GRAINS CONFERENCE

MILLING INDUSTRY AND TRADE PERSPECTIVES

EREN GUNHAN ULUSOY

CHAIRMAN OF THE BOARD
TURKISH FLOUR INDUSTRIALISTS' FEDERATION

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TURKISH FLOUR INDUSTRIALISTS' FEDERATION (TFIF)

Turkish Flour Industrialists' Federation (TFIF) functions based on a sector-wise perspective and has an integrated structure, comprising eight associations and 405 members as well as all stakeholders in the sector throughout Turkey which is also reflected by the composition of its board of directors and the spectrum of its members. Turkey Flour Industrialists Federation (TUSAF), is the sole authority having the potential of great benefit for all its members and constituting a comprehensive foresight surrounding development and the future strategy and vision of flour sector. TUSAF carries out research in accordance with the needs of the industry, searching for solutions to problems and regularly contributes to the sector's development. TUSAF has spread to all regions of Turkey by considering the industry with both its board and members and is organized as an association.

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«GOBEKLITEPE»
THE OLDEST TEMPLE OF THE WORLD

"The world's greatest archaeological discovery"

What makes Gobeklitepe unique in its class is the date it was built, which is roughly twelve thousand years ago, 10.000 BC.

Gobeklitepe is regarded as an archaeological discovery of the greatest importance since it could profoundly change the understanding of a crucial stage in the development of human society.

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The remains of fermented grains and wheat seeds contained in the dishes excavated from the ruins, reveal that the agriculture was carried out in a conscious manner. One of the biggest indicators about the possibility of wheat consumption by grinding, is the mid-drilled round stones shaped as the stone hand mills.

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Finally, these findings proved that, flour milling had first started in the history in Gobeklitepe, Sanliurfa/Turkey, 12.000 years before.

As TUSAF, we care about the discovery and understanding of the past of the wheat as much as we consider its future. All these efforts of us are for understanding the history, appreciate the present and protect the future of the wheat.

Today,
Wheat has the same important role in human life as it had in ancient times!!

And Turkey is motherland of the wheat…

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GRAIN SUPPLY & DEMAND IN TURKEY

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GRAIN PRODUCTION BY REGIONS

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PRODUCTION OF WHEAT BY REGIONS

Regions	2011	2012	2013	2014	2015
Marmara	2.563.218	2.877.948	2.639.079	3.019.397	2.680.148
Blacksea	2.192.473	1.852.298	1.804.634	1.583.629	2.076.318
Cntr. Anatolia	7.647.215	6.203.407	7.679.110	5.874.836	8.111.675
Aegean	1.634.247	1.697.556	1.770.668	1.649.635	1.698.499
Mediterranean	2.627.542	2.413.675	2.535.628	2.111.890	2.475.717
S. E. Anatolia	3.897.363	3.865.506	4.337.014	3.633.912	4.287.713
E. Anatolia	1.237.942	1.189.610	1.283.867	1.126.701	1.269.930
TOTAL	**21.800.000**	**20.100.000**	**22.050.000**	**19.000.000**	**22.600.000**

Data of Tuik & TGB: Turkish Grain Board

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PLANTED AREA OF WHEAT BY REGIONS

Regions	2011	2012	2013	2014	2015
Marmara	845.145	776.294	801.796	829.092	814.522
Blacksea	839.287	794.138	768.134	798.362	796.574
Cntr. Anatolia	2.803.094	2.614.401	2.749.919	2.814.543	2.819.933
Aegean	679.225	657.052	661.819	671.171	655.749
Mediterranean	863.918	753.411	782.509	799.573	778.238
S. E. Anatolia	1.297.458	1.204.330	1.273.982	1.277.613	1.289.098
E. Anatolia	767.873	730.014	734.442	728.854	712.774
TOTAL	**8.096.000**	**7.529.639**	**7.772.600**	**7.919.208**	**7.866.887**

Data of Tuik & TGB

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YIELD OF WHEAT BY REGIONS

Regions	2011	2012	2013	2014	2015
Marmara	303	371	329	365	329
Blacksea	261	233	235	199	261
Cntr. Anatolia	273	237	279	214	288
Aegean	241	258	268	246	259
Mediterranean	304	320	324	265	318
S. E. Anatolia	300	321	340	287	333
E. Anatolia	161	163	175	158	178
TOTAL	**270**	**267**	**285**	**243**	**288**

Data of Tuik & TGB

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PRODUCTION OF CORN BY REGIONS

Regions	2011	2012	2013	2014	2015
Marmara	631.876	581.541	662.596	661.257	575.931
Blacksea	238.913	240.504	239.698	216.492	236.176
Cntr. Anatolia	195.390	426.900	490.079	540.620	828.922
Aegean	578.488	595.290	823.360	844.514	756.876
Mediterranean	1.514.423	1.447.510	2.013.477	2.096.108	2.053.274
S. E. Anatolia	1.012.741	1.265.151	1.625.931	1.544.385	1.916.125
E. Anatolia	10.901	25.193	23.323	24.648	32.696
TOTAL	**4.171.831**	**4.582.089**	**5.878.464**	**5.928.024**	**6.400.000**

- IGC estimation for 2016 production is 5.8 million metric tons

Data of Tuik & TGB

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PRODUCTION OF BARLEY BY REGIONS

Regions	2011	2012	2013	2014	2015
Marmara	346.282	399.271	362.774	383.096	362.590
Blacksea	560.033	471.330	510.363	430.045	523.298
Cntr. Anatolia	3.583.225	3.018.240	3.672.976	2.744.836	3.819.521
Aegean	977.202	968.321	1.009.159	905.706	949.345
Mediterranean	551.971	467.804	537.017	457.884	477.003
S. E. Anatolia	1.026.646	1.245.271	1.243.748	884.203	1.240.037
E. Anatolia	554.641	529.763	563.963	494.230	628.206
TOTAL	**7.600.000**	**7.100.000**	**7.900.000**	**6.300.000**	**8.000.000**

- IGC estimation for 2016 production is 6.6 million tons

Data of Tuik & TGB

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COMPARISION OF PRODUCTION FIGURES WITH TURKISH GRAIN BOARD (TMO) PURCHASE FIGURES

YEARS	WHEAT		BARLEY		CORN	
	PRODUCTION	PURCHASE	PRODUCTION	PURCHASE	PRODUCTION	PURCHASE
2010	19.674.000	980.233	7.250.000	916.526	4.310.000	83.491
2011	21.800.000	823.988	7.600.000	167.214	4.200.000	47.632
2012	20.100.000	1.634.449	7.100.000	-	4.600.000	125.962
2013	22.050.000	1.985.646	7.900.000	1.745	5.900.000	1.373.444
2014	19.000.000	-	6.300.000	-	5.950.000	173.541
2015	22.600.000	3.307.453	8.000.000	473.799	6.400.000	1.753.248

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TMO SALES VOLUMES

YEARS	WHEAT	BARLEY	CORN
2010	2.536.920	679.991	90.572
2011	1.058.609	636.102	362.508
2012	899.701	441.337	24
2013	1.548.842	322.330	251.326
2014	1.739.722	452.695	1.244.271
2015	1.940.582	412.290	280.296
2016/5	3.442.759	73.842	1.033.252

TMO STOCKS AS OF 10.06.2016

WHEAT	1.642.791
BARLEY	477.277
CORN	807.898

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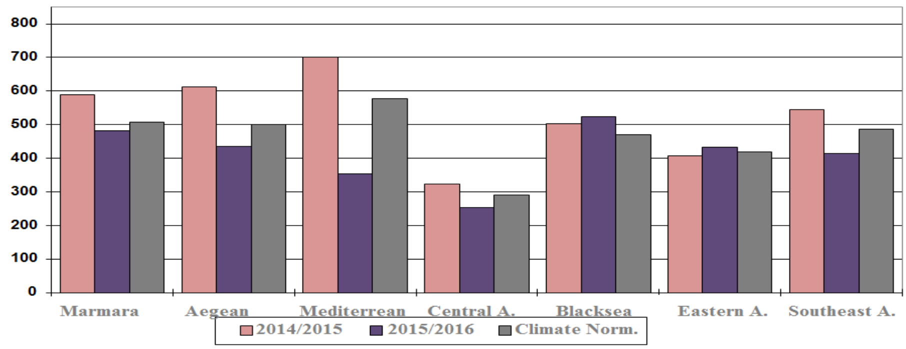
CUMULATIVE RAINS BY REGIONS
(OCTOBER TO APRIL)



May rains were above average
April rains slightly below normals.
Conclusion ; both barley and wheat production in Turkey is forecasted slightly less than last year .

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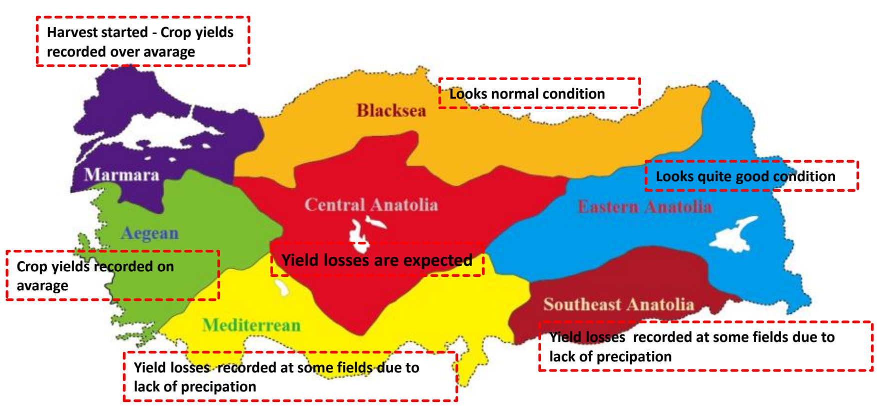
WHEAT YIELD ESTIMATES FOR 2016 BY REGION



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2016/17 PRODUCTION FORECASTS – IGC

- **Wheat** is forecasted at 20.4 million metric tons, compared to 22.6 million metric tons previous crop, %10 lower than the year before.
- **Barley** is forecasted at 6.6 million metric tons, compared to 8.0 million metric tons previous crop, down 17% from 2015/16. The decrease is primarily due to dry weather conditions.
- **Corn** is forecasted at 5.8 million metric tons, compared to 6.4 million metric tons previous crop.
  Some corn producers are expected to plant cotton and soybeans instead of corn.

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TURKEY GRAIN IMPORTS

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TURKEY MAIN GRAIN IMPORT DESTINATIONS

	2014			2015		
	WHEAT	CORN	BARLEY	WHEAT	CORN	BARLEY
RUSSIA	3.986.884	909.517	205.294	2.929.906	785.952	25.000
UKRAINE	171.732	22.096	354.386	248.276	40.047	49.869
KAZAKH	110.339		20.000	26.222		
LITHUNIA	74.861			229.312		
MOLDOVIA	69.269	40.040		32.749	51.179	
GERMANY	58.136					
BOSNIA	41.447	33.367		19.348	59.152	
HUNGARY	33.076				113.579	53.296
ROMANIA	26.449	213.417	49.302	86.497	221.702	21.561
USA	25.732					
BULGARIA		83.381		124.361	54.006	
CANADA				88.052		
FRANCE			34.680	54.693	27.378	
LATVIA				25.000		
SERBIA		118.771			114.487	
DENMARK						21.370

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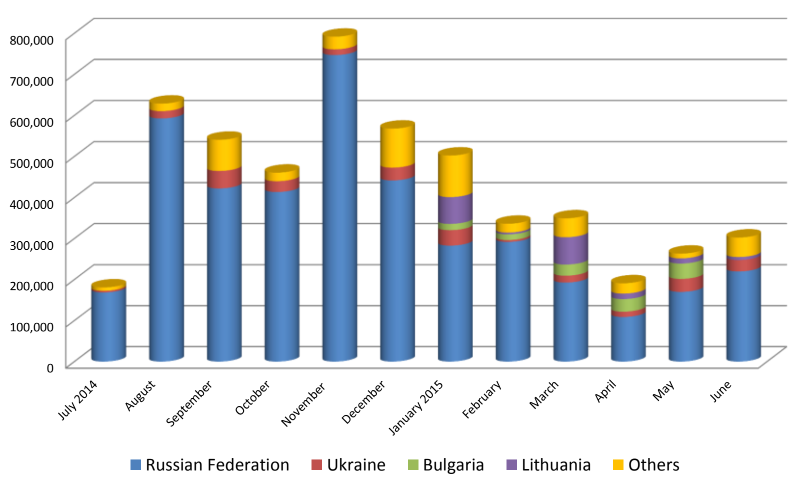
2014/15 CROP YEAR WHEAT IMPORT



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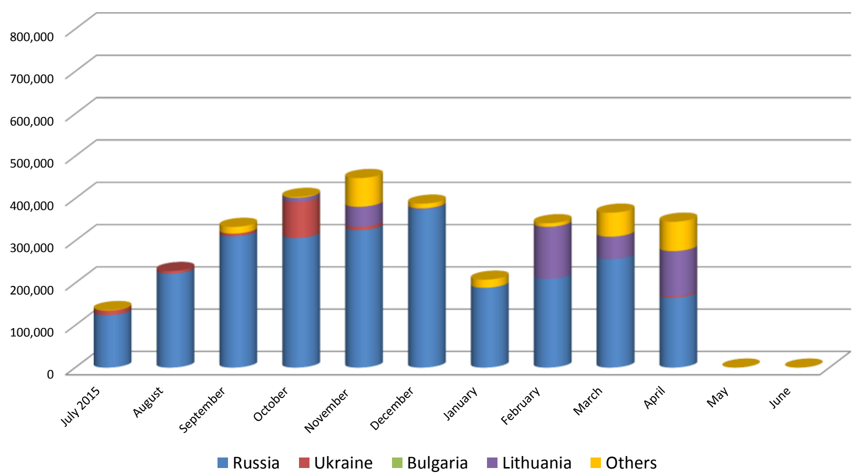
2015/16 CROP YEAR WHEAT IMPORT



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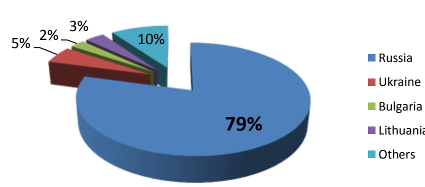
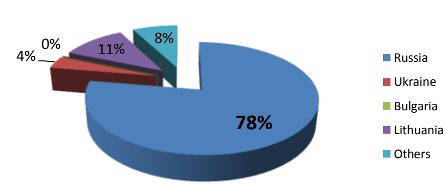
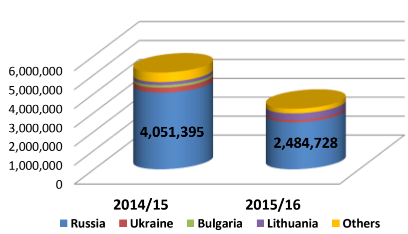
2014/15



2015/16



TOTAL WHEAT IMPORT



	2014/15	2015/16
Russia	4.051.394	2.484.728
Ukraine	267.711	119.848
Lithuania	169.566	343.691
Bulgaria	124.361	0
Others	501.714	251.380
TOTAL	**5.114.749**	**3199.640**

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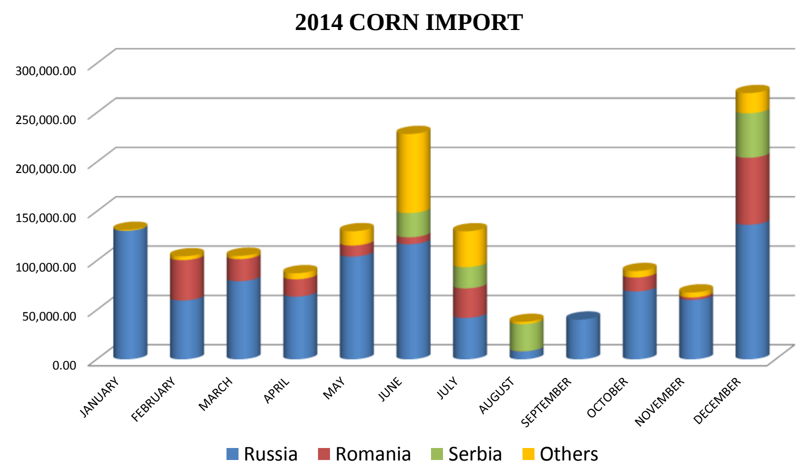

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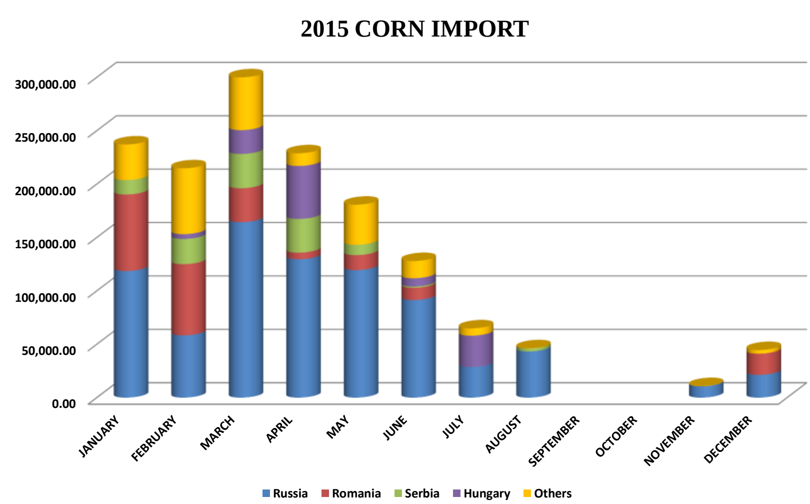

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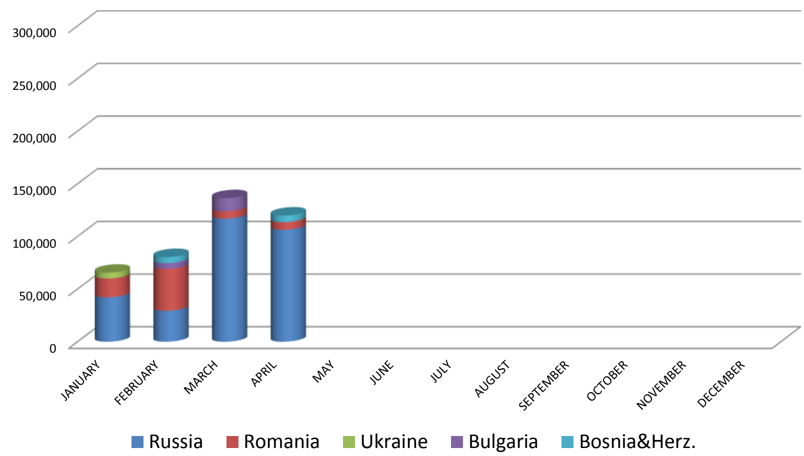
2016 CORN IMPORT



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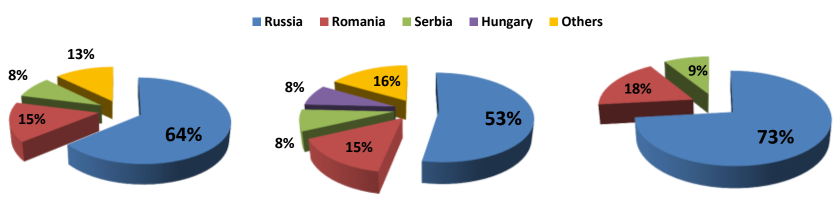
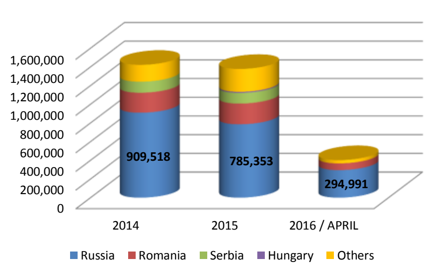


CORN IMPORT



	2014	2015	2016 April
Russia	909.518	785.353	294.991
Romania	213.417	221.701	71.927
Serbia	118.771	114.487	0
Hungary	0	113.580	0
Others	179.910	245.221	35.176
TOTAL	**1.421.616**	**1.480.342**	**402.093**

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TURKEY : FEED MILLING INDUSTRY PRODUCTION

YEAR	PRODUCTION	
1970	218.075	
1980	1.448.991	564%
1990	3.976.082	174%
2000	6.662.226	68%
2010	11.501.123	73%
2015	20.104.983	75%

TURKEY : FEED STUFF EXPORT

	QUANTITY TON	AMOUNT USD
2014	223.000	108.000.000
2015	133.000	71.000.000
2016/3	44.000	2.000.000

TURKEY : FEED RAW MATERIAL IMPORT IN 2015

	2015 IMPORTS TON
Soyabeans	2.254.996
Corn	1.485.023
Wheat Bran	1.133.946
Sunfloewer Seed Meal	799.676
Ddgs	544.783
Soyabean Meal	417.203
Rapeseed	246.741
Corn Gluten Feed Meal	232.178
Molasses	218.912
Barley	154.688
Sugar Beet	126.982
Palm Meal	106.858
OTHERS	584.705
TOTAL	8.306.691

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TURKEY'S WHEAT AVAILABILITY AND FLOUR EXPORT

	2012/13	2013/14	2014/15	2015/16 f.cast	2016/17 Proj.
Production	20.100.000	22.050.000	19.000.000	22.600.000	20.400.000
Import	3.053.570	3.782.052	5.044.544	3.900.000	4.400.000
Beginning Stock	3.200.000	1.500.000	1.700.000	1.800.000	2.200.000
Total Availabilty	26.353.570	27.332.052	25.744.544	28.300.000	27.000.000
Flour Export	1.816.022	2.386.008	2.302.377	3.044.018 (July-May)	3.255.000

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GLOBAL FLOUR TRADE

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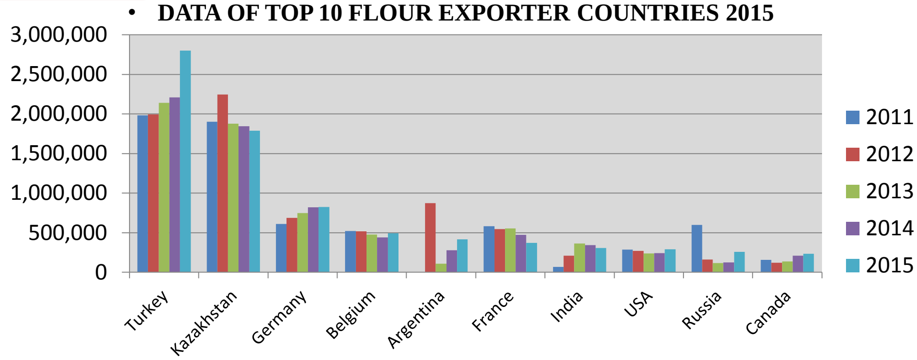
- **DATA OF TOP 10 FLOUR EXPORTER COUNTRIES 2015**



Countries	2011	2012	2013	2014	2015	Countries	2011	2012	2013	2014	2015
Turkey	1.984.727	1.994.461	2.142.367	2.209.928	2.798.540	France	580.691	547.553	552.771	471.956	374.261
Kazakhstan	1.901.847	2.244.661	1.875.851	1.844.840	1.788.364	India	67.857	208.630	364.763	343.842	308.682
Germany	610.287	688.411	748.237	822.431	823.597	USA	286.877	272.697	239.537	240.873	292.676
Belgium	523.021	516.963	478.386	440.011	494.716	Russia	599.528	160.498	116.402	125.374	257.653
Argentina	922,152	875.865	108.365	278.118	418.139	Canada	157.951	122.572	138.461	211.563	235.907

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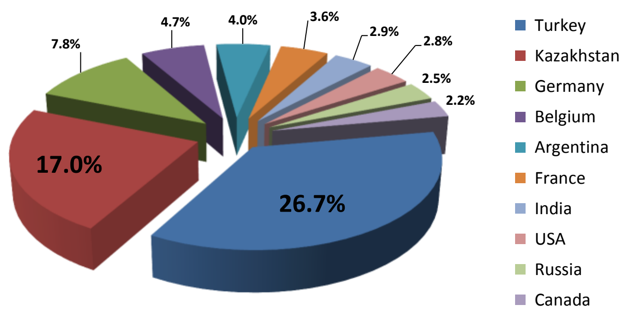
Share of Top 10 Flour Exporter Countries in 2015

- Export Volume of Top 10 Countries is 7.92 million tons. (%75 of Total Export)



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- Turkish flour has been exported to more than 100 countries.
- Besides the nearest countries, Turkish flour is exported to the destinations like Far East, Pacific, North & Middle America with low container prices.

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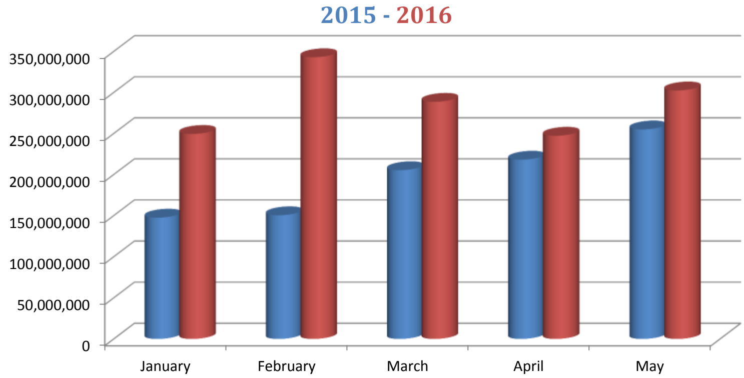
- 2016 January-May Turkish wheat flour export has risen %46,5 compared to last season's first 5 months.
- January, February, March, April and May have monthly record high export volume.



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Direction of Trade, Market Share and Policies

- Global flour trade reached high levels
- Cost of milling increased only moderately compared with increases in wheat prices
- Some importers increased their import of flour rather than wheat grain
- Characteristics of flour export-import countries not changed much in recent years:

Turkey, Kazakhstan and EU have been three main flour exporters.
Iraq, Sudan, Uzbekistan, Afghanistan, Brazil and Indonesia have been the biggest flour importers, with limited wheat production, population increase and absence of domestic grain processing infrastructure.

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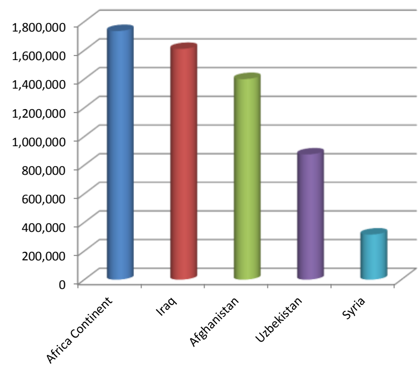
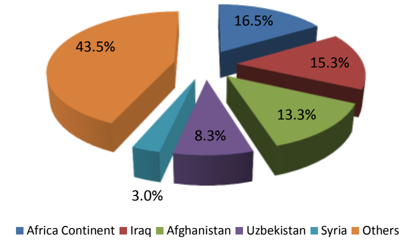
Share of Top 5 Flour Importer Countries in 2015/16 season

- Iraq's import volume is **%15,3** of world total flour import of 10.5 million tons





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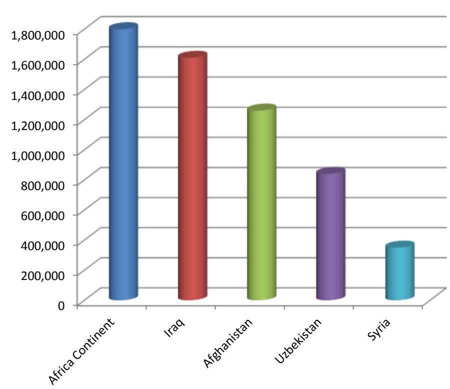
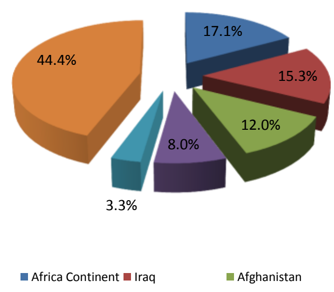
Share of Top 5 Flour Importer Countries in 2016/17 season projection





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MILLING INDUSTRY

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Milling Industry Outlook and Dynamics

- Margins/profitability in milling industry decreased when price volatility of wheat increased since mid-2000. But, sector has witnessed great resilience.
- There are more fragmented markets in less developed regions with low level of capacity utilization. (North of Europe 80%-90%, south of Europe 50%, average of Europe 65%, Kazakhstan 50% , India 45% and Turkey 45%)
- When it comes to risks, price volatility, margin profitability and increased international competition, all studies and country' experiences indicate all millers facing many of the same problems and opportunities as their peers in other regions.
- The approximate cost of grain accounts for 80% of the total cost of flour, followed by other components.
- Like the grain trade, wheat milling is a thin margin business in global world. Wheat millers around the world depend both on wheat market and consumers tastes and requirements.

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Marketplace changes

- Over 50 years, in EU, total mills decreased from 15.,000 to 3,000. Today, number of mills contracted substantially in EU. However, overall capacity has not decreased, due to progress in milling technology, France and German mills' experience. Italian milling industry consolidated but lost its market share in exports, UK milling relatively consolidated and integrated to bakery. Others are in the form of agricultural cooperatives, consolidation of flour market in multiple countries.

- In Turkey, there were 1,250 millers before 2000, then contracted and consolidated to 700 in the 2005. During decade, consolidation has taken place in Kazakhstan, 2,300 millers in 2000, by 2010 this has fallen to 383. By 2011, 1000 mills in India, four big milling companies in Japan produce 80% of total market share. Recent major mergers in US, combined company will operate 44 flour mills, three bakery mix facilities and a specialty bakery.

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TURKEY

- %25 of population is working at agricultural sector.
- Agricultural sector's share from GNP is %8.
- 30.000.000 milling capacity per year.
- Total turnover of milling industry is about 6 billion US Dollars.
- Export volume has been increasing every year since 2006.
- More than 700 flour companies spread every region of the country.

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Short and medium term prospects in milling industry depends :

- Wheat prices and volatility
- Population and income in emerging and developing countries
- The demand for grains for the production of biofuels
- Correlation with oil prices and financial markets
- Stocks relative to use
- Climate changes
- Export restrictions and bans, political risks
- Speculation on future markets
- Merger and need of consolidation in the industry

THANK YOU FOR ATTENTION!

EREN GUNHAN ULUSOY

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TURKISH FLOUR INDUSTRIALISTS' FEDERATION

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