Total of Others</b>	1165662	829213
<b>Others not listed</b>	55034	12627
<b>Grand Total</b>	2380420	1422583

### **Policy:**

The Turkish government has spent more than US\$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 1.3 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 21 percent of the irrigation projects. In 2008 the government promised to allocate US\$ 12 billion over five years for dams, irrigation and infrastructure in the region. During the last three years GOT allocated appreciated funds for the project to vitalize some of the irrigation projects. If realized, a total of 1.04 million hectares of land will be irrigated by 2015, 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, Cukurova and Southeastern Anatolia. Small amounts of cotton are also produced around Antalya.

The most popular varieties in the Aegean region are "Carmen" and "White Gold"; in Cukurova "Delta Pine-SG 125" and "BA 119"; and in the Southeast "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 the cotton has improved significantly in the GAP region due to improved seed quality.

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 secondhand and about 100 are old tractor-pulled harvesters. The demand for harvesters has increased in recent years since the high cost and scarcity of labor 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 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 co-ops Taris and Cukobirlik have invested in new saw gins to meet the needs of their members. Private groups have invested in saw gin projects in the GAP region as well.

The ginning rate averages about 41 percent in the Aegean region, about 39 percent in 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 has introduced a project about five 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 were going to be HVI measurement centers in Izmir, Adana and Urfa, and Turkey will eventually move to the HVI testing system over the following five years. However, a lack of funds and interest has postponed the project.

**Production, Supply and Demand Data Statistics:**

**PSD, Turkey, MT**

Commodity	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]

<b>Market Year Begin</b>		11-Aug		12-Aug		13-Aug
<b>Area Planted</b>	490000	490000	410000	410000	0	330000
<b>Area Harvested</b>	490000	490000	410000	410000	0	330000
<b>Beginning Stocks</b>	200245	200245	193618	193618	0	183618
<b>Production</b>	770000	770000	600000	580000	0	500000
<b>Imports</b>	518610	518610	750000	800000	0	900000
<b>MY Imp. from U.S.</b>	252663	252663	400000	425000	0	500000
<b>TOTAL SUPPLY</b>	1488855	1488855	1543618	1573618	0	1583618
<b>Exports</b>	65237	65237	40000	40000	0	40000
<b>USE Dom. Consumption</b>	1230000	1230000	1300000	1350000	0	1370000
<b>Loss Dom. Consumption</b>	0	0	0	0	0	0
<b>TOTAL Dom. Consumption</b>	1230000	1230000	1300000	1350000	0	1370000
<b>Ending Stocks</b>	193618	193618	203618	183618	0	173168
<b>TOTAL DISTRIBUTION</b>	1488855	1488855	1543618	1573618	0	1583618

**PSD Bales (1000 bales)**

<b>Cotton Turkey</b>	<b>2011/2012</b>		<b>2012/2013</b>		<b>2013/2014</b>	
	<b>Market Year Begin: Aug 2011</b>		<b>Market Year Begin: Aug 2012</b>		<b>Market Year Begin: Aug 2013</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
Area Planted	0	490	0	410		330
Area Harvested	490	490	400	410		330
Beginning Stocks	1,319	919	1,241	888		842

Production	3,440	3,534	2,600	2,662		2,295
Imports	2,382	2,380	3,800	3,672		4,131
MY Imports from U.S.	0	1,160	0	1,950		2,295
Total Supply	7,141	6,833	7,641	7,222		7,268
Exports	300	300	185	184		184
Use	5,600	5,645	6,100	6,196		6,290
Loss	0	0	0	0		0
Total Dom. Cons.	5,600	5,645	6,100	6,196		6,290
Ending Stocks	1,241	888	1,356	842		794
Total Distribution	7,141	6,833	7,641	7,222		7,268
Stock to Use %	21	15	22	13		12
Yield	1,529.	1,570.	1,415	1,414		1,514