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Turkey

Grain and Feed Update

January Update

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Report Highlights:
Very dry weather in Turkey caused concern after wheat planting was finished, however rain and snow began in the first week of December 2016 throughout Turkey. The Turkish Grain Board (TMO) procured nearly 4.5 MMT of grain in MY 2016/17. Concerns on devaluation of the Turkish Lira will likely impact import decisions. Ministry of Food, Agriculture and Livestock (MinFAL) has revised the basin lists for their national agriculture support program and added corn to some regions, but to save water will encourage drip irrigation systems, and will encourage certified seed usage. With the revised basin list, likely corn production will not decrease as dramatically as originally thought.

PRODUCTION

Wheat

Total wheat production is forecast at 17.25 MMT in MY 2016/17, down about 11 percent compared to previous marketing years. This is due to serious drought in Central Anatolia.

After the wheat planting finished, very dry weather in Central Anatolia, and the GAP region (Southeast) caused concern, however rain and snow began falling in the first week of December throughout Turkey. Some farmers still lost some of their wheat seed during this dry period, but this situation will not affect overall wheat production much.

State Waterworks Authority (DSI) data states that the average cumulative precipitation between October 1 and December 31, 2016 decreased 25.9 percent compared to the long term average, but increased 7.7 percent when compared to previous year's average. Farmers are optimistic for the upcoming harvest while their planted areas are resting under the snow now. Certified seed use is expected to increase due to the government's encouragement to use it.

Barley

Central Anatolia produced more than half of Turkey's barley crop. After a drought year, harvest was weak, as traditionally farmers plant barley in unirrigated areas. Post maintains production estimate at 4.75 MMT in the marketing year 2016/17.

Barley planting is finished across the country, and planted area is expected to increase from last year because of high prices – it is up about 25 percent compared to last year.

Corn

Total corn production is forecast at 5.5 MMT in MY 2016/17. The second crop corn harvest is completed in almost all regions. Second crop corn yields were close to expectations. In the southeast of Turkey, where most of the second crop corn was harvested with 900,000 MT of corn, yields were around 900-1,000 MT/ha. In the Cukurova region, yields were around 700 MT/ha, compared to 700-850 MT/ha in a normal season. In the Aegean growing region, such as the area around Aydin, second crop yields were around 800-850 MT/ha, similar with the long term yield average.

Rice

The rice production area in Turkey in MY 2016/17 has not changed compared to the previous year. Rice harvest began in the Thrace region in the first week of September in 2016. All of Turkey's paddy rice harvest was completed by November 2016 in all regions. Post maintains production estimate at 500,000 MT of milled rice in marketing year 2016/17.

TRADE

The Turkish Lira that has lost over 25 percent against the U.S. dollar in the last three months. The rapid devaluation of the currency is affecting many parts of the economy, but particularly with regard to imported goods. As seen from the chart below, although all commodities' prices are nominally increased in the domestic market, the increase in domestic prices is still less than the currency losses. It is expected that for all grain under these economic circumstance, market players may hesitate to take a strong position.

Domestic Prices for Commodities and USD/TL Comparison

	January 2016 (TL)	January 2017 (TL)	% Change 16/17
Anatolian HRW	870	970	11 %
Durum Wheat	930	990	6 %
Barley	660	830	26 %
Corn	630	750	19 %
$USD/Turkish Lira Exchange Rate	**2.95**	**3.75**	**27 %**

As a note, world commodity prices did not change much as of January 2017 compared to January 2016.

MY 2016/17 is another marketing year in which TMO has been very active after harvest. TMO procured about 4.5 MMT of grain in MY 2016/17, of which about 2.6 MMT was wheat, 1.8 MMT corn, and 77,000 MT paddy rice.

Post maintains import forecast at 5 MMT of wheat in marketing year 2016/17. Stable wheat products exports, as well as a lack of high quality wheat in the domestic market are the driving forces of the import demand in Turkey. Total wheat imports during MY 2015/16 were 4.3 MMT, down about 25 percent compared to previous marketing years, due to a record harvest. Turkey has imported about 2.2 MMT of wheat during the first six months of MY 2016/17, of which about 500,000 MT was durum wheat. Russia was the main supplier with 1.3 MMT. Mexico (283,000 MT), Canada (116,000 MT) and Kazakhstan (55,000 MT) were the other leading suppliers.

TMO issued a series of international tenders to purchase a total of 99,000 tons of wheat to be sourced from the European Union (EU). Therefore, 99,000 MT of high quality wheat, with a minimum 14 percent protein, will be bought under a zero tariff quota through a tender on January 13, 2017. TMO plans to sell this imported wheat to Turkish wheat processors in the port. According to market sources, despite a decent size wheat crop in Turkey, there is not a sufficient supply of high quality milling wheat. Russia has also had problems with quality, so because of this, Turkey is turning to the EU.

The Turkish Grain Board (TMO) announced 2016 paddy rice procurement price on October 7, 2016 at 1,675 TL/Ton for Osmancik variety. It was 1,580 TL/Ton last year. TMO has bought 77,000 Ton of paddy rice since the price announcement.

Total wheat product exports are forecast to remain at 5.6 MMT, assuming strong demand from major consumers continues. Turkey exported 1.8 MMT of wheat flour in the first six months of MY 2016/17, up 17 % from a year before. Meanwhile, Turkey exported 440,000 MT of pasta during the same period, up 26% from a year before. Turkey could be on track for another record year for wheat products exports.

Corn consumption estimation was 6.55 MMT in MY 2015/16, due to decreasing demand from feed sector. The demand was possibly affected by availability of cheap feed wheat after a record harvest, availability of other corn co-products, and slowdown of poultry export. Post has revised the corn consumption forecast to 6.95 MMT due to weak demand from the feed sector. Increase in usage of alternative feed items in the rations also affects usage.

Total corn imports during MY 2015/16 were 567,000 MT, which were very limited compared to the previous year. Record domestic corn harvest, governmental restrictions on imports, TMO's sales, abundant feed wheat and a decrease in poultry product exports were the main reasons for import shrinkage. Russia became the leading corn supplier with 402,000 MT, followed by Romania with 92,000 MT in MY 2015/16.

Post revised the import forecast to 1 MMT of corn in marketing year 2016/17 due to unstable currency, TMO's strong sales, unstable feed sector demand and a reduced tendency by the private sector to want to grow their stocks in an uncertain economic environment. Turkey may face a corn shortage in the last quarter of the marketing year. It is expected that the private sector will meet its corn needs by sourcing from TMO's large stocks instead of importing, at least until those stocks are gone. Compared to last year, the private sector is reluctant to buy corn after the harvest. TMO procured 1.7 MMT of corn after harvest in MY 2016/17 and now has very large corn stocks.

Post also revised the ending stock forecast at 312,000 MT of corn in MY 2016/17 as TMO is trying to melt down its stocks. The private sector is reluctant to tie up too much in stocks, especially with the unstable currency situation, when TMO will likely be the low cost supplier for the near future.

Turkey imported 218,000 MT of milled equivalent basis rice in MY 2015/16. Turkey imported 193,000 MT of rough rice in MY 2015/16, of which 71,700 MT was from the United States and 67,400 MT from Russia. Turkey also imported 72,383 MT of milled rice in MY 2015/16. Main suppliers were Italy, India and Greece with 23,600 MT, 20,600 MT and 15,000 MT respectively. So far, according to American exporters, the United States has exported 17,192 MT of milled rice and 57,514 MT of rough rice to Turkey in MY 2016/17.

Turkey exported about 42,000 MT of milled rice during the same period. Iraq (19,700 MT), Syria (7,400 MT), and Libya (3,700 MT) were the main destinations. In addition, Turkey is continuing to be a hub between supplier countries and the Middle East, and according to exporter reports, it is estimated that roughly 300,000 MT of rice are being transshipped through Turkey.

During the harvest time, Osmancik variety paddy rice was worth about 1,675 TL/Ton in the domestic bulk market. But due to recent appreciation of U.S. dollar against the Turkish Lira, and increasing domestic demand, prices are about 1,950-2,000 TL/Ton currently. Also TMO announced they will sell paddy rice to the millers at between 1140- 1,980 TL/Ton, depending on variety, as of January 1, 2017.

POLICY

Post issued a report on New Turkish Agricultural Policy in November 2016, which covered projected impacts of the announced new agriculture support policy. According to announcements, 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. Subsidies will be available for crops if they are on the subsidy list. According to analysis on the original policy which had been announced, it was expected that planting area of corn would decrease. The goal had been to reduce planted area of corn in drought prone regions and conserve water, but farmers who had been growing corn in those regions weren't pleased that corn wasn't on the list for their basin and that they wouldn't be able to receive subsidies.

The Turkish government has since changed the basin list for some parts of Konya, Mardin and Sanliurfa and corn re-entered the subsidy list, under the condition that farmers have to use drip irrigation systems to be able to get subsidies.

It was originally anticipated that corn planting area would decrease in the coming year due to the initial policy, but now market sources are not sure what will happen, though they agree that production will not decrease as dramatically as they originally thought. Certified seed use is expected to increase due to the government's encouragement for farmers to use it.

PSD TABLES

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jun 2014		May 2015		Jun 2016	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7710	7710	7860	7860	7815	7815
Beginning Stocks	3112	3112	2750	2750	3098	3098

Production	15250	15250	19500	19500	17500	17250
MY Imports	5947	5947	4382	4382	5000	5000
TY Imports	5960	5960	4396	4396	5000	5000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	24309	24309	26632	26632	25598	25348
MY Exports	4059	4059	5534	5534	5600	5600
TY Exports	4134	4136	5609	5609	5600	5600
Feed and Residual	700	700	1200	1200	1000	1000
FSI Consumption	16800	16800	16800	16800	16800	16800
Total Consumption	17500	17500	18000	18000	17800	17800
Ending Stocks	2750	2750	3098	3098	2198	1948
Total Distribution	24309	24309	26632	26632	25598	25348
(1000 HA) ,(1000 MT)						

Barley	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jun 2014		May 2015		Jun 2016	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3400	3400	3400	3400	3400	3400
Beginning Stocks	899	899	332	332	961	961
Production	4000	4000	7400	7400	4750	4750
MY Imports	792	792	129	129	300	300
TY Imports	332	332	146	146	300	300
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5691	5691	7861	7861	6011	6011
MY Exports	9	9	0	1	25	25
TY Exports	4	10	0	1	25	25
Feed and Residual	4500	4500	6000	6000	4600	4600
FSI Consumption	850	850	900	900	900	900
Total Consumption	5350	5350	6900	6900	5500	5500
Ending Stocks	332	332	961	961	486	486
Total Distribution	5691	5691	7861	7861	6011	6011
(1000 HA) ,(1000 MT)						

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	Sep 2014		Sep 2015		Sep 2016	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	550	550	620	620	570	570
Beginning Stocks	644	644	712	712	562	862
Production	4800	4800	6200	6200	5500	5500
MY Imports	2364	2364	567	567	1500	1000

TY Imports	2377	2377	567	567	1500	1000
TY Imp. from U.S.	13	13	3	3	0	0
Total Supply	7808	7808	7479	7479	7562	7362
MY Exports	46	46	67	67	100	100
TY Exports	66	66	51	51	100	100
Feed and Residual	6000	6000	5800	5500	6000	5900
FSI Consumption	1050	1050	1050	1050	1050	1050
Total Consumption	7050	7050	6850	6550	7050	6950
Ending Stocks	712	712	562	862	412	312
Total Distribution	7808	7808	7479	7612	7562	7362
(1000 HA) ,(1000 MT)						

Rice, Milled	2014/2015		2015/2016		2016/2017	
Market Begin Year	Sep 2014		Sep 2015		Sep 2016	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	95	95	98	98	98	98
Beginning Stocks	245	245	217	217	127	127
Milled Production	460	460	500	500	500	500
Rough Production	687	687	746	746	746	746
Milling Rate (.9999)	6700	6700	6700	6700	6700	6700
MY Imports	317	317	218	218	300	300
TY Imports	256	256	225	225	300	300
TY Imp. from U.S.	133	133	0	0	0	0
Total Supply	1022	1022	967	967	927	927
MY Exports	25	25	50	50	25	25
TY Exports	28	28	50	50	25	25
Consumption and Residual	780	780	790	790	780	780
Ending Stocks	217	217	127	127	122	122
Total Distribution	1022	1022	967	967	927	927
(1000 HA) ,(1000 MT)						