

TURKEY: Droughts set to drive up food prices, threaten electricity supplies

- The latest in a series of increasingly frequent droughts is expected to produce a poor harvest this year, fueling a further rise in food prices and frustrating the government's hopes of curbing the country's persistently high inflation.
- The lack of rain is also already impacting hydropower and threatening regional brownouts through July and August, when electricity demand in Turkey usually peaks.

Higher-than-normal rainfall in northwest Turkey has meant that the reservoirs that supply Istanbul, the country's largest city, are now at 75% of capacity, up from 18% in January. But the rest of the country is suffering from a lack of rain, with 41 of Turkey's 81 provinces already reporting moderate-to-severe droughts.

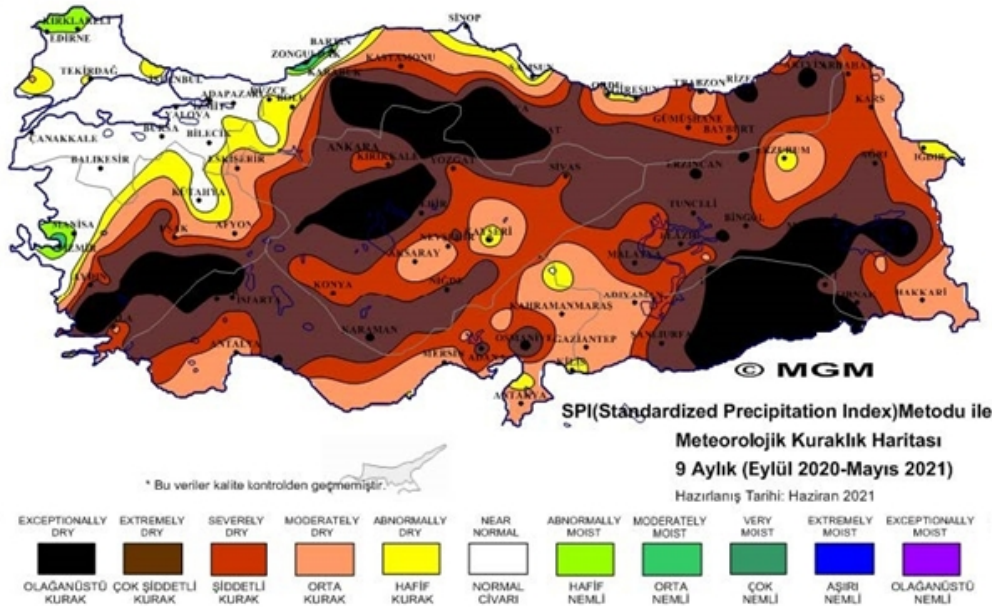
The situation is particularly acute in southeast Turkey, one of the country's main producers of pulses and grains, including wheat and barley, and where rainfall during the key period of October-May was 38% lower than normal. The official – and now highly politicized – Turkish Statistical Institute (Turkstat) forecasts that Turkey's total wheat harvest this year will be around 1.5mn tons lower than last year's figure of 20.5mn tons. But members of the country's agricultural associations are privately predicting that the wheat harvest could be as low as 15-16mn tons in 2021, forcing Turkey to buy even more wheat from abroad. In 2020, wheat imports totaled 9.8mn tons, two-thirds of which were from Russia.

It is a similar situation in southwest Turkey, where rainfall has been more than 30% lower than normal. The region is the country's largest producer of fruit, including tomatoes, both for domestic consumption and exports. Poor harvests are also forecast in other key agricultural areas, such as the eastern Black Sea region, where Turkey is the world's largest producer of hazelnuts.

The drought is already impacting meat and dairy production, not least by driving up the price of domestically produced animal feed. Meanwhile, imported feed, which accounts for around 55% of total supply, has been hit by the recent depreciation of the Turkish Lira.

According to Turkstat, consumer prices of food rose by 17% in the year ending in May 2021, compared with an overall consumer inflation rate of 16.6%. However, in reality, consumer food prices are believed to have risen by closer to 25-30%. Former Turkstat employees have detailed how the institute's management has been manipulating its inflation figures in an attempt to avoid incurring the wrath of President Tayyip Erdogan.

Precipitation Index, Sept 2020 – May 2021



Source: Turkish General Directorate for Meteorology

Yet even Turkstat has reported that producer food prices rose by 30.1% in the year ending in May. When taken together with the repercussions of the drought and the depreciation of the lira, Turkstat will struggle to continue to hide from an increasingly skeptical public the full scale of the rise in the cost of food through the summer months, when inflation in Turkey has traditionally declined.

Surging food prices could also fuel discontent, especially as economics disparities got worse during the pandemic. As indicated by Turkstat's annual survey on income and living conditions, which was released on 15 June, the poverty rate increased by 0.6 percentage points to 21.9% of the population, meaning that 17.9mn people in Turkey are now classified as poor, up from 17.2mn in 2019.

Droughts could also affect power production

Since the late 1980s, droughts have become increasingly more frequent in Turkey. Although climate change is partly responsible, the impact has been exacerbated by bad water management, including poorly maintained infrastructure and inefficient irrigation techniques. Ironically, over the last 30 years – and especially since Erdogan's Justice and Development Party (AKP) took office in November 2002 – the growing frequency of droughts has run parallel to a governmental drive to increase the use of hydropower by damming rivers. In 2020, hydropower produced over 25% of electricity consumed in Turkey, second only to natural gas with 32%. According to the State Hydraulic Works (DSI), Turkey now has over 700 large hydroelectric power plants (HEPPs), most of them located in the provinces hardest hit by the current drought.

Reduced water flow has already resulted in a decline in the electricity produced in HEPPs located on rivers. For example, so far this year the five largest Turkish HEPPs on the river Euphrates have been able to produce only half the electricity they generated in the same period in 2020. As the water levels in the reservoirs decline through the summer months, many of the HEPPs located on dams are also expected to experience significant shortfalls in electricity production, thus increasing the likelihood of regional brownouts.

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