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Prepared By: Caglar Erdogan, Senior Specialist

Approved By: Christine Mumma

Report Highlights:

The Turkish cotton crop for Marketing Year (MY) 2021/22 is forecast at 450,000 hectares and 825,000 metric tons (MT; 3.79 million bales). Cotton consumption is expected to be 1,850,000 MT (8.50 million bales) for the same MY. Better than expected yields in the GAP region, and a smaller area affected by drought in the Aegean Region caused the increase of the cotton production estimate for MY 2021/22 compared to Post's previous report. High-capacity utilization rates in the industry due to increased normalization in target markets for textiles and ready-to-wear apparel caused the cotton consumption forecast to increase for MY 2021/22. The United States continues to be the largest cotton supplier to Turkey.

I. Production

Post forecasts the cotton planted area in Turkey for Marketing Year (MY) 2021/22 to be 450,000 hectares (ha) as mentioned in the August update . The cotton production amount is now projected as 825,000 metric tons (MT; 3.79 million bales) for MY 2021/22, higher than the earlier forecast of 750,000 MT.

The yields in the Southeast region of Turkey (GAP region), where the majority of the Turkish cotton crop is grown, turned out to be even better than expected before the harvest. Cotton grown in the region was not affected by the drought conditions that occurred in Turkey and the Mediterranean region since the Urfa region (the largest single cotton-growing province in Turkey) is irrigated by water from the GAP project's dams along the Euphrates and Tigris Rivers. Underground wells are being used in Diyarbakir and Mardin provinces to irrigate the cotton crop, therefore the drought conditions did not affect the cotton crop in those provinces a lot either. Furthermore, the wind and heat conditions were also very positive in the whole region until the harvest. There were no special pest problems. Market sources indicate that cotton farmers used less pesticides this year because of good growing conditions (indicating less cost). This better-than-expected yield in the GAP area caused the increase in production compared to the earlier report this year.

In addition, the drought conditions effecting the west of Turkey did not decrease the yields as badly as expected. The expected yield drops mentioned in the earlier report this year, were confined to several areas in the Aegean Region, but some areas had normal yields. The increase of the yield in the GAP region more than made up for the yield decrease in the Aegean region. Therefore, Post is increasing the forecast for MY 2021/22 production compared to our previous report in August.

On November 10th, the Government of Turkey (GoT) declared the subsidies for MY 2021/22. For cotton, the subsidy rate is 1.10 TL/kg of cotton with seeds (~0.11 cents/kg as of Nov. 15th). This rate has not been increased compared to last season despite about a 20 percent inflation rate (consumer price index, CPI) in the country. The fact that GoT is declaring the subsidies as the cotton harvest finishes in the fall does not help the farmers who had to decide which crops to grow in the spring. As before, these subsidies will be paid in 2022, with a lag of a year, from GoT's 2022 budget. In addition to this, there is a fuel subsidy of 68.00 TL/decare (~6.80 USD/decare) and a fertilizer subsidy of 8.00 TL/decare (~0.80 cents/decare) allocated to all cotton farmers (76.00 TL/decare in total). This is a 15 percent increase in TL compared to last MY, but below CPI inflation and well below the price increases in fuel and fertilizer, both of which are imported to Turkey. In dollar terms, the subsidy amounts actually decreased, due to the extreme currency depreciation of the TL[1]. There are some more subsidies for cotton produced with better agricultural practices (such as BCI cotton) and organic cotton, as well as some subsidies for storing cotton at licensed warehouses. These subsidies will not be very encouraging for MY 2022/23 planting decisions but high demand from the textile industry and the increasing global cotton prices of MY 2021/22 will probably make up for cotton farmers' disappointment in unincreased subsidies and encourage them to plant cotton in the next season.

As reported by the Better Cotton Practices Association of Turkey (IPUD), Better Cotton Initiative (BCI) cotton production in Turkey was 67,174 MT (308,529 bales) for MY 2020/21 and the estimated

[1] The exchange rate was 7.97 TL/USD on Nov. 12th, 2020 it is 9.89 TL/USD on Nov. 12th, 2021. An effective 24.09 percent value loss on TL against USD.

production of BCI cotton for MY 2021/22 is 61,642 MT (283,117 bales). There is an estimated eight percent decrease compared to last season. IPUD informs that a few producers did not requalify for the program in MY 2021/22[2].

II. Consumption

Post projects the cotton consumption in Turkey will be 1,850,000 MT (8.50 million bales) for MY 2021/22 with a slight increase compared to the earlier forecast of 1,825,000 MT (8.38 million bales).

Increasing normalization from COVID-19 pandemic conditions, mostly because of increased availability of vaccinations, in target markets like Europe and the United States, as well as the domestic market, means more consumption of textiles and ready-to-wear garments as people return to shopping. Shopping malls and stores opened up throughout Europe, Turkey and the U.S. after lock downs. Some of the ready-to-wear garment orders from Europe that normally went to East Asia and India came to Turkey due to pandemic concerns or because of the ease of logistics since Turkey is located next to the EU.

According to The Central Bank of Turkey (CBT), the capacity utilization rate for the textile industry was 77 percent on average for MY 2020/21 which is approximately the same level as MY 2018/19, just before the pandemic. The capacity utilization of the textile industry was 81 percent as of October 2021, the highest rate since 2018.

In MY2020/21, the average capacity utilization rates for the ready-to-wear apparel industry in Turkey was 73 percent, which is still 9 percent below the average capacity utilization rate of MY 2018/19, the MY before the pandemic. However, the rates are quickly increase with the capacity utilization rate for the ready-to-wear apparel industry in Turkey at 83 percent in October 2021, the highest since right before the pandemic hit in March 2020.

Concerns about both the lack of cotton yarn and the use of synthetic yarn in the market continues as of Fall 2021, similar to earlier reports mentioned in our previous update. Market sources indicate that producers of fabric and ready-to-wear garments complain of continually increasing prices of cotton yarn affecting their profit margins. High cotton prices and the depreciation of the Turkish Lira (TL) currency affected the costs of sourcing cotton and cotton yarn abroad. Cost calculations are more difficult for producers as the volatile currency means future exchange rates could be much less favorable when the order is ready to be delivered in three months than the date the order is placed. Garment and apparel manufacturers indicate that they are having problems with pricing the orders to export markets because of continuedly increasing cotton prices recently and the instability of the TL against the USD and Euro. The Aegean Clothing Manufacturer's Association even asked for a workshop with all industry stakeholders and the GoT to solve these challenges of increasing costs for textile and garment producers in Turkey[3]. Meanwhile, new investments in cotton yarn production that started in 2021 continue to increase in Turkey as explained in our earlier report this year. These investments should help increase demand for cotton in Turkey in years to come.

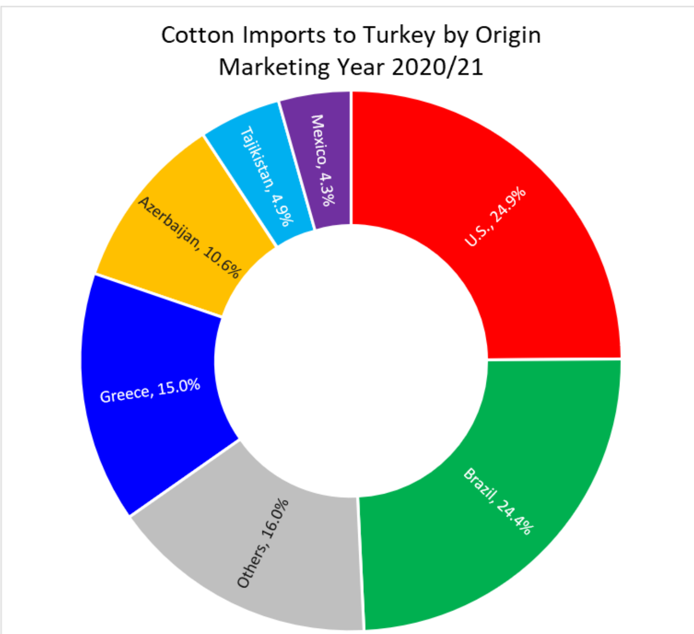
III. Trade

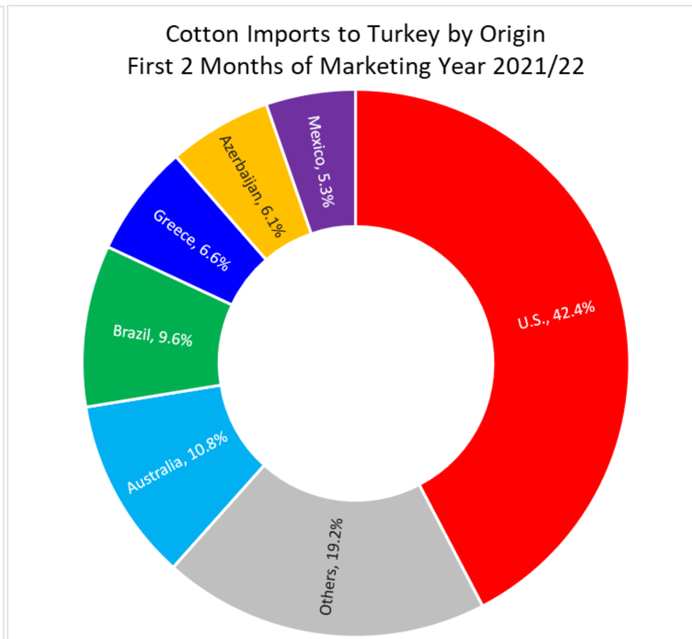
The Republic of Turkey imported 1,159,920 MT (5.33 million bales) of cotton for MY 2020/21, which is 14 percent higher than the previous MY. The United States provided 25 percent (288,327 MT) of the

[2] The estimated BCI cotton production amount of 200,000 MT (919 thousand bales) for MY 2021/22 disclosed in the previous update this year was a reporting mistake by IPUD. The corrected amount is as reported in this report.
[3] The news excerpt in Turkish: https://www.dunya.com/sehirler/iplik-fiyatinda-artis-yeni-siparise-engel-haberi-636326

total cotton imports to Turkey. Brazil has been catching up to U.S. market share, providing 24 percent (282,836 MT) of the cotton imported to Turkey. Other major suppliers were Greece (15 percent), Azerbaijan (11 percent), and Tajikistan (5 percent) for MY 2020/21. As also mentioned in the earlier update, the industrial production for the textile and garment industry in Turkey has been strong for the MY and there were record high exports. The demand for textiles in target markets such as Turkey, Europe, and the U.S. has been increasing. This is mainly due to easing of COVID-19 protection measures, spurring consumer spending, in addition to increased demand for comfortable cotton-made lounge wear and home furnishing sales, as people spent more time at home during government-mandated lockdowns. Turkey's cotton imports also started strong in the first two months of MY 2021/22 as the industry capacity utilization is robust; cotton imports for the first two months of MY 2021/22 are 6.35 percent higher than the imports of the first two months of the previous MY.

Chart 1: Cotton imports to Turkey from various sources (previous & current MY)





Source: Trade Data Monitor

Turkey exported 127,280 MT (584,592 bales) of cotton to various countries in MY 2020/21. Pakistan (39,263 MT), Bangladesh (13,414 MT), and China (12,545 MT) were most important customers of Turkish cotton. Of this, 127,000 MT cotton, about 42,000 MT were hydrophilic cotton for medical and cosmetic use. The export amount shown in the production, supply and distribution (PSD) tables below includes hydrophilic cotton. Top buyers of Turkish hydrophilic cotton for medical use are European countries and Russia. Cotton exports of Turkey increased 30 percent compared to MY 2019/20, despite the fact that cotton is in high demand by the Turkish industry. Increasing cotton prices in general, but especially favorable organic cotton prices in international destinations, encouraged exports of cotton from Turkey in 2020/21. Turkish textile and ready-to-wear garment industry is lobbying the GoT to place export restrictions on raw cotton, especially organic cotton.

Turkey's cotton yarn imports were 159,153 MT for the first three quarters of 2021, approximately 3 percent higher than the same period of calendar year (CY) 2019. Major suppliers for cotton yarn were

Uzbekistan, Turkmenistan, India, and Azerbaijan for the first nine months of CY 2021. Cotton yarn exports increased 85 percent in the first nine months of CY 2020 compared to the same period of the previous year, reaching 155,292 MT. Relative normalization of the retail markets in Europe and the U.S. after strict COVID-19 measures increased the demand for Turkish cotton yarn, together with increased demand in ready-to-wear apparel. Top customers for Turkish cotton yarn were Portugal, Italy, Bangladesh, Egypt, Pakistan and Germany for the first three quarters in CY 2021. Increasing textile and ready-to-wear-apparel orders also increased the demand for cotton yarn in production countries.

Turkish cotton fabric imports and exports were 218 million square meters (m^2) and 393 million m^2, respectively, for the first nine months of CY 2021. Cotton fabric imports grew by 12 percent during the first three quarters of CY 2021 and exports grew by 30 percent during the same time, compared to the first three quarters of CY 2020. The top sellers of cotton fabric to Turkey were Pakistan (70 million m^2), Turkmenistan (58 million m^2), China (42 million m^2), and Egypt (17 million m^2). The top buyers were Italy (74 million m^2), Pakistan (42 million m^2), Belgium (24 million m^2), and Spain (21 million m^2) for the first three quarters of the CY 2021. Increased production of ready-to-wear apparel and home textiles with the relative normalization of markets after COVID-19 measures also shows in the increase of Turkish fabric imports and exports during the period.

Market sources continue to report that Brazilian cotton is a major competitor to U.S. cotton as is the price is a bit cheaper and the quality is acceptable for the Turkish industry. Post still expects that the United States will be a very important supplier for cotton in the short to medium term for the Turkish industry.

IV. Policy

The Government of Turkey eliminated the three percent anti-dumping duty on U.S. cotton imports on April 16, 2021, as explained in detail in our report about the subject. This tax was imposed on cotton imported from the United States since 2016 after an investigation initiated in 2013 that was triggered by the Turkish cotton producers. The Turkish textile, fashion, and ready-to-wear-apparel industry and the cotton yarn and fabric producers in Turkey were supportive of removing the anti-dumping duty since they were the ones footing the bill as buyers of U.S. cotton.

Furthermore, as of May 25th, 2021, the Turkish Ministry of Trade published a communiqué making the registration of cotton exports mandatory. An online system administered by the Istanbul Textile and Confectionary Exporters Union (ITKIB) is used to register the intended exports. This system is used for some other products in Turkey too, such as the food industry. A trading company becomes a member of the online system, registers the intended exports of cotton, and then waits for approval from ITKIB acknowledging the submission of the required documents for export. Market sources indicate that the system specifically asks if the cotton to be exported is organic or conventional, and a statement to discourage (not ban) exports of organic cotton appears if the user picks organic. Textile and garment and apparel producers and exporter associations and unions continue to lobby to ban exports of organic cotton from Turkey as they have difficulties sourcing organic cotton, as mentioned in our previous update. Orders from Europe for garments made from organic cotton are increasing.

In addition, yarn prices are still a challenge[4] for the fabric and textile and ready-to-wear-apparel producers. Cotton yarn sourcing became a challenge for Turkish producers due to increased orders of

[4] Two sample news articles in Turkish about the subject can be reached at https://www.hurriyet.com.tr/ekonomi/hazir-giyimci-ham-madde-ithalatinda-ek-vergilerin-kaldirilmasini-istiyor-41928940 and https://www.dunya.com/sehirler/iplik-fiyatinda-artis-yeni-siparise-engel-haberi-636326

ready-to-wear apparel. The depreciation of the Turkish Lira did not help with sourcing yarn from outside of Turkey. Producers would like the extra tax (as explained in the previous report this year) that was imposed on cotton yarn imports during the pandemic to be removed, at least temporarily, until prices of cotton yarn and exchange rates stabilize. On November 11th, 2021, five exporter unions and 13 associations, all related to the production of textiles and the ready-to-wear apparel industry, held a press conference and asked GoT to remove the extra taxes on imports of cotton yarn and institute a surveillance system for exports of cotton and cotton yarn. These unions and associations warned GoT that Turkey will no longer be competitive in producing and exporting textiles and ready-to-wear garments if these changes are not mandated. Furthermore, they have informed GoT and the public that consumers should expect about a 70 percent increase due to inflation in the domestic prices of ready-to-wear apparel and garments unless these precautions are taken quickly to address the escalating cotton yarn prices[5]. Likewise, the Turkish Exporters' Assembly president advised the Turkish Ministry of Agriculture and Forestry to implement policies to increase the production of cotton domestically since globally cotton is getting more expensive and harder to source[6].

Due to drought conditions in Turkey, farmers from different regions of the country claim that GoT should ease the regulations for genetically engineered (GE) cotton varieties and let GE seeds be sold in Turkey. So far, GoT has strict rules against GE cultivation. Also, the need for better irrigation systems in Turkey is being talked of because of the current drought. Mainly furrow irrigation is used, which should be improved by investing in technological irrigation systems as water resources become scarcer with climate change.

Turkey has a large textile industry driving the demand for cotton, and due to low domestic cotton production, the country will continue to import cotton for years to come.

[5] Two sample news in Turkish https://www.yenisafak.com/ekonomi/hazir-giyimciden-pamuk-cagrisi-iplik-ihracati-gozetime-tabi-olsun-3711013 and https://www.hurriyet.com.tr/ekonomi/ihracat-pamuk-ipligine-bagli-41936662
[6] Turkish news https://www.milliyet.com.tr/ekonomi/tim-baskani-gulle-giyim-sektorunde-yasanan-ham-madde-sorunu-icin-cagrida-bulundu-6640544

V. Production, Supply and Distribution Tables

Table 1: Production, Supply and Distribution, Bales
(thousands of hectares, thousands of 480lb. bales)

Cotton	2019/2020		2020/2021		2021/2022	
Market Begin Year	August 2019		August 2020		August 2021	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	570	570	350	350	450	450
Beginning Stocks	1,694	1,366	2,766	2,363	2,708	2,422
Production	3,450	3,445	2,900	2,894	3,600	3,789
Imports	4,672	4,671	5,327	5,328	5,200	5,420
Total Supply	9,816	9,482	10,993	10,584	11,508	11,631
Exports	450	459	585	583	650	505
Use	6,600	6,660	7,700	7,578	8,400	8,497
Loss	0	0	0	0	0	0
Total Dom. Cons.	6,600	6,660	7,700	7,578	8,400	8,497
Ending Stocks	2,766	2,363	2,708	2,422	2,458	2,629
Total Distribution	9,816	9,482	10,993	10,584	11,508	11,631

Source: USDA forecasts, FAS Istanbul forecasts.

Table 2: Production, Supply and Distribution, Metric Tons
(thousands of hectares, thousands of MT)

Cotton	2019/2020		2020/2021		2021/2022	
Market Begin Year	August 2019		August 2020		August 2021	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	570	570	350	350	450	450
Beginning Stocks	369	297	602	514	590	527
Production	751	750	631	630	784	825
Imports	1,017	1,017	1,160	1,160	1,132	1,180
Total Supply	2,137	2,064	2,393	2,304	2,506	2,532
Exports	98	100	127	127	142	110
Use	1,437	1,450	1,676	1,650	1,829	1,850
Loss	0	0	0	0	0	0
Total Dom. Cons.	1,437	1,450	1,676	1,650	1,829	1,850
Ending Stocks	602	514	590	527	535	572
Total Distribution	2,137	2,064	2,393	2,304	2,506	2,532

Source: USDA forecasts, FAS Istanbul forecasts

VI. Trade Matrices

a. Cotton Trade Matrices

Table 3: Cotton Imports to Turkey (HS Code: 5201), 480lb. Bales

TURKEY					
COTTON					
Import Trade Matrix					
Units:	**Bales**				
Time Period	**Aug/July**		**Aug/July**		**Aug/Sept (2 Months)**
Imports for:	**MY 2019/20**		**MY 2020/21**		**MY 2021/22**
U.S.	1,769,876	U.S.	1,324,275	U.S.	336,977
Others		**Others**		**Others**	
Brazil	878,666	Brazil	1,299,056	Australia	86,058
Greece	752,925	Greece	797,573	Brazil	75,995
Azerbaijan	327,129	Azerbaijan	563,107	Greece	52,782
Mexico	222,364	Tajikistan	260,540	Azerbaijan	48,222
Tajikistan	184,706	Mexico	229,938	Mexico	42,223
Turkmenistan	85,815	Syria	134,537	Cote d'Ivoire	35,807
Kyrgyzstan	69,133	Uzbekistan	126,068	Turkmenistan	20,264
Sudan	63,622	Sudan	92,002	Sudan	17,513
Uzbekistan	60,296	Kazakhstan	79,624	Tajikistan	13,269
Kazakhstan	52,346	Kyrgyzstan	76,353	Burkina Faso	13,269
Total of others	**2,697,002**	**Total of others**	**3,658,796**	**Total of others**	**405,403**
Others not listed	204,038	Others not listed	344,399	Others not listed	52,952
GRAND TOTAL	**4,670,916**	**GRAND TOTAL**	**5,327,471**	**GRAND TOTAL**	**795,331**

Source: Trade Data Monitor

Table 4: Cotton Imports to Turkey (HS Code: 5201), metric tons (MT)

TURKEY					
COTTON					
Import Trade Matrix					
Units:	**Metric Tons**				
Time Period	**Aug/July**		**Aug/July**		**Aug/Sept (2 Months)**
Imports for:	**MY 2019/20**		**MY 2020/21**		**MY 2021/22**
U.S.	385,345	U.S.	288,327	U.S.	73,368
Others		**Others**		**Others**	
Brazil	191,307	Brazil	282,836	Australia	18,737
Greece	163,930	Greece	173,651	Brazil	16,546
Azerbaijan	71,224	Azerbaijan	122,602	Greece	11,492
Mexico	48,414	Tajikistan	56,726	Azerbaijan	10,499
Tajikistan	40,215	Mexico	50,063	Mexico	9,193
Turkmenistan	18,684	Syria	29,292	Cote d'Ivoire	7,796
Kyrgyzstan	15,052	Uzbekistan	27,448	Turkmenistan	4,412
Sudan	13,852	Sudan	20,031	Sudan	3,813
Uzbekistan	13,128	Kazakhstan	17,336	Tajikistan	2,889
Kazakhstan	11,397	Kyrgyzstan	16,624	Burkina Faso	2,889
Total of others	**587,203**	**Total of others**	**796,609**	**Total of others**	**88,266**
Others not listed	44,424	Others not listed	74,984	Others not listed	11,529
GRAND TOTAL	**1,016,972**	**GRAND TOTAL**	**1,159,920**	**GRAND TOTAL**	**173,163**

Source: Trade Data Monitor

b. Cotton Yarn Trade Matrices

Table 5: Cotton Yarn Imports to Turkey, metric tons (MT)

TURKEY	COTTON YARN		
Import Trade Matrix	**Units: Metric Ton**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Sept**
Import from:	**CY 2019**	**CY 2020**	**2021**
U.S.	4	7	0
Others			
Uzbekistan	76,167	90,183	80,515
Turkmenistan	51,769	50,529	45,411
India	14,157	25,233	11,939
Azerbaijan	7,874	5,315	10,785
Pakistan	16,181	12,563	4,172
Tajikistan	6,290	5,987	2,582
Egypt	5,043	4,655	1,546
China	1,965	1,363	707
Spain	6	10	232
Morocco	0	328	170
Total of others	**179,452**	**196,166**	**158,059**
Others not listed	11,341	6,417	1,094
GRAND TOTAL	**190,797**	**202,590**	**159,153**

Source: Trade Data Monitor

Table 6: Cotton Yarn Exports from Turkey, metric tons (MT)

TURKEY	COTTON YARN		
Export Trade Matrix	**Units: Metric Ton**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Sept**
Export to:	**CY 2019**	**CY 2020**	**2021**
U.S.	1,329	1,417	1,391
Others			
Portugal	26,015	21,304	35,595
Italy	25,680	20,867	23,527
Bangladesh	1,575	1,100	13,902
Egypt	17,301	16,600	16,869
Pakistan	7,773	16,805	13,675
Germany	7,987	8,137	6,332
Greece	4,004	4,237	3,886
Bulgaria	4,723	4,449	4,450
Tunisia	2,348	1,661	1,563
France	2,068	2,094	2369
Total of others	99,474	97,254	122,168
Others not listed	39,905	31,847	31,733
GRAND TOTAL	**140,708**	**130,518**	**155,292**

Source: Trade Data Monitor

c. Cotton Fabric Trade Matrices

Table 7: Cotton Fabric Imports to Turkey, thousands of square meters (m^2)

TURKEY	COTTON FABRIC		
Import Trade Matrix	**Units: 1,000 m2**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Sept**
Import from:	**CY 2019**	**CY 2020**	**CY 2021**
U.S.	97	40	48
Others			
Pakistan	89,242	81,431	69,877
Turkmenistan	72,759	65,039	57,992
China	58,323	50,993	41,622
Egypt	27,514	28,001	16,984
Italy	10,487	10,254	7,241
India	12,125	4,977	7,002
North Macedonia	999	1,993	3,689
Malaysia	5,699	1,422	2,460
Germany	4,024	3,337	2,376
Spain	3,756	2,268	2,178
Total of others	284,929	249,715	211,421
Others not listed	25,248	14,233	6,159
GRAND TOTAL	**310,274**	**263,988**	**217,629**

Source: Trade Data Monitor

Table 8: Cotton Fabric Exports from Turkey, thousands of Square Meters (m^2)

TURKEY	COTTON FABRIC		
Export Trade Matrix	**Units: 1,000 m2**		
Time Period	**Jan-Dec**	**Jan-Dec**	**Jan-Sept**
Export to:	**CY 2019**	**CY 2020**	**CY 2021**
U.S.	3,665	3,003	2,087
Others			
Italy	72,344	67,847	73,911
Pakistan	36,582	31,021	42,137
Belgium	29,275	28,600	24,462
Spain	25,570	21,537	21,078
Egypt	19,816	14,747	18,407
Tunisia	19,677	21,191	18,370
Romania	20,595	20,329	17,471
Morocco	19,114	16,681	17,434
Portugal	11,731	11,901	16,125
France	14,705	18,625	12,616
Total of others	269,407	252,481	262,010
Others not listed	181,256	173,928	128,517
GRAND TOTAL	**454,328**	**429,413**	**392,614**

Source: Trade Data Monitor

Attachments:

No Attachments