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Turkey

Oilseeds and Products Annual

2013 Oilseeds Annual report

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Report Highlights:

Total oilseed production for Turkey in marketing year (MY) 2013 is projected to go up about eleven percent to 2.26 MMT due to a large increase in sunflower seed and soybean production. MY 2012 production remains 2.0 MMT, down about four percent due to a decline in cotton seed production. Despite the increase in production Turkey continues to be import dependent due to a net deficit of oilseeds and products. Although Turkey approved three biotech soybean varieties in January 2011 for feed use, a zero tolerance for contamination of unapproved varieties continues to raise problems in imports. Turkey continues to import large quantities of soybean and meal in MY 2013, with total imports projected to reach 2.1 MMT.

Executive Summary:

Turkey's total production of oilseeds subject to this report (soy, sunflower and cottonseed) in MY 2013 is expected to increase about eleven percent to 2.2 MMT. Although cotton seed production is projected to decline, both sunflower seed and soybean seed production will increase significantly. Higher returns in sunflower seed production and farmers' dissatisfaction with cotton returns in the soybean growing region, Cukurova, are the reasons for the increase. Total MY 2012 oilseed production was down about four percent to 2 MMT. Increases in sun seed and soy bean were offset by the reduction in cottonseed production.

The government's continuing production premiums for oilseeds and support of quasi-governmental producer coops to persuade farmers to plant more oilseeds had limited success. Soybean production is projected to increase almost sixty percent in MY 2013 to 110,000 MT. Domestic production of soybean remains only a fraction of domestic consumption, which will be about 1.5 MMT in MY 2013. Over the years, the government of Turkey (GOT) has supported local production of oilseeds with higher production bonuses. The GOT increased the bonus for certified seed soybeans forty-three percent in MY 2011, which remained the same in MY 2012. According to unofficial announcements, MY 2013 production bonuses for soybean and sunflower will remain the same while seed cotton bonus will increase about ten percent to 500 TL per MT.

Last fall the GOT reduced the import taxes on soy bean and meal. Accordingly, soy bean import tax reduced to "0" percent from 5 and soy meal to 5 percent from 13.5, which will make soybean imports more attractive in place of meal, but restrictions on soy oil consumption will cause full fat soy bean production and consumption to increase.

**Author Defined:
Production**

Despite the twenty percent increase in production area to 590,000 hectares, sunflower seed production increased less for MY 2012 remained about 1,075,000 MT, as dry weather conditions during the summer adversely affected yields. Area and production in MY 2011 were 490,000 hectares and 925,000 MT. Projected high returns in sunflower seed production is expected to persuade farmers to increase planting in MY 2013 as well to a record 690,000 hectares and productions is expected to reach 1.4 MMT. Continued rains during the winter months in all the sunflower growing regions will provide optimum moisture during planting.

Soybean planting is also projected to increase significantly, about fifty percent, to 30,000 hectares. Lack of available seeds will prevent further increases in planting. As a result of larger planting MY 2013, the production of soybeans is expected to reach 110,000 MT from 70,000MT in MY 2012.

Cottonseed production is expected to decline in MY 2013 for the second year in a row despite the expected higher production bonus due to farmers' dissatisfaction with cotton returns because of low local cotton prices. Production will go down to 750,000 MT in MY 2013 from 900,000 MT a year ago.

Canola production is still popular among Thrace region farmers. Despite large plantation in the fall of 2011/12 season about one third of the fields were sown again due to frost and total production remained 55,000 MT. The 2012 planting was also adversely affected, this time by a lack of seeds. Canola planting was about 25,000 hectares and expected production is 60,000 MT. Farmer cooperatives are getting ready to double planting in 2013 to about 50,000 hectares due to higher demand for oilseeds.

Turkey also imports large quantities of canola seed from Black Sea countries for oil and meal extraction. Canola seed imports in 2012 increased about forty percent to 150,000 MT, but canola meal imports decreased proportionately to 55,000 MT from 78,000 MT.

The GOT created a new regulation requiring utilization of bio fuels in diesel fuel. Beginning in 2014 at a required one percent, the ration will increase annually to 3 percent. The aim of the government is to meet some of the demand for imported fuels with locally produced bio-ethanol and bio-diesel products. This will eventually increase the demand and prices of raw materials, and hence, the income of farmers. An additional 180,000 MT of vegetable oil will be needed to meet the demand for bio diesel. The vegetable oil industry and the ministry however point out that Turkey is already deficient in oil seeds, fats and oils and such move will increase the demand and cost of these products and also import dependence. Vegetable industry representatives proposed that a larger amount of used vegetable oil should be collected from households and utilized as fuel.

Meal and Feed

Turkey's total meal production is projected to decline about thirteen percent in MY 2012, going down to 1.63 MMT due to a decline in all meals. Sun meal production will be down due to a lack of seeds in the Black Sea region, which was due to drought and increasing crushing capacities in these countries. Soybean meal production is expected to decline during the marketing year due to the availability of low priced Black Sea and South American soybean meal, and negative crushing margins due to the ban on food use of soy oil produced from biotech seeds. Cotton seed meal production will also decline due to the lack of local and imported seeds. Total MY 2013 meal production is expected to go up to 1.8 MMT due to significant increase in sun meal production.

Following a minor downturn in 2009, domestic compound feed production and consumption continued its healthy growth during the last three years and increased about ten percent in 2012. During 2013 total production is expected to continue to increase, about eight percent, due to increased demand in all categories: poultry (broiler and layer) and livestock (dairy and beef) and aqua culture.

Poultry & Livestock Industry

Broiler and egg production are increasing with an average of seven percent annually during the last ten years as a result of increasing domestic consumption and exports; primarily to neighboring countries.

The GOT, in an effort to lower high local red meat prices, has been offering support programs to maintain and increase domestic livestock production.

The Turkish poultry industry, which ranks among the world's top ten producers, is the country's largest consumer of protein meal and its demand is expected to continue to grow. The Turkish broiler industry grew about nine percent in 2012 and total production of poultry meat reached 1.9 MMT. The growth trend is projected to continue in 2013 adding another eight percent growth with poultry meat production exceeding 2MMT. As a result of increasing production, per capita consumption reached 20.9 kilogram in 2012 and is expected to be about 22.5 kilogram in 2013. The industry aims to reach per capita consumption of 30 kilograms by 2020.

The layer industry also continued to grow in 2012, by about ten percent, with total production exceeding 15 billion pieces. Turkey is ranked as one of the top ten largest egg producers in the world. The layer industry has grown about fifty percent during the last five years as a result of both domestic consumption and export increases.

In 2012, total egg exports reached 3.5 billion pieces, mostly to neighboring countries. Domestic consumption of eggs is also increasing, reaching 190 pieces per person, but industry members are working on promotion programs to reach the European average consumption of 250 pieces.

Both industries have the potential of even higher growth, but are constrained by high feed material prices due to the higher commodity prices and problems caused by the Biosafety Law, which limits the availability of imported feed ingredients.

Although the poultry industry has been growing steadily, the Turkish livestock sector has been up and down over the last several years as local milk and meat prices have fluctuated. Since 2010, the Turkish government introduced numerous incentive programs to increase domestic livestock production and lower local red meat prices. Accordingly, breeding and feeder cattle imports increased, as did the number of livestock under feeding.

Vegetable oil production and trade

Total MY 2013 vegetable oil production is projected to increase about nineteen percent to 1.1 MMT. A large increase in sunflower seed oil, about thirty-four percent, production drove this growth. While soybean oil production will be up marginally, cotton seed production will decline. Total MY 2012 oil production is projected to decline moderately, by about three percent.

Important note: PSD export figures for sun oil reflects total sun oil exports, refined and sun oil in mixed vegetable oil combined to reflect the realistic number of exports.

Domestic consumption of corn oil has declined as a result of negative press about biotechnology. Accordingly CY 2012 corn oil consumption declined to approximately 35,000 MT compared the usual 100,000 MT. Total Turkish corn oil imports in CY 2012 dropped to 31,000 MT from 83,000 MT in 2009. However Turkey continues to be one of the leading markets for U.S. corn oil exports. U.S. corn oil imports constitute about sixty-seven percent of total corn oil import, or 20,000 MT in 2012. Despite

the recent downturn in consumption and imports, corn oil is still among the more popular oils in Turkey and consumption is expected to recover in the future when fears surrounding biotech products fade.

The Turkish market for U.S. exports of corn-based feed ingredients such as dried distillers grains and solubles (DDGS) and corn gluten feed palates (CGFP) had recovered somewhat from the lowest level of last year. The slow progress in approvals for biotech corn varieties had caused imports to stop from the U.S. in 2011 but continued from non biotech providers. Although only sixteen biotech events are approved, processed U.S. corn-based feed products are entering the country. Total imports of DDGS were up in 2012 to 277,000 MT from 157,000 MT in 2011. Imports from the U.S. were also up about tenfold to 147,000 MT compared to 14,000 MT last year. Other suppliers were Black sea countries such as Bulgaria (32,000 MT), Romania (28,000 MT), Russia (27,000 MT) and Ukraine (24,000 MT).

Turkish CGFP imports also recovered, reaching 292,000 MT compared to 130,000 MT in 2011. U.S. sales went up to 171,000 MT from zero in 2011. The other leading suppliers were Ukraine (60,000 MT), Bulgaria (33,000 MT) and Russia (15,000 MT).

The increase in local demand and high internal feed ingredient prices will continue to encourage demand for these relatively low-cost corn products in coming years, but imports will be dependent on the biotech approval process.

Trade

USDA's GSM-102 export credit guarantee program continues to facilitate sales of U.S. soybean and meal to Turkey. Large allocations and timely announcement of the program will maximize effectiveness and utilization. In the first two allocations of GSM 102 program for FY 2013 soybean and meal registration were about US\$283 million, about fifty-one percent of the total announcement. We expect to see increased interest in imports as additional GSM funds come available.

Biotech policies

Starting in October 2009 when an initial biotech regulation was adopted in Turkey and continuing until today, trade in biotech commodities and products containing biotech ingredients have faced periodic bans and continuous uncertainty and risk for importers. During this time the flow of feed ingredients was interrupted at various times, which inevitably led to higher prices for all feed ingredients. In March 2010 a new Biosafety Law was adopted and in January 2011 the Biosafety Board approved the first biotech applications, which were for three biotech soybean varieties for feed use only. Under the regulations, soy oil produced from the imported biotech soybeans could only be used for feed use, disrupting their use for food and industrial purposes.

Despite the approvals, soybean importers are very cautious and found soybean imports risky as the Ministry of Food, Agriculture and Livestock (MinFAL) decided on an unrealistic zero tolerance for any level of contamination of unapproved biotech varieties.

The Feed Millers Association that applied and received approval for genetically engineered (GE) soybeans for feed use has applied for all EU approved corn events for feed purposes. The Biosafety Commission has, so far, approved sixteen corn events and rejected another six events. Normal flow of

trade for corn and corn products will be difficult until all corn events in production in the U.S. are approved.

The biotechnology regulation, the Biosafety Law, and resulting negative press coverage have caused a great amount of confusion in the public on GE products, uncertainty on imports of feed items and also jeopardized developments in the feed industry and related sectors.

Limited supplies due to the trade disruptions caused by the Biosafety Law, and international price increases of feed commodities, pushed local feed ingredient prices high and kept them high, as indicated in the chart below.

2012 domestic price changes of feed ingredients (US\$ per ton)						
	Jan	April	June	Aug.	Oct.	Dec.
Full fat soy	570	680	675	810	700	680
Soy meal	480	570	620	760	670	640
Canola Meal	290	325	410	415	450	440
CGF	280	290	280	320	350	360
Sun meal 28	157	223	253	307	319	318
Sun Meal 36	230	280	310	410	445	430
DDGS	350	320	340	410	450	440

OILSEEDS

Sunflower seed PSD

Oilseed, Sunflowerseed Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Sep 2011		Market Year Begin: May 2012		Market Year Begin: Sep 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	580	490	580	590		690

Area Harvested	490	490	525	590		690
Beginning Stocks	235	40	269	30		30
Production	925	925	1,050	1,075		1,400
MY Imports	834	830	550	500		700
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	240	0	150		250
Total Supply	1,994	1,795	1,869	1,605		2,130
MY Exports	38	5	10	5		5
MY Exp. to EU	0	0	0	0		0
Crush	1,680	1,755	1,730	1,565		2,090
Food Use Dom. Cons.	4	3	4	3		3
Feed Waste Dom. Cons.	3	2	3	2		2
Total Dom. Cons.	1,687	1,760	1,737	1,570		2,095
Ending Stocks	269	30	122	30		30
Total Distribution	1,994	1,795	1,869	1,605		2,130
CY Imports	820	750	550	500		700
CY Imp. from U.S.	0	0	0	0		0
CY Exports	35	5	30	5		5
CY Exp. to U.S.	0	0	0	0		0

Production

Sunflower seed

MY 2012 sunflower seed area and production were 590,000 hectares and 1.07 MMT. Despite the twenty percent increase in planting area compared to MY 2011, yields declined due to the dry weather conditions during the summer and total production was up only fourteen percent. In MY 2013, farmers are expected to increase planting due to good returns and the total production area is projected to reach 690,000 hectares. Sunflower seed planting has been shifting from traditional areas such as Thrace and South Marmara region, where relies on precipitation, to new regions such as Central Anatolia and the GAP region, where irrigation water is available providing higher yields and income. In Central Anatolia farmers are reportedly moving away from the traditional crops of the region such as wheat and sugar beet, and planting more sunflower seed. Additionally major precipitation in the winter in most of the sunflower seed growing regions will provide adequate moisture for a good yield, and total production is expected to reach a record 1.4 MMT in MY 2013.

While sunflower seed competes for land with canola, malting barley and wheat in the Thrace region, production of sunseed in other regions such as Central Anatolia, and Cukurova is continuing to increase. Cukurova in particular has an advantage as the crop matures about a month earlier than in Thrace so farmers are able to take advantage of the higher prices. Increased production in other regions caused production in Thrace to decline from 80 percent to about 55 percent of the total over the last five years.

Sunflower oilseed prices were about US\$ 550 per MT in January 2012 and increased to US\$ 645 in April. Prices remained strong during the first half of the MY 2012 at about US\$ 665 in February due to the lack of availability in the Black Sea region and continuing demand from Turkish crushers.

The largest agricultural sales cooperative union, Trakya Birlik, bought about 207,000 MT of 2012 crop from its members at a price of 1,699 TL (US\$ 889) per ton, compared to 1,233 TL per ton (about USD 680\$) in MY 2011.

Soybean

Soybean PSD

Oilseed, Soybean Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Sep 2011		Market Year Begin: May 2012		Market Year Begin: Sep 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	15	12	15	20		30
Area Harvested	12	12	20	20		30
Beginning Stocks	644	361	401	185		190
Production	50	50	75	70		110
MY Imports	1,057	1,057	1,200	1,300		1,350
MY Imp. from U.S.	300	509	500	500		500
MY Imp. from EU	0	0	0	0		0
Total Supply	1,751	1,468	1,676	1,555		1,650
MY Exports	0	3	0	15		20
MY Exp. to EU	0	3	0	0		0
Crush	320	380	335	350		370
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	1,030	900	850	1,000		1,050
Total Dom. Cons.	1,350	1,280	1,185	1,350		1,420
Ending Stocks	401	185	491	190		210
Total Distribution	1,751	1,468	1,676	1,555		1,650
CY Imports	1,125	1,195	1,350	1,350		1,450
CY Imp. from U.S.	350	663	415	575		625
CY Exports	0	13	0	15		15
CY Exp. to U.S.	0	0	0	0		0

Production

A significant increase in soybean planting and production are expected in MY 2013 reaching 30,000 hectares and 110,000 MT. Farmers in the region are switching back to corn and soybean as a result of lower than expected returns in cotton crop over the last two years. MY 2012 Turkish soybean area and production were 20,000 hectares and 70,000 MT compared to 12,000 hectares and 50,000 MT in MY 2011. The Cukurova region is the main soy growing area in Turkey, supplying about ninety percent of total production. Even though small in numbers, a limited planting increase is also seen in the GAP region.

Over the years the government has been encouraging the use of certified soy seed by raising the production bonus. For MY 2012, the soybean bonus was 500 TL (US\$310) per ton, the same as in 2011, however the GOT also provided TL 200 per hectare of seed assistance. According to unofficial information, the 2013 crop year bonuses will be the same as 2012. Yields are high in the region as growers are likely to be technically proficient and the crop is irrigated.

Consumption (soy)

The Turkish broiler industry had another good year in 2012 as production increased nine percent to 1.77 MMT compared to 1.62 MMT in 2011. Increases in domestic demand caused by high red meat prices and exports to the Middle Eastern countries were the main reasons for the increase. With no decline in local red meat prices in sight and continuing growth in exports, the industry is expected to grow an additional eight percent in 2013. Presently, per capita poultry meat consumption is about 21 kilograms and the goal of the industry is to reach 30 kilogram in the near future. Iraq continues to be the main market for Turkish poultry exports but producers are targeting new markets such as Saudi Arabia for further increase in exports.

Egg production increased as well, exceeding 15 billion pieces in 2012 compared to 14 billion pieces in 2011. Production of eggs is projected to continue to increase in 2013 and reach 16 billion. Domestic egg consumption increased in recent years, reaching an estimated 190 pieces per person annually in 2012 compared to 120 in 2004. YUMBIR, the egg industry association, is continuing promotional campaigns to increase consumption of eggs to 250 pieces per person per year. Egg exports in 2012 were 3.5 billion pieces compared to 150 million pieces in 2006. Neighboring Middle Eastern countries are the main buyers of Turkish eggs.

Cottonseed PSD

Oilseed, Cottonseed Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: May 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (Cotton)	600	490	500	410		350
Area Harvested (Cotton)	490	490	400	410		350
Seed to Lint Ratio	0		0			

Beginning Stocks	8	8	135	10		10
Production	1,050	1,150	900	900		750
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	10	0	0		0
Total Supply	1,058	1,158	1,035	910		760
MY Exports	0	0	5	0		0
MY Exp. to EU	0	0	0	0		0
Crush	865	1,140	870	890		720
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	58	8	60	10		10
Total Dom. Cons.	923	1,148	930	900		730
Ending Stocks	135	10	100	10		30
Total Distribution	1,058	1,158	1,035	910		760
CY Imports	0	0	0	0		0
CY Imp. from U.S.	0	0	0	0		0
CY Exports	0	0	0	0		0
CY Exp. to U.S.	0		0	0		

Cotton seed

Production

Turkish cottonseed area and production is projected to decline for the second year in a row in MY 2013.

Planting in the cotton seed areas will be shifting to wheat, corn and soybeans. Total area and production are projected to be 350,000 hectares and 750,000 MT. MY 2012 cottonseed production area and production were 410,000 hectares and 900,000 MT.

Canola

Production

The deficit of local oilseeds and the availability of excess crushing capacity have encouraged more farmers to plant canola in recent years. In 2012 initial planting was 40,000 hectares, but frost forced planting area to decline to 28,000 hectares and domestic production reduced to 55,000 MT. MY 2013 planting remained about 24,000 hectares due to lack of seeds and production is expected about 60,000 MT.

Agricultural Sales Cooperative Unions

Trakya Birlik and Karadeniz Birlik, two of the leading Agricultural Sales Cooperative Unions (ASCU's), continue to play a very important role supporting sunflower seed production in Turkey. Other ASCU's includes TARIS (cotton and olive oil), Cukobirlik (cotton and soybean) and Antbirlik (cotton and cottonseed). Each of the ASCUs have thousands of members to whom they provide seeds, fertilizer and low-cost financing prior to planting. The ASCU's then offer attractive prices after the harvest.

Trakya Birlik was reported to have purchased 206,000 MT in MY 2012 compared to 232,000 MT in MY 2011 and 325,000MT in 2010. Farmers generally deliver only enough to meet their obligations as they prefer to sell more to traders and crushers for higher prices. Karadeniz Birlik however managed to keep its share and purchased 36,600 MT - about the same as last year.

The combined purchases of the two coops represent a 22 percent decline from 29 and 37 percent of last two years respectively due to increased demand by private crushers.

Production support

The Turkish government continues to support oilseed production with production premium programs. GOT has not announced 2013 crop premiums officially, but it has been released unofficially, subject to last minute changes. Below is the list of bonuses for the recent years. These production bonus payments on old crop harvests have been made in August, just before the harvest. Industry sources insist that for the future of domestic oilseed production it is crucial that sales cooperatives and the government announce adequate domestic price and bonus payments in advance, and pay promptly.

Turkey: Oilseed Production Premiums (TL/MT)				
Crop	2011	2012	2013*	% increase
Sunflower seed	230	240	240	0 %
Soybean	500	500	500	0 %
Canola	400	400	400	0 %
Seed cotton	420	460	500	10 %

*Officially proposed but not announced yet

Consumption

The majority of oilseeds and products are utilized for oil, meal and full fat. Growth in domestic soybean and meal consumption will continue to be strong in MY 2013 due to growth in all sectors- poultry, livestock and aqua culture.

In MY 2012, limits in consumption of soy oil caused the local crush to decline and persuaded feed millers and poultry operations to produce and use more full-fat soy in rations. The trend to use more full-fat soy in feed is expected to continue in MY 2013 as well if the conditions do not change. Aquaculture also contributed to the growth in soybean meal, although to a lesser degree.

Cottonseed consumption will reduce for the second year in a row in MY 2013 as a result of lower local production.

Total crushing capacity has reached about 5.4 million MT per year. The new high-capacity modern crushers reduce the cost of crushing through economies of scale, forcing smaller crushers with older technology out of business. Low capacity utilization, at about 60 percent, also remains a problem for the industry. Turkey traditionally exports oils and fats to neighboring countries, such as sunflower seed oil, mix vegetable oil, corn oil and margarine.

Trade

Turkey's total imports of sunflower seed for crushing were up about twenty percent during MY 2011, reaching 830,000 MT. The large domestic consumption of sun oil and exports caused imports to remain high. Russia (279,000 MT) Ukraine (184,000 MT), Bulgaria (142,000 MT), Moldova (137,000 MT) and Romania (88,000 MT) were the leading suppliers.

During the first five months of MY 2012 total sunflower seed imports were only 178,000 MT compared to 352,000 MT of last year due to high prices and the lack of available sources. Romania (48,000MT), Bulgaria (48,000 MT) and Ukraine (40,000 MT), were the main suppliers of Turkey.

Total soy bean imports during the MY 2011 were 1.05 MMT compared to 1.35 MMT of a year ago due to demand shift to soybean meal because of crushing problems. The United States (508,000 MT) and Paraguay (271,000 MT) were the leading supplier of soy beans, followed by Argentina (125,000 MT) and Ukraine (119,000 MT).

Turkey also imported a total of 652,000 MT of soybean during the first five months of MY2012 compared to 400,000 MT of the previous year. The U.S. was the leading supplier with 353,000 MT, followed by Paraguay (159,000 MT), Argentina (64,000 MT) and Ukraine (56,500 MT).

The GSM-102 export credit guarantee program for FY 2012 helped U.S. soy bean and meal exports to Turkey. Total registration for both products reached US\$ 288 million last year. The program was also effective for soybean and meal sales during FY 2013 and in the first two allotments a total of US\$ 283 million worth of soybean and meal were registered. The industry members are anticipating the last allotment to apply to their future needs.

Turkey imported 150,000 MT of canola seed for crushing in 2012 compared to 107,000 MT in 2011. Ukraine continues to be the leading source with 82,000 MT followed by Bulgaria (48,000 MT) and Moldova (14,000 MT).

In the medium and long term, rising household incomes will increase the demand for livestock, poultry and aquaculture products, ensuring continued demand for protein meals for feed. Simultaneously consumers will demand higher-quality vegetable oils. The GOT continues to support oilseed production and also has ambitious irrigation projects throughout Turkey that will help them meet a larger portion of demand for some oilseeds such as sunflower seed and cotton seed. But demand for imported soybeans and meal is unlikely to be met by local production. Therefore, Turkey's demand for imported oilseeds, meal and oils will remain strong despite relatively high tariffs.

Policy

According to the 2013 customs regime, sunflower seed imports are subject to a tariff of 27 percent with the observation price of US\$ 525 per ton, soybeans are subject to zero percent, cottonseed and canola seeds are subject to a 10 percent tariff.

OIL MEALS

Production

Total meal production in MY 2012 will decline to 1.6 MMT due to a reduction in all meals, but is expected to bounce back to 1.8 MMT in MY 2013 due to projected increases in sunflower meal and soybean meal. Although Turkey utilizes a significant amount of full-fat beans, in MY 2013, the local soybean crush will be limited to domestic utilization in feed due to the restrictions caused by the Biosafety Law that prevents food utilization of soy oil produced from biotech soybeans, hence adversely effecting crushing margins.

In addition to traditional meals Turkey also produced about 115, 000 MT of canola meal in CY 2012.

According to industry sources, as of 2012 there are about 471 active feed mills in Turkey with an estimated total capacity of 15.3 MMT. The feed sector has been growing at a remarkable speed; new modern mills with large production capacities are pushing smaller ones out of business. It is estimated that presently about 247 factories with old technology and lower capacities are idle. Total Turkish compound feed production has increased rapidly in recent years. The main reasons for the growth in recent years are: the increase in production in all sectors (broiler, layer, dairy, beef and aqua feed), as well as the trend of moving from feed on farm to compound feed, and lastly a larger percentage of the feed sector moving into the registered economy. In CY 2012 compound feed production was estimated to increase about ten percent in line with increases in all feed varieties. During CY 2013 an increase of seven percent is also projected.

In recent years, an increasing number of Turkish mills had not separated the hulls from the meal while producing sunflower seed meal. This practice increases the amount of meal produced but lowers the protein content and the quality of the meal. Due to the low protein content, locally produced sunflower meal is not used in poultry rations but in livestock rations. As a result, farmers are required to use either larger amounts of sunflower meal or alternative meals such as DDGS and CGFP to obtain the protein amounts needed in their rations. Accordingly, post has been adjusting extraction rates to 55 percent, from 38 percent, to better reflect the change in practices.

Sunflower seed meal PSD

Meal, Sunflowerseed Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Sep 2011		Market Year Begin: May 2012		Market Year Begin: Sep 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,680	1,755	1,730	1,565		2,090
Extr. Rate, 999.9999	0.	0.5499	0.	0.5495		0.5502
Beginning Stocks	0	80	92	100		70
Production	639	965	659	860		1,150
MY Imports	739	739	550	650		700
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	40	0	50		50
Total Supply	1,378	1,784	1,301	1,610		1,920
MY Exports	2	2	0	2		2
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0

Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	1,284	1,682	1,301	1,538		1,818
Total Dom. Cons.	1,284	1,682	1,301	1,538		1,818
Ending Stocks	92	100	0	70		100
Total Distribution	1,378	1,784	1,301	1,610		1,920
CY Imports	750	728	600	650		700
CY Imp. from U.S.	0	0	0	0		0
CY Exports	0	2	0	2		2
CY Exp. to U.S.	0	0	0	0		0
SME	1,212	1,588	1,228	1,452		1,717

Consumption

In general, total oilseed meal consumption moves in line with developments in the domestic poultry, livestock and aquaculture sectors. Overall, Turkish poultry meat production tripled in the past ten years and another fifty percent increase is foreseen in the coming ten years. In 2013 poultry meat production is expected to increase about eight percent due to an increase in domestic consumption and exports. The layer industry is also projected to expand about seven percent during the year for the same reasons. The livestock sector—both dairy and beef—and also aqua culture are expected to continue to grow as well.

Turkey continued to consume large amounts of canola meal. In 2012 canola meal consumption was 123,000 MT produced from locally produced and imported seeds, compared to 163,000 MT of CY 2011.

Consumption of corn based feed ingredients, specifically DDGS and CGFP, had increased rapidly and reached 1.1 MMT in total in 2008. But imports declined drastically after introduction of the biotech laws and regulations and remained about 288,000 MT in 2011. However, growing demand increased imports of both items during 2012 and DDGS imports reached 276,000 MT and CGFP 291,000 MT. Imports of both items are expected to continue to grow in 2013 due to its low price and nutritional qualities, and the increasing domestic consumption of feed ingredients.

Trade

Sunflower seed meal

Turkey's sunflower seed meal imports were up about fifty percent during MY 2011 compared to the previous year due to import restrictions of other meals and increased domestic consumption. Imports reached 739,000 MT compared to 500,000 in MY 2010. Turkey continued to source its sunflower seed meal from Russia (446,000 MT), and Ukraine (252,000 MT) due to increased availability as a result of increased crushing capacities in these countries. Neighboring Black Sea countries such as Romania (35,000 MT), Bulgaria (5,000 MT) and Moldova (1,000 MT) were other sources.

Imports continued to be strong in first five months of MY 2012 reaching 238,000 MT. Russia (183,000 MT), Ukraine (52,000 MT) and Moldova (3,000 MT) were the suppliers.

Soybean meal PSD

Meal, Soybean Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	320	380	335	350		370
Extr. Rate, 999.9999	1.	0.7632	1.	0.7714		0.7703
Beginning Stocks	196	205	392	300		205
Production	253	290	264	270		285
MY Imports	942	915	650	700		775
MY Imp. from U.S.	181	181	120	200		250
MY Imp. from EU	440	437	0	350		350
Total Supply	1,391	1,410	1,306	1,270		1,265
MY Exports	10	10	8	15		20
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	989	1,100	1,082	1,050		1,075
Total Dom. Cons.	989	1,100	1,082	1,050		1,075
Ending Stocks	392	300	216	205		170
Total Distribution	1,391	1,410	1,306	1,270		1,265
CY Imports	800	1,002	650	650		700
CY Imp. from U.S.	120	168	120	300		300
CY Exports	8	10	8	12		15
CY Exp. to U.S.	0	0	0	0		0
SME	989	1,100	1,082	1,050		1,075

Soybean meal

Domestic production of soy meal in MY 2011 declined to 290,000 MT due to low crushing margins and limits on the use of soy oil as a result of Turkey's Biosafety Law. Consumption of soybean meal increased, however, due to increased imports as a result of low cost EU and South American supplies.

Turkey imported a total of 915,400 MT of soybean meal during MY 2011 compared to 533,000 MT in MY 2010. Argentina and the U.S. were among the leading suppliers with 238,000 MT and 181,000 MT respectively. Turkey continued to import large amounts of EU sourced soy meal as well due to an import tax advantage and lower shipping cost. Imported soy meal from EU sources was subject to zero import tax as compared to 13.5% from other sources during the marketing year. Germany (218,000 MT) and Spain (200,000 MT) were the primary sources of EU soy meal for Turkey. Recent changes in import taxes on meal to 5 percent from 13.5 percent is expected to have some adverse affect on EU soybean meal, and Turkish importers are expected to go back to traditional sources, namely the U.S. and South America.

Turkey exported about 9,500 MT of soy meal during the marketing year. Turkish North Cyprus was the main destination with 5,800 MT. Turkey also exported soybean meal to nearby countries, namely Iraq (2,900 MT) and Iran (700MT).

Turkey also imported about 246,000 MT of soy meal during the first five months of MY 2012. Spain was the leading supplier with 84,000 MT followed by Germany (47,000 MT), Argentina (42,000 MT) Russia (36,000 MT) and the U.S. (15,000 MT).

The U.S. Soybean Export Council (USSEC) office in Istanbul was very effective in implementing activities to promote soybean meal utilization in poultry, ruminant and aquaculture feed. Post expects the resumption of Council activities in this important market in the near future following a recent reorganization.

Cotton seed meal PSD

Meal, Cottonseed Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	865	1,140	870	890		720
Extr. Rate, 999.9999	0.	0.557	0.	0.5562		0.5556
Beginning Stocks	0	0	0	20		20
Production	387	635	389	495		400
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	387	635	389	515		420
MY Exports	13	13	5	5		5
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0

Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	374	602	384	490		395
Total Dom. Cons.	374	602	384	490		395
Ending Stocks	0	20	0	20		20
Total Distribution	387	635	389	515		420
CY Imports	0	0	0	0		0
CY Imp. from U.S.	0	0	0	0		0
CY Exports	0	6	0	5		5
CY Exp. to U.S.	0	0	0	0		0
SME	303	488	311	397		320

Other

Turkey's imports of canola meal continued in 2012 but remaining about 55,000 MT compared to 78,000 MT in 2011. The lack of supply of alternative meals and import limitations caused by the Bio-safety Law were the reason for the continuing demand. India (35,000 MT), Russia (13,000 MT) and Ukraine (6,000) were the suppliers of canola meal for Turkey.

Turkey's imports of DDGS and CGFP improved somewhat in 2012 despite the restrictions caused by the Biosafety Law. According to the law all GM varieties need to receive an approval from the Bio-safety Board for imports. The board has, so far, approved only sixteen corn events. Until all events utilized in the U.S. are approved, imports will carry the risk of rejection. But even with the limited approval of varieties, imports during 2012 from the US of both DDGS and CGFP have improved and reached 147,000 MT and 171,000 MT respectively compared to 14,000 MT and zero in 2011. The U.S. has recovered its market share in the Turkish market and reached fifty-three percent for DDGS and fifty-nine percent for CGFP.

Bulgaria (32,000MT), Romania (28,000 MT) and Russia (27,000 MT) were the other leading suppliers for DDGS and Ukraine (60,000 MT), Bulgaria (33,000 MT) and Russia (15,000 MT) for CGFP.

Policy

Sunflower seed meal, cottonseed meal and canola meal import duties are 11.5 percent for EU and EFTA countries and 13.5 percent for all other sources. The soybean meal import tax is zero from EU sources and Bosnia but 5 percent from the rest of the world. Both DDGS and CGF are subject to a 4.3 percent customs tax.

OILS

Production

MY 2012 total domestic production of vegetable oils subject to this report (sunflower seed, cottonseed, and soybean) is estimated at 0.9 MMT, about thirteen percent lower than MY 2011, due to production reduction in all oils. MY 2013 total production however, is forecast to increase about nineteen percent to 1.1MMT with a significant increase in sun oil despite the drop in cottonseed oil production. Turkey also produced about 80,000 MT of canola oil in CY 2012.

Turkey has about 6.4 MMT of crushing capacity and about 3.2 MMT refining capacity for liquid oils and an additional 0.8 MMT for production of margarine.

Sunflower seed oil PSD

Oil, Sunflowerseed Turkey	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Sep 2011		Market Year Begin: Sept 2012		Market Year Begin: Sep 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,680	1,755	1,730	1,565		2,090
Extr. Rate, 999.9999	0.	0.4501	0.	0.4473		0.4498
Beginning Stocks	70	70	237	160		160
Production	718	790	727	700		940
MY Imports	651	651	600	600		400
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	3	0	5		5
Total Supply	1,439	1,511	1,564	1,460		1,500
MY Exports	271	463	350	400		420
MY Exp. to EU	0	2	0	2		2
Industrial Dom. Cons.	25	30	25	30		30
Food Use Dom. Cons.	884	838	914	850		870
Feed Waste Dom. Cons.	22	20	22	20		20
Total Dom. Cons.	931	888	961	900		920
Ending Stocks	237	160	253	160		160
Total Distribution	1,439	1,511	1,564	1,460		1,500
CY Imports	500	743	500	500		400
CY Imp. from U.S.	0	0	0	0		0
CY Exports	250	508	250	400		400
CY Exp. to U.S.	0	0	0	0		0

Consumption

Sunflower seed oil is the most consumed oil in Turkey and consumption has increased significantly in MY 2011, reaching about 838,000 MT compared to 760,000 MT a year before. Sunflower seed oil consumption had benefited from the improving economy and negative press about biotechnology that adversely affected corn oil and soybean oil consumption. A moderate consumption increase for sunflower oil is also forecasted for MY 2012 and MY 2013 as total consumption reaches 850,000 MT and 870,000 MT respectively.

Soybean oil PSD

Oil, Soybean	2011/2012	2012/2013	2013/2014
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Turkey	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
	Crush	320	380	335	350	
Extr. Rate, 999.9999	0.	0.1921	0.	0.1943		0.1946
Beginning Stocks	4	15	0	10		5
Production	57	73	60	68		72
MY Imports	1	1	2	1		1
MY Imp. from U.S.	0	1	0	1		1
MY Imp. from EU	1	0	1	0		0
Total Supply	62	89	62	79		78
MY Exports	4	4	4	5		5
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	23	15	23	14		14
Food Use Dom. Cons.	20	5	20	5		5
Feed Waste Dom. Cons.	15	55	15	50		50
Total Dom. Cons.	58	75	58	69		69
Ending Stocks	0	10	0	5		4
Total Distribution	62	89	62	79		78
CY Imports	2	1	2	1		1
CY Imp. from U.S.	0	1	0	1		1
CY Exports	4	3	4	4		4
CY Exp. to U.S.	0	0	0	0		0

The recent Biosafety Law limits the utilization of soy oil produced from biotech soybeans to be used only in feed and some specific industry categories, mostly paint and ink production, but forbids its use in the food. Therefore soy oil that is produced from locally produced and imported non-GM soy beans is used in food. Since the great majority of imported and crush soybeans are biotech varieties that adversely effects domestic crushing margins hence causes production and consumption of soy oil to decline. Large amounts of soy oil are utilized in domestic margarine production.

Cottonseed oil production and consumption will be down in MY 2012 to 135,000 MT. MY 2013 production is also expected to decline to 110,000 MT in MY 2012 in line with the decline in cottonseed output.

While consumption of corn oil and soy oil is declining, canola oil is gaining popularity. Accordingly, canola oil utilization increases when the price gap between canola and sunflower oil grows. Almost all the leading vegetable oil brands now have retail packed canola oil available on market shelves and some cheaper canola oil is said to be mixed with sunflower oil. Turkey is estimated to have consumed about 70,000 MT of locally produced canola oil in CY 2012.

Cottonseed oil PSD

Oil, Cottonseed Turkey	2011/2012	2012/2013	2013/2014
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	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	865	1,140	870	900		720
Extr. Rate, 999.9999	0.	0.1667	0.	0.1667		0.1667
Beginning Stocks	0	0	6	4		7
Production	145	190	146	150		120
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	145	190	152	154		127
MY Exports	1	1	5	2		2
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	25	10	25	10		10
Food Use Dom. Cons.	113	175	116	135		110
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	138	185	141	145		120
Ending Stocks	6	4	6	7		5
Total Distribution	145	190	152	154		127
CY Imports	3	0	4	0		0
CY Imp. from U.S.	0	0	0	0		0
CY Exports	5	1	2	2		2
CY Exp. to U.S.	0	0	0	0		0

Trade

Corn Oil

Turkish corn oil production remained about 35,000 MT in 2012. Corn oil continues to be one of the popular oils in Turkey but anti-GMO campaigns adversely affected annual domestic consumption, causing about a fifty percent drop over the last three years. Accordingly, domestic corn oil consumption was about 40,000 MT compared to the usual 100,000 MT.

Corn oil imports continued to decline as well and were about 30,600 MT in 2012, compared to 41,000 MT in 2011 and 49,000 MT in 2010. U.S. corn oil imports peaked in 2009 reaching 84,000 MT. Despite the decline in imports Turkey continued to be one of the leading markets for U.S. corn oil. The United States supplied two thirds of 2012 imports, or about 20,600 MT. In spite of the recent problems, Turkey will likely continue to be an important market for U.S. corn oil in the medium and long term. Increasing population and income levels will facilitate imports in the longer run. Availability of the GSM-102 credit guarantee program also facilitates sales of U.S. corn oil to Turkey.

Turkey exports refined corn oil mostly to Middle Eastern countries and Libya. Exports peak when Turkish refiners win government tenders in Libya, and if they do win the tenders, the U.S. is their leading source for crude corn oil. Turkey's exports of refined corn oil declined somewhat in 2012 to 25,000 MT. Libya and Israel continue to be the leading export destinations.

Turkish exports of refined corn oil

CY	2009	2010	2011	2012

World	14,255	17,812	26,614	24,942
Libya	3,220	1,916	19,985	6,656
Israel	4,430	8,466	5,400	8,123

Sunflower seed oil

Turkish imports of crude sunflower seed oil went up sixty-two percent in MY 2011 reaching 651,000 MT due to higher domestic consumption and exports, and also biotech related restrictions with other vegetable oils. Russia (443,000 MT) and Ukraine (195,000) were the main sources followed by Argentina (9,000 MT) and Romania (3,000 MT).

Turkey's import of crude sun oil continued in first five months of MY 2012 at about 274,000 MT. Ukraine and Russia were the sole suppliers with 138,000 MT and 136,000 MT respectively.

Turkey's refined sunflower seed oil exports were also up 71 percent during MY 2011, reaching 250,000 MT compared to 177,000 MT a year ago. Iraq was the main buyer with 182,000 MT distantly followed by neighboring Middle Eastern countries such as Syria (11,000 MT), Lebanon (10,500MT) and Yemen (7,000 MT).

Turkey's low cost mix vegetable oil exports went up 57 percent in MY 2011 reaching 266,000 MT, of which about eighty percent is estimated to be sun oil and the rest a combination of other vegetable oils. Iraq was again the main buyer of Turkish mixed oil with 245,000 MT followed by Syria (4,800 MT) and Lebanon (3,700 MT).

Exports of refined sun oil in both categories continued during the first five months of MY 2012 reaching 135,000 MT and 115,000 MT respectively.

Important note: PSD export figures for sun oil reflect total sun oil exports, refined and sun oil in mixed vegetable oil combined to reflect the real number of exports.

Turkey did not import cottonseed oil in MY 2011 and soybean oil imports continued to be negligible at 1,000 MT. No major change is expected in imports of either oil in the near future, as growth in imports of these products depends on their price competitiveness with other imported oils.

Tariffs

To comply with its Customs Union agreement with the EU, Turkey established tariff rate quotas (TRQ's) for vegetable oils as listed below. However, Turkey does not always utilize these quotas in order to maintain the value of Trakya Birlik's stocks.

Turkey: Vegetable Oil Import TRQ's			
Origin	Commodity	Quantity	Duty
EU	Crude Sunflower Oil	18,000 MT	0
EU	Crude Soybean Oil	60,000 MT	0

EU	Refined Soybean Oil	2,000 MT	0
EU	Crude Canola Oil	10,000 MT	0

According to the 2013 customs regime, sunflower seed imports outside of the new TRQ are subject to a tariff of 27 percent with a minimum price of US\$ 1,450 per ton. Crude and refined sun oils are subject to 36 and 50 percent import taxes respectively. Crude Corn and canola oil import tax are 31.2 percent.

Turkey: Tariffs on Cottonseed and Soybean Oil	
Quality/Purpose	Tariff (%)
Crude	31.2
Refined for food use	31.2
Refined for industrial use	5
Refined for biodiesel	19.5- 0