Turkey – A Foot in Both Worlds

Kyd D. Brenner - DTB Associates LLP
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Key Turkey Facts

• 17th largest GDP in World, 7th Largest Ag Economy

• Recent growth rates well above most developed countries

• Economic reforms of ten years ago shielded Turkey from many effects of global recession

• Relative stability makes it a magnet for investment and business location for countries in the Middle East, the Gulf States and Africa

• A bridge between Asia and Europe (literally)
Turkey

EU
- Major Import-Export Partner
- EU Candidate
- NATO

Russia/Black Sea Countries
- Major Import-Export Partner

Iraq/Iran
- Major Export Partner and Trans-shipment location

US
- Import Partner
- NATO and Bi-lateral Security Partner

Middle East/Gulf States/Africa
- Regional Business Hub
- Trans-shipment location
- Bi-lateral Security

Syria
- Refugee Safety Valve
- Important
- Diplomatic Player

Turkey
Turkish Ag % of GDP and Workforce

The graph shows the percentage of GDP and workforce in agriculture over time. The blue line represents the Ag % of GDP, and the red line represents the Ag % of Workforce. Both percentages have decreased from 1950 to 2010.
US – Turkey Ag Trade Balance ($ Million)

1990 2000 2012

TK Ag Exports to US
US Ag Exports to TK
U.S. Ag Exports to Turkey 2008 – 2012
($ 1000)
US Imports of Turkish Ag Products 2008 - 2012 ($ 1000)

- Tobacco
- Horticulture
- Processed Horticulture
- Processed Foods
- Oilseeds & Products
- Corn & Products
- Cotton & Products
- Dairy
- Beverages
- Wheat and Products
- Other

2008

2012
Turkey Ag Strengths (1)

• Diverse climate – can produce wide variety of ag products. With just 1% of world population is among top 10 producers of
  – Tree nuts - hazelnuts, almonds, walnuts
  – Fresh fruits - apricots, figs, table grapes, cherries, raisins, apples, peaches and pears
  – Sunflowers, lentils and barley
  – Cotton
  – Citrus fruits

• Rapidly modernizing and progressive food processing industry, expansion of packaged food sector
Turkey Ag Strengths – EU Candidacy

• While no movement to conclude Turkey’s entry to EU (and a decreasing interest in Turkey), candidacy has forced Turkey to update food regulatory process

• Because of large presence of Turkish guest workers in EU in 80s-90s there is exposure to processed foods/branded products driving innovation in Turkish food industry
Turkey Ag Weaknesses

• Livestock sector weak due to policies that keep feed prices high, requiring import of meat and live animals to control high meat prices

• While there has been considerable liberalization in ag regulations, Turkish food manufacturers and importers are still at whim of rapid and non-transparent regulatory changes

• Current conflict in Syria is reducing exports that had been trans-shipped through Syria
Bright Spots for U.S. Agriculture Exports

• Soybean and soymeal exports have set new records, recovering from uncertainty on biotech laws in 2009-2011

• Cotton exports remain strong with lower Turkish production in 2012 marketing year

• While Turkey is large tree nut producer, value of U.S. tree nut exports (almonds, walnuts) has increased 220% in last five years

• US live animal/breeding stock exports have increased 10-fold in last five years
Weak Spots for U.S. Ag Exports

• Biotechnology Regulations that prevent import of corn raw materials and many US processed foods

• Violations of WTO AMS Commitments

• Inward Processing Regime that makes Turkey more competitive in 3rd country markets

• Proximity to raw materials from Black Sea region, EU food exporters and orientation to EU food brands

• Lira valuation is low vs. $
Turkish Ag Policy Issues – 2012 WTO Trade Policy Review Findings

• High bound tariffs allow Turkey to manipulate applied rates frequently. Can be used to protect domestic industries

• Turkey has become a major-user of anti-dumping and safeguard measures

• Turkey’s ag sector has become less market oriented with increasing levels of subsidies and a shift to more trade-distorting forms of support.

• Need to improve accuracy and timeliness of notifications of support levels to WTO
Turkey Ag Policy - Biotech Regulations

• Turkey is member of Biosafety Protocol and issued import regulations in 2010. While based on EU regulations, they went well beyond EU requirements and provided harsh penalties for technical violations and no seed company submitted applications.

• Applications were submitted by local food and feed associations based on non-proprietary information.

• All applications for soybean import for EU-approved events have been approved and soy exports continue.

• Six of 22 EU-approved corn events have been rejected by TK Biosafety Board and imports of corn, DDGS and Corn Gluten have declined dramatically from their highs of 3-4 years ago, although limited trade continues.

• Turkish food industry association has applied for food approvals but none have been granted.
Turkey Ag Policy Issues – Inward Processing

• Turkey abolished most direct export subsidies in 1990. However, subsidies were replaced by inward processing regime

• Processors can import raw materials free of 130% duty and re-export to world market. In addition, Turkish Grain Board can sell domestic wheat at world prices (which are well below domestic prices) to Turkish flour and pasta manufacturers in quantities based upon their exports of flour and pasta

• Program has helped make Turkey #2 world wheat flour exporter, with IGC projecting it will be tied for #1 with Kazakhstan 2012-2013
Turkey’s AMS Commitments

- Last notified in 2002
- Turkey notified *de minimis* supports in Uruguay Round, AMS is 0, although amber box programs can be used
- 2011 DTB study found *de minimis* levels exceeded in wheat, corn, barley, oats, rye, rice, sugar, soybeans and sunflowers
- Total support amount estimated at $7.4 billion above amount permitted in amber box
To wrap up ....

• Despite the difficulties in ag trade policy, Turkey has been our 10th largest export market during the last decade, up from #17 in the previous ten years

• Turkey per capita GDP has more than doubled in last decade. Rising incomes = upgraded food consumption patterns.

• U.S. brands are appreciated in Turkey, and there is strong potential growth in high-value foods/ingredients in partnership with domestic traders and manufacturers.

• Rising incomes will also stimulate meat demand and continued need for protein for livestock industry
AND, it’s a GREAT place to take a vacation!