

# COTTON SECTOR

## QUESTIONNAIRE

### 1. BASIC INFORMATION

According to the data in 2004/2005, Turkey represents approximately 4% of total cotton production, 6% of total cotton consumption and 8% of the total cotton imports in the world.

In respect of the above mentioned data. Turkey is the fifth in the world cotton consumption. sixth in the world cotton production and second in the world cotton imports.

On the other hand, cotton constitutes the essential raw material of the textile sector, which is one of the leading sectors in Turkey.

#### a) Balance sheet

From 1998 onwards

**Table-1: Production and Yield of Cotton in Turkey**

	1998	1999	2000	2001	2002	2003	2004	2005*
<b>AREA (Hectare)</b>	<b>756.566</b>	<b>719.294</b>	<b>654.177</b>	<b>684.665</b>	<b>721.077</b>	<b>637.329</b>	<b>636.832</b>	<b>670.000</b>
<b>YIELD</b>								
Unginned cotton	2.678	3.204	3.456	3.444	3.525	3.681	3.753	3.664
Ginned cotton	1.166	1.100	1.314	1.335	1.370	1.442	1.457	1.466
Seed	1.764	1.609	1.980	1.977	2.021	2.098	2.153	
<b>PRODUCTION (Tonnes)</b>								
Unginned cotton	2.025.867	2.304.503	2.260.921	2.357.892	2.541.832	2.345.734	2.390.305	2.455.000
Ginned cotton	882.154	791.298	879.940	914.404	988.120	919.531	928.122	982.000
<b>STOCKS** (Ton)</b>	<b>187.602</b>	<b>247.000</b>	<b>217.851</b>	<b>314.101</b>	<b>444.000</b>	<b>525.000</b>	<b>692.000</b>	<b>460.000</b>

Source: Turkish Statistics Institute (TURKSTAT)

\* Estimate

\*\* Source of the data on stocks: Ministry of Agriculture and Rural Affairs

**Table-2: Quantities and Origins of Cotton (CN Code: 5201) Imports of Turkey (Tonnes)**

	1998	1999	2000	2001	2002	2003	2004	2005
USA	135.392	31.653	197.901	186.412	308.259	354.653	336.181	456.718
Greece	56.520	104.353	129.612	117.210	116.198	98.374	129.026	86.112
Syria	47.034	17.906	61.732	36.631	28.938	42.052	25.539	49.829
Turkmenistan	11.781	19.148	50.214	33.006	31.782	20.813	26.725	11.535
Uzbekistan	49.365	29.388	31.449	10.049	7.236	1.320	11.869	8.481
Egypt	13.077	13.527	11.342	6.331	6.525	6.077	5.742	7.145
Israel	16.907	18.693	18.676	3.892	2.297	2.256	9.225	6.903
Uganda	169	369	104	-	19	-	1.143	5.492
Brasil	299	-	1.611	8.769	5.005	298	1.645	5.457
Azerbaijan	18.649	14.129	13.776	10.430	13.074	5.559	5.650	5.413
Other	2.073	11.602	6.003	2.545	524	4.693	15.376	3.913
<b>TOTAL</b>	<b>377.615</b>	<b>265.555</b>	<b>560.781</b>	<b>451.613</b>	<b>540.039</b>	<b>551.904</b>	<b>569.732</b>	<b>656.862</b>

Source: TURKSTAT - Undersecretariat for Foreign Trade (UFT)

**Table-3: Quantities and Destinations of Cotton Exports of Turkey (Tonnes)**

<b>COUNTRIES</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005 (Ja- Oct)</b>
Italy	4.718	5.878	3.724	7.556	10.000	17.439	9.983	4.929
Netherlands	520	2.053	2.397	2.557	2.892	3.351	4.022	3.138
France	365	300	396	295	1.050	3.582	2.213	1.425
Portugal	6.032	5.870	2.460	3.808	2.550	6.427	2.817	1.396
Greece	595	874	224	674	1.066	2.085	1.859	1.368
Poland	169	428	166	343	582	1.269	437	745
Hungary	73	269	79	116	150	306	952	723
Thailand	2.177	1.496	526	201	187	2.093	1.843	519
Ukraine	88	351	293	540	687	1.423	622	516
PRC	340	99	-	-	0	2.676	866	500
Other	14.652	44.654	8.567	11.851	9.966	27.586	9.730	2.586
<b>TOTAL</b>	<b>27.729</b>	<b>62.273</b>	<b>18.831</b>	<b>27.941</b>	<b>29.131</b>	<b>68.239</b>	<b>35.342</b>	<b>17.845</b>

Source: TURKSTAT - UFT

**b) Is there transgenic cotton cultivated?**

There is no cultivation of transgenic cotton in Turkey.

**c) Number of producers and processors**

According to the agricultural census of the Turkish Statistics Institute in 2001 number of the cotton producer in Turkey is around 130,000.

**Table-4: Number of Cotton Processors (2004)**

<b>Number of Plants</b>		<b>Number of Machinery</b>	
		<b>Rollergin</b>	<b>Sawgin</b>
<b>Operating Plants</b>	612	23,730	61
<b>Non-Operating Plants</b>	197	4,081	33
<b>TOTAL</b>	<b>809</b>	<b>27,811</b>	<b>94</b>

Source: UFT

There are totally 809 ginning-pressing plants. 612 of these plants are operating and 197 of them are non-operating. 49 (35 rollergin and 14 sawgin) of these plants belong to Agriculture Sales Cooperatives and their Unions ASCUs.

**d) What is the quality of cotton? What are the quality criteria (humidity. length. impurities...)?**

Quality criteria and classification of cotton has been defined with the Communiqué No 2001/20 on "Standardisation of Pressed Cotton"<sup>1</sup>.

**1- According to the length of fibre:**

1.a) short fibre cottons (Gossypium herbaceum L.. Gossypium arboreum L.. length of the fibre is shorter than 19.05 mm)

1.b) medium fibre cotton (Gossypium hirsutum L.. length of the fibre is between 19.05-34.54 mm)

<sup>1</sup> Official Journal (OJ): 27.7.2001-24475

-White category (Unspotted cottons containing the natural colour of the type. It is subdivided into the different categories as standard extra, standard 1, standard 2, standard 3, standard 4 and standard 5.)

-Light spotted category (every type of the cottons in white category, which is light spotted because of the rain, harvest and storage conditions. It is subdivided into the different categories as standard 1, standard 2, standard 3, standard 4 and standard 5.)

-Coloured type (Cottons transformed to very light brown, light brown, brown and dark brown as a result of the ginning of the unginned cotton subjected to the fermentation. It is subdivided into the different categories as colour 1, colour 2, colour 3 and colour 4.)

-Category out of the type

1.c) long fibre cottons (*Gossypium barbadense* L.. the length of the fibre is longer than 30,48 mm.)

## 2- According to the production areas:

-Turkey-Aegean: It covers the medium fibre cottons produced in the Aegean production area.

- Turkey-Çukurova: It covers the medium fibre cottons produced in Adana, Mersin, Ceyhan and Osmaniye provinces.

- Turkey - Aegean Type: It covers the medium fibre cottons produced in the other areas apart from the Aegean and Çukurova production areas.

## 3- According to the ranges of colour and the percentage of foreign materials

Category	Type	Range of Colour	The Percentage of Foreign Material	
			Rollergin	Sowgin
White	Standard extra	11-1, 11-2, 11-3, 11-4	0-4	0.1
	Standard 1	21-1, 21-2, 21-3, 21-4	4-5.2	0.1-1.8
	Standard 2	31-1, 31-2, 31-3, 31-4	4.6-6.6	1.2-2.4
	Standard 3	41-1, 41-2, 41-3, 41-4	5.5-7.7	1.8-3.2
	Standard 4	51-1, 51-2, 51-3, 51-4	6.6-9.0	2.4-4.0
	Standard 5	61-1, 61-2, 61-3, 61-4	7.5-10.5	2.9-5.3
Light spotted	Standard 1	31-1, 31-2, 31-3, 31-4	4-5.6	1.2-2.4
	Standard 2	41-1, 41-2, 41-3, 41-4	5.5-7.7	1.8-3.2
	Standard 3	51-1, 51-2, 51-3, 51-4	6.6-9.0	2.4-4.0
	Standard 4	61-1, 61-2, 61-3, 61-4	7.5-10.5	2.9-5.3
	Standard 5	71-1, 71-2, 71-3, 71-4	8.8-12.5	4.3-6.9
Coloured type	Coloured 1	24-25	3.6-5.6	1.2-2.4
	Coloured 2	34-35	4.5-6.7	1.8-3.2
	Coloured 3	44-45	5.4-7.8	2.4-4.0
	Coloured 4	54-55	6.3-9.3	2.9-5.3

Every ginning and pressing plant must have the humidity measuring instrument. Calibration certificates of the humidity measuring instruments must be renewed annually.

Furthermore, cottons are classified into three groups according to the type of ginning: Rollergin, Sawgin and Lintergin.

Category and types have also been determined for the linter cottons and fibre waste cottons occurred during the fibre production.

**e) Structure of production (average size of a cotton farm)**

According to the agricultural census of the Turkish Statistics Institute in 2001, average size of a cotton farm is around 5.6 hectares.

## **2. CURRENT REGIME**

- **Is there any domestic support mechanism in favour of the cotton production? Could you give a description of the cotton regime (legal framework)?**

There are three different support schemes in favour of the cotton production:

1. Support Premium
2. Direct Income Support
3. Diesel and Chemical Fertiliser Support

Income support payment per kg has been provided to the cotton producer under the name of “**support premium**”. Domestic and foreign market prices, costs of the producers and budgetary means have been taken into consideration in determination of the amount of the support.

Payments have been made according to the Decrees issued annually and the Communiqués published based on these Decrees. The last Decree dated 04.04.2005 and numbered 2005/8670<sup>2</sup> determined the support premium to be given for unginned cotton produced in 2005.

Premium payments are provided one time for every production period. There is no national or regional limit in the payments given.

With the Premium Communiqué No 2004/36<sup>3</sup>, support premium 13 Cent per kg for the producer using certified seeds and 11 Cent per kg for the producer using non certified seed was provided. Total amount of the premium, which was given, is 246,7 million EUR.

Within the scope of the “**Direct Income Support**” system, income support payment has been provided to the cotton producers as well as other products up to 50 hectares in accordance with the By-law on National Farmer Registration System dated 16.04.2005<sup>4</sup>, the Decree dated

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<sup>2</sup> (OJ), 16.4.2005-25788

<sup>3</sup> (OJ), 22.09.2004 - 25591

<sup>4</sup> (OJ), 16.4.2005 - 25788

28.03.2005 and numbered 2005/8629<sup>5</sup> and Communiqué No 2005/21 on Direct Income Support Payments<sup>6</sup>.

Besides **diesel and fertiliser support** have been provided to the cotton producers with the Decree dated 27.06.2005 and numbered 2005/9065<sup>7</sup> and the Communiqué No 2005/38<sup>8</sup>.

All support payments in favour of the cotton production are provided to the farmers, whose employee, product and area information is registered to the Farmer Registration System and produce cottons in these areas.

- **Are there minimum prices guaranteed to cotton producers?**

There are no minimum prices guaranteed to cotton producers.

- **Are there any national guaranteed quantities?**

There are no national guaranteed quantities.

- **Is there any system of control of the correct application of those rules?**

According to the Decree dated 04.04.2005 and numbered 2005/8670 and the Communiqués issued based on this Decree, a “Premium Examination Commission” has been established in every province and counties where cotton is produced in order to control the correct application of support premium payments. Accuracy of the applications is examined by these Commissions and applications, whose accuracy is verified, are subject to payment.

According to the By-law on National Farmer Registration System (NFRS) dated 16.04.2005 and Communiqué No 2005/21 on Direct Income Support Payments, controls of the Direct Income Support, diesel and fertilizers support payments are carried out by the inspectors of the Ministry of Agriculture and Rural Affairs before the payments.

After the payments, Inspectors of the Ministry of Agriculture and Rural Affairs check the accuracy of the payments upon complaint or ex officio.

Furthermore, Chambers of Agriculture and Commodity Exchanges have to assure the accuracy of the documents, which they arrange such as farmer certificates and commodity exchange registration certificates.

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<sup>5</sup> (OJ) 2.4.2005 - 25774

<sup>6</sup> (OJ), 30.4.2005 - 25801

<sup>7</sup> (OJ), 6.7.2005 - 25867

<sup>8</sup> (OJ), 15.7.2005 - 25876

- **Are there any sanctions foreseen in case of irregularities or frauds?**

There are important sanctions in case of irregularities or frauds.

According to the Decree dated 04.04.2005 and numbered 2005/8670, the By-law on NFRS dated 16.04.2005 and Communiqué No 2005/21 on Direct Income Support Payments, competent public authorities are responsible for the control of the documents submitted to them and which serve as a basis to the payments, and the documents, which they arrange. Legal action is taken against natural or legal persons, who have caused an unfair payment by infringing its obligations, and persons who forge false and fictitious documents or use such documents to benefit from support payments.

In case of the determination of an unfair support payment, payments made are recovered with its interest from the farmers who have benefited from the payment. Natural and legal person who forge the documents or certificates, which lead to unfair payment, are also successively bound for the amounts, which will be recovered.

### **3. MARKET**

#### **a) How is the commerce organised? Are there producers' organisations?**

##### **Organisation of the cotton trade**

According to the Law No.5174 on Chambers and Stock Exchange<sup>9</sup>, Commodity Exchanges are established for bringing purchasers and suppliers together, registering and announcing the prices and ensuring the well functioning of the market mechanism. The reference prices in the cotton markets constitutes in the commodity exchanges.

Cotton is purchased by the cooperatives and ASCUs, ginning plants and traders. These institutions have important roles in the domestic trade of cotton.

Agriculture Sales Cooperatives and ASCUs (namely Tariş Pamuk Birliđi, Çukobirlik, Antbirlik and GAP Birlik) purchase approximately 20% of the total cotton production in Turkey.

On the other hand, there is no public body for storage of cottons. Products are stored by the ginning pressing plants, traders, agriculture sales cooperatives and ASCUs and storehouses belonging to the big producer.

ASCUs, have acted as a stock institution lately. They have stored cotton for a long period by purchasing the large amounts from the market and supplied it according to market needs.

Another important issue, which has to be mentioned, is technical studies carried out in order to establish a licensed warehouse system. In this respect, necessary legislation has been enacted.<sup>10</sup> Ginned cotton is considered as one of the most appropriate product for the system and it is thought that this system will become widespread in the medium term.

Three public Cotton Research Institutes get farmers to produce certified cotton seed under a contract.

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<sup>9</sup> (OJ), 1.6.2004 - 25479

<sup>10</sup> (OJ), 17.2.2005 - 25730

## **Producer Organisations**

The most important commercial organisation of the cotton producers is Agriculture Sales Cooperatives and their upper level joint organizations, known as cooperatives unions or ASCUs. Almost all of the cotton producers have been organised within the framework of the 89 agriculture sales cooperatives and 4 Unions.

The Agriculture Sales Cooperatives and ASCUs operating under the Law No.4572<sup>11</sup> have purchased, processed, stored and sold the products of their members and if necessary products of the other producers.

These Cooperatives and ASCUs have important ginning-pressing, fibre, storehouse and oil factories enterprises.

Cooperatives and ASCUs supply the substantial amount of the production inputs of the producers and distribute it. Generally, they give the inputs, which they supplied, to the producers as in rem credit. In order to be eligible to use their voting rights, members of the cooperatives have to submit minimum

50% of their products, which they commit to the cooperatives. The remaining part is sold to other purchasers.

Cooperatives and ASCUs can also give cash credit to their partners according to their financial situation.

### **b) Is there any publication concerning the price for a standard quality or for different qualities of cotton fibres?**

Commodity exchanges issue daily, weekly, monthly and annual publications concerning the price for a standard quality and for different qualities of cotton fibres traded on stock markets.

### **c) Administrative control**

#### **• Is there a central registration system of processing plants (ginning plants)?**

In accordance with the by-law on “Control of Ginning, Pressing and Storage of the Cottons”, which has been put into force with the Decree dated 18.04.1972 and numbered 7/4331<sup>12</sup>; establishment, working procedure of the cotton ginning – pressing, linter pressing plants and technical and sanitary conditions that are to be met by these plants are being monitored and registered by Undersecretariat for Foreign Trade (UFT).

Records of the all operating ginning-pressing plants are kept by a central unit within the UFT, every ginning-pressing plant is given a code number, which is used for monitoring.

#### **• Is there a control of ginners?**

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<sup>11</sup> (OJ), 16.6.2000 - 24081

<sup>12</sup> (OG), 9.5.1972 - 14182

Ginning and pressing plants have been controlled in accordance with the Regulation on “Control of the Cotton”, which has been put into force by the Decree dated 5.8.1953 and numbered 4/1283<sup>13</sup>.

Cotton ginning and pressing plants, their storehouses and activities are controlled directly or upon complaint by Inspectors for Standardization for Foreign Trade (under UFT, General Directorate for Standardization for Foreign Trade).

- **Are there laboratories for determining the quality of the cotton at the entry of the ginning plant?**

There is no obligation for the ginning plants to have a laboratory determining the quality of cotton. However, laboratory services can be provided from some Commodity Exchanges and Regional Directorates of UFT.

In order to serve standardisation control of the cotton, Western Anatolia Regional Directorate of UFT prepares sample boxes for the different cotton types under artificial illumination in the classification room taking into account such items as colour, foreign material and preparation conditions. All of these sample boxes for the standard cotton type are controlled at the HVI laboratories to eliminate artificial errors.

#### **4. TRADE**

- **Is there a system of import licences? If so, could you describe the system (delivery documents, type of control, customs duties ...)?**

Under the current Import Regime there is no license system in the cotton import and there is no customs duty for the cottons CN Code 5201- 5203.

- **Is there an aid system for exportation? If so, could you describe the mechanism (direct aid for exporters ...)?**

There is no export subsidy for cotton.

- **Are there import agreements with third countries? If so please provide a description (with Central-European Countries, WTO, import/export quotas tariff reductions ...).**

Cotton is subjected to the Customs Union Decision between the EU and Turkey. In this framework, customs duty for cotton is 0% for the EU Member States and third countries, where common customs tariff is applied.

Within Turkey’s free trade agreements, only cotton originating from Bosnia and Herzegovina is subject to a reciprocal concession of % 0 duty on unlimited basis within Turkey-Bosnia and Herzegovina Free Trade Agreement.

#### **5. OTHER**

- **Please indicate any particular situation relevant in this sector.**

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<sup>13</sup> (OG), 11.9.1953 - 8505



- In order to prevent quality degradation emerged as a result of the combination of the unginned cotton produced in the different regions, transferring of the unginned cotton across the regions is prohibited by the Communiqué on “Prevention of the Transferring of Unginned Cotton Among Regions” numbered 99/18<sup>14</sup>.
- With the Decree dated 11.09.2003 and numbered 2003/6189<sup>15</sup>, strict measures have been introduced in order to prevent contamination of the unginned cottons.
- Turkey follows fully liberal policies in the domestic and foreign markets of cotton. Therefore, prices in the Commodity Exchanges are parallel to the world cotton prices.

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<sup>14</sup> (OJ), 28.09.1999 - 23830.

<sup>15</sup> (OJ), 9.10.2003 – 25254.