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Turkey

Grain and Feed Annual

2014 Turkey Grain and Feed Annual

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Report Highlights:

Post forecasts Turkey's production of wheat at 15.8 million metric tons (MMT), durum wheat at 1.9 MMT, barley at 5.8 MMT, corn at 4.9 MMT and rice at 740,000 metric tons (MT).

Drought is still a big concern and has already affected wheat and barley in Central Anatolia and the Cukurova region in the South. Traders are optimistic due to recent rainfalls in March, but Post has observed problems with crop growth. The Turkish wheat market is still practically closed for U.S wheat due to genetically engineered (GE) testing requirements applied to U.S wheat only. Russian traders are hesitant to offer wheat prices to Turkey due to an expected price increase.

Commodities:

Wheat

Wheat, Durum

Barley

Corn

Rice, Milled

Production:**Wheat**

Wheat production is forecasted at 15.8 million metric tons (MMT). Central Anatolia, the Cukurova region, parts of the Black Sea and Eastern Anatolia are suffering from dry weather conditions. Durum wheat production is forecasted at 1.9 MMT.

Cukurova region

Much of the region suffered from dry weather conditions after sowing. Wheat area remained the same compared to the previous year, but has decreased from the long term average. Wheat area has been declining in the region due to an increase in citrus and deciduous fruit area. Moreover, second crop corn production in the region has decreased dramatically for the last five years and is expected to disappear in the next five years. New irrigation projects to the North of Adana (Imamoglu) will open 75,000 ha for irrigation. This area will shift from wheat to first crop corn and cotton starting from 2015.

Wheat germination was late and a delayed harvest of 20 days is expected. The major problem in the region is high temperatures in March, which resulted in early head formation. The stem height is still short. Irregular germination also will cause low yields in the region. In some regions farmers have already replanted corn to replace lost wheat. Post estimates that there will be a loss of at least 20 percent of yield in the region, which may increase with the continuation of abnormal high temperatures.

Regions	MY 2011	Long term	Harves t Time	MY 2012	MY 2013	MY 2014
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	Avg. yield (MT/H A)	Avg. yield (MT/H A)		Harveste d Area	Productio n (MT)	Harveste d Area	Productio n (MT)	Harveste d Area	Productio n (MT)
				(ha)		(ha)		(ha)	
Cukurov a region	4.7	4.5-5.5	May 10- June 10	260,000	1,250,000	250,000	1,300,000	250,000	1,100,000
Hatay region	4.7	5-5.5	May 25- June 25	85,000	250,000	85,000	280,000	85,000	230,000
Southea st region	2.9	3-3.5	May 15- June 25	900,000	2,250,000	930,000	2,500,000	920,000	2,350,000
Central Anatolia	2.38	1.5-2	June 25- July 25	2,990,00 0	4,500,000	2,905,00 0	6,200,000	2,900,00 0	4,750,000
Polatli	3.4	3.3	June 15- July 20	130,000	300,000	130,000	450,000	130,000	300,000
Aegean region	3	3	May 25- June 25	550,000	1,500,000	500,000	1,650,000	500,000	1,600,000
Aydin region	4	4	May 20- June 10	6,000	45,000	6,000	45,000	6,000	45,000
Thrace	4.1	4.1	June 15- July 15	600,000	2,450,000	600,000	2,500,000	600,000	2,350,000
Other regions	1.4	1.5	June 15- July 15	2,300,00 0	3,200,000	2,300,00 0	3,075,000	2,320,00 0	3,075,000
Total	2.3	2.3	My 15- July15	7,821,00 0	15,745,00 0	7,706,00 0	18,000,00 0	7,711,00 0	15,800,00 0

Central Anatolia

Central Anatolia is also experiencing dry conditions. The most affected regions are Ankara, Eskisehir, Aksaray Nevsehir, and part of Konya. Wheat area, and especially durum wheat area, decreased in the region. Barley area increased due to attractive prices. Wheat area in the region will decrease, especially land with access to irrigation and corn and sunflower area will increase. The region has attracted a lot of dairy and feed lot investments. The demand to forage crops are high in the region and will continue



to be higher. New big dairy plants established in Konya and Aksaray, and a big dairy and beef processing plant in Konya are under construction.

This picture was taken in Cihanbeyli, Konya, on March 19, 2014. Most of the land has the same conditions. Farmers are now applying extra fertilizer to save some wheat. The application of extra fertilizer and irrigation, where possible, has already increased the cost of wheat production in the region.



This picture was taken in Nevsehir on March 18, 2014.

This is one of the better areas in the region. Farmers spread fertilizer in the first week of March and benefited from rain shortly afterwards.

The major problem in Central Anatolia is late germination of around a month. This may increase as heat stress is a possibility in spring. Soil moisture levels are low compared to last year. The weather patterns in the region are very similar to the drought in 2007, but the availability of underground water

is higher than it was then. The first week of March saved most of the wheat in the region, but there will still be a loss of around 25 percent compared to last year.

Another problem is the durum wheat area and yield. Durum wheat area decreased dramatically in the region and durum wheat was affected more than other wheat varieties.

Thrace region

The Thrace region and South East of Turkey have the best conditions at the moment for wheat growth.

The major problem in these regions is weak root development, but high stem height. This is already causing lodging. The picture below was taken in Tekirdag on March 18, 2014. It shows a fair amount of growth, but the plants are very susceptible to rust disease.

Below picture was taken in Kırklareli. Wheat development is good but even at short heights with small winds and rain lodging problems occurred.



GAP Region

Wheat planting in the region has been steadily increasing due to high second crop corn yields. The South East of Turkey was lucky in terms of weather conditions compare to other regions. Durum wheat area in the region decreased as in Central Anatolia. Plant development is favorable.



This picture was taken from Kiziltepe, Mardin in March 20, 2014. Pest management activities are important in March in the region.

Barley

Due to new investments in the livestock sector, the price of raw feed material has been very attractive for farmers. Barley area increased in the GAP region and continued to increase in Central Anatolia reaching 3.4 million hectares (ha). Barley in the GAP region is in much better condition than in Central Anatolia. Dry weather conditions and low surface moisture damaged barley crops in Central Anatolia, especially in Konya, Ankara and the Corum region. Production is forecasted at 5.8 MMT. Dry weather conditions affected mostly barley and durum wheat in the region. Moreover there are some rust problems observed in the North East part of Central Anatolia that may damage the crop.

Corn

First crop corn planting has begun in Adana. A high cotton premium in 2014 (550 TL/MT) attracted corn farmers to plant cotton. There will be a 10 percent decrease in corn area in the Cukurova region. In the GAP region, most of the land cotton gained came from wheat. Corn production is forecasted at 4.9 MMT in 2014. Silage corn will gain land in the west part of Turkey, especially in regions around Izmir and Bursa.

The major concern for corn is the availability of water for irrigation. The water level at dams is low and is a big concern for corn farmers. The other problem is early hot temperatures that may put heat stress on plants. The temperature in Cukurova is already very high and has decreased soil moisture.

Rice

Rice planting will start in the middle of May and will finish by the end of the same month. MY 2014 planting area will increase due to increased profitability. Rice yields depend on rainfall at the end of August and early September. The harvest normally begins in September and ends in October.

Post forecasts rice production at 740,000 MT in MY 2014.

Consumption:

The Turkish Grain Board (TMO) and the Ministry of Food, Agriculture and Livestock (MINFAL) have been actively carrying out an awareness campaign to decrease the waste of bread. The campaigns to stop the waste of bread and increasing bran content have decreased Turkey's consumption of bread.

According to government sources, bread consumption decreased 10 percent from 35 billion loaves to 31 billion loaves. Traders are suspicious of these figures since their sales didn't shrink. Traders estimated a 3-4 percent decrease in bread consumption due to the negative campaign against bread.

Mostly city dwellers are susceptible to these types of negative campaigns which make linkages between obesity and bread consumption. It is very true that in metropolitan cities like Istanbul, Ankara and Izmir diet has shifted from bread consumption to protein based diets. But bread is still very important for daily life of the general population. Bread carries a lot of cultural value in Turkish society that is very hard to change, even with modern life styles.

TMO has been actively purchasing and selling wheat. TMO announced the wheat price on June 7, 2013 at 720 TL/MT for milling wheat and 765 TL/MT for durum wheat. On November 13, 2013 TMO intervened in the market by selling wheat first to flour and wheat products exporting companies, and then on November 14, 2014 opened their stocks to the general public.

Durum wheat

Durum wheat demand has been very strong due to high levels of exports. New lines and new investments didn't stop in 2013 and will continue in 2014. A recent joint venture company between the leading Turkish food producer and Japanese producer was announced, and recently leading pasta producer announced that they will build one of the biggest pasta production facilities in Ankara together with a Japanese company to produce pasta and noodles for the Asia market.

There has been strong competition in the domestic and export wheat flour and pasta markets. The driving factor is price. Turkish producers of both wheat flour and pasta are very aggressive on price competition, and Iraq and Africa are still their biggest markets. But recently, especially among pasta producers, there is a tendency to export to Japan and countries in the Far East.

A shortage of durum wheat in MY 2014 will be a major challenge for the sector. At the moment they have begun to purchase durum wheat from Canada and Mexico, and this import will continue. GM testing of U.S wheat imports will decrease the availability pasta producer's suppliers.

Barley

Barley demand will again be very strong. New live animal farm establishments are still receiving government support and the GOT will continue to provide subsidized credit to them. Another important factor will be new supports to establish beef breed farms in Central Anatolia and East Anatolia.

Moreover, wheat plant height is short and will likely be short at harvest, which will decrease the availability of straw and hay for animal feeding. This will increase barley demand. TMO recognized the problems the shortage of barley supplies and held an import tender for 100,000 MT on March 4, 2014. The import tender resulted in 50,000 MT as provided below.

Name of Company	Quantity [MT]	Discharging port	Price [US\$/MT]	Loading port	Loading time
MESOPOTAMIA FZE	30,000	İZMİR (New Elevator)	277,10 (CFR)	NOVOROSIYSK	MARCH 12– APRIL 07 2014
MESOPOTAMIA FZE	20,000	BANDIRMA	277,80 (CFR)	TUAPSE	MARCH 12– APRIL 07 2014

Corn

Corn consumption is very strong due to high demand from the livestock sector, poultry sector and starch sector. There are five starch companies that hold production quotas, but recently four new factories were established without starch production quotas. The two new starch factories are in the Thrace region and in the South East. New factories put pressure on existing producers by either increasing or removing production quotas. This new development will change the demand for corn. At the moment, four factories only produce for export. They import corn under the inward process regime, process it, and export starch. This also increases Turkey's corn import demand. Moreover, poultry and egg producers had another successful year, especially by increasing their export activities.

Domestic poultry consumption decreased 3 percent in 2013 because of negative publicity against poultry consumption. Medical doctors who have little background in nutrition, food science or related topics go on TV, including morning programs that are highly viewed by housewives, and alter the consumption patterns of families. The other group of consumers, who are usually classified as A class consumers, living in the cities with high revenues have become extra careful about their diets and have a tendency to eat fewer processed goods. They are showing a preference for boutique products. The most damaging statement against poultry was the alleged abuse of hormones in production. These doctors have express disbelief in the science behind the production of poultry and that new breeds have high performance converting feed into meat in shorter periods of time. Although domestic poultry consumption has decreased, poultry exports were very strong and are expected to be strong in 2014 as well. The poultry promotion group has targeted Japan as a new market for Turkish poultry exports.

The production of eggs has outpaced the production of poultry. Egg production increased 10.6 percent in 2013 and reached 16 billion 496 million units.

Total poultry production increased to 1.9 MMT in 2014 and is expected to increase to 2 MMT in 2014. In 2014, poultry exporters target 1.2 MMT in exports. Domestic poultry consumption was 20 kg in 2014 and is expected to increase to 25 kg by 2023.

Rice

Rice consumption is very sensitive to price fluctuations. With the U.S. dollar's recent gains against the Turkish Lira (TL), rice consumption in the last four months declined and consumers switched to wheat.

Rice is commonly used to make either pilaf or stuffed vegetables. Rice has not been Turkish consumers' first choice for meals and very quick to switch to other commodities.

The price of Osmancik rice increased from 2 TL in December, 2013 to 3.5 TL in March 2014.

Trade:

In general, all commodity trade has been very slow since the beginning of 2014, and traders hope to have better trade opportunities in April and later on. The major problem is the drop in value of the TL against other currencies. Moreover, local elections in March and Presidential Elections in August have created concerns about the business environment. At the moment, traders would at least like to wait until the results of local elections before they begin to purchase commodities.

Wheat trade is slow at the moment. There are two major problems in front of wheat trade. One is the major supplier, Russia, is reluctant to offer prices to buyers. The second problem is that buyers are also reluctant to purchase wheat if prices are less favorable. Russian traders are also waiting to see the impact of drought conditions in Turkey.

Russian wheat prices offered to Turkey at the moment are 310 USD/MT for 14.5 percent protein and 295 USD/MT 13.5 percent and 285 USD for 13 percent protein.

Import permit licenses under the inward processing regime are 75 USD at the moment. They were sold at 90 USD 4 months ago.

Wheat stocks at the ports are not very strong at the moment, and more trade is expected in April.

The domestic wheat price is very high at the moment. The price of Anatolian red wheat is between 910-935 TL/MT, and the price of feed type wheat was 750 TL/MT at the Polatli Commodity Exchange on March 27, 2014. Prices are not only high for wheat, but also for bran which is at 670 TL/MT.

The price of barley is at 670 TL/MT, and the price of corn is at 700 TL/MT. Surprisingly, most traders expect prices to increase on grain. Traders believe that there is still a price margin, especially for raw feed materials.

The grain trade in Turkey mostly depends on keeping stocks until the end of price margins. Farmers have already sold their stocks and most stocks are in the hands of either TMO or traders.

TMO has been very active constructing new elevators. TMO has almost already completed the construction of 300,000 MT of new grain elevators, started 120,000 MT of new elevator construction, and projected 150,000 MT of elevator construction in 2014. Grain elevator construction has been very active within the last 4 years. More than 1.5 MMT of new grain elevator capacity was constructed during this term and there are still a lot new projects. This will increase the trading capacity of Turkey domestically and internationally.

Policy:

The GOT continues to support the livestock sector through subsidized credit and premium supports.

The livestock sector's high growth rate is due to subsidized credit. The government decreased interest rates from 59 percent in 2003 to 8.25 percent in 2014. The government gave 7.5 billion TL at zero interest rate credit to the livestock sector between 2010 and 2014.

The main problem facing the livestock sector is the low farm gate milk price. Most milk is sold at 0.7-0.8 TL/liter (LT) and the retail UHT milk price is 2.5 TL/LT.

The government announced the continuation of zero interest rates to the livestock sector. Moreover, they introduced new supports to beef farm establishments.

Support units	2013	2014
Soil Analysis (TL/da)	2.5	2.5
Organic agriculture (TL/da)		
• Fruits and Vegetable	50	50
• Field crop	10	10
Good Agriculture Practices (TL/da)		
• Fruits and Vegetable	25	25
• Greenhouse	100	100
Diesel Support (TL/da)		
• Ornamental crops, Pasture and Forestry farming	2.9	3.1
• Grain, Forage, Legume, Vegetable and Fruits	4.3	4.6
• Oilseed and Industrial Crops	7	7.5
Premium supports (TL/MT)		
• Sunflower, Oil	240	300
• Canola	400	400
• Corn	40	40
• Cotton	500	550
• Soybean	500	500

• Wheat, Barley, Oat, Rye	50	50
• Safflower	450	450
• Olive Oil	700	700
• Paddy rice, dry bean, chick pea, lentil	100	100
• Tea	120	120
Livestock supports		
Feed crop supports (TL/da)		
• Alfa Alfa	50	50
• Sainfoin	40	40
• Silage crops	50	50
• Silage corn (irrigated)	75	75
• Silage corn (dry land)	35	35
• Artificial pasture and meadows	100	100
Milk premium (TL/LT)		
• Big animals (cattle etc)	MINFAL will determine	MINFAL will determine
• Small animals (sheep etc)	0.2	0.2
• Water Buffalo	0.2	0.2
Live animal premiums (per head)		
• Cattle	225	225
• Water Buffalo	350	400
• Cattle (registered to herdbook, additional premium)	60	60
• Beef breeds	350	350
• Disease free ranches	300	375
Approved milk producer ranches (additional premium) (TL/head)	50	50
• Feeder cattle	300	300
• Sheep and Goat	20	20
Feeder cattle production in development program regions (TL/head)		
• Cattle Brood stock		350
• Calf		150
• Ranch Manager		8,000
Certified seed use (TL/ha)		
• Wheat	75	75
• Alfa Alfa	75	80
• Barley	80	80
• Paddy rice, Peanut	100	100
• Chick pea, Lentil, Dry bean	40	40
• Potato	400	400
• Soybean	200	200

Rice, Milled Turkey	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Sep 2012		Market Year Begin: Sep 2013		Market Year Begin: Sep 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	103	103	98	98		105
Beginning Stocks	270	270	204	204		224
Milled Production	483	483	500	500		496
Rough Production	721	721	746	746		740
Milling Rate (.9999)	6,700	6,700	6,700	6,700		6,700
MY Imports	245	245	330	330		290
TY Imports	250	250	330	330		290
TY Imp. from U.S.	0	0	0	0		100
Total Supply	998	998	1,034	1,034		1,010
MY Exports	34	34	60	60		60
TY Exports	10	10	60	60		60
Consumption and Residual	760	760	750	750		750
Ending Stocks	204	204	224	224		200
Total Distribution	998	998	1,034	1,034		1,010

1000 HA, 1000 MT, MT/HA