



Grain Trade Policy

August 11, 2004

Turkey

Summary

Grain exports to Turkey totaled over \$138 million in CY 2003. Corn accounted for the bulk of this, with a total value of \$110 million, a sizeable increase over both the previous year's level and the 5-year average. Rice accounted for \$28 million. The United States has not exported wheat to Turkey since 2000. In 2004 U.S. exports of corn and rice are likely to be lower due to quantitative licensing restrictions. Grain prices in Turkey are well above world prices.

Turkey joined the WTO with developing country status and established high bound-tariff rates. In addition to tariffs, Turkey employs non-tariff barriers including import licensing (seasonal bans on imports by failing to issue licenses), and the implementation of restrictive phytosanitary regulations to protect domestic grain producers. While Turkey agrees with the U.S. WTO position on reductions to domestic support and export subsidies, Turkey does not support reductions in market access (tariffs). Turkey feels that high tariffs are the only means available to protect and support its domestic agricultural sector. The Turkish Grain Board remains active in the domestic grain market, and plays an important role in efforts to limit competitive imports – especially for wheat, barley, corn and rice.

Market Access

The government periodically closes the markets for various grains, including wheat, barley, corn, and rice, through quantitative and seasonal restrictions on import licenses. Annually there are often unexplained delays in the issuance of import licenses for these and other commodities. Turkey chose not to establish any agricultural tariff-rate quotas under the WTO. However, Turkey does have a number of TRQs in some of its bilateral trade agreements. Turkey has TRQs available to Europe for grains.

Tariffs, Quotas and Import Licenses:

Rice: From August 2003 through May 2004, no import licenses for rice were issued. Large stocks held by TMO led the GOT to implement import restrictions. Recently, Turkey implemented a quota system that allows rice importers who purchase TMO stocks to import an equivalent amount from their stocks, which are currently in bonded warehouses. The total quantity to be imported is limited to 120,000 MT of paddy rice. Outside of this arrangement, the Turkish government announced that rice imports will not resume until January of 2005 at the soonest. The tariffs on paddy and milled rice also remain high (34 and 45 percent respectively) although the spread between the tariffs tends to favor milled rice to the disadvantage of U.S. rough rice exports.

Corn: In 2003, Turkey imported a record amount of corn. The GOT perceived commercial stocks to be too high, so for the first time, they are attempting to limit the quantity of imported corn in 2004. The GOT issued a decree on May 18, 2004 to announce a quota for the total amount of 900,000 MT to be imported with a reduced duty of 25 percent through August 31, 2004. Imports out of this quota are possible only by paying the current duty, which was announced with the 2004 Import Regime as 80 percent.

Wheat: Beginning in November 1999, the GOT stopped routinely issuing import control certificates (licenses) for wheat. Exporters of flour or pasta may apply for permission to import wheat. Wheat is also imported under the TRQs with the EU and neighboring countries.

Turkish Tariffs:

HS Code	Description	2003 Applied Tariff	2004 Applied Tariff
1001.10	Durum	30	30
1001.10.00.00.11	Durum Planting Seeds	0	0
1001.90	Milling Wheat	40	40
1001.90.91.00.11	Milling Wheat Planting Seeds	0	0
1005.90	Corn	35	80
1005.10	Corn Planting Seeds	0	0
1006.10	Rice, paddy	38	34
1006.10.10	Rice Planting Seeds	12 (EU=10)	12 (EU=10)
1006.30	Rice, milled	45.5	45
1008.20	Sorghum	35	80

Trade Impact and Restrictions:

Product	Restrictions/Notes
Wheat	<p>Seasonal high tariff: milling wheat 40%, durum 30%;</p> <p>Restricted issuance of import certificates only for wheat flour and flour products exporters or zero-duty imports from EU; and those countries having bilateral agreements with Turkey.</p> <p>Certification required for ergot (.05% tolerance);</p> <p>Requirement for an additional declaration on</p>

	APHIS certificate stating that the grain originates in areas where Tilletia Indica (Karnal bunt) is not known to occur.
Corn, Barley, and Sorghum	Seasonal high tariffs: barley 85%, corn/sorghum 80%; Livestock import ban (with exception of breeding cattle) suppresses feed demand growth.
Milled, Paddy Rice	New quota system in place limiting 2004 imports to 120,000 MT paddy equivalent. High tariffs: milled rice 45%, paddy rice 34%. SPS requirement: zero tolerance on A. besseyi (white tip nematode) for paddy rice (fumigation is accepted).

Export Subsidies:

Turkey claimed Special and Differential Treatment relating to export subsidy commitments in notifications to the WTO, undertaking to reduce budgetary outlays for export subsidies by 24 percent and to reduce the volume of subsidized exports by 14 percent, over a ten year period starting in 1995. Currently, Turkey's Export Subsidy notifications to the WTO for years 2001-2003 are not available. In the past, Turkey has exported grains at a loss by paying producers prices, which are above the world market, and then selling to exporters at whatever prices the market offers.

Sanitary and Phytosanitary Measures:

Turkey is a signatory to the WTO SPS agreement and participates as a member of the Codex Alimentarius, the International Plant Protection Convention (IPPC), and the OIE. Turkey's Ministry of Agricultural and Rural Affairs (MARA) General Directorate of Protection and Control takes a strong interest in implementing Turkish standards for the protection and improvement of Turkish agriculture. Turkey has begun to gradually adopt EU SPS standards, although Turkey has reserved the right to . This slow process has resulted in a lack of transparency as the Directorate of Protection and Control often implements new standards with no written notification or scientific basis. Academic or research institutions usually draft standards, which rarely pass through industry review. As a result, many qualitative factors appear in Turkey's import regulations. Many standards enter into effect through internal memoranda and letters.

Domestic Support:

Turkey claimed Special and Differential Treatment relating to domestic support, notifying the WTO that its product-specific support was well within the 10 percent de minimis level, as was the Aggregate Measure of Support (AMS) calculation. As a result, none of Turkey's domestic support is subject to reduction. Turkey's domestic support will, however be reduced, according to letters of intent signed with the IMF as part of the overall Economic Reform Program. In 2003, corn was announced as an eligible crop to receive price premiums.

CY 2001 Domestic Support Notifications

Product	Total Production (tons) Not USDA	Eligible production for applied price	Applied administered price (US\$/MT)	Market price support budgetary outlays (US\$ million)
Corn	2,200,000	9	129.83	0.0
Rye	220,000	13,985	102.50	-0.10*
Oats	265,000	2	102.50	0.0

The Turkish Grain Board (TMO) acts as a market regulator and announces annual procurement prices for all grains. TMO will buy grains at these prices from producers who are not able to obtain higher prices on the commercial market. TMO uses its position to monopolize imports of certain commodities in order to help control domestic prices. TMO also directs the GOT with respect to grain import policies and has successfully lobbied to establish quantitative restrictions on corn and rice.

Bilateral Agreements with the United States

Turkey has no preferential or agricultural bilateral trade agreements with the United States. Turkey and the United States signed a scientific cooperation agreement several years ago, but there are no current projects. The Trade and Investment Framework agreement (TIFA) was established to discuss trade barriers and market access issues. Turkey and the United States established the Economic Partnership Commission (EPC) in early 2002.

U.S. Non-Party Agreements

Turkey has a large number of agreements with nearby countries and others around the world, but most importantly with the EU. Turkey entered into a customs union with the EU in 1996 and added an agricultural agreement in January 1998. The agricultural agreement provides the EU with tariff and tariff rate quota concessions for wheat, rice, corn, barley, and rye.

Turkey also participates with the ten other Black Sea countries in the Black Sea Economic Cooperation (BSEC) project, which is moving towards becoming a formal trade agreement structure, the goal being the establishment of a free trade area among BSEC members. Turkey also has a number of agreements with other countries around the world, mostly in Africa and the Middle East.

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