



COTTON FACT SHEET TURKEY

Turkey has the 15th largest economy in the world with a GDP of USD937.143 billion and a GDP per capita of USD 13,447. It has a population of approximately 76.8 million people (2008 estimates).

OVERVIEW

The share of agriculture in Turkey's GDP in 2007 was around 10%. The most important agricultural commodities are cotton, grains and oil seeds followed by various types of fruits and vegetables.

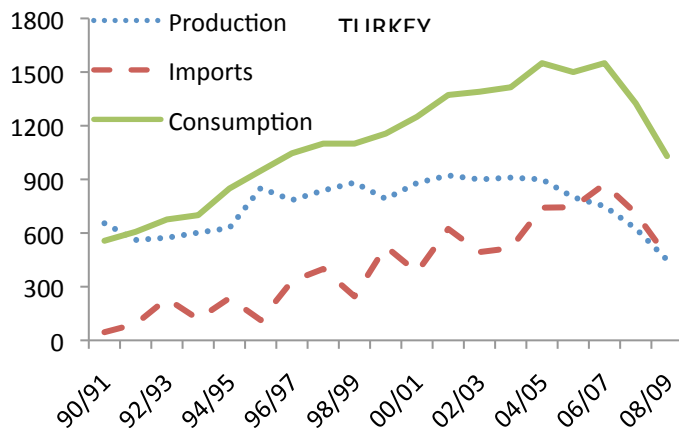
Until recently, with cotton production of about 900,000 tons, Turkey ranked as the sixth largest cotton producing country in the world, after China (Mainland), the USA, India, Pakistan and Uzbekistan. Turkey has been surpassed by Brazil and its output has dropped to 450,000 tons. However, Turkey remains a top consumer of cotton. As of 2008/09, consumption of cotton was estimated at around 1 million tons. The only countries that are larger consumers of cotton are China (Mainland), India and Pakistan.

ECONOMICS

Production in 2007/08 totaled 625,000 tons with an estimated yield of 1,250 kilograms/hectare. In the preceding season, production was higher, recorded at 750,000 tons. This speaks of a larger trend concerning different cotton aspects of the industry in Turkey which has been on the decline in recent years. Cotton production decline results from better farmer returns on wheat and corn. Farmers plant less cotton also because of high input costs (such as seeds, fertilizers and fuel) and low local prices.

Although the Turkish textile industry suffers from the current global economic conditions, it remains crucial to the country's economy, accounting for 8% of its GDP, 16% of its total industrial production and about 10% of its manufacturing jobs. Turkey is the second biggest apparel and textile supplier to the European Union (EU), after China (Mainland), and is the eighth largest textile exporter in the world and the fourth largest apparel exporter. The Turkish textile industry was adversely affected during the last few years by fiscal and monetary policies that strengthened the Turkish Lira, which in turn hurt exports and facilitated imports of low cost yarn and fabrics from India, Pakistan, China (Mainland) and Turkmenistan. Other negative factors can be attributed to the 2008 global economic slump in Turkish textile export markets.

Turkey is a major importer of cotton. For the past 5 seasons they have remained the 2nd largest importer of cotton behind China (Mainland). However, the amount of cotton Turkey has been importing



has been on a steady decline. In 2006/07 imports were recorded at 873,000 tons and in 2007/08, 711,000 tons. This is due to a general decline in cotton mill use. The United States is the leading cotton supplier to the Turkish market. Due to declining domestic cotton production, and the large textile industry, Turkey is expected to remain a net cotton importer for years to come. Turkey is not a major exporter of cotton. Figures show that in 2007/08, Turkey exported 57,000 tons.

PRODUCTION CHARACTERISTICS

In Turkey, cotton is planted in March and April and harvested from September through November. Cotton is planted in the Southern region. There are 4 main areas from south east to south west: Aegean/Izmir region, Antalya (although this region is experiencing a gradual decrease), Cukurova and Southeastern Anatolia (i.e. the GAP



region). Total area devoted to cotton cultivation in 2007/08 was estimated at 500,000 hectares. The land devoted to cotton farming is on the decline, due to low farmer returns on cotton and expectations of better returns on wheat and corn. Consequently, production is also declining. In 2008, the Turkish government announced a new initiative to invest about US\$12 billion in five years to build dams, irrigation channels and other infrastructure in the region and to irrigate an additional 780,000 hectares of land.



The strains of cotton vary by region. The most popular varieties in each region are; in the Aegean region “Carmen” and “Nazilli88”; in Cukurova, the “Delta Pine”, and “BA 119”; and in the Southeast, “Stone Mill” and “Diyarbakir Gold”. Aegean cotton is considered the highest quality and is often preferred by spinning mills. Aegean cotton has

a longer staple than cotton from Cukurova or the GAP, although the quality of cotton has improved significantly in the GAP region due to improved seed quality.

While the area planted has declined, overall yields have improved. Farmers are more efficient, experienced, well equipped and have larger fields. In addition, better planting techniques and economies of scale help them achieve higher yields. An increase in the use of certified seeds is also participating in yield gains. The increase in certified seed use is driven by a production bonus for certified seed. On the other hand, pests, including budworm and bollworm, are a constant issue for cotton producers, especially in the Cukurova region. Turkey does not currently permit planting of biotech cotton.

All of Turkey’s estimated 500 gins are privately owned. The majority of the gins in the Aegean region are roller gins, more suitable for longer staple cotton, while about half of the gins in Cukurova and the Southeast are roller gins and half are saw gins. However expansion machine harvesting has triggered construction of new saw gins. The ginning rate averages about 41% in the Aegean region, about 39% in GAP and 38% in Cukurova.

STRUCTURE OF INDUSTRY

The industry is an intricate mix of government and private initiatives, reflective of Turkey’s complex economy. The Turkish government actively participates by investing massive amounts of capital (i.e. Southeastern Anatolia) due to the fact that agriculture and rural development are priorities. In addition, the government gives premiums to farmers for their lint production (the premiums are higher for lint coming from certified seeds). The farmers’ cooperatives, TARIS, Cukobirlik and Antbirlik, have historically provided their members with low-cost loans, seed and fertilizer and are supposed to buy members’ cotton at announced prices. Recently however, their utility has been limited as they are part of an economic reformation program with the IMF, and as such are not permitted to operate at a loss. As with all crops, subsidized credits from the Turkish Agricultural Bank and subsidies for the cost of all fertilizers ended in October 2001. Irrigation water is provided by the State Irrigation Authority (DSI) for a fee but there is a continuing debate whether the price of water is below its actual cost. Pesticides are purchased from the private sector.

ISSUES

Turkey’s cotton industry suffers from high input costs, high cost of finance, and better returns on other crops.