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Report Highlights:

Turkey's cotton production is now estimated at 625,000 MT (2.87 million bales) on 350,000 hectares in marketing year (MY) 2020/21. The yield in the South Eastern (GAP) region has been a bit better than expected due to favorable weather conditions. Low yields in the last few MYs, unattractive cotton prices, inflated costs, uncertainty created by COVID-19, and better returns from alternative crops, in addition to low subsidies from the government and the third-year rotation rule are the major reasons for the decrease in planting areas. Cotton consumption in Turkey has been estimated at 1.45 million MT (6.66 million bales) for MY 2019/20 and imports for the same period reached one million MT (4.67 million bales), a record high amount in recent years.

I. Production

Post forecasts cotton planting area in the Republic of Turkey to be 350,000 hectares (ha) for Marketing Year (MY) 2020/21. This represents a considerable reduction in production area compared to previous marketing years. The production amount is now projected as 625,000 metric tons (MT) (2.87 million bales) a bit higher than post's last estimate because of better than expected yields in the South East (GAP) region of Turkey due to very good weather conditions.

Several factors contributed to the significant reduction in the planting area. The mandatory rotation rule of the [Turkish Ministry of Agriculture and Forestry](#) (MinAF) forced some farmers to not plant cotton this marketing year since they would not have been entitled to subsidies, as the same crop can't be subsidized on the same land three years in a row. Another reason for the decreased planting area was that the Government of Turkey (GoT)'s 0.80 TL/kg subsidy established in MY 2018/19 was not increased for MY 2019/20, despite high inflation and the Turkish Lira (TL) losing value against major currencies. Farmers did not expect that the subsidies would be increased to a satisfactory level for MY 2020/21 to compensate for the continued value loss of the TL and increased input costs; therefore, many switched to alternative crops which they believed would provide better margins.

As of October 2020, the amount of the cotton subsidy for MY 2020/21 has been declared by GoT as 1.10 TL/kg which represents a 37.5 percent increase compared to the last marketing year. This subsidy was declared during or right after the harvest (depending on when the farmer is harvesting) but did not really help farmers when they were deciding what to plan for this season. The timing was considered too late by farmers and NGOs to affect this year's crop but will affect the planting decisions for next year. This increase barely covers the value loss in TL in the last few years. As mentioned in our [earlier reports](#), the prices of imported production inputs such as seed, fertilizer, and pesticides increased due to the TL losing value in the since 2018.

Low yields, unattractive cotton prices, inflated costs, uncertainty created by COVID-19, and better returns from alternative crops in addition to not low subsidies from GoT and the third-year rotation rule are the major reasons for the expected decrease in planting areas.

Since the weather conditions have been better during MY 2020/21 compared to the last year during planting, growing, and harvest stages, the production reduction compared to the last year is lower than the cut in the planting area. Market sources indicate that there is no major pest problem seen in the Southeast Region (GAP Region), which seemed to be a problem last year. The yields in the Aegean region were marginally below the expected for Aegean region. There seemed to be a red spider problem (*Tetranychus cinnabarinus*) in the Aegean region which farmers could not easily solve with available pesticides. 2019/20 was an especially bad productivity year whereas MY 2020/21 seems quite good in general around Turkey.

[Better Cotton Practices Association of Turkey](#) (IPUD) revised down their Better Cotton Initiative (BCI) production estimate for Turkey to 73,260 MT of BCI cotton since our [last update published in August 2020](#) in line with decreasing overall cotton production.

As an interesting note: In September 2020, an agricultural machinery company based in Adana has declared that they produced the first domestic cotton harvest machinery in Turkey, with 85 percent domestic content. The company announced that they have sold the first batch to Uzbekistan as there is more demand for harvesting machinery there for the time being.

II. Consumption

Although COVID-19 brought some European ready-to-wear/fast-fashion/textile orders from China to Turkey in January and February 2020, increasing the production of garments, as the pandemic started affecting Europe and Turkey in March, the utilization rates in the textile/ready-to-wear apparel industry dropped to less than 50 percent for three to four months. With some normalization in lifestyles in Europe and Turkey as of summer 2020, capacity utilization rates have gone up to around 70 percent and export numbers for the textile and ready-to-wear industry is also became comparable to the previous year. Post now estimates the domestic consumption of cotton to be 1,450,000 million MT (6.66 million bales) for MY 2019/20.

For MY 2020/21, post forecasts 1,500,000 MT (6.89 million bales) of cotton consumption assuming that adapted normalization of lifestyles without additional major lockdowns continues in Turkey, Europe, and the U.S. For the time being, as of fall 2020, market sources estimate that yarn producers in Turkey have about 75 percent capacity utilization rates, assuming that they were working close to full capacity before COVID-19. Istanbul Apparel Exporters' Association (IHKIB) president indicated in a [news article](#) that there have been record level exports for ready-to-wear/apparel in July and October 2020 and production capacities of major exporter companies are close to full levels until the end of 2020. On the other hand, there has been some reports of order cancellations from some major brands, after lockdowns declared around Europe in November 2020. It is harder to make predictions compared to regular years due to the pandemic. If major/intense lockdowns occur in increasing levels due to deteriorating pandemic conditions around Turkey, Europe, and the U.S., consumption could be revised lower.

III. Trade¹

Turkey's cotton imports for MY 2019/20 were 1,017,727 MT (4,671,627 bales). The United States provided 38 percent (385,502 MT) of the total cotton imports to Turkey. Other major suppliers were Brazil (191,307 MT), Greece (163,930 MT), and Azerbaijan (71,224 MT) for the same period. The MY end imports are 30 percent higher compared to MY 2018/19 because MY 2019/20 production was lower than MY 2018/19 production in Turkey. In addition to that, the recovering domestic economy in the first eight months of MY 2019/20 (before COVID-19) contributed to the increased cotton demand; MY 2019/20 purchase agreements were done before coronavirus effects in Turkey and Europe as well as the USA so the purchases continued. Declining cotton prices due to COVID-19 also contributed to high imports in MY 2019/20. As mentioned in earlier reports, from January to March 2020, some European textile/fashion orders moved from coronavirus-affected-China to Turkey until the virus hit Turkey and Europe and slowed the demand for textile/clothing.

Turkey's total cotton exports for MY 2019/20 were 97,873 MT (449,527 bales) of which 47,695 MT (219,061 bales) were for the textiles industry. Bangladesh (22,483 MT) and Pakistan (14,605 MT) were the largest buyers of Turkish cotton for textiles. Additionally, Turkey exported about 50,167 MT (230,457 bales) of hydrophilic cotton for medical use during the same period, which added to exports in

¹ Turkish Statistics Institute (TurkStat) has changed its reporting system for foreign trade. Therefore, there may be some discrepancies with trade numbers compared to our earlier reports. We believe that the discrepancies due to the change in the calculation methods of TurkStat will not majorly affect decisions/judgements about Turkish market. Previously, customs warehouses and free trade zones were not considered inside of the statistical territory of Turkey. Now, these areas are also considered to be inside Turkey. Goods entering or leaving from customs warehouses and free trade zones are included in the calculations, while international trade between customs warehouses and free zones to abroad are excluded.

the production, supply and distribution tables (PS&D tables). EU countries are the leading buyers of Turkish hydrophilic cotton.

Cotton yarn imports were up 15 percent for the first nine months of calendar year (CY) 2020 compared to the same period of CY 2019. Cotton yarn exports for the first three quarters of 2020 were down about 22 percent. The leading destinations for Turkish cotton yarn are European countries such as Italy, Portugal, Germany, and Spain. The COVID-19 situation affected the yarn exports since the textile factories in Europe were forced to close (and/or slow down) for a period during the pandemic situation. Turkey bought cotton yarn mostly from Central and South Asian countries such as Uzbekistan, Turkmenistan, India, and Pakistan. Purchases of cotton yarn were high during the first three months of 2020, as some European textile/ready to wear clothing orders were diverting to Turkey from China. Turkish industry continued to produce personal protective equipment such as highly demanded masks and gowns for domestic use and export to European countries and the U.S.

Turkish cotton fabric imports and exports during the first three quarters of the CY 2020 were 194 million m² and 302 million m² respectively. Cotton fabric imports decreased down about 15 percent compared to first nine months of CY 2019, and cotton fabric exports decreased also about 10 percent during same period. The textile/fashion/ready-to-wear clothing industry slowed down due to coronavirus all over the world. Pakistan, Turkmenistan, China, and Egypt are major suppliers of cotton fabric to Turkey. Italy, Pakistan and Belgium are the top three buyers.

Imports of cotton did not decrease much, even as the retail industry in Turkey and export businesses were greatly affected by coronavirus, as many buyers had purchase agreements and commitments that they could not (and/or did not want to) break; in addition, the cheaper cotton prices in the global markets encouraged purchases. This created higher than usual ending-stocks for MY 2019/20 which will be carried over and used in MY 2020/21. This situation will affect Turkish cotton imports in MY 2020/21, even if consumption is expected to be a bit higher. If a vaccine for COVID-19 becomes widely available soon, changing consumer lifestyles and creating a better retail environment in Turkey, Europe, and the U.S., cotton imports may increase more than projected at this time.

Market sources report that there is a trend of importing more Brazilian cotton as the price of Brazilian cotton is cheaper compared to U.S. cotton. Post still expects that the U.S. will be the main supplier for cotton in the short to medium term.

IV. Policy

In addition to three percent antidumping tax imposed on U.S.-originated cotton by Turkey and additional tariffs to imports of some kinds of cotton yarn in January and August 2019 as mentioned in our [Cotton and Products Annual Report 2020](#), the GoT has imposed some new additional tariffs on several kinds of cotton yarns in May 2020. [Free Trade Countries](#) such as, but not limited to, the EU will not be affected by these new additional tariffs. The following HS coded cotton yarns will be affected by these new additional custom tariffs established by a presidential decree: 5204.11, 5204.19, 5204.20, 5207.10, and 5207.90. There was an additional 13 percent tariff for these HS codes until September 30, 2020 and it is now eight percent after that date until these additional tariffs are abandoned. Furthermore, some man-made fibers are also among the affected 800 items in the list. For the complete list of items and specific rates, please refer to the [decree](#) itself.

On October 7th, 2020 [National Cotton Council](#) of Turkey arranged a whole day of conferences for the World Cotton Day celebrations. There were representatives from the Turkish Ministry of Agriculture and Forestry (MinAF) and the Turkish Ministry of Trade (MinT) as well as representatives of many non-

governmental organizations (NGOs) such as the [Izmir](#), [Sanliurfa](#), [Adana](#), [Soke](#) and [Aydin](#) Commodity Exchanges, the [Aegean Exporters' Associations](#), the [Aegean Clothing Manufacturers' Association](#) and the [Better Cotton Practices Association of Turkey](#) (IPUD) representing cotton producers. Participants would like cotton to be defined as a “strategic crop” for Turkey as it is the raw material for the Turkish textile industry which is one of the main staples of the Turkish economy. Several days after the conference, session proposals were turned into a declaration to be given to the President of Turkey, the MinAF and MinT. Twenty-four NGOs representing cotton production have signed the declaration, making seven requests from the GoT:

1. There should be urgent precautions for importation of lint cotton. A quota-based system is suggested. A cessation of imports is proposed until the production areas for MY 2021/22 production areas are settled.
2. 2020 subsidies for cotton should be immediately declared.
[The cotton production subsidies that were not increased for the last three years were increased to 1.1 TL/kg for raw cotton, which represents a 37.5 percent increase, about 10 days after this statement was submitted to GoT.]
3. The “trust method of forward sales” of lint cotton from ginner to yarn producers should be banned. [Via this traditional method, the lint is given to the yarn producer by the ginner when requested and then priced at a later date. This decreases the demand for lint cotton at the time of the harvest and immediately afterwards and the prices decrease at the time of the harvest due to lack of demand. Hence, farmers cannot make money. The undersigning NGOs believe that this method of sales hinders the free market and the healthy operation of commodity exchanges.]
4. The GoT should give financial support (in terms of good condition credits or some other methods) to producer unions of cooperatives such as [TARIS](#), [Antbirlik](#) and [Cukobirlik](#) so that they can also purchase cotton from non-member farmers, as they have large unused capacity to store and gin cotton. Also, these unions of cooperatives should be able to utilize the supports from GoT to build and operate licensed warehouses for cotton.
5. There should be a minimum 20 percent domestic cotton usage requirement for yarn producers. A support in social security taxes should be given by GoT to yarn factories using over 60 percent domestic cotton.
6. Turkish Grains Board (TMO) should do intervention purchasing starting October 1st every year for 200 thousand MT lint cotton from global price levels that are determined in international markets.
7. Ginner should have access to some supports (e.g. transportation, analysis or warehouse lease supports) for using licensed warehouses. Especially small ginner have no financial ability to use licensed warehouses. This will increase the use of “electronic product notes” by small ginner and small farmers.

Approximately 10 days after this declaration, a new meeting was arranged by even more participants including additional NGOs that represent yarn, fabric, and textile producers. They confirmed that cotton should be accepted and treated as a strategic crop for Turkey, and the GoT should work on the challenges of the cotton producers to enable farmers to produce cotton. However, they are absolutely against banning or restricting imports of cotton. There was a consensus among participants that forbidding and/or restricting any cotton imports will hurt the Turkish textile industry greatly and will not solve the problems of the cotton producers. The textile producer NGOs agreed that the production subsidies for following years should be declared by GoT early, preferably before the planting season, and there should be a systematic way for determining the subsidy rates.

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

V. Production, Supply and Distribution Tables

Table 3: Production, Supply and Distribution Table, Bales
(thousands of hectares, thousands of 480lb. bales)

Cotton	2018/2019		2019/2020		2020/2021	
Market Begin Year	August 2018		August 2019		August 2020	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	520	525	570	570	350	350
Beginning Stocks	1,950	1,471	1,694	1,366	2,766	2,363
Production	3,750	3,764	3,450	3,445	2,800	2,871
Imports	3,607	3,497	4,672	4,671	4,400	3,789
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	9,307	8,732	9,816	9,482	9,966	9,022
Exports	713	481	450	459	450	459
Use	6,900	6,885	6,600	6,660	7,000	6,889
Loss	0	0	0	0	0	0
Total Dom. Cons.	6,900	6,885	6,600	6,660	7,000	6,889
Ending Stocks	1,694	1,366	2,766	2,363	2,516	1,674
Total Distribution	9,307	8,732	9,816	9,482	9,966	9,022

Source: USDA forecasts, FAS Istanbul forecasts.

Table 4: Production, Supply and Demand Table, Metric Tons
(thousands of hectares, thousands of MT)

Cotton	2018/2019		2019/2020		2020/2021	
Market Begin Year	August 2018		August 2019		August 2020	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	520	525	570	570	350	350
Beginning Stocks	425	320	369	297	602	514
Production	816	820	751	750	610	625
Imports	785	761	1,017	1,017	958	825
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	2,026	1,901	2,137	2,064	2,170	1,964
Exports	155	105	98	100	98	100
Use	1,502	1,499	1,437	1,450	1,524	1,500
Loss	0	0	0	0	0	0
Total Dom. Cons.	1,502	1,499	1,437	1,450	1,524	1,500
Ending Stocks	369	297	602	514	548	364
Total Distribution	2,026	1,901	2,137	2,064	2,170	1,964

Source: USDA forecasts, FAS Istanbul forecasts.

VI. Trade Matrices

a. Cotton Trade Matrices

Table 5: 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 2018/19		MY 2019/20		MY 2020/21
U.S.	1,651,125	U.S.	1,770,597	U.S.	334,864
Others		Others		Others	
Greece	453,013	Brazil	878,666	Brazil	132,975
Brazil	426,245	Greece	752,925	Mexico	61,527
Azerbaijan	315,481	Azerbaijan	327,129	Azerbaijan	40,657
Tajikistan	181,895	Mexico	222,364	India	39,513
Australia	92,828	Tajikistan	184,706	Tajikistan	35,053
Mexico	71,898	Turkmenistan	85,815	Uzbekistan	29,478
Turkmenistan	67,737	Kyrgyzstan	69,133	Greece	27,636
Argentina	62,763	Sudan	63,622	Sudan	14,766
Kyrgyzstan	40,138	Uzbekistan	60,296	Argentina	11,707
Burkina Faso	37,956	Kazakhstan	52,341	Turkmenistan	6,347
Total of others	1,749,956	Total of others	2,696,998	Total of others	399,661
Others not listed	206,109	Others not listed	204,033	Others not listed	13,352
GRAND TOTAL	3,607,190	GRAND TOTAL	4,671,627	GRAND TOTAL	747,877

Source: Trade Data Monitor

Table 6: 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 2018/19		MY 2019/20		MY 2020/21
U.S.	359,490	U.S.	385,502	U.S.	72,908
Others		Others		Others	
Greece	98,632	Brazil	191,307	Brazil	28,952
Brazil	92,804	Greece	163,930	Mexico	13,396
Azerbaijan	68,688	Azerbaijan	71,224	Azerbaijan	8,852
Tajikistan	39,603	Mexico	48,414	India	8,603
Australia	20,211	Tajikistan	40,215	Tajikistan	7,632
Mexico	15,654	Turkmenistan	18,684	Uzbekistan	6,418
Turkmenistan	14,748	Kyrgyzstan	15,052	Greece	6,017
Argentina	13,665	Sudan	13,852	Sudan	3,215
Kyrgyzstan	8,739	Uzbekistan	13,128	Argentina	2,549
Burkina Faso	8,264	Kazakhstan	11,396	Turkmenistan	1,382
Total of others	381,008	Total of others	587,202	Total of others	87,016
Others not listed	44,875	Others not listed	44,423	Others not listed	2,907
GRAND TOTAL	785,373	GRAND TOTAL	1,017,127	GRAND TOTAL	162,831

Source: Trade Data Monitor

b. Cotton Yarn Trade Matrices (HS Code: 5204, 5205, 5207)

Table 7: 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 2018	CY 2019	2020
U.S.	44	4	7
Others			
Uzbekistan	42,209	76,167	68,282
Turkmenistan	52,166	51,769	36,493
India	17,025	14,157	21,197
Pakistan	13,879	16,181	9,992
Tajikistan	7,512	6,290	4,248
Egypt	3,570	5,043	3,667
Azerbaijan	3,623	7,874	3,652
Vietnam	10,484	8,894	2,601
Syria	53	126	1,655
China	1,958	1,965	1084
Total of others	152,479	188,466	152,871
Others not listed	3,725	2,327	1,810
GRAND TOTAL	156,248	190,797	154,688

Source: Trade Data Monitor

Table 8: 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 2018	CY 2019	2020
U.S.	632	1,329	1,017
Others			
Italy	27,685	25,680	15,088
Portugal	30,419	26,015	13,139
Pakistan	15,684	7,773	9,502
Egypt	11,902	17,301	9,318
Germany	8,409	7,987	5,878
Spain	9,756	8,618	3,952
Bulgaria	4,409	4,723	3,195
Greece	3,980	4,004	3,043
Poland	8,309	5,209	2,074
Czech Republic	3,658	2,955	1824
Total of others	124,211	110,265	67,013
Others not listed	28,663	29,114	16,100
GRAND TOTAL	153,506	140,708	84,130

Source: Trade Data Monitor

c. Cotton Fabric Trade Matrices (HS Code: 5208, 5209)

Table 9: Cotton Fabric Imports to Turkey, thousands of square meters (m²)

TURKEY	COTTON FABRIC		
Import Trade Matrix	Units: 1,000 m ²		
Time Period	Jan-Dec	Jan-Dec	Jan-Sept
Import from:	CY 2018	CY 2019	2020
U.S.	131	97	25
Others			
Pakistan	103,346	89,242	59,661
Turkmenistan	57,658	72,759	50,957
China	68,272	58,323	34,833
Egypt	33,798	27,514	20,732
Italy	12,815	10,487	6,625
Greece	1,417	4,933	4,503
India	6,209	12,125	2,933
Germany	4,692	4,024	2,707
Malaysia	2,891	5,699	1,363
Spain	4,420	3,756	1,338
Total of others	295,518	288,864	185,651
Others not listed	21,344	21,314	8,371
GRAND TOTAL	316,993	310,274	194,047

Source: Trade Data Monitor

Table 10: Cotton Fabric Exports from Turkey, thousands of square meters (m²)

TURKEY	COTTON FABRIC		
Export Trade Matrix	Units: 1,000 m ²		
Time Period	Jan-Dec	Jan-Dec	Jan-Sept
Export to:	CY 2018	CY 2019	2020
U.S.	7,908	3,665	1,642
Others			
Italy	73,597	72,344	49,068
Belgium	21,639	29,275	22,027
Pakistan	17,909	36,582	20,758
Romania	21,476	20,595	14,838
Spain	30,586	25,570	14,500
Tunisia	19,621	19,677	14,060
France	15,493	14,705	13,041
Morocco	19,205	19,114	11,217
Georgia	13,045	18,154	10,946
Egypt	42,825	19,816	10,075
Total of others	275,398	275,830	180,531
Others not listed	180,050	174,832	119,977
GRAND TOTAL	463,356	454,328	302,150

Source: Trade Data Monitor

Attachments:

No Attachments