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Turkey

Poultry and Products

An Update on Turkish Poultry Industry

2004

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Report Highlights:

After a severe economic crisis, which began in November 2000, macro-economic indicators reflect that the economy has continued to recover over the past year. The period of rapid development of the Turkish poultry industry since the 1990's created excess capacity that remains a significant problem. Major poultry producers need to price quite competitively to retain market share, and as a result, prices fell below the cost of production in recent months. The cost of production is high in Turkey due to high feed procurement prices, import duties and exchange rates. Turkey imports 35 percent of corn and 90 percent of soybean and product needs.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Ankara [TU1]
[TU]

The Turkish economy has experienced a severe crisis since November 2000. The crisis worsened in 2001 and Turkish Lira devaluated steeply against most major currencies. The value of Turkish Lira (TL) fell about 75 percent (from TL 685,000 to TL 1,200,000 for 1 USD) during the first three months in 2001. The depreciation even continued later in the same year and the value of TL was 1,650,000 to 1.00 USD in October 2001. After that date, the TL rate stabilized. Turkey elected a one party government in November 2002. GOT commitment to IMF led economic reforms since November 2002 helped the Turkish economy to recover. During this period, the Turkish Lira appreciated against most major currencies. The value of the Turkish Lira went as low as 1,300,000 to 1 USD in recent months even though the economy has not totally recovered from the crisis. Many consider the Turkish Lira to be overvalued now. The US Central Bank (FED) mostly attributed the recent depreciation to the expectation of a potential interest rate increase announcement.

The poultry sector is very sensitive to the exchange rate of the Turkish Lira with respect to the Dollar and EURO because of at least two reasons:

- 1) 70 percent of the cost of production is stemming from feed, and
- 2) About 35 percent of corn and 90 percent of soybean and soybean meal are imported.

Even though the price support programs were mostly eliminated as a part of the economic reforms policy in recent years, Turkey continues applying high tariff rates for imports to protect local growers. For instance, the tariff rate for corn imports is 80 percent at this point, which will be reduced somewhat when domestic supplies and stocks of the Turkish Grain Board (TMO) are eliminated. This is expected to take place late in May and expect to last until the harvest of the new crop in August. As a result of this policy, however, there is great uncertainty as to what corn (and feed) prices will be over the next three months.

The high feed cost is generally the most significant problem of the poultry industry in Turkey. Excess capacity is also a significant problem. Several large and many smaller firms have been closed due to the crisis since 2001. The existing firms, with an expectation to receive a bigger share in the market, filled their production capacities immediately. Domestic consumption for poultry meat decreased in 2001 and 2002 compared to 2000 but picked up again in 2003.

Egg production, which had its peak in 1998 (12 billion), sharply declined in 1999 and 2000. It has started to recover gradually in recent years especially in 2003 (10 billion) but has not yet reached its 1998 peak level. Turkey's poultry and egg exports are also limited because of high production costs.

After having a good year in 2003, the poultry meat industry suffered once again in the beginning of 2004 with excess production, which created competition in the market and reduced the price. Turkey has set up very modern processing facilities in recent years with a total annual capacity of 1,150,000 MT. The capacity usage was about 70 percent in 2003. Primarily due to the excess capacity and strong competition in the domestic market, producing firms are now complaining about the low market prices which are, they claim, to be below the cost of production. The price of whole bird in the retail market is around TL 3,000,000 (about USD 2.00) per kilogram compared to deboned beef prices of about TL 13,000 (or about USD 8.70) per kilogram. If these conditions continue, the bankruptcy of several more producing firms is likely. This could also adversely affect the U.S. trade to Turkey with respect to corn, soybean and products. (Currently USD 1.00 is about TL 1,500,000)

By some accounts, the Turkish economy has recovered from the economic crisis. This is because of a stable Turkish Lira for most of the past year, a reduced rate of inflation, an increase in exports and modest GDP growth. The unemployment rate, however, remains

high since the beginning of the crisis. Unemployment and stagnant incomes will temper any medium-term growth in the poultry sector.

The egg-producing sector is in a relatively better situation, although it also had a short problem period during the winter months. Demand and prices for table eggs are more stable these days. Reduced consumer incomes appear to have led to substitution of low cost eggs for higher priced red and white meat.

There are around fifty poultry meat-processing facilities in Turkey. The top five firms processed about 47 percent, the top ten firms processed about 70 percent, and the top 25 firms processed about 91 percent of the total production in 2003.

Turkey's feed production sharply declined in 2001 and stayed around the same level in 2002 due to the economic crisis. Because of the partial economic recovery, total feed production increased in 2003 and is expected to continue to increase in 2004. The following Table provides the registered compound feed production during the last three years in Turkey (since our last voluntary report TU 2004). The industry sources warn that this table provides production data only for registered compound feed which is part of the total feed produced in Turkey. According to the same sources, the ratio of unregistered feed production is increasing every year and unregistered feed production accounts at least fifty percent of the total provided in the following table.

REGISTERED COMPOUND FEED PRODUCTION IN TURKEY

FEED TYPE	2001 (MT)	2002 (MT)	2003 (MT)
Total Broiler	1,503,561	1,645,791	1,779,531
Total Layer	624,248	586,197	589,952
Total Breeder	223,061	210,413	210,583
Total Turkey	105,775	56,343	93,807
TOTAL POULTRY	2,456,645	2,498,744	2,673,873
Lamb & Calf	124,484	130,178	170,615
Fattening	1,147,599	956,683	1,094,754
Dairy	1,404,983	1,538,763	1,574,415
TOTAL RUMINANTS	2,677,066	2,625,624	2,839,784
Fish	39,396	35,368	46,012
Others	5,223	16,345	9,743
TOTAL OTHERS	44,619	51,713	55,755
TOTAL FEED	5,178,330	5,176,081	5,569,412

Source: Turkish Feed Millers Association's Magazines and unpublished records.

PSD Table for Poultry Meat

Turkey Poultry, Meat, Total							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	MIL HEAD
Slaughter (Reference)	0	0	0	0	0	0	MIL HEAD
Beginning Stocks	0	20	0	21	0	40	1000 MT
Production	0	705	0	853	0	940	1000 MT
Whole, Imports	0	0	0	0	0	0	1000 MT
Parts, Imports	0	0	0	0	0	0	1000 MT
Intra EC Imports	0	0	0	0	0	0	1000 MT
Other Imports	0	0	0	0	0	0	1000 MT
TOTAL Imports	0	0	0	0	0	0	1000 MT
TOTAL SUPPLY	0	725	0	874	0	980	1000 MT
Whole, Exports	0	4	0	4	0	5	1000 MT
Parts, Exports	0	15	0	20	0	25	1000 MT
Intra EC Exports	0	0	0	0	0	0	1000 MT
Other Exports	0	0	0	0	0	0	1000 MT
TOTAL Exports	0	19	0	24	0	30	1000 MT
Human Consumption	0	685	0	810	0	900	1000 MT
Other Use, Losses	0	0	0	0	0	0	1000 MT
Total Dom. Consumption	0	685	0	810	0	900	1000 MT
TOTAL Use	0	704	0	834	0	930	1000 MT
Ending Stocks	0	21	0	40	0	50	1000 MT
TOTAL DISTRIBUTION	0	725	0	874	0	980	1000 MT
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	1000 MT

PSD Table for Eggs

Turkey Poultry, Eggs							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Layers	0	0	0	0	0	0	MIL HEAD
Beginning Stocks	0	350	0	400	0	450	MIL PCS
Production	0	7800	0	9540	0	10000	MIL PCS
Hatch Eggs, Imports	0	35	0	16	0	20	MIL PCS
Shell Eggs, Imports	0	0	0	0	0	0	MIL PCS
Other Imports	0	0	0	0	0	0	MIL PCS
Intra EC Imports	0	0	0	0	0	0	MIL PCS
TOTAL Imports	0	35	0	16	0	20	MIL PCS
TOTAL SUPPLY	0	8185	0	9956	0	10470	MIL PCS
Hatch Eggs, Exports	0	19	0	48	0	70	MIL PCS
Shell Eggs, Exports	0	13	0	76	0	100	MIL PCS
Other Exports	0	0	0	0	0	0	MIL PCS
Intra EC Exports	0	0	0	0	0	0	MIL PCS
TOTAL Exports	0	32	0	124	0	170	MIL PCS
Hatch Eggs, Consumption	0	590	0	720	0	750	MIL PCS
Shell Eggs, Human	0	7083	0	8572	0	8950	MIL PCS
Shell Eggs, OT. Use/Loss	0	80	0	90	0	100	MIL PCS
Other Dom. Consumption	0	0	0	0	0	0	MIL PCS
Total Dom. Consumption	0	7753	0	9382	0	9800	MIL PCS
TOTAL Use	0	7785	0	9506	0	9970	MIL PCS
Ending Stocks	0	400	0	450	0	500	MIL PCS
TOTAL DISTRIBUTION	0	8185	0	9956	0	10470	MIL PCS
Calendar Yr. Imp. from U.S.	0	1	0	3	0	4	MIL PCS