



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 1/19/2000

GAIN Report #TU9058

## Turkey

### Food Processing Sector

1999

Approved by:

**Susan Schayes, Agricultural Counselor**  
U.S. Embassy, Ankara, Turkey

Prepared by:

**Russ Nicely, Agricultural Attache**  
U.S. Embassy, Ankara, Turkey

Drafted by:

**IBS Research & Consultancy, Istanbul**

---

#### Report Highlights:

**The Food Processing Sector in Turkey is large (\$20b), well-developed (24,000 firms), and hard to break into (very high tariffs on many items). EU suppliers have proximity and customs agreement advantages. Expansion in the Turkish economy will drive increasingly fast growth in processed food consumption as incomes go up and tastes and cooking habits change. Funding for this research was provided through the Emerging Markets Program.**

---

Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ankara [TU1], TU

*This report was prepared by the USDA's Foreign Agricultural Service for U.S. exporters of food and agricultural products. This information is in the public domain and may be reprinted without permission. Use of commercial or trade names does not imply approval nor constitute endorsement by USDA/FAS.*

## **Table of Contents**

I. Executive Summary .....	1
II. Market Structure and Subsector Profiles .....	4
III. Competition .....	9
IV. Best Product Prospects .....	10
V. Post Contact Information .....	11

## I. EXECUTIVE SUMMARY

Turkey is one of the world's most dynamic markets for processed food with its large (65.5 million) and young population (52% under age 25). Rising income levels, increasing travel by Turks abroad and by tourists in Turkey, the influence of Western life style as depicted on television and in advertising - all these are causing a radical change in the attitudes and consumption patterns of Turks. Apart from Turkey's consumer revolution mentioned above, two social factors driving the growth of demand are rapid urbanisation and the growing numbers of working women, both of which serve to increase demand for processed foods. Also important is the role Turkey is playing in exporting to Eastern Europe and the newly independent states of the former Soviet Union.

<b>MARKET SIZE OF TURKISH FOOD PROCESSING INDUSTRY</b>					
	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Market Size (Billion US\$)	16.4	17.1	17.8	18.7	19.7
Growth Rate (%)	----	4.2	4.0	5.0	5.3

In 1998 expenditure on processed foods came to an estimated \$20 billion. The growing demands of the new generation of consumers mean that the market has been growing an average of 4-5% per year during the 1990s, up to three times the increase in population (1.5% per year). But annual expenditures on processed food items still only amounts to \$270 per head. It is expected to grow by 5-7% per annum between 2000-2005 according to SPO (State Planning Organisation).

<b>TURKEY'S PROCESSED FOOD BALANCE, 1998</b>				
<b>Producer Prices (\$ million)</b>				
<b>Sub-Sector</b>	<b>Production</b>	<b>Imports</b>	<b>Exports</b>	<b>Consumption</b>
Flour & Flour-based Products	7,212	92	281	7,054
Vegetable Oils	2,527	502	353	2,642
Meat Products	2,519	87	71	2,580
Milk & Dairy Products	1,914	49	16	1,962
Sugar & Confectionary Goods	2,483	29	336	1,847
Beverages	1,879	16	58	1,771
Processed Fruits & Vegetables	2,929	36	1,605	912
Fish Products	157	50	86	220
Others	816	153	143	706
<b>TOTAL</b>	<b>22,435</b>	<b>1,014</b>	<b>2,949</b>	<b>19,694</b>

Turkey, with its rich agricultural sources, has established a developed food-processing industry. There are currently 24,308 food processing firms in Turkey. Most are small to medium sized enterprises. About 2,000 of these firms apply modern technology and a quality warranty system. 55% of the enterprises deal with flour and flour-based productions, 18% in milk and the dairy industry, and 11% in processed fruit and vegetables products. The average capacity utilisation rate in the food processing industry was 70% between 1995 to 1999.

Major US exports to Turkey for processing included rice, wheat, and vegetable oil products, particularly soybean and corn oils, where the United States has the major market share. In other items, the US share has tended to be around 1-2%, with the exception of miscellaneous foodstuffs (including sauces, spices, coffee, malts, starches, etc.) and processed fruit & vegetables, accounting for 7% and 5% of imports, respectively.

Rapid development in the sector has been accompanied by rising foreign investment. In 1998, for instance, such investment in the food and beverage industries amounted to \$117 million, equivalent to 8% of all foreign investment that year in Turkey. Most of the industry was established by local investors, but foreign investment is increasing. In 1998, foreign companies invested \$100 million in food processing and \$17 million in beverages. 21 out of 75 food industry companies within Turkey's top 500 companies have foreign capital. There are 119 companies in the food industry with foreign capital, 18 of which have US direct investment.

After 1983, the Turkish government began to liberalize import policies. As a result, various kinds of imported food products that were not previously available are becoming familiar to Turkish consumers; and newly imported products that have enjoyed good sales are now beginning to be produced in-country by local manufacturers. Examples of this trend are Milka confectionary, produced by Marsa Kraft Jacobs, and fruit yogurts, now produced by Mis Sut and Pinar Sut, two of the leading industrial milk and dairy product companies.

With the movement in the retail sector in the 1990s away from small grocery stores and towards super- & hyper-markets, consumer expectations have changed significantly. Faced with an increasingly diverse range of products, quality and price, consumers have become more exacting. In response to the increasing expectations of consumers, food retail outlets, especially international operations like CarrefourSa, Real, and Metro, are demanding higher, EU-level quality standards from Turkish food manufacturers.

This trend has led to new investments and quality improvements within the sector - a local cheese manufacturer, for example, was prompted to invest in order to meet CarrefourSa's quality standards. The company now produces specialty cheeses to compete with European products.

Rapid change in consumption patterns has led Turkish food processors to begin investing in ready-to-eat meals and frozen food products. This is a trend that is set to continue into the 2000s. Tusas, one of the biggest canned tomato paste manufacturers, is planning to invest in the ready-to-eat meal sub-sector, and Transmar is one of the first companies to invest in frozen ready-to-cook meals, focusing particularly on traditional and local dishes.

Due to the rising quality standards in the Turkish and international markets, Turkish food processors are coming to use higher quality food ingredients, rejecting those additives that are not widely accepted in the European and US markets. As a part of this general raising of quality standards, major investments are expected in hygienic packaging systems.

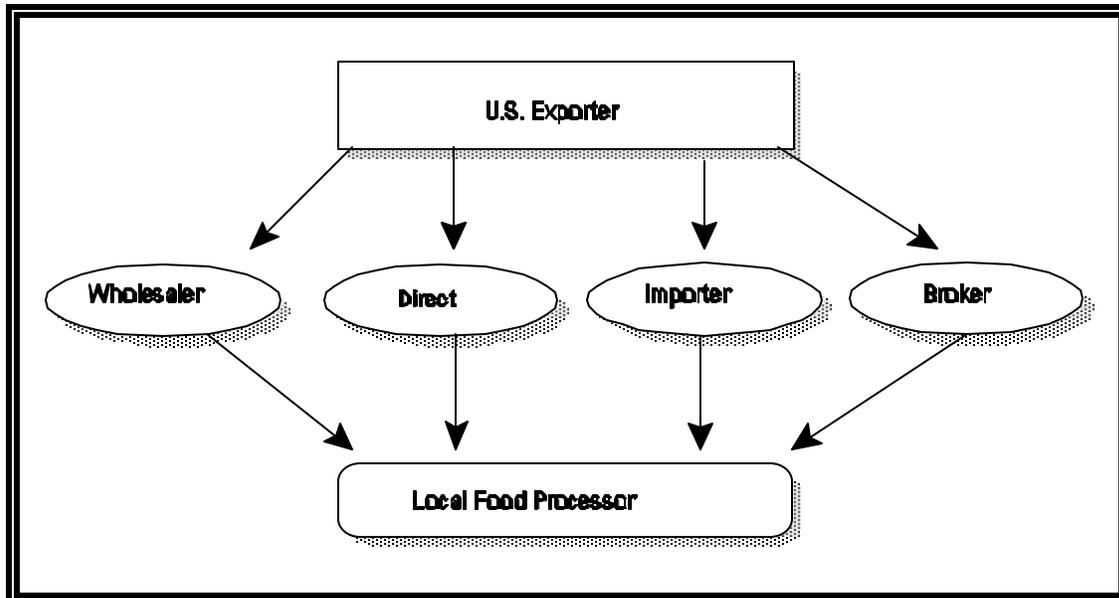
The following is a summary of the advantages and challenges facing US processed food products and ingredients in Turkey:

<b>Advantages</b>	<b>Challenges</b>
Turkey has a highly developed food-processing sector with \$3 billion in exports in 1998.	Customs Union with the EU created a privileged position for EU exports to Turkey.
Turkey is playing an important role in exporting to Eastern Europe and the newly independent states of the former Soviet Union.	Transportation costs are less for nearby supplier countries.
Some US products offer lower prices than local products.	There are high import duties on particular products (Between 12% to 240% on bulk agricultural commodities and 6% to 140% on processed food products) and quotas on others.
There is a decline in local production of particular products - namely red & green lentils and chick peas.	There is a well-developed local food processing industry providing most needed items.
Southern Anatolian Project (GAP) offers many opportunities for foreign investors.	European investors, especially from Germany, Italy, the Netherlands and Israel, have been the first to seize investment opportunities in the GAP region.

## II. MARKET STRUCTURE AND SUBSECTOR PROFILES

### A. Distribution Channels

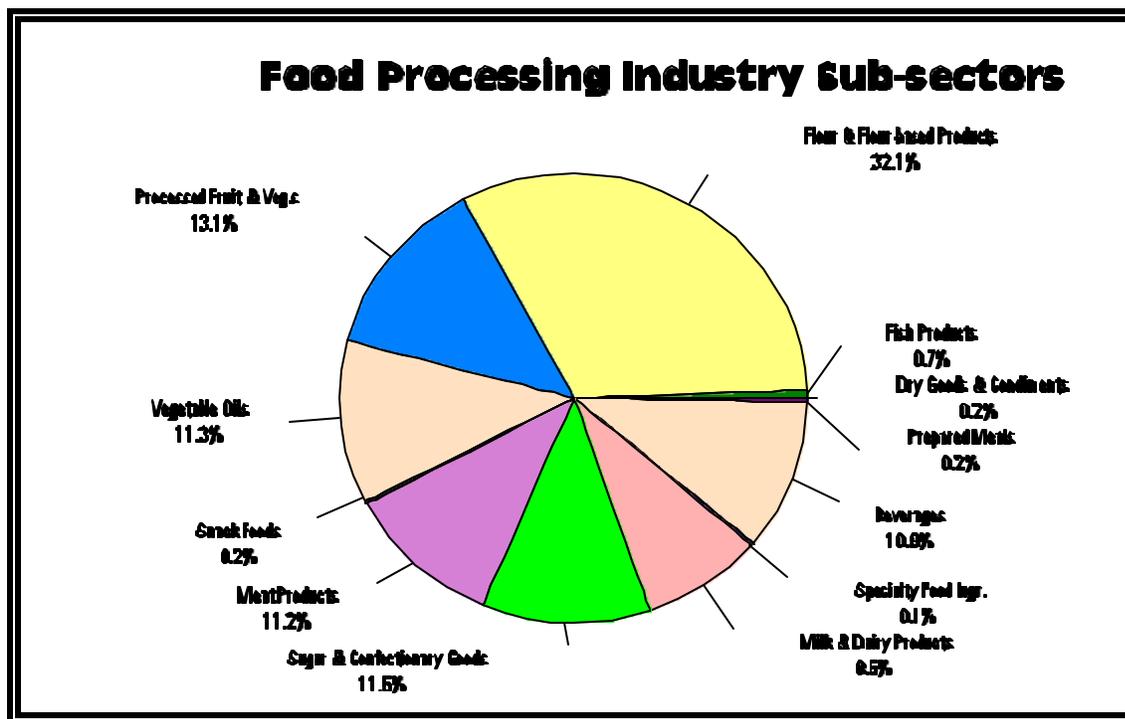
Large food processors prefer to import their food supplies directly most of the time. However, small to medium sized processors get in contact with importers, brokers, and/or wholesalers. The usual situation is that the importer is also a wholesaler or vice-versa. The chart below shows the flow of product through the distribution chain.



The best way to get in the Turkish market is to first identify the right importer, by first obtaining a list of importer/distributors - lists are available from the FAS offices in Turkey. U.S. exporters may also want to visit or exhibit in Turkish retail food, food processing, and hotel/restaurant trade shows in Turkey. Please refer to a quarterly report on *Promotion Opportunities* put out by the FAS office in Turkey - it can be found in the reports section of the FAS Webpage. Also, getting in touch with specialized Turkish institutions such as TUGIDER (Association of Food Importers) and DEIK (Foreign Economic Relations Board) who are involved in trade facilitation, can be very useful. There are about 75 specialist food import companies, of which 40 are members of TUGIDER. This organization can be contacted at telephone number (90) (212) 275-2688, at fax number (90) (212) 276-5600 or at [www.tugider.org.tr](http://www.tugider.org.tr). DEIK assists Turkish businesses who are interested in moving into international commerce. DEIK can be contacted at telephone number (90) (212) 243-4180, fax (90) (212) 243-4184, or at [www.deik.org.tr](http://www.deik.org.tr).

## B. Sub-Sector Profiles

The production of processed foods has been increasing by 4-5% per year. The Government of Turkey's State Planning Organisation (SPO) figures indicate that production rose by 5.3% in 1998. The fastest growing area in recent years has been in poultry and meat products, where growth has been over twice the average for processed foodstuffs as a whole. Processed fruit and vegetables have had an average 9% growth in the last three years, enjoying a particularly high rate in 1998, at 17%. In the last three years processed fruit and vegetables have also been an important part of Turkey's total food exports (49%). Vegetable oils have also performed strongly. Laggards include flour, flour-based products, and sugar and confectionery goods, whose exports were reduced dramatically by the economic crises experienced by many of Turkey's trading partners, especially Russia.



There were 122 new investment projects in the food sector in 1998. Major investment areas were dairy goods, flour & flour-based products, and olive oil manufacturing industries. Product differentiation, especially in the dairy products industry, continued with the establishment of a new variety of cheeses and yogurts (especially fruit and specialty yogurts featuring easier digestibility). Other important investment areas were in the canned vegetable & fruit and frozen food industries, set to be among the most active food industry sub-sectors in the 2000s.

<b>Food Processing Industry Sub-Sectors</b>	<b>Number of Firms</b>	<b>Sales at Producer Prices (\$ Million) CY 1998</b>	<b>Estimated Annual Growth (%)</b>
Flour and Flour-based Products	13,397	7,212	-1
Vegetable Oils	871	2,527	-7
Meat products	720	2,519	13
Milk & Dairy Products	4,500	1,914	4
Sugar & Confectionary Goods	950	2,572	5
Beverages	350	2,439	6
Processed Fruit & Vegetables	2,738	2,929	17
Fish Products	146	157	1
Snack Foods	45	50	25
Dry Goods & Condiments	350	50	10
Prepared Meals	121	37	8
Specialized Food Ingredients	120	30	15
Total	24,308	22,435	4

The flour and flour-based products industry accounts for 32% of processed food output, a reflection of Turkey's role as a major producer of wheat (16-19 million tonnes per year) and barley (7-8 million tonnes per year). Turkey is second only to Italy as a manufacturer of pasta, and is a major exporter. In the pasta sector, only very specialized niche products and fresh pasta have a chance of being competitive.

Pastry production totals an estimated 20,000 tonnes per year, 80% of this being fresh (unpackaged) and produced in small store-front operations. These small stores are the major consumers of concentrated milk and cream, mainly imported from European countries and the United States. Although Turkey possesses a significant cookie & cracker production sector, with output at approximately 400,000 tonnes per year, market opportunities exist for luxury cookie and cracker products.

In the vegetable oil processing industry, Turkey has insufficient domestic oil seed production to meet demand - in 1998 the import share of oil seeds was 49% of the total food ingredients imported into Turkey. Additionally, there has been over-capacity in the vegetable oil manufacturing industry for the last five years, with a utilization rate of around 45%.

In the meat sector, low stock quality has led to extremely low yields: Turkey needs to invest in all aspects of herd improvement. The contribution of the private sector is expected to increase considerably in the coming years, with

demand expected for consultancy services on product development and techniques.

Milk consumption is still low in Turkey - 20 litres per capita - one-tenth that of many European countries. The considerable opportunities have spurred the dairy sector's fast development, led by the privatization of 41 plants of SEK, the state dairy producer, now mostly owned by the Koc group. Other major companies are Pinar Milk, Nestle (Mis Milk), and Sutas.

Turkey is the fifth largest producer of vegetables in the world and the ninth largest producer of fruit. With this abundance of fresh produce, processed fruit and vegetables are not as popular in Turkey. Tropical fruit and vegetables and off-season items have strong potential.

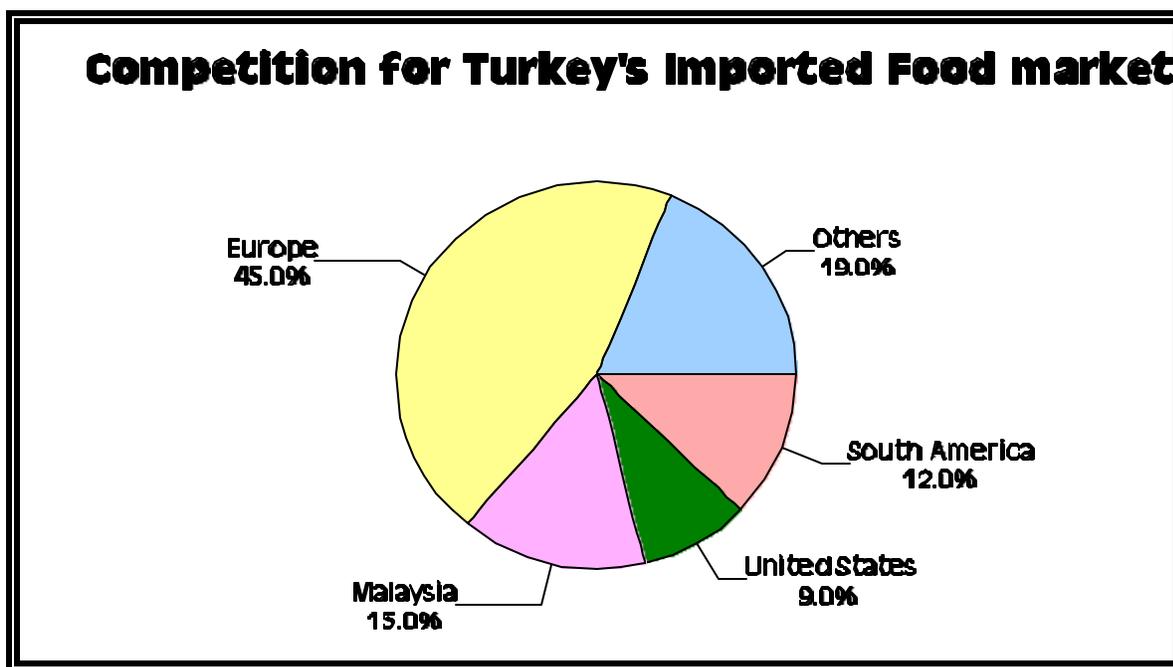
The market for soft drinks and alcoholic beverages is booming. Consumption of soft and carbonated drinks is rising by an annual 15%. Tekel is the sole local producer, importer, and distributor of spirits, such as vodka, gin, cognac, liqueurs, and raki, a popular aniseed-based drink. This monopoly is due to be lifted, prompting most of the world's major spirit companies to start developing their distribution structures. Whisky and champagne can be imported by others.

<b>Profiles of Major Food Processing Companies</b>				
<b>Company Name</b>	<b>Food Sales CY 1998</b>	<b>End-use Channel</b>	<b>Plant Location</b>	<b>Procurement Channels</b>
<b>TOBACCO</b>				
Tekel	2,473	Retail	Nationwide	Importers, Direct
Philsa	1,164	Retail	Izmir	Importers, Direct
R.J. Reynolds	298	Retail	Izmir	Importers, Direct
Socotab	139	Mfg.	Izmir	Direct
Dimon	72	Mfg.	Izmir	Direct
<b>VEG. OIL</b>				
Trakya Oil	342	Retail, HRI	Edirne	Wholesaler, Direct
Unilever	300	Retail, HRI	Istanbul	Imp., Whsle., Direct
Henkel Turyag	137	Retail, HRI	Izmir	Importers, Wholesaler
Paksoy	63	Retail, HRI	Adana	Importers, Wholesaler
Edirne Oil	55	Retail, HRI	Edirne	Importers, Direct
<b>SUGAR&amp;CONFECTIONARY</b>				
Turkey Sugar Plants	1,177	Retail, FP	Nationwide	Wholesaler, Direct
Ulker Food	240	Retail, HRI	Istanbul	Importers, Wholesaler
Konya Sugar	207	Retail, FP	Konya	Wholesaler, Direct
Kent Food	135	Retail, HRI	Istanbul	Imp., Whsle., Direct
Kayseri Sugar Plant	122	Retail, FP	Kayseri	Wholesaler, Direct
<b>MILK &amp; DAIRY</b>				
Pinar Milk	195	Retail, HRI	Izmir	Imp., Whsle., Direct
Mis Milk	120	Retail, HRI	Balikesir	Imp., Whsle., Direct
Sutas Milk	92	Retail, HRI	Bursa	Imp., Whsle., Direct
SEK Milk	48	Retail, HRI	Istanbul	Imp., Whsle., Direct
Yorsan Milk	33	Retail, HRI	Balikesir	Imp., Whsle., Direct

<b>Profiles of Major Food Processing Companies</b>				
<b>MEAT PRODUCTS</b>				
Pinar Meat	182	Retail, HRI	Izmir	Imp., Whsle., Direct
Banvit Chicken	127	Retail, HRI	Balikesir	Imp., Whsle., Direct
Maret Meat	87	Retail, HRI	Istanbul	Imp., Whsle., Direct
Mudurnu Chicken	70	Retail, HRI	Bolu	Imp., Whsle., Direct
Ozhen Chicken	55	Retail, HRI	Bolu	Wholesaler, Direct
<b>FRUIT &amp; PRODUCTS</b>				
Tat	81	Retail, HRI	Bursa	Imp., Whsle., Direct
Kerevitas	61	Retail, HRI	Bursa	Imp., Whsle., Direct
Tamek Food	60	Retail, HRI	Bursa	Imp., Whsle., Direct
Dardanel	58	Retail, HRI	Canakkale	Imp., Whsle., Direct
Taris	53	Retail, HRI	Izmir	Imp., Whsle., Direct
<b>FLOUR &amp; FLOUR-BASED</b>				
Ulker	172	Retail, HRI	Eskisehir	Imp., Whsle., Direct
Eti	71	Retail, HRI	Eskisehir	Imp., Whsle., Direct
Ankara Flour	49	Retail, HRI	Ankara	Imp., Whsle., Direct
Maktas	49	Retail, HRI	Izmir	Imp., Whsle., Direct
Filiz	48	Retail, HRI	Bolu	Imp., Whsle., Direct
<b>BEVERAGES</b>				
Coca-Cola	430	Retail, HRI	Regional	Wholesaler, Direct
Fruko-Tamek (Pepsi)	256	Retail, HRI	Istanbul	Wholesaler, Direct
Ege Brewery	158	Retail, HRI	Izmir	Imp., Whsle., Direct
Erciyas Brewery	146	Retail, HRI	Istanbul	Imp., Whsle., Direct
Guney Brewery	72	Retail, HRI	Adana	Imp., Whsle., Direct
<b>OTHER</b>				
Caykur (Tea)	435	Retail	Rize	Imp., Whsle., Direct
Marsa Kraft Jacobs (Instant	274	Retail, HRI	Adana	Importers, Wholesaler,
Ustun Food (Chocolate)	130	Retail, HRI	Istanbul	Imp., Whsle., Direct
Anadolu Food (Cookies,crackers)	119	Retail, HRI	Ankara	Imp., Whsle., Direct
Ozkasikci Bulkon (Pastries,	46	Retail, HRI	Ankara	Importers, Wholesaler

### III. COMPETITION

Based on Government of Turkey statistics, as of 1998, the US held second place in overall food exports to Turkey from any single country. Turkey's major import item was vegetable oils. Malaysia was the major exporter, with a high level of palm oil exports (99% share of its total exports).



The main competition for US food products in Turkey are products from European countries. Altogether they have a 45% share of Turkey's total food imports. The key advantage is in the Customs Union Agreement. According to this agreement, Turkey has begun to eliminate all duties and equivalent charges on imports of industrial and selected agricultural goods from the EU. Other competitors are South American countries, offering similar products as the United States. For instance, Argentina exported wheat, vegetable oils and fruit and vegetables to Turkey.

Within the total seafood market segment, imports have a 41% share of total seafood consumption in 1998. The second and third largest imports are raw vegetable oils and special food products, such as artificial sugar products like glucose and lactose, and imitation food ingredients like fruit aroma, coloring agents, etc. Due to its less developed food chemicals sector, Turkey is especially dependent on imported food additives and artificial food ingredients. Although Cargill Foods, PNF, and Amilyum Nisasta produce glucose and lactose in Turkey, their production has not met the increasing local demand.

France, the Netherlands, the United States, Germany and the UK are the major exporters of food additives and artificial food ingredients to Turkey. The market share of the top five countries was 90% in this market. In this sector in 1998, France's share was 32%, Germany's 19%, followed by the United States with 17%.

#### IV. BEST PRODUCT PROSPECTS

##### Products now present in the market

*Vegetable oils:* make up about 50% of total food imports by Turkey, and provide some of the best prospects for exports. There is also a huge demand for other vegetable oils, such as palm oil and soy oil, both for domestic production and export. Blended oil products are now allowed to be marketed for the first time. The following table presents a breakdown of vegetable oils and other major processed food items in the Turkish market, based on GOT statistics.

<b>Major Food Imports by Turkey, 1998</b>	
<b>Type</b>	<b>Share (%) of Food Sector Imports by Turkey</b>
Total Vegetable Oil Imports	49
Palm Oil	13
Sunflower Oil	12
Soy Oil	11
Coconut oil	4
Others	9
Legumes	9
Coffee and Tea	6
Cocoa	5
Frozen fish	4
Milk and Cream	3
Yeast	2
Others	22

*Coffee & Tea:* This is the third group of major import items, and is mainly imported in bulk and then packaged in Turkey. Brazil is the leading country in coffee bean exports to Turkey. Instant coffee is mainly exported by Germany, Switzerland and the UK. The major brands are Nestle and Jacobs. A few US companies are active in the aromatic filter coffee market. (US-style coffee is known as "filter" coffee.)

*Cocoa:* Cocoa is also mainly imported by Turkey in bulk and packaged by Nestle, Marsa Kraft Jacobs, and also by distributors and wholesalers.

*Milk & Dairy Products:* Demand for milk & dairy products is growing. Besides milk powder, there have been increasing imports of cheese and butter in the last three years, especially from France, Denmark, the Netherlands and Germany.

*Seafood*: In the frozen and canned seafood processing industry, imports are made up mainly by tuna fish, octopus and shrimps, demand for which cannot be met by local production. Premium products with excellent packaging have stronger possibilities than economy items.

### **Products with strong sales potential but not substantially in the market**

*Food additives and artificial food ingredients*: this has become a major potential area due to low domestic production. The Turkish food processing industry has become very sensitive to quality standards due to export-oriented production which necessitates producing at international food standards, especially to European and US standards.

### **Products not successful in the market**

Import barriers implemented by the Ministry of Agriculture on some products like *meat*, *sunflower seeds*, and *sugar*, to protect local producers, make it very difficult for importation, even when market forces would make such imports desirable. For instance, although the EU has a negotiated quota, imports of *meat* have been completely prohibited. *Poultry* imports require certification, among other requirements, of production facilities by Turkish authorities, at the importer's expense. On *sugar* there is a 100% tax that prohibits its import. The import tariff rate on *sunflower oil* is 38%, but only 12% for all other vegetable oils. Imported *wines* and *beer* are not available in supermarkets or stores, only for on-premise consumption sales and face very high tariff levels. *Dry peas*: are used in small amounts in the canned food industry for exports, being cheaper than local green peas. Mostly imported from the United States, they are not popular in the Turkish market due to their smaller size and a taste perceived as not as fresh as local production. *Fresh fruits* are difficult to import, unless they are generally not available (off-season or tropicals) in Turkey, since local production is so plentiful.

## **V. POST CONTACT INFORMATION**

FOREIGN AGRICULTURAL SERVICE  
EMBASSY of the UNITED STATES  
110 ATATURK BULVARI  
ANKARA, TURKEY  
TEL: (90-312) 468-6129  
FAX: (90-312) 467-0056  
INTERNET: [agankara@fas.usda.gov](mailto:agankara@fas.usda.gov)  
HOMEPAGE: [www.usis-ankara.org.tr](http://www.usis-ankara.org.tr)

For more information on other high value food and sector reports for Turkey or other countries around the world, please refer to the FAS homepage, URL address of

<http://www.fas.usda.gov>

IBS Research & Consultancy can be contacted at:  
Kizilkaya Apt. Tel: (90) (212) 231-0481 / Fax: (90) (212) 231-6614  
Abdi Ipekci Cad 59/4-6 e-mail: [mail@ibsresearch.com](mailto:mail@ibsresearch.com)  
Macka, 80200 Istanbul

Turkey