

Türkiye: Grain outlook and challenges for MY 2024/25

By Gülfem Eren, Agron Tarım A.Ş

The grain world has fundamentally changed over the last few years. The pandemic, the geopolitical tensions sparked by the Russia-Ukraine war, climate change, other global uncertainties and the impact of populist policies in Türkiye and around the world have produced increasingly unpredictable grain trade patterns, driven more by political decisions than traditional supply-demand dynamics. So, I must emphasise that the forecasts here should be taken with a grain of salt.

When evaluating the state of the new marketing year (MY) in Türkiye, the starting point should be the Turkish Grain Board's (TMO) stocks. As noted in previous reports, the policies implemented before the 2023 presidential elections led to record levels of imports, followed by unprecedented grain purchases by TMO. In MY 2023/24, TMO was unable to reduce its stocks of milling wheat and barley and entered 2024/25 with significant carryover stocks. Since the 2024 wheat and barley harvest came in below expectations TMO's domestic grain purchases were lower than we anticipated, amounting to 5.0M tonnes. High interest rates and the government's determination to control grain prices led the private sector to refrain from domestic purchases beyond short-term needs and opportunities.

According to our estimates, TMO is entering 2024/25 with around 11.0M tonnes of wheat stocks, including durum wheat. This implies that the government will likely continue to regulate the market with the aim of reducing its stocks and it is highly probable that the wheat import ban announced in June will be extended from mid-October until year's end.

Türkiye's 2024/25 production of milling wheat is estimated to decrease by 2.0M tonnes to 15.0M tonnes compared to the previous year, while durum wheat production is expected to remain unchanged at 4.0M tonnes. Barley production is forecast to decrease by 0.5M tonnes to 7.5M tonnes. The ongoing maize harvest is also expected to decrease by 20%, to 7.0M tonnes.

The right to export grains remains in place, but as the domestic market prices are higher than world prices, durum wheat exports, which reached approximately 1.4M tonnes last year, stood at only 0.3M tonnes between 1 June and 31 July 2024. However, should the Turkish lira significantly depreciate in the coming months, durum wheat exports may pick up. In 2023/24, feed maize exports surprisingly reached a high 2.3M tonnes despite no excess supply. This was largely due to the fact that TMO's storage facilities were full during the 2022/23 harvest, and it was unable to make further purchases. Consequently, Türkiye re-imported 2.2M tonnes of feed maize between September 2023 and July 2024.

Türkiye's flour exports unexpectedly rose from 3.3M in 2022/23 to 3.9M tonnes in 2023/24, equivalent to an increase of approximately 1.0M tonnes in milling wheat imports. How flour exports will evolve in the new marketing year depends on the timing of the discontinuation of the import ban, and if the ban remains, whether TMO will supply flour exporters from its stocks. However, considering the strong performance and importance of Turkish flour exporters in recent years, we expect that TMO will somehow accommodate their concerns. The fundamental issue here is whether TMO will be allowed to sell its stocks at a loss.

In 2023/24 Türkiye imported 8.3M tonnes of milling wheat. One of the main reasons for this higher-than-expected figure was the increase in flour exports. The level of Türkiye's milling wheat imports during 2024/25 remains a difficult forecast. If the import ban is extended and TMO is willing to supply wheat from its current stocks to flour exporters, the decline in milling wheat imports could be significant - down around 25% from last year. The state's barley stocks appear sufficient to last several seasons, and barley imports for 2024/25 are expected to be minimal. For maize, we estimate imports to reach around 2.5M tonnes due to both a decline in production and the low level of stocks.

As Marguerite Yourcenar puts in the tongue of retiring wise emperor Hadrian, "I had reached the point where I felt that the most ordinary debate on such a subject as importation of Egyptian wheat would have taught me more about government than would the entire Republic of Plato." So, I leave you to worry about all this as I make my plans for retirement.