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## Turkey

## Tobacco and Products

## Semi Annual

## 2000

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### **Report Highlights:**

The GOT is determined to reduce oriental tobacco production and plans to decrease production from 189,000 MT in MY2000 to 150,000MT in MY2001. Exports are also lower at an estimated 75,500MT in MY2000. Non-oriental tobacco imports-flue cured and burley-continue to increase in line with expansion of manufacturing facilities. Privatization plans for TEKEL are proceeding but private manufacturers remain concerned about some aspects of a proposed new tobacco law.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Semi-Annual Report  
Ankara [TU1], TU

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## Executive Summary

Total MY2000 tobacco production is now estimated at about 197,000MT (farm weight) for all types of tobacco, including 189,000MT oriental tobacco. Non-oriental tobacco (flue-cured and burley) production for MY2000 remains low, despite increasing domestic consumption. Turkish flue-cured production is about 6,000MT and burley about 2,000MT. The GOT plans to limit oriental tobacco MY 2001 production to 150,000MT to keep the stocks at manageable levels and to conform to related budgetary targets which are included in Turkey's agreements with the IMF. In an effort to reduce incentives for production of certain crops, including tobacco, GOT officials are working with the World Bank to implement a program which would replace producer price subsidies with direct farm income support.

Turkish oriental tobacco exports decreased sharply during the first eight months of MY2000 to 47,289MT and are expected to reach 75,000MT at the end of the year compared to 115,340MT exports in 1999. The reasons for the decline are the anti-smoking movement in the western world, mostly in the United States, and economic difficulties in the FSU. During the first eight months of the year the EU continue to be the leading importer(19,924MT) of Turkish tobacco followed by the United States(13,4083MT) and FSU(5,103MT).

According to official (but non-differentiated) data for the first six months of MY2000, Turkey imported a total of 41,527MT of non-oriental tobacco, of which 27,000MT is estimated to be flue-cured (unstemmed and stem) and 14,527MT of burley tobacco. The United States was again the leading supplier of both types with total US imports at 14,988MT. Turkey also imported about 9,514MT of reconstituted tobacco of which ninety-five percent was from the United States. Precut tobacco imports were about 1,737MT and Switzerland was the leading supplier at 1,631MT. Higher than usual imports during MY2000 are attributed to stocks building efforts by manufacturers and accumulated shipments of the U.S. tobacco by TEKEL. Turkish exports of non-oriental tobacco during the first eight months of the year was negligible at 490 MT.

While domestic consumption remained constant, cigarette production and exports increased. Total domestic disappearance is at about 115,5 billion pieces for MY2000 and is estimated to be same in MY2001. Stable domestic consumption, after sudden increases in 1999, is attributed to lower leakage thru border trade to Northern Iraq.

A new law has been prepared for privatization of TEKEL which would separate TEKEL's cigarette manufacturing and leaf tobacco buying divisions and allow TEKEL to form partnerships with other firms. Private manufacturers have indicated their concern that certain aspects of the bill would adversely affect trade by forcing them to purchase equivalent amounts of domestic and imported tobaccos, and limiting the use of imported tobacco in exported cigarettes.

To meet domestic and export demand, manufacturers have increased their production capacity and investing in new plants. Phillip Morris finalized its project to increase its production capacity at her plant in Torbali, Izmir to 30 billion pieces. RJ Reynold is reported to also have plans to increase its production to 28 billion pieces from the present capacity of 20 billion. TEKEL is planning to re-equip an idle cigarette plant in Manisa to achieve a capacity of 5 billion pieces per shift. BAT, which previously tried to purchase some of TEKEL's brands and facilities, is reported to be buying a land to build a 2 billion pieces capacity plant in Izmir.

Turkish cigarette exports in 2000 are expected to reach 12.5 billion pieces. Ninety-five percent of the exports are done by one private manufacturers and the rest by TEKEL. Main destinations include the Middle Eastern countries and the FSU are the main export destinations.

The tobacco import duty and fund charges remain 25 percent and US\$3 per kilogram respectively.

## Cigarette Prices:

During the last six months, private producers have made small adjustments on their sales prices, although TEKEL prices remained stable, in an effort to comply with government price guidelines aimed at reducing inflation.

Company&Brand (Pack of 20)	October 2000 Price(US\$=675,000)	April 2000 Price(US\$=607,000)
=====	=====	=====
Phillip Morris:		
Marlboro 100's	900,000	850,000
Marlboro Light	900,000	850,000
Marlboro 85's	850,000	800,000
Parliament	900,000	800,000
L&M 100's	650,000	600,000
L&M 85 mm	600,000	550,000
Chesterfield	600,000	550,000
RJ Reynold:		
Camel 85mm Light	850,000	800,000
Camel 85 mm Light	850,000	800,000
Salem	900,000	850,000
Monte Carlo 100's	550,000	500,000
Winston 100's	650,000	600,000
TEKEL		
Maltepe 100's	325,000	325,000
Maltepe 85 mm	275,000	275,000
Samsun 100's	325,000	325,000
Samsun 85 mm	275,000	275,000
TEKEL 2000 100's	650,000	650,000
TEKEL 2000 85 mm	600,000	600,000
TEKEL 2001 100's	500,000	500,000
Yeni Harman	350,000	325,000

**Total Unmanufactured Tobacco, PS&D**

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	283600	261441	269900	213000	0	173500
Beginning Stocks	311010	310010	335150	329499	339160	365859
Farm Sales Weight Prod	260000	250484	238600	197000	0	158800
Dry Weight Production	215640	207830	197260	163660	0	132305
U.S. Leaf Imports	25000	17184	24000	24500	0	26300
Other Foreign Imports	18000	28815	20500	38000	0	32500
TOTAL Imports	43000	45999	44500	62500	0	58800
TOTAL SUPPLY	569650	563839	576910	555659	339160	556964
Exports	125500	115840	125000	75500	0	75500
Dom. Leaf Consumption	67000	74500	69750	69000	0	69700
U.S. Leaf Dom. Consum.	25000	25000	24000	25800	0	27000
Other Foreign Consump.	17000	19000	19000	19500	0	23000
TOTAL Dom. Consumption	109000	118500	112750	114300	0	119700
TOTAL Disappearance	234500	234340	237750	189800	0	195200
Ending Stocks	335150	329499	339160	365859	0	361764
TOTAL DISTRIBUTION	569650	563839	576910	555659	0	556964

**Oriental Tobacco, P,S&D**

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Oriental				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	280000	258420	260000	210000	0	170000
Beginning Stocks	297561	297561	319561	313821	321561	332821
Farm Sales Weight Prod	252000	242900	230000	189,000	0	150000
Dry Weight Production	209000	201600	190000	157000	0	125000
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	506561	499161	509561	470821	321561	457821
Exports	125000	115340	125000	75000	0	75000
Dom. Leaf Consumption	62000	70,000	63000	63000	0	63000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	62000	70000	63000	63000	0	63000
TOTAL Disappearance	187000	185340	188000	138000	0	138000
Ending Stocks	319561	313821	321561	332821	0	319821
TOTAL DISTRIBUTION	506561	499161	509561	470821	0	457821

**Tobacco Trade Matrix**

Export Trade Matrix			
Country	Turkey		
Commodity	Tobacco, Unmfg., Oriental		
Time period	MY2000	Units:	Metric tons
Exports for:			1
U.S.	13408	U.S.	
Others		Others	
Germany	6616		
Russia	4228		
Holland	2935		
Japan	2662		
Spain	2426		
France	2406		
Italy	2268		
S.Korea	1147		
Austria	1049		
Malaysia	1024		
Total for Others	26761		0
Others not Listed	7120		
Grand Total	47289		0

**Flue Cured Tobacco, PS&D**

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Flue Cured				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	2500	2272	2800	2400	0	2600
Beginning Stocks	8281	8281	9431	10331	10931	20831
Farm Sales Weight Prod	5600	5684	6000	6000	0	6600
Dry Weight Production	4650	4650	5000	5000	0	5480
U.S. Leaf Imports	16000	11170	16000	17000	0	17500
Other Foreign Imports	11000	18730	12000	24000	0	20500
TOTAL Imports	27000	29900	28000	41000	0	38000
TOTAL SUPPLY	39931	42831	42431	56331	10931	64311
Exports	500	500	0	500	0	500
Dom. Leaf Consumption	3000	3000	4500	4500	0	5000
U.S. Leaf Dom. Consum.	16000	17000	16000	17500	0	18500
Other Foreign Consump.	11000	12000	11000	13000	0	15000
TOTAL Dom. Consumption	30000	32000	31500	35000	0	38500
TOTAL Disappearance	30500	32500	31500	35500	0	39000
Ending Stocks	9431	10331	10931	20831	0	25311
TOTAL DISTRIBUTION	39931	42831	42431	56331	0	64311

**Burley Tobacco, P,S&D**

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	1000	750	1100	800	0	900
Beginning Stocks	4168	4168	5158	5347	5668	11207
Farm Sales Weight Prod	2400	1900	2600	2000	0	2200
Dry Weight Production	1990	1580	2260	1660	0	1825
U.S. Leaf Imports	8000	6014	8000	7500	0	8800
Other Foreign Imports	8000	10085	8500	14000	0	12000
TOTAL Imports	16000	16099	16500	21500	0	20800
TOTAL SUPPLY	22158	21847	23918	28507	5668	33832
Exports	0	0	0	0	0	0
Dom. Leaf Consumption	2000	1500	2250	1500	0	1700
U.S. Leaf Dom. Consum.	8000	8000	8000	8300	0	8500
Other Foreign Consump.	7000	7000	8000	7500	0	8000
TOTAL Dom. Consumption	17000	16500	18250	17300	0	18200
TOTAL Disappearance	17000	16500	18250	17300	0	18200
Ending Stocks	5158	5347	5668	11207	0	15632
TOTAL DISTRIBUTION	22158	21847	23918	28507	0	33832

**Manufactured Cigarettes P,S,&D**

PSD Table						
Country	Turkey					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Filter Production	123000	123000	126000	126500	0	128500
Non-Filter Production	2000	2000	2000	1500	0	1500
TOTAL Production	125000	125000	128000	128000	0	130000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	125000	125000	128000	128000	0	130000
Exports	9500	9500	10000	12500	0	14500
Domestic Consumption	115500	115500	118000	115500	0	115500
TOTAL DISTRIBUTION	125000	125000	128000	128000	0	130000