



Turkey: Raw Materials for the Iron and Steel Production

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April 13

SUMMARY

Since 1980, the Turkish iron and steel industry has been one of the fastest growing iron & steel industries in the world. Turkey, with its annual crude steel production, met 2.3 percent of total world production in 2012. The country holds 8th place amongst steel-making countries in the world, and 2nd among long product exporters. A 5.2 percent increase was observed in 2011. Of the largest ten steel producers in the world, Turkey ranks first in increasing its production amount with 7.6 percent. Its annual crude steel production reached 34.1 million tons in 2011.

For many years, Turkey experienced an over production in long products, with shortages in flat steel production. As a result of this, Turkey had become an importer of flat products. Erdemir, a state-owned producer, used to be the sole flat steel producer during that period. However, with the privatization of Erdemir, and new investments of existing steel producers, like Erdemir, Isdemir, Colakoglu, MMK, and Toscelik, flat steel production reached almost 16 million tons. Additionally, there are some completely new investors, like the Japanese Toyo Kohan. Flat steel production capacity is expected to increase to 18.5 million in 2013. Local consumption for flat steel is also increasing due to growing local production for white durable goods, electronic components, automotive, and pipes. Turkey will be exporting remaining flat steel products, as it has been exporting long products for long years.

In addition to expected local consumption, Turkey is also an important exporter. Turkey's location close to growing steel markets, keep the Turkish iron and steel market highly recognized among many others. Some foreign firms also started investing in Turkey to benefit from the growing market of Turkish iron and steel suppliers. Russian MMK has started producing thin slab steel.

U.S. firms may see an increasing need for Turkish raw material imports to feed the local production. Raw materials should be differentiated from input materials, like electrodes that are used to melt scrap, and from auxiliary materials like refractory materials that are very resistant to high temperatures. This report covers the following raw materials: iron scrap, iron ore, hard coal, sponge iron, pig iron, and ferroalloys.

Turkish total raw material imports reached \$12.9 billion in 2012. Turkey is the largest iron scrap importer in the world. Currently, U.S. suppliers have a 28.5 percent market share in total scrap imports of Turkey in 2012. With increasing local production, US firms can easily increase their exports to Turkey. — Your global business partner.

MARKET DEMAND

The market for raw materials for the iron and steel production is expected to grow, as steel production grows. Consumption for iron and steel products in Turkey is estimated to increase to 30.6 million tons in 2013 from 28.5 million tons in 2012. Currently, the construction industry consumes more than half of steel produced in Turkey. However, as industries like automotive, machinery, ship building, and white goods grow, the market structure will change and the share of construction industry will decrease and more products will supply to these industries as it is in developed countries.

Local production meets 30% of scrap need, 30% of iron ore, and only 15% in coal. The rest is imported. The importation amount for each raw material is given in the below table.

Turkey Imports of Raw Material for Iron and Steel Production (2011-2012)

	2011		2012	
	Tons	1000\$	tons	1000\$
Pig iron	1,137,729	598,263	1,376,572	623,942
Ferro alloy	432,549	698,009	427,514	606,591
Sponge iron	172,607	74,569	380,539	140,592
Iron scrap	21,460,461	9,767,305	22,415,030	9,418,971
Iron ore	6,644,309	1,169,657	7,842,125	1,148,804
Coal	4,143,013	1,108,647	4,600,336	991,206
TOTAL		13,416,450		12,930,106

Source: TUIK

Iron scrap is primarily imported from the U.S., Russia, Ukraine, and the EU.

The above table also shows that there was a decrease in total imports in 2012 compared to the year before. This is directly related to the decrease in local production, caused by a global demand decrease in 2012 in the European Union, and an economic slow-down in the Far East.²

Iron scrap imports from the United States is around 2.7 billion dollars, as seen from below table. Coal importation has decreased in 2012 compared to 2011, parallel to total importation. However, with the increasing local production, 2013 and the following years, is estimated to be years for growth in Turkey.

Imports From the United States (2011-2012)

	2011		2012	
	Tons	1000\$	tons	1000\$
Coal	2,110,266	563,068	2,441,983	487,805
Iron scrap	5,817,542	2,691,981	6296,737	2,684,923
Total		3,255,049		3,172,728

Source: TUIK

MARKET DATA

Unit: USD billions

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	18.2	17.7	19.0	20.4
Total Local Production	5.2	5.1	5.5	6.0
Total Exports	0.4	0.3	0.3	0.4
Total Imports	13.4	12.9	13.8	14.8
Imports from the U.S.	3.3	3.2	3.4	3.7
Exchange Rate: 1 USD	1.62	1.81	1.85	1.90

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Turkish local production started through a government initiative in 1939 with the foundation of the first integrated plant, Kardemir. The first privately-owned arc-furnace, Metas, started production in 1960. Total annual production capacity of all integrated plants in Turkey is around 8.5 million tons. Isdemir, Erdemir and Kardemir completed the privatization process recently. More than 20 electric arc furnace (EAF) steel mills realize the rest of the production, with annual production capacities varying between 50.000 and 3.5 million tons. Seventy-two percent of the total 20.5 tons of local production is realized by the EAFs.

Best Prospects

All raw materials listed above, pig iron, ferro alloy, sponge iron, iron scrap, iron ore, and coal, are among best prospects for U.S. exporters, due to local production shortages, and increasing steel production in Turkey.

Key Suppliers

Iron ore is primarily supplied from Australia and Brazil. Ukraine, Russia and the United States supply iron scrap into the Turkish market. The United States additionally supplies the majority of coal used in iron and steel production. Other major suppliers for coal are Australia, Poland, and Canada.

Most end users for raw materials for the iron and steel industry can be reached at <http://www.d cud.org.tr/public/UserFiles/Uyeler.pdf>

Market Entry

To be successful in the Turkish market, most U.S. companies opt to have a local representative or a liaison office. As their business develops, companies can open up subsidiaries. Companies often rely on local experience and knowledge as to how business is done in this exciting market. Knowing the regulatory and business framework is almost an impossible task without the support of a local business partner.

Some “Good-to-know” information to a newcomer to the Turkish market:

- Recognize the strategic importance of Turkey in accessing to other markets in the region:
(Europe, Caspian, Middle East, CIS, North AFRICA)
- Plan, prepare and execute an effective, long term strategy
- Investing in professionally translated marketing material is worth every “kurus”
- Visit Turkey Often --- Personal contact remains key even in the age of Webinars.
- Get “on the ground” advice from professionals already engaged in the market.
- Take time to structure the deal and remember due diligence, including IPR protection.
- Networking is key. Use contacts, including CS/Turkey to help you meet prospective partners/customers. Be aware that iron and steel producers, even though every penny in costs, is very critical, are very conservative in changing their suppliers. Therefore, establishing trust might take a while, however after establishing, most producers are hesitant to changing their suppliers.
- Local Agent is only as good as the U.S. firm is to its agent. It’s a partnership.

The Commercial Service in Turkey has a number of programs and services available to assist the U.S. business community in establishing a presence in this market, e.g., the International Partner Search, the

Gold Key Service, and the International Company Profile. In addition, the Commercial Service in Turkey employs experienced Commercial Specialists with industry sector expertise who can tailor your business approach to the right audience and to advise and steer your company through the often less than transparent bureaucratic procedures that are common in Turkey. To find out more about what we do to help you, please visit our web site at www.buyusa.gov/turkey. The U.S. Commercial Service prepares a 'Country Commercial Guide' every year. You may find detailed information on 'How to Do Business in Turkey' at <http://export.gov/turkey/doingbusinessinturkey/index.asp>

Market Issues and Obstacles

Since 1996, Turkey has a Customs Union agreement with the European Union Countries, meaning customs tax on imports from the EU is zero. However, customs tax on vehicles from non-EU countries, including the United States is high.

The below table shows tariffs and taxes on raw materials.

Tariffs and Taxes On Various Raw Materials

	Customs Tariff	Special Consumption Tax	Value Added Tax
Pig iron (72.01)	2%	0	18%
Ferro alloy (72.02)	2.7% (average)	0	18%
Sponge iron (72.03)	Exempt	0	18%
Iron scrap (72.04)	Exempt	0	18%
Iron ore (26.01)	1%	0	18%
Coal (2701.12.10)	Exempt	0	18%

Trade Events

ANKIROS 2012 – 12th International Iron-Steel & Foundry Technology, Machinery and Products Trade Fair

September 2014 (Dates not certain yet)

Hannover-Messe Ankiros Fuarçılık A.Ş.

For more information: www.ankiros.com

Resources & Contacts

DEMİR ÇELİK ÜRETİCİLERİ DERNEĞİ (Iron and Steel Producers' Association)

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