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Report Highlights:

Despite continuing challenges facing the Turkish livestock industry, the number of cattle in Turkey is estimated to grow 6 percent in 2020 to 18.1 million animals due to the implementation of favorable new government subsidies and the continuation of an aggressive import policy that brings large numbers of live animals into the country. In 2020, Turkey's imports of live animals, mostly from Brazil, Uruguay, and EU countries, is forecast to increase by 5 percent to 1.05 million head.

In 2020, beef production in Turkey will increase slightly to 1.3 million MT. Producers continue to be concerned about high prices for imported feed raw materials, low prices for animals sold for slaughter, and lack of coordination and unsustainability of government policies. Beef imports are forecast to decline 10 percent to 13,500 MT as the government pursues a policy of importing live cattle for domestic slaughter instead of importing meat.

Commodities:

Animal Numbers, Cattle

Executive Summary:

Despite continuing challenges facing the Turkish livestock industry, such as high feed prices and currency devaluation, the number of cattle in Turkey is estimated to grow 6 percent in 2020 to 18.1 million animals due to the implementation of new favorable government subsidies and the continuation of an aggressive import policy that brings large numbers of live animals into the country. Most cattle in Turkey are used for dairy production, but low milk prices set by government institutions to combat food price inflation have forced many producers to sell off portions of their herds for meat. In 2020, Turkey's imports of live animals, mostly from Brazil, Uruguay, and EU countries, is forecast to increase by 5 percent to 1.05 million.

In 2020, beef production in Turkey will increase slightly to 1.3 million MT as the Turkish government maintains its prioritization of feeder cattle imports and subsidies. Producers continue to be concerned about high prices for imported feed raw materials, low prices for animals sold for slaughter, and lack of coordination and unsustainability of government policies. Sheep and goats remain the majority of slaughtered animals for human consumption in Turkey, although sheep and goat meat are not preferred by consumers. Beef imports, which are almost entirely from eastern Europe, are forecast to decline 10 percent to 13,500 MT as the government pursues a policy of importing live cattle for domestic slaughter instead of importing meat.

Production:

In Turkey, feed costs are the biggest concern for livestock businesses, accounting for 80 percent of total expenditures. The preservation of grasslands is becoming more important in Turkey in order to reduce feed costs in livestock businesses; however, lands for grazing have decreased 12 million hectares from 40 million hectares over the last 50 years. Additionally, Turkey does not have a competitive advantage for feeder cattle operations, as only 40 percent of the forage needs of animals is provided by natural grasslands in Turkey. However, dairy cattle operations, in contrast to feeder cattle operations, are doing well by using intensive farming.

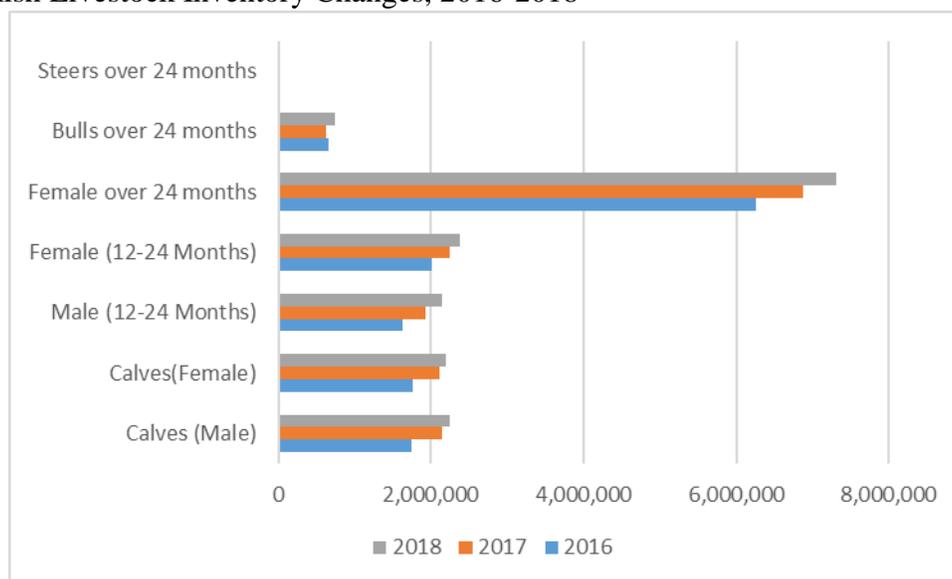
Livestock inventory has been stagnating for years, even with huge numbers of live cattle imports occurring each year. Producers believe that current animal production and genetics development are not enough to maintain or grow livestock inventory for meat production. Milk production is stable, but selling prices from primary production are not profitable for milk producers. Instead, some dairy animals are still being sent to slaughter which will affect future capacity for meat and milk production, as well.

The cattle number estimate for 2020 is expected to be 18.1 million head, which is six percent higher than 2019 due to several factors explained in detail below, including import and subsidy policies, especially for calves. In 2019, the cattle population is expected to reach 17.1 million, if the Turkish Ministry of Agriculture and Forestry's cattle import policy continues as expected. In the beginning of 2019, TurkSTAT announced that the cattle population in 2018 was estimated at 17 million head, which is 6 percent higher than the 2017 total of 15.9 million head. However, the Turkish livestock sector estimates 16.1 million head in 2018 because inventory has not been rising as TurkSTAT calculated. Turkey has continued to import cattle with low carcass yields from South American countries, which

has impacted meat production. The sheep and goat population is estimated at 46 million head, a 4 percent increase.

At the beginning of 2019, the government decided to restrict breeding cattle imports, and the Ministry of Agriculture and Forestry stopped issuing import permission for dairy cattle. The Ministry`s aim is to establish domestic breeding cattle production centers throughout Turkey and provide breeding genetics to producers directly. However, the specified establishments, which belong to the government-affiliated Directorate General of Agricultural Establishment, remain inactive, forcing the Ministry to allow imports of breeding cattle again.

Chart 1. Turkish Livestock Inventory Changes, 2016-2018



Source: Turkish Statistical Institute (TurkSTAT), 2019

The Ministry of Agriculture and Forestry has been continuing to subsidize the livestock sector (see policy discussion below), especially for improving calf health and production, in order to increase domestic production and also to help farmers who are struggling with high input costs. However, farmers do not think that the supports are sufficient to address high feed prices.

In 2018, Turkey produced 24.1 million MT of mixed feed and 11.5 million MT of raw feed material was imported for this production. Also, at the beginning of 2019, feed material prices for beef and dairy animals increased 40 percent in response to rising currency exchange rates. Recently, decreasing the amount of forage derived from beets has impacted the livestock sector badly since molasses feed prices have sharply increased after the government decided to close state-funded sugar production plants.

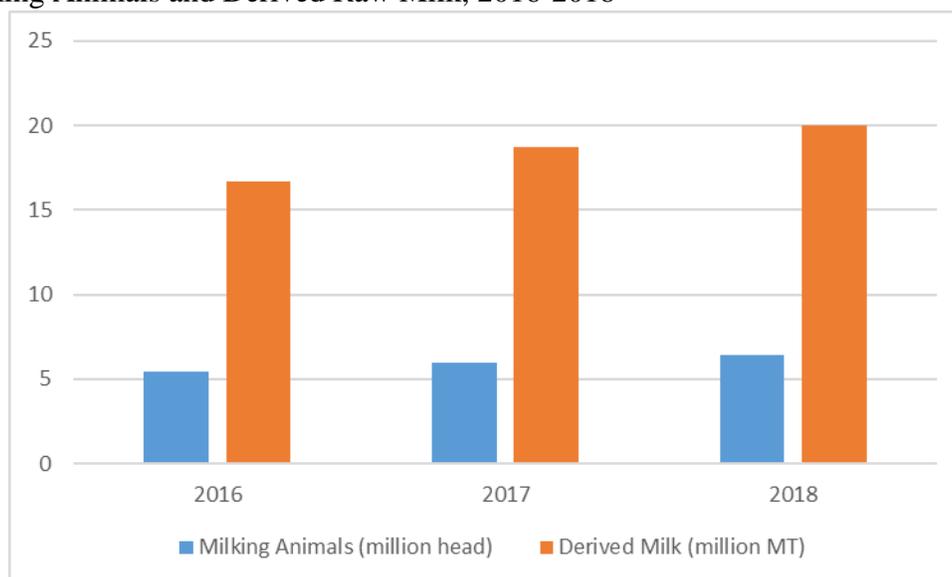
The barriers on imports of feed materials and unpredictable future foreign currency exchange rates are the main challenges for Turkish producers to obtain feed and feeder cattle at reasonable prices. Thus, profit margins have been gradually declining. The Ministry of Agriculture and Forestry has not yet announced the rate of 2019 subsidies for livestock, despite requests from farmers who have expressed a wish to have the ministry disclose its subsidy rates for the next 5 years to better plan their investments. According to the Turkish agricultural press, the subsidies will be less than the previous year, and it is

widely expected that feeder cattle and calves subsidies, which are the most important subsidies, will be reduced this year.

The vast majority of cattle in Turkey are for dairy production. The National Milk Council sets the raw milk base price every 6 months. The decisions made by the Food Committee to keep inflation in check also impacts raw milk prices. According to milk producers, raw milk prices set by the National Milk Council are too low and don't account for all their production costs. Producers want raw milk prices to reflect current feed prices, which are dependent on expensive imports.

Turkey produced 20 million MT of milk in 2018. The Meat and Milk Board (ESK) is the regulatory body for the Turkish domestic milk market to keep milk prices stable for consumers and to make prices profitable for producers. Since there is a milk surplus in Turkey, ESK is purchasing raw milk from domestic producers and converting raw milk to milk powder in contracted milk processing facilities. Then ESK exports milk powder and its products to other countries, mostly in eastern Asia.

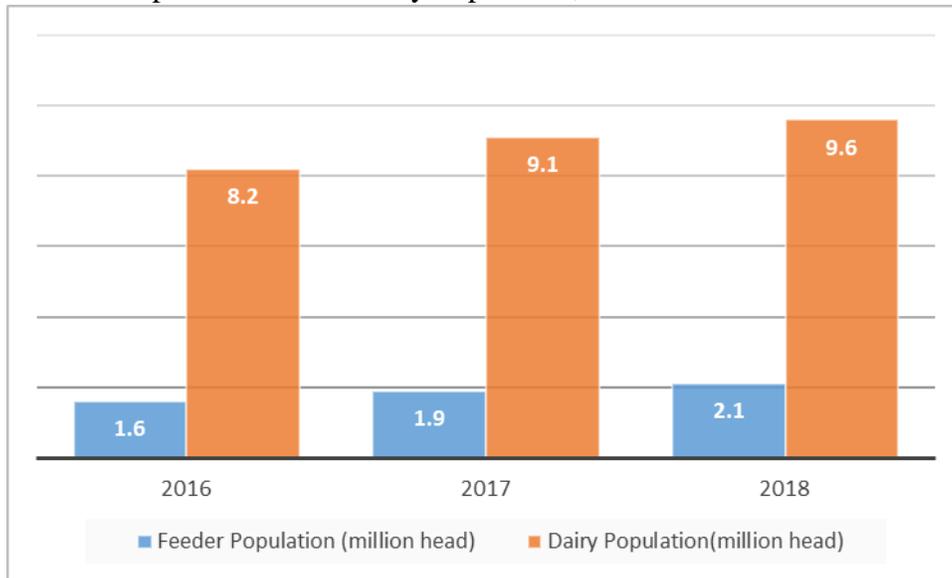
Chart 2. Milking Animals and Derived Raw Milk, 2016-2018



Source: Ministry of Agriculture and Forestry, 2019

According to Turkish milk producers, milk production for the first 3 months of 2019 declined since milking cows are being sent to slaughter due to low milk prices and a shortage of red meat production. In Turkey, the milk market has a key role in determining the meat market situation. Generally, male calves from dairy cows are used for feeder cattle, despite the fact that the carcass yield for meat production is low. The Ministry of Agriculture and Forestry is trying to improve the feeder cattle population by importing feeder cattle; however, the animals that are being imported are chosen based on cost and not higher and sustainable carcass yields. Producers believe that high quality genetic material to build a quality domestic supply should be used instead of imported feeder cattle. Also, producers want the Ministry to give them minimum market guarantees to sell their animals and to provide support on feed supplies, especially on good quality forage.

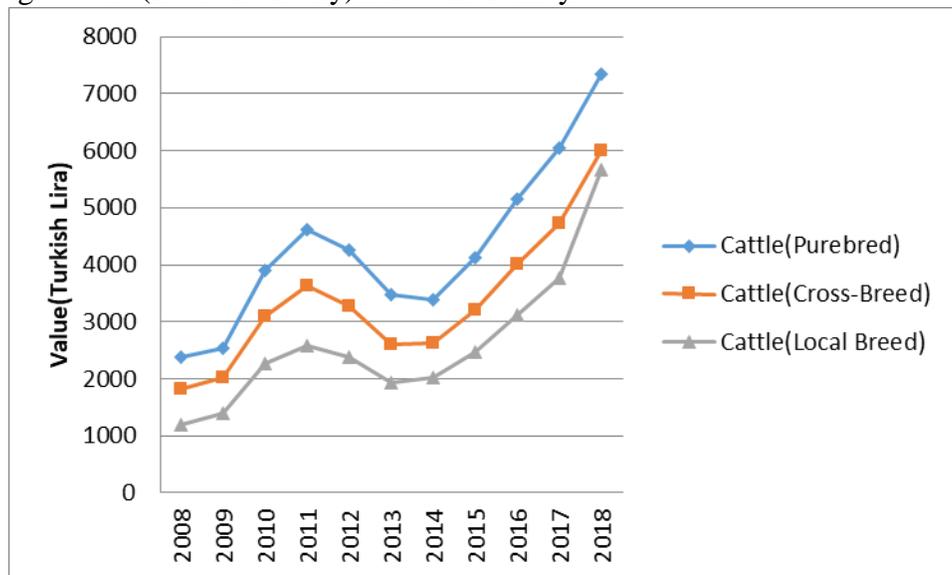
Chart 3. Feeder Cattle Population versus Dairy Population, 2016-2018



Source: Turkish Statistical Institute (TurkSTAT), 2019. Note: “Feeder Population” category is male cattle, up to 24 months under 300kg.

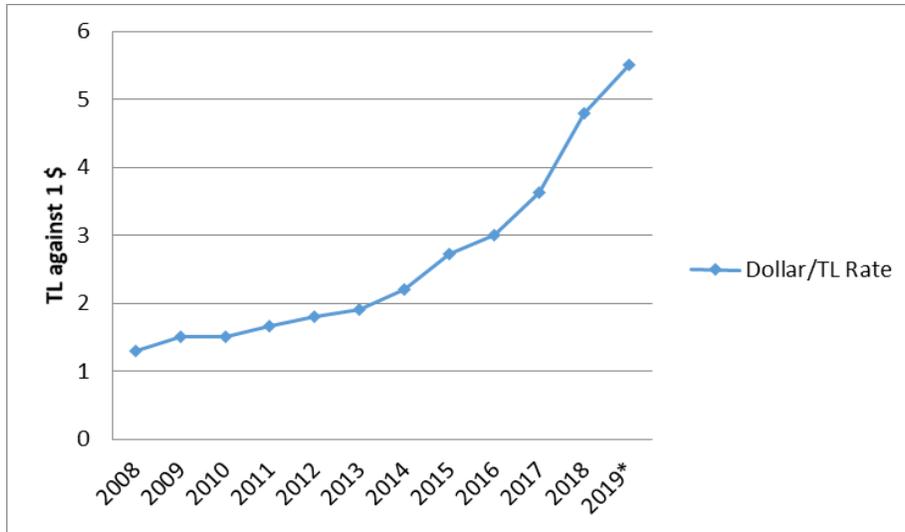
Live cattle prices in Turkey have been increasing since 2014, related to the exchange rate.

Chart 4. Average Cattle (Beef and Dairy) Prices in Turkey



Source: Turkish Statistical Institute (Turk Stat), 2019

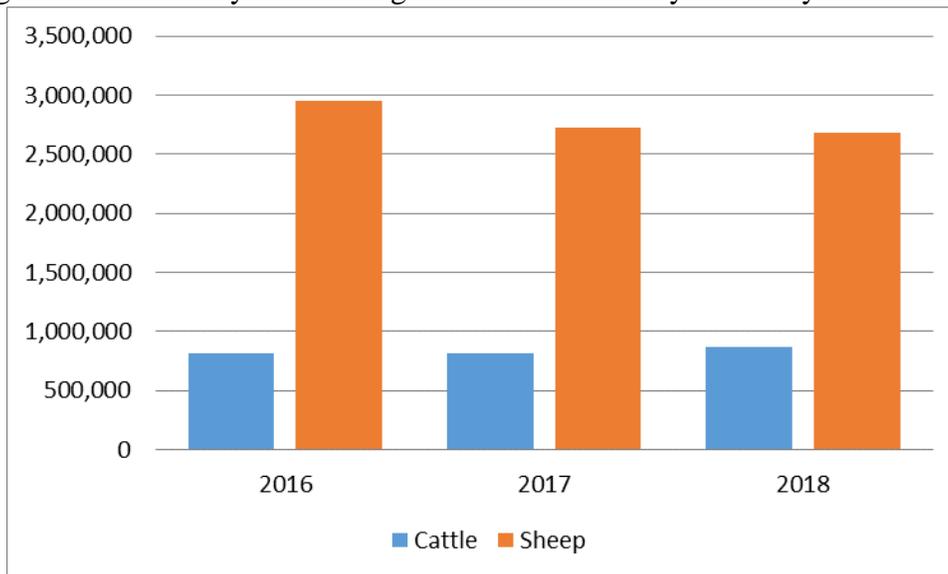
Chart 5. Dollar/ TL Exchange Rate by Years



Source: Turkish Central Bank, 2019

Sacrifice Holiday: Turkey celebrated the sacrifice holiday from August 11-14, 2019. In some years (2010, 2011, 2017 and 2018), Turkey imported cattle to slaughter during the sacrifice holidays, but in 2019, no cattle were imported specifically for the sacrifice holiday. According to the Ministry of Agriculture and Forestry, Turkey had 1.2 million head of cattle and 3.8 million head of sheep and goats that were marked for sacrifice in 2019 during the holiday. The official announcement on how many animals were slaughtered during the holiday has not been published yet. The Ministry announced that 866,000 head of cattle and 2.6 million head of sheep were slaughtered in 2018.

Chart 6. Slaughtered Animals by Year during the Sacrifice Holiday in Turkey



Source: Turkish Agricultural Chambers, 2019

In 2019, the Ministry made a decision to import meat from Ukraine, Poland, Hungary, and Bosnia and Herzegovina for the sacrifice holiday to distribute the meat to poor families. The Ministry made a contract with Turkish charities who distribute meat to families. According to the Turkish press, the

charities slaughtered 6,000 head of cattle in the countries in question. Turkish red meat producers are not happy with this decision to import meat since they are already not able to sell their animals to slaughterhouses for profitable prices.

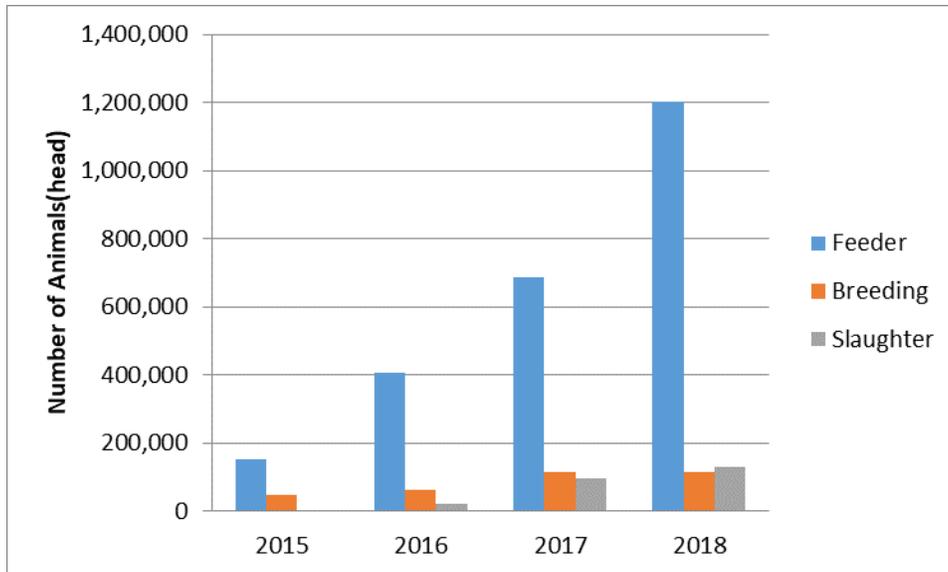
Trade:

Turkey has been importing feeder and slaughtering cattle for years to compensate for the shortage of red meat in the domestic market. The shortage is the effect of low feeder cattle inventory which has resulted in increasing live cattle imports since 2010. The Turkish government, through the Milk and Meat Board (ESK) and Red Meat Producers Association are the main importers of feeder cattle. Dairy cattle are generally imported by the private sector. Turkey will likely continue to need to import live cattle in order to maintain feeder cattle herds, so long as the structure of the industry remains the same. Turkey imported 3.35 million head of cattle during the last four years at a cost of \$4 billion. Most of the imported animals were brought from Brazil and Uruguay, and the others were imported from EU countries.

In 2020, Turkey’s livestock imports are expected to be five percent higher than 2019, if the Ministry’s policies continue as currently planned. The estimates for the future are difficult to predict because of continued economic and political uncertainty.

So far in 2019, live cattle imports have reached 303,000 head from January to June and are expected to reach 1 million head by the end of the year. This expectation is lower than the 2018 import data since the Ministry has implemented restrictions on feeder cattle, breeding cattle and cattle for slaughter in 2019. Breeding cattle imports have declined for the first 6 months of 2019. Turkey imported 1.4 million head of cattle valued at \$1.6 billion in 2018, which is 63 percent higher than 2017. In 2018, 40 percent of the total imported animals were brought from Brazil. Additionally, Brazilian cattle exports to Turkey have continued into 2019, having 66 percent of the market share of imported animals during the first six months of 2019. Lower prices have been influencing the choices of Turkish importers to import cattle from Brazil. However, Brahman breeds and their crosses are now also commonly seen in farms, which used to be unusual in Turkey.

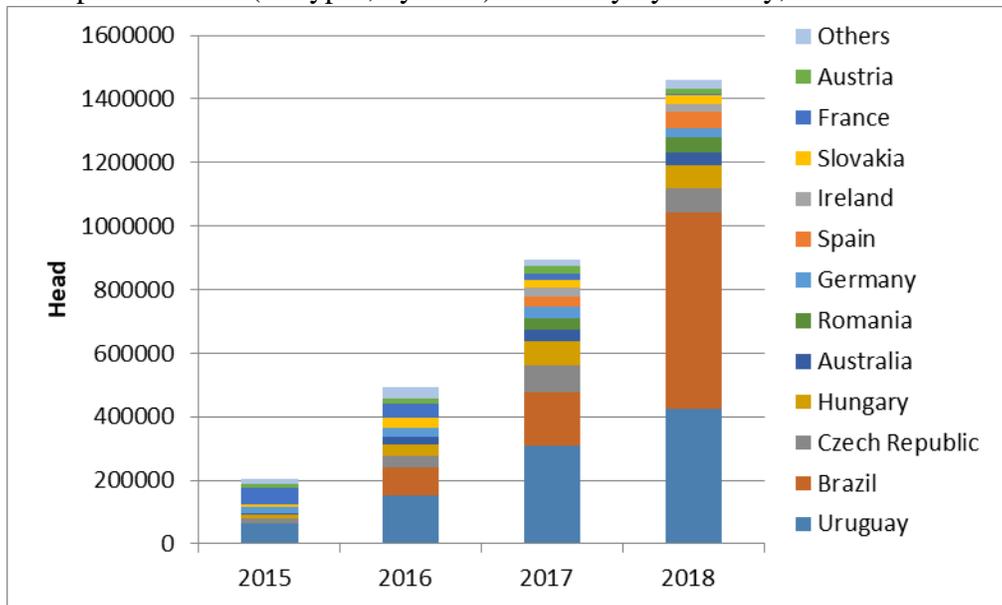
Chart 7. Turkey Cattle Import Numbers by Category, 2015-2018



Source: Turkish Statistical Institute (Turk Stat), 2019. Note: “Breeding” category includes dairy cattle and beef breeding cattle.

In 2018, slaughter cattle imports increased by 130,984 head, 35 percent higher than 2017. These imports were authorized by the government to reduce the high meat prices in Turkey. Slaughter cattle imports have continued in 2019, but with much smaller quantities, mostly from Brazil, Uruguay, and France.

Chart 8. Total Imported Cattle (all types, by head) to Turkey by Country, 2015-2018



Source: Global Trade Atlas, 2019

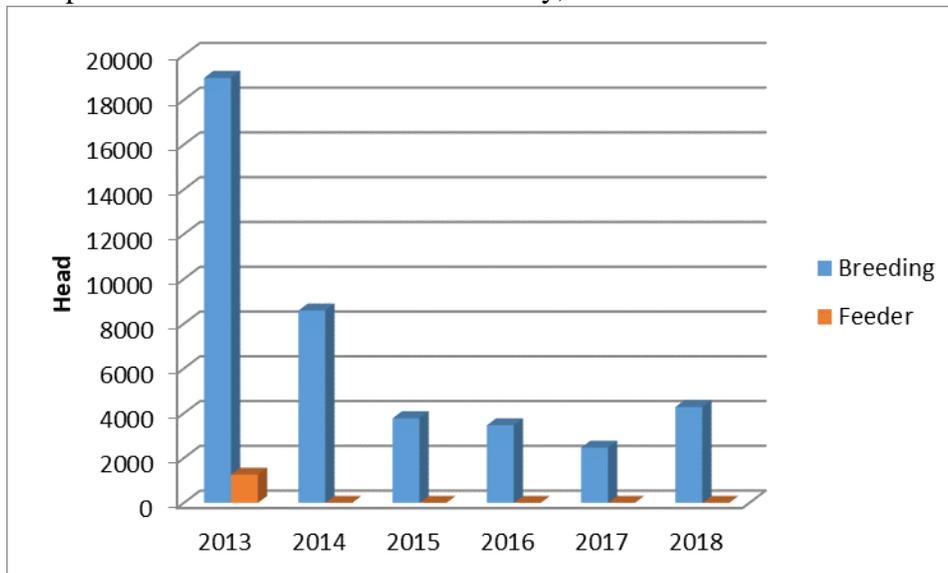
Turkey imports dairy breeding cattle mostly from Europe, especially Germany, while feeder cattle imports come mostly from South America, especially from Uruguay.

From the perspective of Turkish producers, live cattle imports have hit Turkish domestic producers financially due to inconsistent policies. Producers don't agree with the continuing import policies of the

government while they have difficulty selling their animals for profitable prices into the domestic market. Producers also think that feeding imported animals in Turkey is not beneficial for them since feed prices are too high, even though the imported animals are more efficient and productive than domestic ones.

The United States' cattle exports to Turkey: In 2018, breeding cattle imports increased 73 percent at 4,281 head when compared with the previous year. According to Turkish importers, breeding cattle prices decreased last year in the U.S. and demand has started to increase since Turkish producers prefer the quality of U.S. cattle. Relatively high prices of U.S. breeding and feeder stock, partnered with a strong dollar, meant that the EU prices, and for feeder cattle, South American prices, were generally more preferred by Turkish producers in recent years. However, Turkish producers are aware of the quality of U.S. beef and genetics and the good reputation and health of U.S. dairy cattle, and are closely following U.S. cattle prices.

Chart 9. Cattle Exports from the United States to Turkey, 2013-2018



Source: Turkish Statistical Institute (Turk Stat), 2019

Along with cattle imports, Turkey's sheep imports have been increasing for years. Turkey imported 765,000 head of sheep during the last four years, worth a total of \$110 million. Sheep imports reached 425,000 head in 2018, which is the highest quantity of imports in recent years. The Turkish Ministry of Agriculture and Forestry distributes sheep to farmers within the scope of its agricultural support policy in order to improve meat production.

Policy:

At the beginning of 2018, the Turkish government implemented a zero customs tax for imports of feeder cattle for both the government-affiliated Milk and Meat Board (ESK) and the private sector.

Table 1. Turkey's Customs Taxes for all Countries for Cattle and Beef, 2018-2019

| | 2018 | | 2019 | |
|---|----------------|--------------------|----------------|--------------------|
| | For government | For private sector | For government | For private sector |
| Dairy Breeding Cattle | 0% | 0% | 0% | 0% |
| Feeder Cattle / Beef Breeding Cattle | 0% | 10% | 0% | 0% |
| Cattle for Slaughter | 0% | 26% | 0% | 26% |
| Carcass Meat | 0% | 40% | 0% | 40% |
| Beef | 0% | 40% | 0% | 40% |

Source: Ministry of Economy, 2019

In 2019, Turkey extended the zero custom tax to imports of live cattle, sheep and goats, and fresh and chilled meat derived from cattle, goat and sheep from Ukraine until the end of 2019. The quantity limits of the zero custom tax for Ukraine extends to 500,000 head of cattle, 475,000 head of sheep and goats, 75,000 MT fresh and chilled meat and 20,000 MT carcass meat. Turkey also granted zero custom tax to 5,000 MT of imported fresh and chilled beef from Serbia until the end of 2019.

Turkey's livestock subsidies:

In May 2018, Turkey's Ministry of Agriculture and Forestry announced a decree regarding livestock subsidies. The subsidies are given below; 2019 subsidies for livestock have not been announced yet by the Ministry.

| | |
|--|-------------------|
| Calf/buffalo calf (head) 4 months and over | 350 TL |
| If calf is registered to studbook | 500 TL |
| Progeny-tested calves | Additional 50 TL |
| Calves to be raised in the regions designated for breeding | Additional 200 TL |
| Breeding Buffalo | 250 TL |
| Feeder cattle | 250 TL |
| Buffalo registered to studbook | 400 TL |
| Buffalo calf additional supplement | 150 TL |
| Buffalo calf registered to studbook | 400 TL |
| Sheep and goat (head) | 25 TL |
| Shepherd support to producers having 200 head of animals or more | 5,000 TL |

The Ministry of Agriculture and Forestry increased breeding cattle subsidies last year in an effort to improve the animal population, and the Ministry will grant additional subsidies for feeder calves in order to increase meat production. This will be achieved by providing subsidies for the artificial insemination of cows with feeder cattle semen and removing age limits for eligibility.

Production, Supply and Demand Data Statistics:

| Animal Numbers, Cattle | 2018 | 2019 | 2020 |
|------------------------|------|------|------|
| | | | |

| Market Begin Year | Jan 2018 | | Jan 2019 | | Jan 2020 | |
|-------------------------------|---------------|----------|---------------|----------|---------------|----------|
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Turkey | | | | | | |
| Total Cattle Beg. Stks | 14500 | 14500 | 15150 | 16124 | 0 | 17110 |
| Dairy Cows Beg. Stocks | 5950 | 6050 | 5750 | 6000 | 0 | 6000 |
| Beef Cows Beg. Stocks | 2100 | 2100 | 2000 | 2100 | 0 | 2100 |
| Production (Calf Crop) | 3900 | 4900 | 3900 | 4900 | 0 | 4900 |
| Total Imports | 1461 | 1434 | 1000 | 1000 | 0 | 1050 |
| Total Supply | 19861 | 20834 | 20050 | 22024 | 0 | 23060 |
| Total Exports | 0 | 0 | 0 | 4 | 0 | 0 |
| Cow Slaughter | 500 | 400 | 600 | 600 | 0 | 500 |
| Calf Slaughter | 1200 | 900 | 1200 | 900 | 0 | 900 |
| Other Slaughter | 3000 | 3400 | 3000 | 3400 | 0 | 3400 |
| Total Slaughter | 4700 | 4700 | 4800 | 4900 | 0 | 4800 |
| Loss and Residual | 11 | 10 | 10 | 10 | 0 | 10 |
| Ending Inventories | 15150 | 16124 | 15240 | 17110 | 0 | 18250 |
| Total Distribution | 19861 | 20834 | 20050 | 22024 | 0 | 23060 |
| (1000 HEAD) | | | | | | |

Commodities:

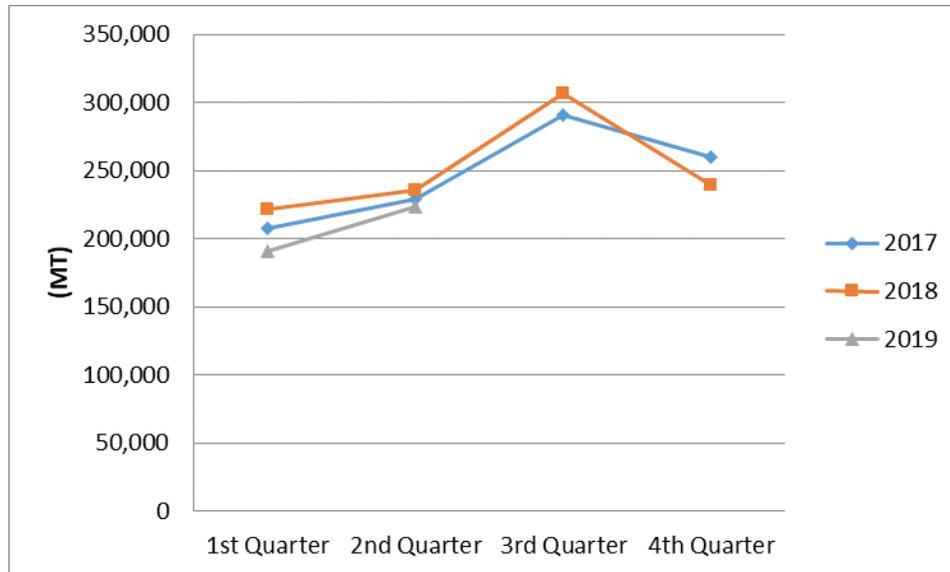
Meat, Beef and Veal

Production:

In 2020, Post estimates that meat production will be slightly higher than 2019 with a total of 1.2 million MT because of the continuation of feeder cattle imports and subsidies to be given for feeder calves.

Meat production decreased in the first quarter of 2019. According to the sector, 2019 production totals will be similar to 2018 because slaughter prices, which are determined by the Ministry, are too low, prompting producers to keep their animals, even though feed prices are extremely expensive. Also, the carcass yields of imported animals are not sufficient to increase meat production.

Chart 10. Meat Production Quarterly, 2017-2019



Source: Turkish Statistical Institute (Turk Stat), 2019

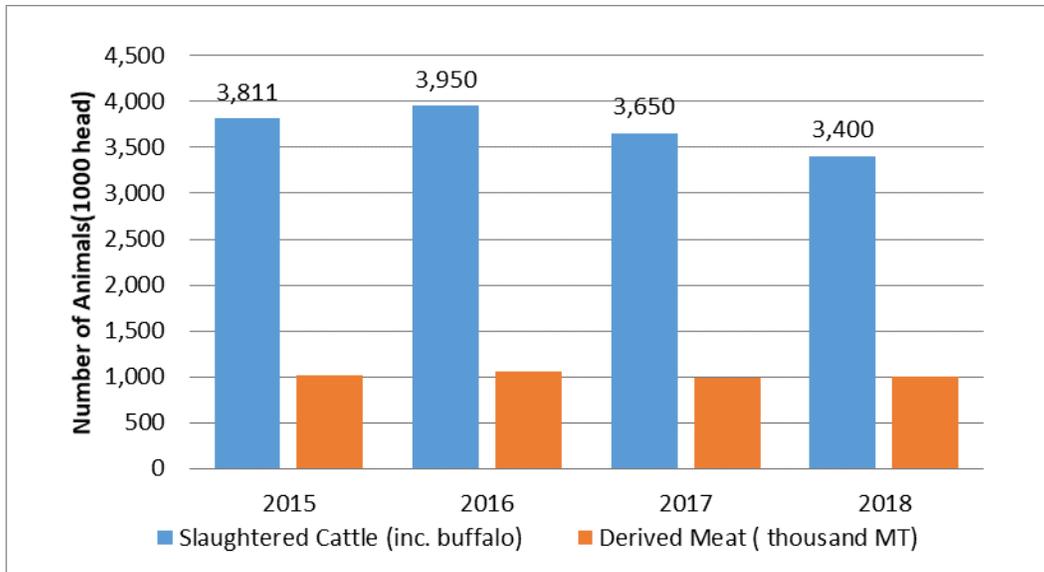
According to press reports, there is a concern among producers that dairy cattle slaughter, due to the high feed prices and low raw milk price, will increase to a high rate among cows over the next year.

In 2018, meat production (including buffalo) was 1.1 million MT, which is 11 percent higher than 2017. This increase was due to the fact that the subsidy for feeder cattle was reinstated in 2018, which increased imports of animals. However, according to the official data, slaughtered animal numbers decreased 4 percent in 2018. Cattle producers are reportedly concerned that the imported feed prices are so high due to the currency uncertainty that the subsidy doesn't cover the increased costs of production. In 2018, 55 percent of the total animal slaughter in Turkey were sheep, 14 percent were goats, and 31 percent were cattle.

According to Turkish cattle producers, the main problem is slowing production in correlation with high feed prices and unsustainable government policies. Slaughter prices given to feeder cattle producers do not compensate for the expenses of raising animals. For example, the production cost of 1kg of carcass meat is 35 TL, however the slaughter price is only adjusted to 31 TL. At the same time, market prices have been increasing for years, despite intensive feeder cattle import.

According to the Turkish livestock sector, there has been a deficit in the market, stemming from lower weights of imported animals, especially those originating from Brazil.

Chart 11. Slaughtered Animal and Derived Meat Comparison, 2015-2018



Source: Ministry of Agriculture and Forestry, 2019

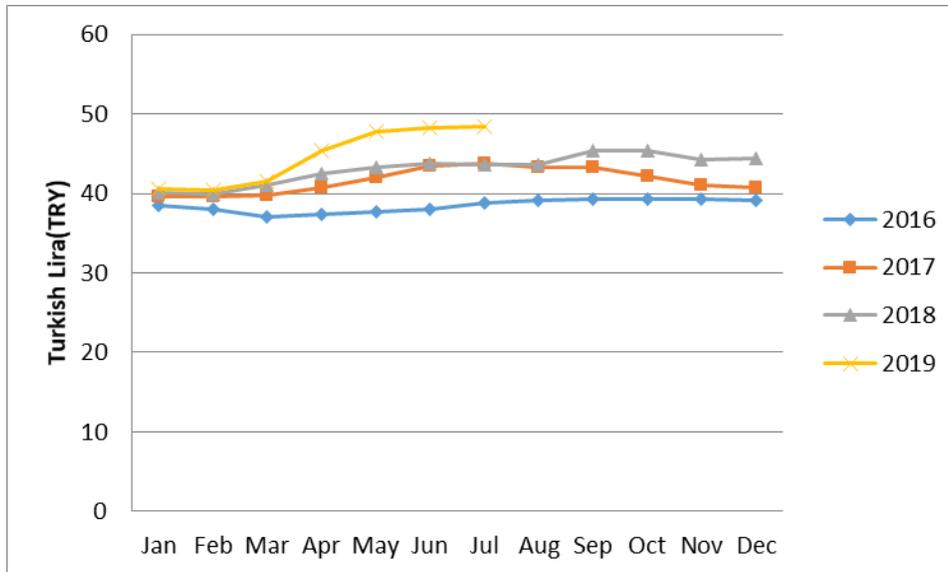
The Turkish Meat and Milk Board (ESK) also plays a role in buying and slaughtering animals from cattle producers, and through their imports of meat, they attempt to stabilize the beef market. As reported by ESK, they have 49,000 MT of carcass meat in stores and are trying to export those carcasses to other countries. The Turkish press reports that the government has been carrying out negotiations with Cuba, Venezuela, Syria, and Iraq on export conditions. According to the Turkish livestock sector, ESK is not able to release those carcasses into the domestic market since the carcasses are frozen and not available for immediate use. On the other hand, the sector believes that this surplus in the ESK stores is a result of poorly planned import policies and releasing those carcasses to the domestic market would hurt the domestic producers. An additional complication is that now Turkish producers are not able to sell their animals to ESK for slaughter since ESK stores are over-capacity.

Consumption:

In 2018, red meat consumption remained stable at 14 kg per capita and is not expected to increase in 2019 due to continuing food inflation, high red meat prices, and weak purchasing power. In 2020, it is expected to be 7 percent higher than 2019 in correlation with rising production.

Poultry is the more widely consumed animal protein in Turkey. In Turkey, red meat prices are relatively high at retail markets and have remained so despite feeder cattle imports and the government’s attempt to introduce “low-price meat” products at certain supermarkets. The government has made a deal with the three biggest supermarkets in Turkey, *A101*, *BIM*, and *Migros*, to sell discounted meat at less than the normal market rate. Meats being sold in these markets originate from the ESK stores, imported and provided by the companies who have contracts with ESK. This low-price meat has not impacted the prices at a national level since the quantity is low and most consumers prefer domestically-sourced products.

Chart 12. Turkish Beef Market Prices, 2016-2018 by Monthly Changes



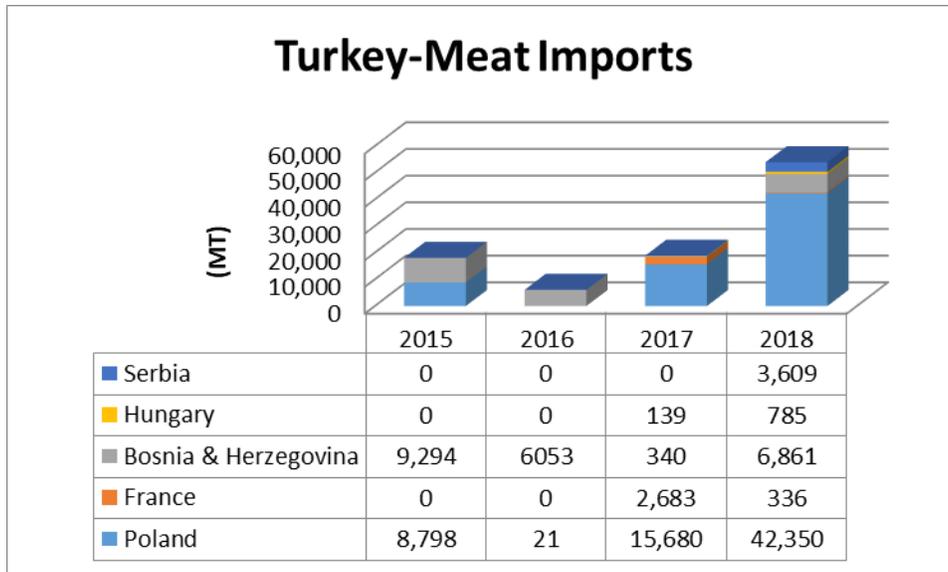
Source: Turkish Statistical Institute (Turk Stat), August 2019. (Note: As of August 29, 2019, 1 \$= 5.8 TRY)

Trade:

In 2020, beef imports are forecast to decline 10 percent due to pressure from domestic producers to limit imports. As of June 2019, Turkey imported 4,273 MT of beef and is forecast to reach 15,000 MT in 2019 when the quotas that Turkey has granted for Ukraine and Serbia are added into the total. In 2018, Turkey imported 55,756 MT of beef worth \$262 million, which is 233 percent higher than 2017. In 2018, 44,000 MT carcass and 12,000 MT boneless meat were imported. Beef imports are considered a measure to reduce beef prices in Turkey and the state controlled Meat and Milk Board (ESK) is the only entity granted authorization to import beef.

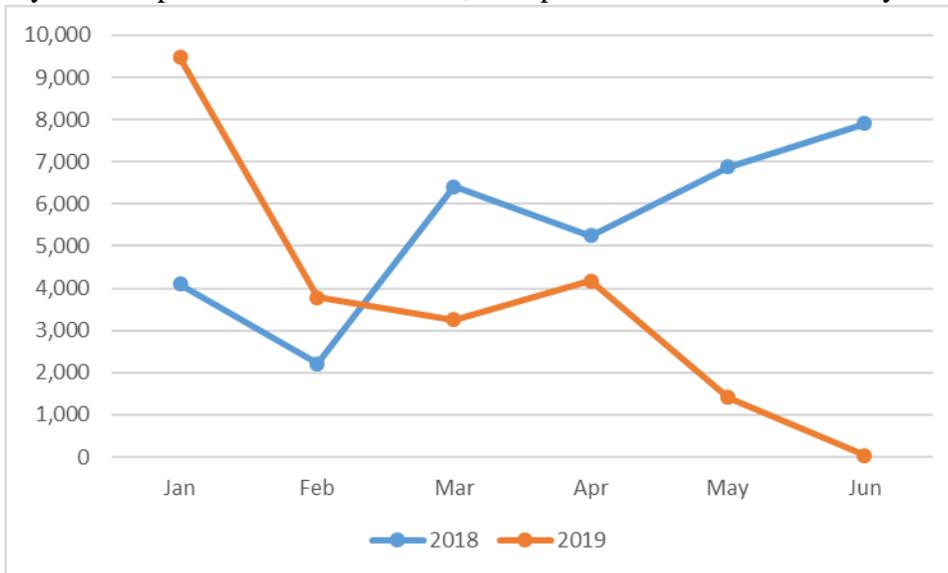
In 2018, while Poland (at 76 percent) and Bosnia and Herzegovina (at 12 percent) were the main beef suppliers for Turkey, Turkey also started to import smaller quantities of beef from other European countries such as Hungary, Serbia, and France after signing new bilateral health certificates with those countries. The Ministry of Agriculture and Forestry inspects and authorizes specific slaughterhouses in exporting countries before their products can be exported to Turkey.

Chart 13. Turkey’s Meat Imports, 2013-2018 (MT)



Source: Global Trade Atlas, 2019

Chart 14. Turkey Beef Imports from all Countries, Comparison 2018-2019 Monthly



Source: Global Trade Atlas, 2019. Note: includes carcass and boneless beef.

Production, Supply and Demand Data Statistics:

| Meat, Beef and Veal | 2018 | | 2019 | | 2020 | |
|-----------------------------------|--------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|
| Market Begin Year | Jan 2018 | | Jan 2019 | | Jan 2020 | |
| Turkey | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Slaughter (Reference) | 4700 | 3400 | 4800 | 4900 | 0 | 4800 |
| Beginning Stocks | 20 | 20 | 0 | 50 | 0 | 50 |
| Production | 1400 | 1540 | 1400 | 1540 | 0 | 1700 |
| Total Imports | 78 | 78 | 60 | 21 | 0 | 19 |
| Total Supply | 1498 | 1638 | 1460 | 1611 | 0 | 1769 |
| Total Exports | 2 | 1 | 2 | 1 | 0 | 40 |
| Human Dom. Consumption | 1496 | 1587 | 1458 | 1560 | 0 | 1679 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 1496 | 1587 | 1458 | 1560 | 0 | 1679 |
| Ending Stocks | 0 | 50 | 0 | 50 | 0 | 50 |
| Total Distribution | 1498 | 1638 | 1460 | 1611 | 0 | 1769 |
| (1000 HEAD) ,(1000 MT CWE) | | | | | | |