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Grain and Feed

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Report Highlights:

Turkey's wheat production forecast for MY 2008/09 has been raised slightly to 16.8 MMT. The corn production forecast also has been increased to 4.15 MMT. The second crop corn harvest in the Cukurova region is finished but harvesting has not finished in the GAP region (Mainly Sanliurfa and Mardin provinces). MY 2008/09 paddy rice production is forecast at 700,000 MT. TMO (Turkish Grain Board) has begun to procure paddy rice at a price of 870 YTL/MT. Grain producer support for 2009, including premium payments, have been announced.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Quarterly Report
Ankara [TU1]
[TU]

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NOTE ON EXCHANGE RATES: After steadily strengthening against the USD throughout 2007, the New Turkish Lira (YTL or TRY) stayed near USD 1.0 = YTL 1.2 through August 2008. From September to late October, the value fell to USD 1.0 = YTL 1.67, and as of mid-December is trading around USD 1.0 = YTL 1.50

Executive Summary

Post's estimate of Turkey's MY2008/09 wheat planted area remains the same, but the production forecast has been increased to 16.8 MMT because of higher estimated yields. The reason for the yield increase is lower-than-expected drought damage and use of higher quality seed. Certified wheat seed usage increased to 300,000 MT in 2008 from 75,000 MT in 2002.

The corn production forecast also has been revised upward from 4 MMT to 4.15 MMT.

Grain premium levels were published in the Official Gazette on December 17, 2008. Total government support for grains will be 820 million YTL in 2009. The government paid 1.6 billion YTL to grain producers in the period between 2005 and 2008. The total agricultural support budget for 2009 is 5.5 billion YTL. This compares to a total agricultural support budget of 5.9 billion YTL (including drought alleviation support) in 2008.

In 2009, for the first time, pulses were added to the premium support decree because of the recent drought.

Table 1: Government Support for Grain Production

TURKEY: Government Grain Support Payments (YTL/Dekare)								
Types of Support	2001	2002	2003	2004	2005	2006	2007	2008
Direct Support Payment	10.00	13.50	16.00	16.00	10.00	10.0	10.0	7.0
Diesel Support	-	-	3.90	-	2.40	2.88	2.88	3.25
Certified Seed Support	-	-	-	-	3.00	5.00	5.00	5.00*
Chemical Fertilizer Support	-	-	-	-	1.60	2.13	2.13	4.25
Irrigation Energy Support (YKr/KWh)	-	-	-	-	1.70	1.70	1.70	1.70

*3 YTL/da for barley, oats and rice; 5 YTL/da for wheat; 6 YTL/da for chickpeas, lentils and dry beans; 8 YTL/da for Paddy rice

Table 2: Grain premiums

Grain Premiums (YTL/MT)					
Products	2004	2005	2006	2007	2008
Wheat	-	30	35	45	50
Barley. Oat. Rye	-	20	25	35	40
Paddy Rice	-	30	60	90	100
Chick Pea. Lentil. Dry bean	-	-	-	-	100
Corn	25	50	67	20	40

Wheat

PSD Table for Wheat

Turkey Wheat										
	2006	Revised		2007	Estimate		2008	Revised		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
MY Begin		06/2006	06/2006		06/2007	06/2007		06/2008	06/2008	MM/YYYY
Area Harvested	8600	8600	8600	8600	8600	8600	8600	8600	8600	1000 HA
Beginning Stocks	1129	1129	1129	1715	1770	1770	1279	670	670	1000 MT
Production	17500	17500	17500	15500	15500	15500	16500	16500	16800	1000 MT
MY Imports	1736	1791	1791	2164	1500	1500	1500	1500	1800	1000 MT
TY Imports	1833	1833	1833	2196	1500	1500	1500	1500	1800	1000 MT
TY Imp from US	0	0	0	0	0	0	0	0	0	1000 MT
Total Supply	20365	20420	20420	19379	18770	18770	19279	18670	19270	1000 MT
MY Exports	2000	2000	2000	1300	1300	1300	1000	1000	1300	1000 MT
TY Exports	2000	2000	2000	1300	1300	1300	1000	1000	1300	1000 MT
Feed Consumption	800	800	800	800	800	800	700	700	750	1000 MT
FSI Consumption	15850	15850	15850	16000	16000	16000	16200	16200	16500	1000 MT
Total Consumption	16650	16650	16650	16800	16800	16800	16900	16900	17250	1000 MT
Ending Stocks	1715	1770	1770	1279	670	670	1379	770	720	1000 MT
Total Distribution	20365	20420	20420	19379	18770	18770	19279	18670	19270	1000 MT
Yield	2	2	20349	2	2	18023	2	2	19535	MT/HA

Post's forecast for MY 2008 wheat production has been raised to 16.8 million MT. The Turkish Statistics Institute recently published a second term forecast for wheat production of 17.782 million MT.

The higher forecast is a result of lower than expected drought impact in Central Anatolia and some parts of Southeast Anatolia. In addition yields in the Cukurova and Aegean region were higher than expected.

Under the inward processing regime Turkey imported 1.5 million MT of milling wheat and exported 1.2 MMT of wheat flour in MY 2008. Moreover, Turkey exported 6,000 MT of wheat worth \$4,060,000 in CY 2008.

In CY 2008 TMO imported 580,000 MT of hard red milling wheat worth \$275.3 million and 45,000 MT of durum wheat for \$27.1 million. In addition, TMO purchased 175,000 MT of hard red milling wheat and 50,000 MT of durum wheat for delivery in February, 2009. Turkey imported a total of 3,200,000 MT of wheat in CY 2008 for \$1.36 billion. 1.3 million MT of this was imported between June and December 2008.

As of December 2008, TMO has 385,000 MT of hard red milling wheat and 47,000 MT of durum wheat in stocks.

The Turkish government did not intervene with the price of wheat in 2008, as farmers were happy with the market price, which was around 600 YTL/MT at harvest time.

Corn prices at the market are below the average (300 YTL/MT) so most farmers will plant other crops next spring.

Barley

PSD Table for Barley

Turkey Barley										
	2006	Revised		2007	Estimate		2008	Revised		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
MY Begin		06/2006	06/2006		06/2007	06/2007		06/2008	06/2008	MM/YYYY
Area Harvested	3600	3600	3600	3600	3600	3600	3400	3400	3400	1000 HA
Beginning Stocks	650	650	650	653	653	653	303	153	323	1000 MT
Production	7500	7500	7500	6000	6000	6000	6000	6000	5600	1000 MT
MY Imports	53	53	53	350	173	173	450	250	350	1000 MT
TY Imports	57	57	57	350	173	173	450	250	350	1000 MT
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	1000 MT
Total Supply	8203	8203	8203	7003	6653	6823	6823	6403	6273	1000 MT
MY Exports	250	250	250	0	0	0	0	0	0	1000 MT
TY Exports	250	250	250	0	0	0	0	0	0	1000 MT
Feed Consumption	6400	6400	6400	5800	5600	5600	5600	5200	5100	1000 MT
FSI Consumption	900	900	900	900	900	900	900	900	900	1000 MT
Total Consumption	7300	7300	7300	6700	6500	6500	6500	6100	6000	1000 MT
Ending Stocks	653	653	653	303	153	323	323	303	273	1000 MT
Total Distribution	8203	8203	8203	7003	6823	6823	6753	6403	6273	1000 MT
Yield	2.	2.	2.0833	2.	2.	1.6667	2.	2.	1.6471	MT/HA

Drought in Southeastern Anatolia and part of Central Anatolia greatly reduced barley yields. Consequently, post has lowered the MY 2008/09 barley production estimate to 5.6 MMT from 6 MMT. The Turkish government's latest figure for barley production is 5.923 MMT.

Because MY 2007/08 barley production in Central Anatolia also had suffered from drought, stocks of barley at the beginning of MY 2008/09 were exceptionally low. Stocks held by TMO (the Turkish Grain Board) are currently at only 30,000 MT.

The barley custom tariff was reduced to 0% from 100% in November, 2007, but was raised back to 70% in May 2008. Turkey imported 50,000 MT of barley between June-December 2008.

TMO (Turkish Grain Board) imported 64,200 MT of barley and paid \$20.2 million in CY 2008. In addition, private companies imported 170,000 MT of barley in CY 2008, mostly in the first half of the CY 2008. Official data on a marketing year basis is not available, but CY 2008 imports of 230,244 MT of barley were valued at \$84,650,522. Turkey did not export any barley in CY 2008.

Corn

PSD Table for Corn

Turkey Corn										
	2006	Revised		2007	Estimate		2008	Revised		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
MY Begin		09/2008	09/2006		09/2007	09/2007		09/2008	09/2008	MM/YYYY
Area Harvested	425	425	425	450	450	450	550	550	520	1000 HA
Beginning Stocks	398	398	398	522	522	522	212	650	650	1000 MT
Production	2800	2800	2800	2900	2900	2900	4000	4000	4150	1000 MT
MY Imports	1034	1034	1034	1100	938	938	200	200	100	1000 MT
TY Imports	1052	1052	1052	1100	938	938	200	200	100	1000 MT
TY Imp from US	366	366	366	422	438	438	0	10	10	1000 MT
Total Supply	4232	4232	4232	4522	4360	4360	4412	4412	4900	1000 MT
MY Exports	10	10	10	10	10	10	0	0	0	1000 MT
TY Exports	10	10	10	10	3922	3922	0	0	0	1000 MT
Feed Consumption	2800	2800	2800	3400	2800	2800	3000	3000	3100	1000 MT
FSI Consumption	900	900	900	900	900	900	900	900	900	1000 MT
Total Consumption	3700	3700	3700	4300	3700	3700	3900	3900	4000	1000 MT
Ending Stocks	522	522	522	212	650	650	512	512	900	1000 MT
Total Distribution	4232	4232	4232	4522	4360	4360	4412	4412	4900	1000 MT
Yield	7	7	65882	6	6	64444	7	7	79808	MT/HA

First crop corn harvests reached record highs in the Cukurova and Marmara regions, however second crop corn harvests in the Cukurova region (the main corn producing region) were relatively very low. Nonetheless, the overall second crop corn harvest at the GAP region is above average (9 MT/ha).

MY 2008 production of corn in Turkey is estimated as 4.15 MMT. The second crop corn harvest is finished in the Cukurova region but harvesting continues in the GAP region until January. The average yield of second crop corn was between 5 and 6 MT/ha in Cukurova and between 9 and 10 MT/ha in the GAP region. The reason for low yields in Cukurova was corn

rootworm. Although the second crop corn yields were low, first crop corn yields in the main producing regions (Mediterranean and Marmara) were more than 10 MT/ha. The government's second revised forecast for corn production was 4,274,000 MT.

The Turkish Grain Board (TMO) started to procure corn in August 26, 2008 from producers at a price of 430 YTL/MT. TMO has procured 776,869 MT of corn so far. Procurement is expected to reach 1 million MT. The Turkish government premium payment to corn producers is 40 YTL/MT and TMO recently announced the selling price of corn as 500 YTL/MT. The market price of corn is 300 YTL/MT at the Adana Exchange of Commerce. The price and premium of corn was below the expectation of farmers, so many of them say they will plant winter wheat instead or switch to soybeans and sunflowers instead of corn in the future.

Table 3: Turkey Corn-based feeds and fodders imports

TURKEY: Corn-based Feeds And Fodders Imports						
Metric Tons, September-August year						
	2003	2004	2005	2006	2007	2008 (Sept-Nov)
Corn Gluten Feed	0.0	3,351	98,481	1,618	399,499	107,970
Res Of Starch	0.0	0.0	0.0	73,304	225,991	0.0
Corn Gluten Meal	0.0	0.0	18,527	26,680	38,190	522
DDGS	0.0	0.0	216	416	17,600	181,003

In the CY 2008, TMO imported 540,000 MT of corn and paid \$275.3 million. TMO currently holds 950.000 MT of corn stocks. Total corn importation of Turkey in CY 2008 was 1.150.000 MT for a total value of \$381 million. Turkey exported 10.500 MT of corn for a total of \$14.210.000.

Because of record production levels and sufficient stocks. the Turkish government increased custom duties on corn and coarse grains from 50 percent to 130 percent on November 12, 2008.

Table 4: Turkish Corn Production

	Area Harvested (000 ha)	Production (MT)	Yield (MT/ha)
First Crop Corn	430	3.870.000	8.5
Second Crop Corn	90	540.000	5.5
Total	520	4.150.000	7.98

The return to high level tariffs was not a surprise, as the Ministry of Agriculture has been announcing that Turkey will not need to import any corn this year. The MY 2008/09 crop is forecast at a record 4.15 million MT, as planted area rose 15.5 percent from the previous crop year and first crop corn yields were excellent. Although customs duty rate increases will decrease corn imports, the broiler and egg industry will continue to import corn by using the

inward process regime. In the last three months, Turkey imported around 150,000 MT of corn, mostly from Ukraine.

Table 5: Custom tariff rate for corn

Custom tariff (%)	Date of change
35	2003. January 1
20	2003. March 17
45	2003. August 18
70	2003. September 25
80	2003. December 31
25	2004. June 23
80	2004. August 31
100	2005. January 1
130	2005. August 31
35	2006. December 30
130	2007. August 01
35	2007. November 28
20	2007. April 08
50	2008. July 31
130	2008. November 12

The feed sector is the main consumer of Turkish corn, accounting for 75% of consumption. The rest is consumed by the starch industry

Rice

MY 2008 total paddy rice production will be 700,000 MT. The government premium for paddy rice production was 30 YTL/ton in 2005. 60 YTL/ton in 2006. 90 YTL/ton in 2007 and 100 YTL/ton in 2008. This premium helped to increase the area planted. Paddy rice yields were also very good this year. The Turkish government's second revised forecast for rice production was 761.800 MT.

TMO started to procure rice on September 2008. The procurement price for rice is 960 YTL/MT for Baldo rice and 870 YTL/MT for Osmancik rice. TMO procured 127,114 MT of rice as of December 22, 2008. In addition, TMO holds 15,000 MT of rice stocks.

Last year world rice prices increased sharply, and the government published a cabinet decision authorizing TMO (the Turkish Grain Board) to import up to 100,000 MT of duty free rice until September 2009.

TMO used some 31,000 MT of the rice quota in CY 2008 and paid \$32.5 million. Total Turkish rice importation in CY 2008 was 235,000 MT at a value of \$172,100,000. Turkey exported 3,700 MT of rice for a total of \$3,435,000.

PSD Table for Rice

Turkey Rice										
	2006	Revised		2007	Estimate		2008	Revised		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
MY Begin		09/2006	09/2006		09/2007	09/2007		09/2008	09/2008	MM/YYYY
Area Harvested	95	95	95	95	95	95	100	100	100	(1000 HA)
Beginning Stocks	198	198	198	213	283	283	173	222	222	(1000 MT)
Milled Production	405	405	405	360	360	360	420	420	420	(1000 MT)
Rough Production	675	675	675	600	600	600	700	700	700	(1000 MT)
Milling Rate (.9999)	6000	6000	6000	6000	6000	6000	6000	6000	6000	(1000 MT)
MY Imports	200	250	250	200	150	150	200	150	150	(1000 MT)
TY Imports	200	250	250	200	150	150	200	150	150	(1000 MT)
TY Imp. from U.S.	0	0	0	0	80	80	0	75	75	(1000 MT)
Total Supply	803	853	853	773	793	793	793	792	792	(1000 MT)
MY Exports	0	0	0	0	1	1	0	2	2	(1000 MT)
TY Exports	0	0	0	0	1	1	0	2	2	(1000 MT)
Total Consumption	590	570	570	600	570	570	600	600	600	(1000 MT)
Ending Stocks	213	283	283	173	222	222	193	190	190	(1000 MT)
Total Distribution	803	853	853	773	793	793	793	792	792	(1000 MT)
Yield (Rough)	70	70	71053	60	60	63158	70	70	70	(MT/HA)

Lentil

In a normal season Turkish lentil production is around 483,000 MT. However 80% of the crop this year was lost due to severe drought, resulting in total production of only 100,000 MT.

Turkey planted 440,000 ha of lentils. but an estimated 385,000 ha of this area were badly affected by drought. In response, on July 4, 2008 the government authorized TMO to import up to 100,000 MT of lentils duty free before May 31, 2009. Under this duty free quota, TMO imported 40,100 MT of whole lentils and 8,300 MT of hulled lentils from Canada. TMO paid \$58.3 million and \$16.4 million, respectively, for these purchases.

Turkish lentil consumption is approximately 250,000 MT per year. As stated, the production of lentils was 100,000 MT in 2008. Although TMO has contracted to import 45,000 MT of Canadian whole lentils only 40,100 MT have already arrived.

Last year the red lentil price was 850 YTL per MT at the Mersin commodity stock exchange. This year the price was around 3000 YTL/MT

There is a 100 YTL/ton government premium for lentil production which was initiated this year. Farmers already had difficulties finding lentil seeds for planting this year, and because of the severe drought, farmers could not set aside part of their lentil production as a seed for next year. Therefore, next year production is also forecasted to be lower than average. TIGEM (the Directorate General of Agricultural Establishments) had been selling certified lentil seed to farmers at a price of 2.3 YTL/kg. but farmers considered this price to be very high.