

Russia forces Ukraine out of Turkish sunflower oil market

As UkrAgroConsult previously reported, in September 2016 Turkey has decided to raise duties on safflower and sunflower oil imports. Import duty on safflower was risen from 4% to 23.4%, while the duty on raw sunflower oil imports increased from 12% to 36%, on processed - from 50% to 67.5% per 1 MT. Such measures are taken in order to protect local oilseeds producers and crushers.

The reason for these changes is understandable and justified, if taking into account forecasts of record sunflower production in the Black Sea region, including Russia and Ukraine that are the major sunflower oil suppliers to Turkey. Combined share of these countries in Turkey's imports exceeds 90%. It should be noted that over the past five years participation of Russia and Ukraine in Turkish imports changed diametrically. If five years ago the share of deliveries from Ukraine amounted to more than 70% of total sunflower oil imports, and from Russia - only about 17%, then now Russia's share is more than 73%, while Ukraine's share slightly exceeds 18%.



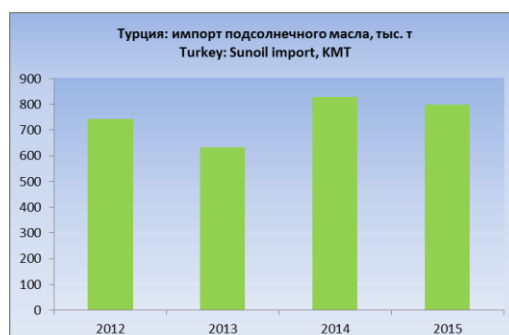
As UkrAgroConsult has already noted, sunflower seed production forecasts for the 2016/17 marketing year in Russia and Ukraine reached record rates. Thus, according to September estimates of USDA, next season Russia will harvest 10.0 MMT of sunflower seed, while Ukraine - 13.5 MMT. Estimates of UkrAgroConsult are even more optimistic - 10.5 MMT and 14.0 MMT respectively.

Sunflower seed production forecasts in Russia and Ukraine (2016/2017)

	USDA forecast, MMT	UkrAgroConsult forecast, MMT
Russia	10,0	10,5
Ukraine	13,5	14,0

Market operators expect that such situation will inevitably lead to price reduction not only for sunflower but also for its derived products. In this regard, Turkish processors will be in a very unfavorable economic situation, when the cost of their products will be higher than importers' prices for sunflower oil.

As a reminder, Turkish government applies such state regulation tool not for the first time. As practice shows, raise of import duties is an effective tool for regulating exports structure and volume. For instance, in 2013, when Turkey used this mechanism last time, imports decreased by almost 15% due to lower supplies from major importers, and Romania refused trade relations with Turkey in this period at all.



Given that Turkey is unable to supply domestic demand with raw materials itself, it becomes obvious that this measure is temporary and, when Turkish market requires imported sunflower oil, the state will react by reduction of duties. The proof is USDA forecasts, according to which in the 2016/17 marketing year sunflower oil imports to Turkey will increase by 260 KMT compared to season 2015/16.

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