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Annual Report

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Report Highlights:

The Turkish livestock sector continues to struggle from declining cattle inventories and a restrictive import regime that increases feed costs. Consumption of beef remains steady despite price increases. Turkey maintains a very restrictive import policy allowing only imports of dairy and beef breeding stock. GOT does not permit the importation of beef or veal as way of protecting its domestic industry despite demand for high quality beef, particularly from the tourism industry. U.S. exports of breeding cattle were halted in December 2003 due to the BSE incident.

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Executive Summary

The Turkish livestock sector continues to struggle from declining cattle inventories and a restrictive import regime that limits access to livestock genetics and increases feed costs. Consumption of beef remains steady despite price increases. Turkey maintains a very restrictive import policy allowing only imports of dairy and beef breeding stock. GOT does not permit the importation of beef or veal as way of protecting its domestic industry despite demand for high quality beef, particularly from the tourism industry.

One of the primary problems of the livestock sector in Turkey is animal nutrition. Rations are often inadequate and expensive. Most livestock generally are grazed on public lands on a first-come first-serve basis and are provided with little or no additional supplements. Efforts to support crop production have also resulted in domestic grain prices that are considerably above the world market prices.

The increase in beef and dairy prices in recent years has led to investment in the livestock sector. Traditionally, Turkish livestock has been grass fed, although there has been a trend toward open-air commercial feedlots in western Turkey in recent years. These investments have increased interest in U.S. livestock in recent years, despite high costs.

In December 2003, U.S. exports were banned due to the BSE incident in Washington State. Currently, USDA and Turkish veterinary authorities are attempting to negotiate an acceptable health certificate which would allow U.S. exports to resume. The GOT allows the imports of breeding cattle and livestock genetics with zero import duty.

Cattle Production

Turkey's cattle population has decreased precipitously over the past two decades. Cattle inventories have decreased by over 30 percent over the past 15 years. Historically, the majority of cattle were dual-purpose low-yielding local breeds that were grazed on pastures and meadows in the Eastern and Southeastern Anatolia Regions. Maintaining these animals became very difficult during the last 20 years particularly due to the social and political unrest in the rural areas of these regions. In addition, Turkey's eastern borders were quite porous for most of its history and this migration was a large source of Turkish livestock. In the 1990s, however, the Turkish government began tightening its controls. The average farm size (6 Ha) and herd size 2 – 5 cows has also limited production gains.

The growing population and economic development especially in the tourist sector increased the demand for meat and milk, particularly in the late 1990s. This increased demand encouraged investment in modern dairies and beef herds and some larger commercial farms have been established in recent years. According to Turkish regulations, farmers who wish to import breeding stock, must have a farm and in need a breed stock of one hundred head at least. This has also contributed to the development of the livestock sector since only large firms can hire people who have livestock management skills.

Investment in the dairy industry has become much more important in recent years. Farmers receive relatively high prices based on quality as well as quantity. Well-established commercial farms are currently receiving farm gate prices of approximately TL 625,000 per liter of milk (including TL 425,000 base price and plus all premiums, including fat, protein, bacteria level, steady quantity supplied, and government milk support), which is about USD 0.42 per liter (or about USD 0.19 per lbs.). On the other hand, small milk producers are receiving only TL 425,000 per liter of milk, which is USD 0.28 per liter (or about USD 0.13 per lb.). Currently, Turkish dairy cattle produce on average 2000 liters.

Turkey vaccinates for Foot and Mouth Disease and much of the cattle population suffers from Brucellosis. Turkey's geographic location and uncontrolled animal movement, especially during holidays are the primary reasons of the livestock health problems and contribute to the spread of diseases.

Cattle Production Policy

In 2004, the Ministry of Agriculture will provide approximately TL 400 trillion (or about USD 270 million) to support the Turkish livestock sector. In order to receive any benefits farmers must be registered with the government. In addition, agricultural development cooperatives, irrigation cooperative unions, and private companies may benefit from the livestock support as well. Farmers and companies may receive benefits for a maximum of 500 head of breeding cattle although agricultural development cooperatives can have larger herds.

Fodder Crop Support

Farmers can obtain 35 percent of their investment from the government for fodder crop production. This excludes fertilizer, agchemicals and transportation costs. In addition, they can receive 30 percent of the cost of equipment procurement costs during the first year of the operation for multi year fodder crops. For one-year crops, the amount of support is only 20 percent. The support is provided for alfalfa, sainfoin, vetch, corn for silage, sorghum, fodder beets, fodder turnip, triticale, and triticalexhungarian vetch. Depending on the region, the Ministry of Agriculture may add new crops for support. Farmers and companies can benefit from the support for minimum one hectare for multi year fodder crops and for minimum 2.5 hectares for one-year fodder crops. Those farms that are looking to plant fodder crops in place of tobacco and sugar beets will be given priority for support.

Pregnant Heifer Procurement Support

The GOT also provides a portion of the procurement costs for pregnant heifers up to a maximum of 100,000 head. Thirty percent is provided for registered pure bred cattle and 15 percent for non-registered pure bred cattle. Heifers must be three-months pregnant with their first calves and their age must be in between 15 and 27 months. Farmers, coops and companies, which use this program, cannot sell the cattle for at least 3 years.

Artificial Insemination Support

Farmers who use artificial insemination receive 50 percent of the AI costs up to a maximum 100,000 head for pedigreed (registered) cattle and 25 percent for non-pedigreed cattle. In other regions farmers receive a maximum 25 percent subsidy. Calves born using artificial insemination are given TL 40,000,000 (about USD 27) if their mothers are registered and TL 20,000,000 (about USD 13) if not. The Ministry of Agriculture provides permission to up to 2,000 companies or individuals to use artificial insemination can receive up to 50 percent of the cost to purchase equipment needs in the less developed regions and 25 percent in other regions.

Disease Free Dairy Production Support

In order to establish dairy herds free of diseases, farmers in the Thrace region (in Edirne, Tekirdag, and Kırklareli Provinces and European side of Istanbul and Canakkale Provinces) receive additional subsidies. Farmers must have a minimum of 25 head cattle that have ear tag identification, and in an official Ministry of Agriculture database in order to receive the support. All vaccinations and medicines must be recorded. The farmer must also keep records on birth, death or slaughter days and the district veterinarians must inspect these records periodically. The vaccination for Foot and Mouth Disease must be carried according to the MinAg regulations. These farms must be free from Brucellosis since 2001 and Tuberculosis since 2002.

Those farms that are eligible for support receive certificates valid for one year. Livestock are retested at the end of the year in order for the certificate to be extended. Farmers receive TL 40,000,000 (About USD 27) for each head under this program.

Milk Support

Milk producers receive TL 40,000 (about 27 cents) per liter if their milk is sold to modern, hygienic processing facilities if the animals are pedigreed and TL 20,000 (about 13 cents) for non-pedigreed.

Support for the Village Development Cooperatives

The GOT provides funds to the Village Development Cooperatives to support tenders for dairy and/or dual purpose breeding cattle. Very few VDCs have been procuring cattle because of limited financial resources. VDCs procure cattle locally and mostly from the members of the Turkish National Breeders Association.

Trade Policy

The Turkish Ministry of Agriculture permits imports of breeding cattle (for both dairy and beef) as well as genetics. All farmers, who have an established farm and need at least 100 head of breeding cattle can import. Traders cannot import cattle for distribution to farmers. Health concerns are the only other restrictions for importing breeding cattle. Exports of livestock are generally prohibited. Only slaughter male or infertile female cattle (local breeds weighing an average of 225 kilograms or crossbreeds weighing 300 kilograms) may be exported any time with a license from the Ministry of Agriculture.

In the late 1990s, U.S. exports of breeding stock to Turkey were limited by Turkey's economic crisis and high cost of breeding cattle in the United States. As the economic conditions improved, U.S. exports also improved with several companies importing over 1000 Holstein Friesian and 100 Angus pregnant heifers last fall.

Breeding cattle imports from the United States were halted in December 2003 due to the BSE incident in the United States. Negotiations are ongoing to again approve U.S. exports to Turkey. The improving economic condition and increasing demand for meat and milk could increase the demand for the U.S. origin-breeding cattle.

Cattle Marketing

There are no specialized beef breeds in Turkey and the demand for high quality beef is growing parallel to the growth in the tourism sector. U.S. beef breeds were introduced to Turkey under a Quality Samples Program (QSP) four years ago.

GSM-103 has been a useful tool for importation of U.S. breeding stock. Turks are generally familiar with the quality of U.S. cattle and growing number of producers are becoming interested in U.S. livestock and genetics because of their genetic superiority. U.S. cattle exporters have been active in promoting sales of U.S. cattle to Turkey in the past. The U.S. Grain Council, American Soybean Association, and National Renderers' Association have organized seminars and training programs to assist the livestock sector.

Cattle Tariff Quotas

The EU and Turkey implemented a bilateral agreement in May 1998, under which Turkey would provide the EU access for cattle, beef, and dairy products. Under the agreement, Turkey provided the EU with permanent zero duty access for breeding cattle, a 19,000 MT beef tariff-rate quota at an eventual duty of 42 percent, and small tariff rate quotas for various dairy products. The Ministry of Agriculture has refused to issue import permits for various reasons including the BSE outbreak in Europe. The EU has retaliated by not honoring its TRQ with Turkey for tomato paste and has created obstacles on other agricultural imports. This issue is one of the many that will need to be resolved before EU membership negotiations progress.

The official import duties for breeding, feeder, and slaughter cattle, as announced in the 2004 Import Regime, follow:

Tariff Number	Product Description	Import Duty	Other Information
0102.10	Breeding cattle	0	For all origins
0102.90	Feeder and slaughter cattle	135 percent of the CIF value	* The rate is 70 % for Lithuania and 115 % for Estonia

* Official import duties for feeder and slaughter cattle were reduced slightly in 2004, however, no permits are issued since these imports are banned.

Cattle Stocks

The number of cattle, which has been declining in recent decades, is also projected to decline in 2005 due to larger consumption compared to production.

Beef and Veal Production

Meat production is expected to decline in 2005 parallel to the reduced cattle numbers. Most cattle in Turkey are grass fed and the industry traditionally uses dual-purpose animals. Turkey does not traditionally utilize feedlots and most herds are small.

High beef prices are attracting investments from large private companies particularly in recent years. This may result in major changes in the beef sector. Beef breeds are not yet known in Turkey. As a result, most investors are investing in Brown Swiss, which are accepted as dual-purpose cattle or Holstein Friesian as feeder cattle. Since imports of feeder and slaughter cattle are not allowed, investors must meet their needs from the domestic market that often means inferior quality animals.

Investment in the livestock sector requires large capital input and a longer period to recover costs for beef breeds than for dairy breeds, since dairy breeds can produce milk and income at least to cover the operation costs during the initial investment period. Feed costs are very high since pastures are limited especially in the western regions and because of high tariffs on feed imports. The eastern regions have relatively better pastures but are generally poor, and lack processing facilities and infrastructure, such as transportation.

Nearly all of Turkey's commercial slaughterhouses and packing plants are now privately owned. The Meat and Fish Corporation (EBK), which was a major player in the market in the past but now handles less than three percent of production, is the only remaining public sector company in the livestock sector.

Beef and Veal Production Policy

Meat Support

The GOT announced new support for meat producers for the period of May 15 through November 15, 2004. The GOT had provided similar supports in the past but not in recent years. The amount of support is TL 1,000,000 (about 70 cents) per kilogram of carcass weight produced. Only male livestock with a minimum 190 kilograms carcass weight are eligible for the support.

Beef and Veal Consumption

Two thirds of Turkey's population is now living in urban areas. As a result, meat consumption has shifted in recent decades from lamb, mutton and goat to beef, veal and poultry due to changing tastes and costs. Domestic beef consumption decreased in recent years due to reduced animal supply, high rate of inflation, increased beef prices, reduced incomes because of economic crisis, and the BSE outbreak. Beef consumption is approximately 9 kilograms per capita in Turkey.

Total beef consumption is projected to remain at about the same level as they were the last two years even though cattle inventories continue to decline. As a result, beef and veal prices increased significantly in recent years. The retail prices of deboned beef are about TL 15,000,000 (about USD 10.00) per kilogram, chopped beef are about TL 17,000,000 (about USD 11.40) per kilogram, and tenderloin and higher grades of beef are about TL 22,000,000 (about USD 14.70) per kilogram and higher in the retail market in Ankara. A year ago, these prices were about TL 11,000,000 (about USD 7.85), TL 13,500,000 (about USD 9.65), and TL 17,000,000 (about USD 12.15), respectively. High quality beef does not necessarily receive a significantly higher price, since beef breeds are not well known in Turkey. Only a few specialized restaurants and hotels in the major cities and tourist centers are willing to pay the premium for the quality of beef.

The tourism sector rebounded quickly after the Iraqi war, which increased the demand for meat. Tourism is one of the most important sectors of the Turkish economy and expectations are high for 2004. In addition, the economy is showing signs of growth. As a result, meat prices will continue to increase. Industry sources indicate that the smuggled cattle through the southern and eastern borders are meeting part of the increased demand.

The GOT attempted to severely restrict smuggling, however, these controls were weakened recently primarily because of the difficulties in Northern Iraq.

Beef and Veal Trade

The GOT has historically protected the development of its meat and dairy sectors by maintaining non-tariff barriers and very high import duties on meat and dairy products. Turkey has had a ban on imports of all meat products since 1996 and no regulations exist for importing meat and meat products. Turkey does not issue import licenses for these products.

The EU and Turkey implemented a bilateral agreement in May 1998, under which Turkey would provide the EU access for beef. Under the agreement, Turkey provided the EU a 19,000 MT beef tariff-rate quota at an eventual duty of 42 percent. The Ministry of Agriculture has refused to issue import permits for various reasons including the BSE outbreak in Europe. The EU has retaliated by not honoring its TRQ with Turkey for tomato paste and has created obstacles on other agricultural imports.

Tariff Quotas

The EU and Turkey implemented a bilateral agreement in May 1998, under which Turkey would provide the EU access for cattle, beef, and dairy products. Under the agreement, Turkey provided the EU with permanent zero duty access for breeding cattle, a 19,000 MT beef tariff-rate quota at an eventual duty of 42 percent, and small tariff rate quotas for various dairy products. The Ministry of Agriculture has refused to issue import permits for various reasons including the BSE outbreak in Europe. The EU has retaliated by not honoring its TRQ with Turkey for tomato paste and has created obstacles on other agricultural imports. This issue is one of the many that will need to be resolved before EU membership negotiations progress.

The official import duties for beef, as announced in the 2004 Import Regime, follow:

Tariff Number	Product Description	Import Duty	Other Information
0201 & 0202	Fresh, chilled or frozen bovine meat	225 percent of the CIF value	* The rate is 200 % for Estonia

* Official import duties for beef were reduced slightly in 2004, however, no permits are issued since these imports are banned.

Stocks

Official stock data are not available. Beef and veal stock levels are limited because of Turkish preference for fresh meat.

Statistical Tables

PSD Table for Cattle

Turkey Animal Numbers, Cattle							
	2003	Revised	2004	Estimate		Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Total Cattle Beg. Stks	10950	10950	10700	10700	10500	10500	(1000 HEAD)
Dairy Cows Beg. Stks	3950	3950	3900	3900	0	3850	(1000 HEAD)
Beef Cows Beg. Stocks	3100	3100	3000	3000	0	2900	(1000 HEAD)
Production (Calf Crop)	4000	4000	3900	3900	0	3800	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	1	1	3	0	0	0	(1000 HEAD)
TOTAL Imports	1	1	3	0	0	0	(1000 HEAD)
TOTAL SUPPLY	14951	14951	14603	14600	10500	14300	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Exports	0	0	0	0	0	0	(1000 HEAD)
Cow Slaughter	0	0	0	0	0	0	(1000 HEAD)
Calf Slaughter	2050	2050	2000	2000	0	1950	(1000 HEAD)
Other Slaughter	2000	2000	1950	1950	0	1900	(1000 HEAD)
Total Slaughter	4050	4050	3950	3950	0	3850	(1000 HEAD)
Loss	201	201	153	150	0	150	(1000 HEAD)
Ending Inventories	10700	10700	10500	10500	0	10300	(1000 HEAD)
TOTAL DISTRIBUTION	14951	14951	14603	14600	0	14300	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	1	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

PSD Table for Beef and Veal

Turkey Meat, Beef and Veal							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	4050	4050	3950	3950	0	3850	(1000 HEAD)
Beginning Stocks	53	53	48	53	28	43	(1000 MT CWE)
Production	635	635	625	625	0	615	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Imports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL SUPPLY	688	688	673	678	28	658	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	640	635	645	635	0	635	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	640	635	645	635	0	635	(1000 MT CWE)
Ending Stocks	48	53	28	43	0	23	(1000 MT CWE)
TOTAL DISTRIBUTION	688	688	673	678	0	658	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Export Trade Matrix for Beef and Veal

Export Trade Matrix

Country Turkey

Commodity Meat, Beef and Veal

Time Period Units:
 Exports for: Jan. - March 04
 U.S. U.S.
 Others Others

Iraq	54	Iraq	3
Yugoslavia	14		
Macedonia	13		
Kuwait	1		

Total for Others 82 3
 Others not Listed
 Grand Total 82 6