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## Turkey

### Food Processing Ingredients Sector

### Turkey's Food Processing Sector

## 2007

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**Report Highlights:**

Turkey's food processing sector has grown steadily since the severe economic crisis of 2001, and 2006 turnover is expected to exceed USD 60 billion. Turkey's agricultural production is rich and diversified in variety, causing food processing to be one of the leading industries. Economic and legislative reforms that entered into force from the EU accession framework strengthened Turkey's ability to attract foreign investment. There is a high growth potential for sugar and confectionary, meat and dairy product, olive oil and fruit juice industries. Import potential is high for functional and high quality products as well as specialized food additives. The unregistered economy is still a significant threat to fair competitiveness.

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Unscheduled Report  
Ankara [TU1]  
[TU]

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## I. MARKET SUMMARY

Since the severe crisis of 2001, the Turkish economy has enjoyed non-stop growth for the last nineteen quarters.

Turkey: Gross Domestic Product Growth (Percent)					
Quarter	Q1	Q2	Q3	Q4	Annual
2002	0.6	10.4	8.0	11.8	7.9
2003	7.4	3.6	5.6	7.2	5.9
2004	13.9	15.7	5.7	6.6	9.9
2005	7.5	4.7	8.0	10.2	7.6
2006	6.4	8.8	3.0	3.8*	5.5*
<i>Source:</i> Turkish Statistical Institute					
*Estimated					

The inflation rate (consumer prices/CPI) has dropped from 29.7 percent in 2002 to 7.7 percent in 2005. Even though the targeted inflation rate was 5 percent in the beginning of 2006, the official estimate announced for 2006 as 9.5 percent. Although the actual inflation rate is almost twice as the targeted rate, keeping the inflation rate to single digits is perceived positively throughout the market after long years of very high inflation rates.

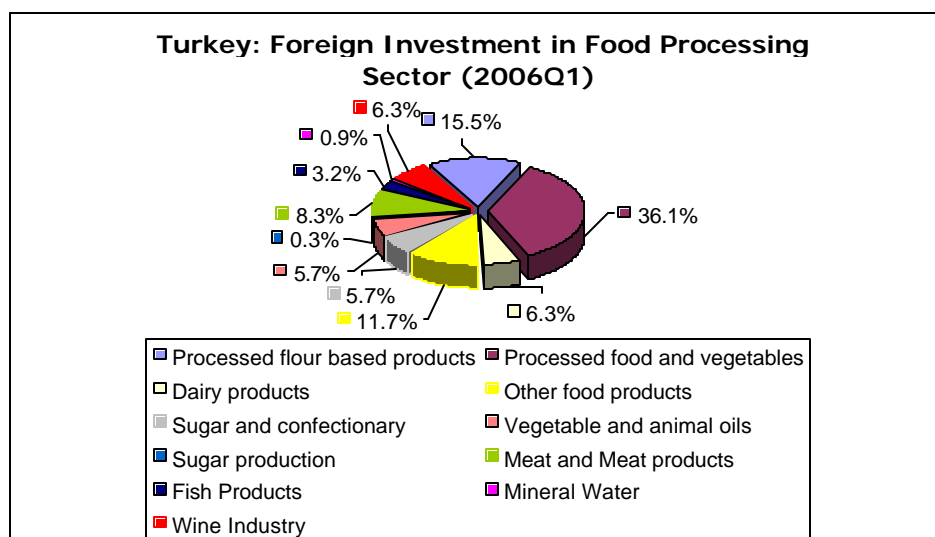
In current prices, the GDP for the first three quarters of 2006 reached USD 290.2 billion, and per capita income reached USD 5,349. The share of the food processing and beverage sector in overall GDP is about 9 percent, USD 32 billion, and its share of all manufacturing is about 11 percent. According to the GDP figures of Turkish Statistical Institute (TSI), 30 percent of expenditures are in food and beverages sector, valued at about USD 60 billion.

The positive perception of the economic situation and positive expectations in the overall economy have had several consequences:

First, consumption has boomed. As of November 2006, Turkish consumption/saving rate had changed in favor of consumption from 73.6/26.4 of 2003 to 86.3/13.7 in percentage.

Second, local private sector's investment has grown in most industries.

Third, as the market became more stable, foreign investment inflow has soared. Per statistics from the Undersecretariat of Treasury ([www.hazine.gov.tr](http://www.hazine.gov.tr)), by end of October 2006, the number of foreign capital companies in Turkey is 14,511, almost three times bigger than 2002 figures of 5,588 companies. Within the first ten months of 2006, 2,816 foreign capital companies were established in Turkey, of which 2,216 are new companies, 54 are branches of foreign companies and 546 are subsidiaries. The volume of net foreign capital inflow is USD 13,782 billion. The biggest share of foreign capital inflow is to banking and finance sector with USD 5,800 billion. The share of Food and Beverage Sector is USD 232 million with 34 companies, of which 8 of them are established with a capital higher than USD 500,000. As of October 2006, in the food processing sector, there are 298 foreign capital companies in Turkey, their field of activity is shown below:



Source: Turkish Chambers and Commodity Exchanges Union (TOBB)

Foreign capital inflow has increased especially by the adaptation of new foreign direct investment law in 2004, which abolishes permits granted by General Directorate of Foreign Investment. With this new law, there are no additional regulations or bureaucratic procedures to establish a foreign company; the procedures are equalized with local companies.

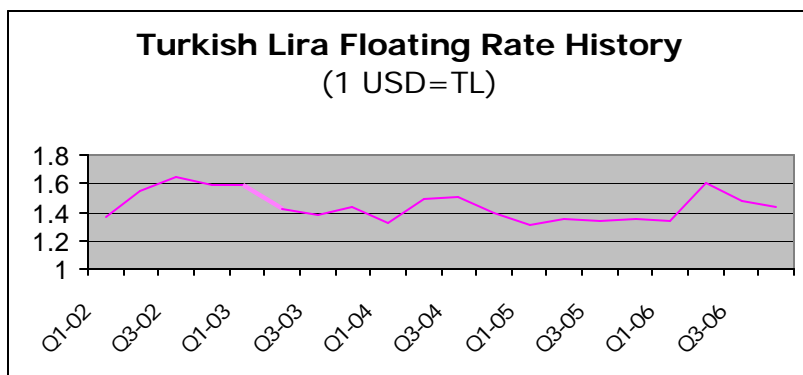
Leaving aside the mergers and acquisitions with international companies in the banking sector, and privatizations made by the state, the recent foreign investment flow to Turkey is generally made with small capital. Out of 2,816 foreign capital companies established in Turkey within the first ten months of 2006, only 169 of them are established with a capital higher than USD 500,000.

Foreign acquisitions have started with the banking sector in Turkey and within the last three years, the foreign share in the Turkish banking sector increased to almost 30 percent, in asset value, from insignificant amounts. For example, General Electric has acquired 25 percent share of Garanti Bank, one of Turkey's five biggest banks.

Generally the international capital inflow is by means of mergers and acquisitions with Turkish companies. Entering the Turkish market with a local company is usually preferred because of the complex nature of the country both geographically and culturally. Distribution channels are of crucial importance in Turkey, as the country is much larger in area than most other European countries. Geographical areas show different consumption trends. The three biggest cities, Istanbul, Izmir and Ankara, -- especially Istanbul-- take up a big share of consumption. This trend changes in the summer as tourists flood Southern and Western Turkey. Moreover, due to severe income disparity within the population, the places to sell and to promote products need to be carefully analyzed. The economically disadvantaged and the prosperous can live very close to each other, yet their lifestyles; purchasing and consumption patterns are sharply different. It is crucial to know the market and internal dynamics before entering it.

A floating exchange rate policy has been in effect in Turkey since February 2001. Since then, exchange between foreign currencies and the New Turkish Lira (YTL) has been rather volatile. This volatility in the rates stands to be both an advantage and a disadvantage for foreign raw or intermediate product suppliers. Manufacturing

industries tend to shift their supply sources from local to foreign suppliers or vice versa depending on the status of the exchange rate between US Dollar and YTL or between US Dollar and Euro. In 2006, on average, one US Dollar 1.00 was equal to YTL 1.4363. The Turkish lira's lowest value was in May, at 1.6835. This high fluctuation tends to create fear both in investors and consumers, as a consequence of past experiences of economic crisis. In February 2001, the currency was devalued to half its value in a few days time, which triggered a widespread economic crisis.



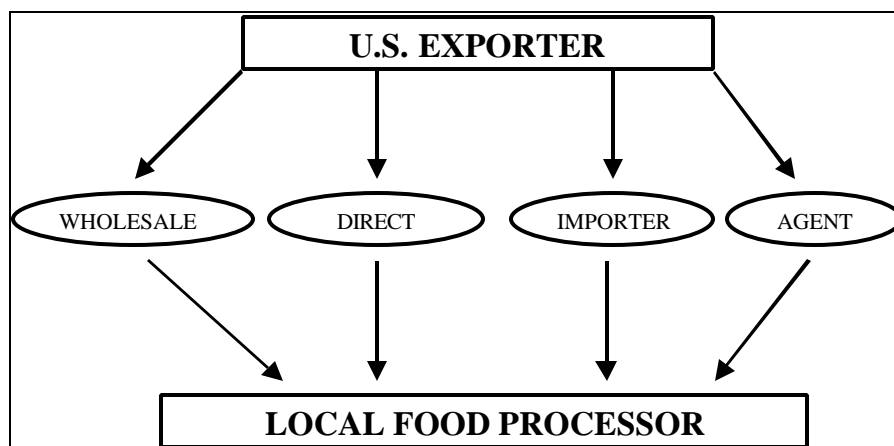
Source: REUTERS

Turkey: Advantages And Challenges Facing U.S. Exports Of Processed Food Products And Ingredients	
Advantages	Challenges
High export potential due to geographic proximity both to EU, Russian and Middle East markets.	EU exporters enjoy lower transportation costs.
Necessary legislative framework to combat unregistered economy is nearly complete. Implementation will ultimately enforce fair competition.	Turkey's presence in EU customs union and continuing accession talks usually give EU suppliers price advantage due to lower import duties and regulatory advantage due to harmonization of regulations within the member/candidate states.
Being a candidate for EU membership coupled with the latest economic improvements makes Turkey a favored destination for FDI.	High import duties on bulk agricultural commodities, processed food products and alcoholic beverages
Additional demand for food products come from the strong and growing tourism sector	Recent trends in tourism sector for low price all-inclusive deals decrease the demand for high quality import food products
The excellent reputation of U.S. food products is the main reason for increasing demand as economic conditions and purchasing power improve.	Turkey has a well-developed food-processing sector with qualified products and competitive pricing. There is a rich base of agricultural production, providing ingredients for this sector.

## II. MARKET STRUCTURE AND SUBSECTOR PROFILES

### A. Market Structure and Entry Strategy

Large food processors have direct access to ingredient suppliers, and they are generally direct importers. On the other hand, small and medium sized food processors do provide ingredients from importers, international company representatives and wholesalers.



The Ministry of Agriculture and Rural Affairs (MARA)'s General Directorate of Protection and Control (GDPC), has primary responsibility for regulating imports of food and beverages, and their packaging materials. The nutritional and dietary supplements are also regulated by GDPC.

To be able to import any food product to Turkey, written applications should be submitted to GDPC in advance. All packaged products are required to obtain a license number from GDPC after laboratory testing of the product. In addition to this laboratory analysis, Turkish regulations require that products be inspected at customs before clearance.

For a more detailed description of Turkey's food regulatory system and import process, please refer to FAS Food and Agricultural Import Regulations Report (FAIRS) TU5043 and FAIRS Certificates Report TU5031, and Exporter Guide TU6053 available on the FAS website [www.fas.usda.gov](http://www.fas.usda.gov).

### B. Company Profiles of Leading Processors

<b>TURKEY: COMPANY PROFILES OF LEADING PROCESSORS</b>			
<b>Sector and Company Name</b>	<b>End-use Channel (Retail, HRI, Wholesale)</b>	<b>Plant/Company Location</b>	<b>Procurement Channels</b>
<b>FRESH FRUIT</b>			
Alara Tarim Urunleri San. Ve Tic. A.S. Mr Kerim Taner Tel: 90-224-280-8046 Fax: 90-224-371-3701 <a href="mailto:darslan@alaraagri.com">darslan@alaraagri.com</a>	HRI, Retail	BURSA	Direct

Berka Gida Mr. Fadi Nahas Tel: 90-212-257-4482 Fax: 90-212-287-5924 <a href="mailto:naplus@na-plus.com">naplus@na-plus.com</a>	Wholesale	ISTANBUL	Direct
Ata Dis Ticaret Mr. Mustafa Manav Tel: 90-216-478-3245 Fax: 90-216-478-3248 <a href="mailto:manavata@superonline.com">manavata@superonline.com</a>	HRI, Retail	ISTANBUL	Direct
Taris Uzun Tarim Satis Koop. Birliđi Mr. Sabahattin Gazanfer Tel: 90-232-421-1472 Fax: 90-232-421-1457 <a href="mailto:sgazanfer@taris.com.tr">sgazanfer@taris.com.tr</a>	HRI, Retail	IZMIR	Direct
Ozler Tarim Urunleri Mr. Savas Keser Tel: 90-322-392-6216 Fax: 90-322-453-13372 <a href="mailto:admin@ozler-tarim.com">admin@ozler-tarim.com</a>	HRI, Retail	ADANA	Direct
UniFrutti Mr. Turgut Koc Tel: 90-324-454-0850 Fax: 90-324-454-0856 <a href="mailto:tkoc@unitarim.com.tr">tkoc@unitarim.com.tr</a>	HRI, Retail	MERSIN	Direct
<b>DAIRY PRODUCTS</b>			
Pinar Sut Mamulleri A.S. Mr. Ergun Akyol Tel: 90-232-436-1515 Fax: 90-232-482-2200 <a href="mailto:ergun.akyol@pinarsut.com.tr">ergun.akyol@pinarsut.com.tr</a>	HRI, Retail	IZMIR	Importer Direct
Ak Gida San ve Tic A.S./Ulker Group Mr. Huseyin Avci Tel: 90-264-554-0000 Fax: 90-262-554-0020 <a href="mailto:akgida@superonline.com">akgida@superonline.com</a>	HRI, Retail	SAKARYA	Importer Direct
Sutas Sut A.S. Mr. Muharrem Yilmaz Tel: 90-216-572-3050 Fax: 90-216-572-3442 <a href="mailto:sutas@sutas.com.tr">sutas@sutas.com.tr</a>	HRI, Retail	ISTANBUL	Importer Direct

Danone Sut Ms. Serpil Timuray Tel: 90-216-425-5690 Fax: 90-216-425-5685 <a href="mailto:serpil.timuray@danone.com">serpil.timuray@danone.com</a>	HRI, Retail	ISTANBUL	Importer Direct
SEK Sut/Tat Konserve Mr. Unal Turkey Tel: 90-224-618-0451 Fax: 90-224-618-0772 <a href="mailto:unal@tat.com.tr">unal@tat.com.tr</a>	HRI, Retail	BURSA	Importer Direct
<b>BEVERAGES</b>			
Aroma Meyve Sulari ve Gida Mr. Mahmut Duruk Tel: 90-224-371-3939 Fax: 90-224-371-3949 <a href="mailto:aroma@aroma.com.tr">aroma@aroma.com.tr</a>	HRI, Retail	BURSA	Importer Direct
Dimes Gida San ve Tic A.S. Mr. Enver Diren Tel: 90-232-877-1400 Fax: 90-232-877-0520 <a href="mailto:enver@diren.com.tr">enver@diren.com.tr</a>	HRI, Retail	IZMIR	Importer Direct
Coca-Cola Icecek A.S. Mr. Ahmet Burak Tel: 90-216-556-2198 Fax: 90-216-326-9189 <a href="mailto:fcinar@eur.ko.com">fcinar@eur.ko.com</a>	HRI, Retail	ISTANBUL	Importer Direct
Frigo-Pak Mr. Haydar Guclu Tel: 90-212-302-4023 Fax: 90-212-302-5170 <a href="mailto:yyurtguder@frigo-pak.com.tr">yyurtguder@frigo-pak.com.tr</a>	HRI, Retail	ISTANBUL	Importer Direct
Tamek Gida Mr. Kemal Guven Tel: 90-212-284-7766 Fax: 90-212-281-6839 <a href="mailto:info@tamek.com.tr">info@tamek.com.tr</a>	HRI, Retail	ISTANBUL	Importer Direct
Anadolu Efes Beer Mr. Serdar Bolukbasi Tel: 90-216-488-7863 Fax: 90-216-586-8000 <a href="mailto:serdarbolukbasi@efespilsen.com.tr">serdarbolukbasi@efespilsen.com.tr</a>	HRI, Retail	ISTANBUL	Importer Direct



Turk Tuborg/Carlsberg Ms. Damla Birol Tel: 90-212-366-4000 Fax: 90-212-276-2554 <a href="mailto:info@carlsberg.com.tr">info@carlsberg.com.tr</a>	HRI, Retail	ISTANBUL	Importer Direct
MEY ICKI A.S. Mr. Galip Yorgancioglu Tel: 90-212-329-2900 Fax: 90-212-329-2904	HRI, Retail	ISTANBUL	Importer Direct
Kavaklidere Wines Mr. Zeki Dogan Tel: 90-312-467-5775 Fax: 90-312-468-2614 <a href="mailto:kavak@kavaklidere.com">kavak@kavaklidere.com</a>	HRI, Retail	ISTANBUL	Importer Direct
Doluca Wines Ms. Sibel Kutman Tel: 90-212-698-9830 Fax: 90-212-698-9838 <a href="mailto:info@doluca.com">info@doluca.com</a>	HRI, Retail	ISTANBUL	Importer Direct
<b>SUGAR AND CONFECTIONARY</b>			
ETI Gida Mr. Basri Akcasoy Tel: 90-222-236-0892 Fax: 90-222-236-0416 <a href="mailto:etigida@etigida.com.tr">etigida@etigida.com.tr</a>	Wholesale HRI Retail	ESKISEHIR	Direct
Kent Gida & Cadburry Mr. Ozcan Tahincioglu Tel: 90-262-653-8090 Fax: 90-262-654-1930 <a href="mailto:info@kent.com.tr">info@kent.com.tr</a>	Wholesale HRI Retail	KOCAELI	Direct
Kraft Gianluigi Arduini Tel: 90-216-489-5200 Fax: 90-216-489-5216	Wholesale HRI, Retail	ISTANBUL	Direct
Ulker Gida San ve Tic A.S. Mr. Cafer Findikoglu Tel: 90-212-567-6800 Fax: 90-212-613-9090 <a href="mailto:ulkeras@ulker.com.tr">ulkeras@ulker.com.tr</a>	Wholesale HRI Retail	ISTANBUL	Direct

Nestle Mr. Devrim Cobek Tel: 90-212-329-6000 Fax: 90-212-329-6041 <a href="mailto:serhat.oran@tr.nestle.com">serhat.oran@tr.nestle.com</a>	Wholesale HRI Retail	ISTANBUL	Direct
<b>SEA FOOD</b>			
Dardanel Gida San A.S. Mr. Ugur Ozden Tel: 90-212-346-0510 Fax: 90-212-346-0523 <a href="mailto:dardanel@dardanel.com.tr">dardanel@dardanel.com.tr</a>	HRI, Retail	ISTANBUL	Direct
Kerevitas Mr. Ergun Akkaya Tel: 90-212-695-0000 Fax: 90-212-676-0129 <a href="mailto:ergunakkaya@kerevitas.com.tr">ergunakkaya@kerevitas.com.tr</a>	HRI, Retail	ISTANBUL	Direct
Pinar Deniz Urunleri Mr. Ufuk Demir Tel: 90-232-726-0265 Fax: 90-232-726-0260 <a href="mailto:ufuk.demir@pinardeniz.com.tr">ufuk.demir@pinardeniz.com.tr</a>	HRI, Retail	IZMIR	Direct
<b>CANNED FOOD</b>			
Penguen Gida A.S. Mr. Aykan Sozucetin Tel: 90-224-470-1010 Fax: 90-224-4701515 <a href="mailto:aykan.sozucetin@penguen.com.tr">aykan.sozucetin@penguen.com.tr</a>	Wholesale HRI Retail	BURSA	Importer Direct
Tamek Gida Mr. Kemal Guven Tel: 90-212-284-7766 Fax: 90-212-281-6839 <a href="mailto:info@tamek.com.tr">info@tamek.com.tr</a>	Wholesale HRI Retail	ISTANBUL	Importer Direct
Tukas Mr. Ahmet Uysal Tel: 90-232-445-9777 Fax: 90-232-482-1222	Wholesale HRI, Retail	IZMIR	Importer Direct
Tat Konserve Mr. Guclu Toker Tel: 90-216-430-0087 Fax: 90-216-430-8012 <a href="mailto:mugeb@tat.com.tr">mugeb@tat.com.tr</a>	Wholesale HRI Retail	ISTANBUL	Importer Direct

Kerevitas Mr. Ergun Akkaya Tel: 90-212-695-0000 Fax: 90-212-676-0129 <a href="mailto:ergunakkaya@kerevitas.com.tr">ergunakkaya@kerevitas.com.tr</a>	Wholesale HRI Retail	ISTANBUL	Importer Direct
<b>EDIBLE OILS</b>			
Edirne Yag Sanayi (Olin) Mr. Okyar Yayalar Tel: 90-212-243-1536 Fax: 90-212-249-1842 <a href="mailto:olin@olin.com.tr">olin@olin.com.tr</a>	Wholesale HRI Retail	ISTANBUL	Importer Direct
Marsa Sabanci Gida A.S. Mr. Alp Pidik Tel: 90-216-325-5773 Fax: 90-216-325-9274 <a href="mailto:ipek.yasar@marsa.com.tr">ipek.yasar@marsa.com.tr</a>	Wholesale HRI Retail	ISTANBUL	Importer Direct
Trakya Birlik Mr. Isa Gokce Tel: 90-284-214-5522 Fax: 90-284-225-2100 <a href="mailto:trakyabirlik@trakyabirlik.com.tr">trakyabirlik@trakyabirlik.com.tr</a>	Wholesale HRI Retail	EDIRNE	Importer Direct
Pakyag San ve Tic A.S. / Ulker Group Mr. Ali Celik Tel: 90-322-441-0033 Fax: 90-322-441-0173 <a href="mailto:selmin.odes@pakyag.com.tr">selmin.odes@pakyag.com.tr</a>	Wholesale HRI Retail	ADANA	Importer Direct
Orucoglu Yag San ve Tic A.S. Mr. Celal Oruc Tel: 90-272-221-1133 Fax: 90-272-221-1132 <a href="mailto:coruc@orucogluyag.com.tr">coruc@orucogluyag.com.tr</a>	Wholesale HRI Retail	AFYON	Importer Direct
<b>MEAT &amp; POULTRY PRODUCTS</b>			
Pinar (Red Meat & Turkey) Mr. Zeki Ilgaz Tel: 90-232-877-0900 Fax: 90-232-877-0950 <a href="mailto:zekiilgaz@pinaret.com.tr">zekiilgaz@pinaret.com.tr</a>	HRI, Retail	IZMIR	Direct
Maret/Tat Konserve Mr. Ali Guler Tel: 90-216-304-1111 Fax: 90-216-304-1097 <a href="mailto:alig@tat.com.tr">alig@tat.com.tr</a>	HRI, Retail	ISTANBUL	Direct
Banvit (Poultry & Red Meat) Mr. Omer Gorener Tel: 90-266-733-8600 Fax: 90-266-733-8618	HRI, Retail	BALIKESIR	Direct

<a href="mailto:nese@banvit.com">nese@banvit.com</a>			
Seker Poultry Mr. Osman Bor Tel: 90-266-733-8420 Fax: 90-266-733-8423 <a href="mailto:osmanbor@sekerpilic.com.tr">osmanbor@sekerpilic.com.tr</a>	HRI, Retail	BALIKESIR	Direct
CP Poultry Mr. Ayhan Kindap Tel: 90-212-274-1561 Fax: 90-212-267-1120 <a href="mailto:ayhank@superonline.com">ayhank@superonline.com</a>	HRI, Retail	ISTANBUL	Direct
Keskinoglu Poultry Mr. Mehmet Keskinoglu Tel: 90-236-472-2572 Fax: 90-236-414-4517 <a href="mailto:keskinoglu@keskinoglu.com.tr">keskinoglu@keskinoglu.com.tr</a>	HRI, Retail	MANISA	Direct
<b>HIGH VALUE ITEMS</b>			
Dolfin Gida Mr. Cem Bensason Tel: 90-212-291-1372 Fax: 90-212-291-1247 <a href="mailto:cem@dolfin.com.tr">cem@dolfin.com.tr</a>	HRI, Retail	ISTANBUL	Direct
Impeks Gida Mr. Ibrahim Vurucu Tel: 90-216-572-3697 Fax: 90-216-572-3699 <a href="mailto:foodcofudeks@yahoo.com">foodcofudeks@yahoo.com</a>	HRI, Retail	ISTANBUL	Direct
Koza Gida Mr Kerem Sezer Tel: 90-212-257-6097 Fax: 90-212-265-7536 <a href="mailto:kozagida@superonline.com">kozagida@superonline.com</a>	HRI, Retail	ISTANBUL	Direct
Haks Gida Mr. Kenan Hamzaoglu Tel: 90-216-366-5020 Fax: 90-216-366-9616 <a href="mailto:haks@haks.com.tr">haks@haks.com.tr</a>	HRI, Retail	ISTANBUL	Direct
ADCO Food Industry and Trade Mr. Randolph Mays Tel: 90-212-322-0400 Fax: 90-212-322-0419 <a href="mailto:randy@kemergida.com">randy@kemergida.com</a>	HRI, Retail	ISTANBUL	Direct

### C. Sector Trends

Agricultural products are the main input for the food-processing sector. Turkey has a developed food processing industry and a rich agricultural base with diversified agricultural production. However, some structural problems of quality, sustainability, and efficiency in agricultural production have repercussions on the food-processing sector.

Below are some 2005 figures demonstrating the role of the food processing sector in the Turkish Economy:

- Share in GNP is 8.80 percent
- Share in Industrial Production is 10.64 percent
- Share in Industrial Value Added is 11.70 percent
- Share in total export is 11 percent
- Share in Employment is only 2.0 percent while approximately 30 percent of employment is in agriculture.

The value of packaged food sales in 2005 is estimated at USD 19 billion by *Euromonitor*, and per capita annual consumption is well below the Western Europe average, at only USD 256. As the economy has recovered from the 2001 crisis, people's preferences towards better quality and branded packaged food increased continuously every year. High competition and leading manufacturer's reluctance to increase prices, considering that price is still a very important factor in purchasing decisions, enabled consumers to obtain better quality for competitive prices.

Turkey's population is 73 million; the population between the ages of 0-14 is almost 30 percent, and the population over age of 65 is only 6 percent. A young population is an important advantage for the processed food sector, and constitutes great potential consumption growth as the economy improves.

Turkey's total goods exports in 2005 totaled USD 73.4 billion while its imports reached USD 116.7 billion. The food and beverage sector is one of the few in which exports exceed imports: export/import coverage ratio in this sector is 257 percent. However, when food and beverage sector's trade data of 2005 and 2006 are compared for the period January-November, exports have increased 1 percent while the increase in imports is 9 percent. There are various reasons for the increase in demand for imported food products. Economic improvements and growth in per capita purchasing power, together with currency appreciation appear to be the major reasons.

For the first eleven months of 2006 Turkey's total agricultural imports are approximately USD 2.35 billion, and food products and beverages import about USD 2.3 billion. Below are the foreign trade volumes of the major agricultural and food and beverage products.

<b>Turkey: Change In The Import Of Selected Agricultural Products, Jan-Nov 2005 and 2006</b>			
<b>(in thousand USD)</b>	<b>Jan-Nov 2005 IMPORT</b>	<b>Jan-Nov 2006 IMPORT</b>	<b>% Change Import</b>
Beverages, spirits and vinegar	46,932	66,406	41%
Animal or vegetable fats and oils	667,303	864,446	30%
Fish Products	59,086	74,641	26%
Flour based products	13,402	16,673	24%
Fruits & Vegetables	203,169	249,939	23%
Miscellaneous edible preparations	255,352	307,456	20%
Processed Fruit & Vegetable and Products	41,277	49,353	20%
Coffee, tea, spices, cocoa products	36,246	39,105	8%
Dairy products	62,589	65,148	4%
Cocoa and cocoa products	166,396	162,071	-3%
Live animals	12,864	12,135	-6%
Sugars and sugar confectionery	38,760	35,745	-8%
Cereals and cereal based products	242,879	215,295	-11%
Other products of animal origin	28,440	25,414	-11%
Oil seeds	626,213	553,768	-12%
Meat Products	269	73	-73%
<b>TOTAL</b>	<b>2,501,177</b>	<b>2,737,668</b>	<b>9%</b>

Source: Turkish Statistical Institute November 2006 News Bulletin

<b>Turkey: Change In The Export Of Selected Agricultural Products, Jan-Nov 2005 and 2006</b>			
<b>(in thousand USD)</b>	<b>Jan-Nov 2005 EXPORT</b>	<b>Jan-Nov 2006 EXPORT</b>	<b>% Change Export</b>
Live animals	4,901	7,947	62%
Miscellaneous edible preparations	215,167	292,277	36%
Sugars and sugar confectionery	183,414	246,263	34%
Cereals and cereal based products	415,525	535,234	29%
Oil seeds	87,820	105,571	20%
Dairy products	72,600	85,267	17%
Fish Products	186,926	204,457	9%
Coffee, tea, spices, cocoa products	58,155	63,054	8%
Animal or vegetable fats and oils	452,945	484,917	7%
Cocoa and cocoa products	216,522	232,022	7%
Fruits & Vegetables	2,726,403	2,743,014	1%
Processed Fruit & Vegetable and Products	1,161,479	1,010,888	-13%
Other products of animal origin	36,637	30,474	-17%
Meat Products	35,641	24,898	-30%
Flour based products	424,111	279,382	-34%
Beverages, spirits and vinegar	135,349	130,219	-4%
<b>TOTAL</b>	<b>6,413,595</b>	<b>6,475,884</b>	<b>1%</b>

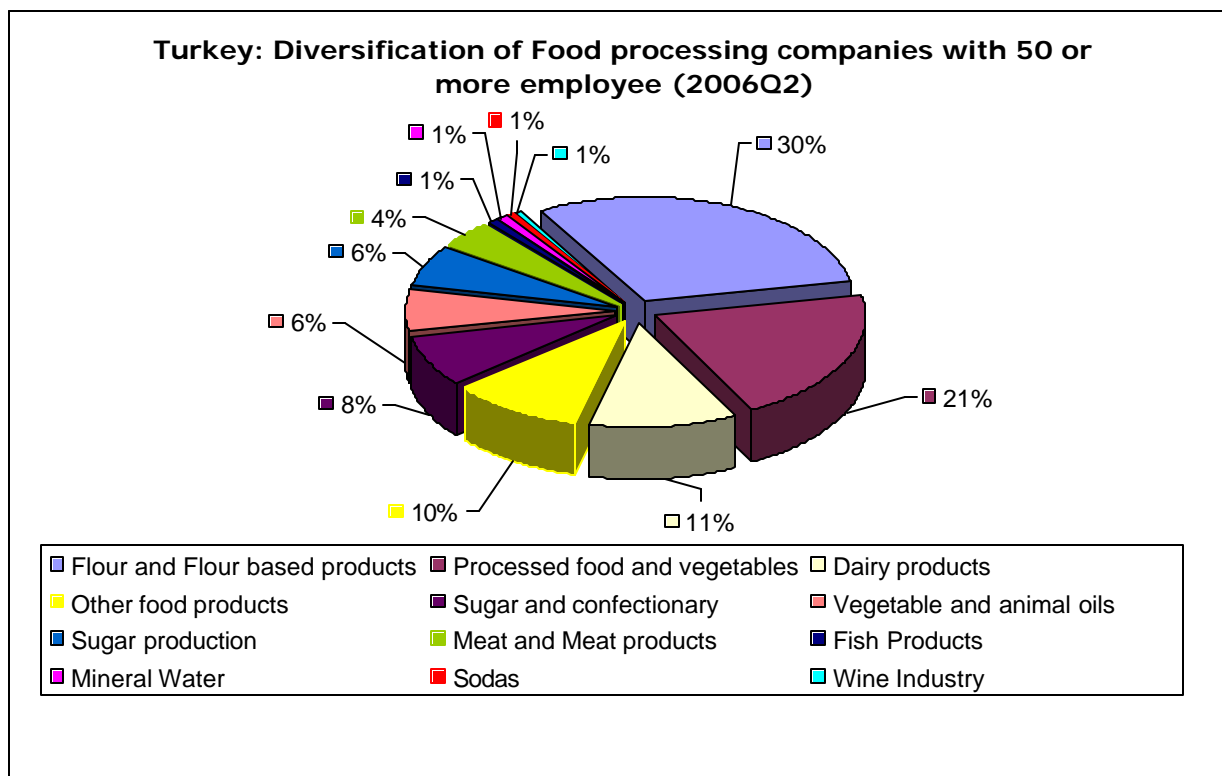
Source: Turkish Statistical Institute November 2006 News Bulletin

Although there is a sharp decrease of 34 percent in Turkey's exports of Flour and Flour products from 2005 to 2006, this follows a 95 percent increase in exports of these products from 2004 to 2005. This was a result of record exports of flour to Iraq.

The biggest challenges of the food-processing sector can be summarized as follows:

- Structural defects of agriculture as a major input;
- Problem of sustainable accessibility to standardized raw materials;
- Significant unregistered economy and insufficient monitoring
- Inconsistency in the taxation, tax rates differing between 1 to 18 percent
- The volatile nature of production and the lack of a consistent agriculture policy
- In case of insufficient supply, bureaucratic obstacles to imports

According to the Turkish Ministry of Agriculture and Rural Affairs' (MARA) latest survey dated 2004, approximately 25,000 companies and 400,000 people are working in the food-processing sector. The vast majority of these businesses, approximately 65 percent, are in flour and flour processing. On the other hand, according to the Turkish Chambers and Commodity Exchanges Union, the number of facilities, registered to their related sub-chambers and which employ more than 50 people, are around 1,000 and the total employment in these relatively more professional companies is around 175,000. The ratio of sub-sectors is different within these companies. The ratio of flour and flour processing decreases for example to around 30 percent.



\*Source: Turkish Chambers and Commodity Exchangers Union

## D. Subsector Profiles

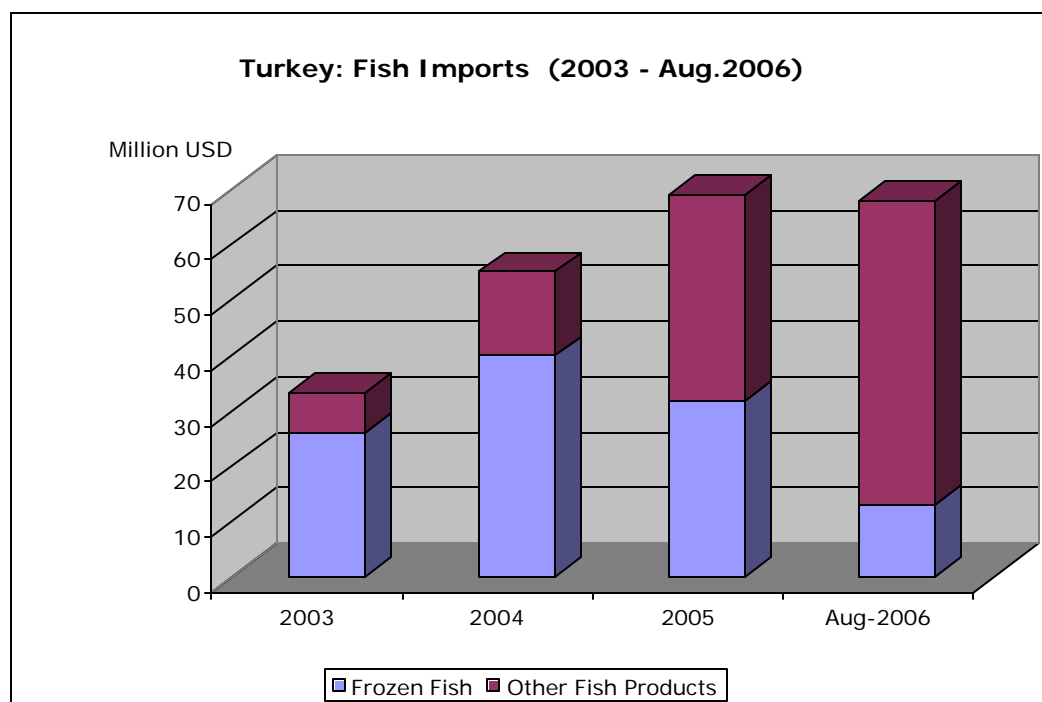
### 1. Red meat:

There are currently around 900 companies active in the red meat sector. Products are fresh meat (beef, veal and sheep meat –not pork!), frozen meat, processed meat products (smoked, canned, ready to eat), prepared meatballs, and cured meats (sausages, salami). The Government of Turkey does not allow red meat or its by-products to be imported from any country including the EU countries, despite commitments on red meat import within the EU accession framework. Generally, low quality breeding stocks lead to low yields and declining meat supplies; meat prices have increased significantly in recent years. Higher profits have attracted investments in the sector. Currently there are ongoing attempts to lift import bans. The most significant problems of this sector are the low quality of breeding stocks and the import bans which are preventing the improvement of meat quality. Like most products in the processed food sector, the unregistered economy is a serious problem. However, as the sector has a great improvement capacity, the high profit rates and geographical closeness to the Middle East Market is attracting investors. For a more detailed description of Turkey's Livestock sector, please refer to the annual livestock report TU6038 available on the FAS website [www.fas.usda.gov](http://www.fas.usda.gov).

### 2. Poultry:

With an average annual growth rate of 14 percent between 1990 and 2000, the poultry sector is one of the strongest sectors in Turkish agriculture and food processing. The production is mostly from integrated modern plants, and especially following cases of Avian Influenza last year, informal "backyard" production has largely disappeared. The annual volume of the sector approaches USD 3 billion, and per capita annual consumption is around 14 kg, half of EU consumption. The major problem of the sector is expensive input prices, as significant amounts of animal feed must be imported. Poultry products are exported to neighboring countries: Azerbaijan, Bulgaria, Uzbekistan, and Macedonia. Poultry shipments to Turkey are only for re-export, mostly to Iraq. These imports and re-exports are done through Free Trade Zones, primarily the Mersin. For a more detailed description of Turkey's livestock sector, please refer to the annual livestock report TU6038 available on the FAS website [www.fas.usda.gov](http://www.fas.usda.gov).





Source: 2003 and 2004 data source: Istanbul Chamber of Industry, 2005-2006 Source: TSI

### 3. Fish and Seafood:

From January to October 2006, approximately USD 160 million of fish and other seafood products were exported from Turkey. Italy, Spain and Greece are the main destinations for Turkish seafood products, although the Southeast Asian market is also growing. Turkish seafood import volume was approximately USD 61 million in 2005 and reached USD 68 million by the end of October 2006. Major countries exporting their fish products to Turkey are Norway and Spain. The developments in the tourism sector and also healthier food consumption trends have had positive effect on fish consumption. The increase in imports of fish products to Turkey in recent years can mainly be explained by currency appreciation.

### 4. Processed Fruit and Vegetables:

Facilities active in this field are generally producing pickles, tomato paste, and canned fruits and vegetables. Turkey is one of world's largest fruits and vegetables producer. There is also a rich variety of fruits and vegetables in Turkey. Approximately 80 different varieties of fruits and vegetables are produced and around 50 are exported. Highest export volume is in pickles, followed by olives and capers. Imports are insignificant, around USD 3 million, mostly products that are not grown in Turkey like canned pineapple. Canned fruits and vegetables present a good opportunity for investors due to Turkey's rich sources in variety. However, the gradual change of preferences to frozen products, rather than canned products and lack of high technology in production are threats to the sector.

**Tomato paste:** Tomato production in Turkey reached 10 million tons and approximately 25 percent of the total production is being processed. Turkey's tomato paste production capacity is number two in Europe and in the top five globally. Tomato paste exports have the highest export volumes within the canned fruit and vegetables sub-sector; half of the production is exported, export values are around USD 160 million per year. For a more detailed description of Turkey's tomato sector, please refer to the annual tomato report TU6026 available on the FAS website [www.fas.usda.gov](http://www.fas.usda.gov).

**Frozen food:** Due to its high technology and value added nature, the frozen food subsector is an important export, reaching up to USD 100 million in 2005. Turkey exports approximately 75 percent of all frozen food production mostly to Europe since Turkey's per capita annual frozen food consumption is below 1 kg while the highest consumption in Europe is in Germany with 66 kg.

As more women enter the workforce and the population is getting more convenience conscious, frozen food consumption is increasing. Generally flour-based products such as traditional ravioli (manti), pizza, pastries and fried products such as onion rings, potatoes are generally seen on the shelves for twelve months and frozen vegetables and fruits are consumed out of season.

### **5. Oilseed products:**

There are some fundamental problems in oilseed production in Turkey. Approximately 50 percent of total vegetable oil consumption is imported mainly due to low production of oilseeds. The crushing industry's capacity is 4.5 million tons; crude oil processing capacity is 3.5 million tons, and around 55 percent of the capacity is used. These problems are mainly due to lack of sustainable policies in this sub-sector.

Olive oil production in Turkey varies significantly depending on the "on or off" year for olives, mainly because of the primitive ways of olive collection which harms the trees. 2006 was an "on" year and olive oil corporations estimate the production to be 166,000 MT. Currently Turkey is one of world's leading olive oil producers. However, domestic consumption is very low, just under 1 liter per capita. Turkey's olive oil exports were approximately USD 143 million during the first nine months of 2006. The majority of the sales are to Italy, where the goods are blended and relabeled as Italian products. Turkey is eager to increase exports of olive oil and establish a quality image for Turkish olive oil in targeted markets such as the United States. Canned branded olive oil exports share reached 23 percent in 2005, up from 2 percent ten years ago. Olive oil production and export has a potential for international investors. For a more detailed description of Turkey's oil and oilseed sector, please refer to the annual oilseeds report TU6016 available on the FAS website [www.fas.usda.gov](http://www.fas.usda.gov).

### **6. Dairy products:**

Low quality breeding stock and expensive feed are problems for the dairy sector as well as for processed red meat production. The majority of livestock are low yielding local breeds. Because of BSE, currently there are only three countries from which import of dairy and beef breeding cattle are allowed: Australia, New Zealand and Uruguay. However, some policy changes are expected in this sector as the Minister of Agriculture recently declared that the imports of quality breeding animals would be beneficial. Unregistered economy's share in milk production is very high in Turkey, and according to the Istanbul Chamber of Industry, only twenty percent of milk is produced in modern milk facilities. Milk production is about 10.5 million tons annually and parallel to world trends around 90 percent of it is cow's milk. Per capita annual consumption, estimated at around 30 kg, is well below European average, and packaged milk consumption is only around 5 to 6 kg.

State owned Turkish Milk Institute ("SEK") was privatized in 1996. Since then, some conglomerates have entered this industry either alone or together with foreign investment, so the industry has grown albeit in a slow pace. Today, the major companies in this field are, Danone, Pinar, Ulker, Sutas and SEK. Approximately 3 million tons of total production

is processed. The balance is either sold as “Street milk” or processed in unregistered facilities. The final products of the industry are packaged milk, yogurt, traditional yogurt drink “ayran,” cheese, creams, butter, milk powder, and flavored dairy products. A majority of finished product imports are in cheese; some imported varieties are cheddar, mozzarella, ricotta, Edam, Gouda, Roquefort, and Parmesan.

The Turkish dairy sector has significant growth potential. First, per capita consumption is increasing and there is significant room for continued growth. Second, reducing the unregistered economy is currently getting more serious as European Union accession talks continue. Considering the very high ratio of the unregistered economy in the dairy products sales; the volume to be replaced by modern facilities is significant. Third, the industry hopes that in the near future livestock imports will be permitted. This policy change will have a direct consequence for breeding cattle importers and a longer-term potential for investors in dairy products and importers of related ingredient importers. Fourth, even though currently there is an over-capacity problem in the majority of dairy products, there is over-production in manufacturing of more added value products such as flavored milks and yogurts. The production of new products is quite new in the Turkish dairy industry. The production and selling of functional products such as organic milk, probiotic milks, special products for pregnant and nursing women and for babies are increasing. Also traditional dairy products such as a hot drink called “sahlep” and cold drink called “ayran” together with international products such as fruit yogurts, and mozzarella cheese are new factors in the industry. Considering Turkey’s tourism numbers, there is a huge potential for manufacturing functional and flavored goods in this subsector.

<b>Turkey: Dairy Products Import Chart</b>			
<b>(in thousand USD)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Milk, Milk Powder & Cream, No Sweetening	122	200	266
Milk, Milk Powder & Cream, Containing Sweetening	20,600	25,300	23,100
Buttermilk, Curdled Milk And Cream, Yogurt, Kefir	390	480	435
Whey And Other Products	604	2,400	1,600
Butter And Other Fats	8,800	10,000	14,700
Cheese And Curd	9,000	16,500	20,000
Lactose and Lactose Syrup	232	810	298
Ice Cream and Other Edible Ice	720	1,100	1,800
<b>TOTAL</b>	<b>40,468</b>	<b>56,790</b>	<b>62,199</b>
<b>Source: Turkish Statistical Institute</b>			

## 7. Flour and Flour based products:

Sixty-five percent of all the food processors in Turkey are producing flour products. As per “Packed Food Report of Turkey” prepared by *Euromonitor*, the total sales of packaged foods in Turkey is USD 19 billion of which USD 12.2 billion is sales of bread, pastry products such as cakes, biscuits and other flour products. Turkey claims the world’s highest per capita wheat products consumption of about 160 kg./year. Over capacity is a problem in the sector due to state incentive programs. Flour production in Turkey is more than sufficient in quantity, however quality can be a problem. For the other ingredients, although the additive industry is developing, some enzymes, vitamins and minerals are imported. Turkey does not fortify its flour.

Turkey's biscuits sector enjoys constant growth, since the economic recovery, triggered by the demand from newly independent states of former USSR. Turkey's 2005 biscuit exports reached USD 60 million, and the CIS countries have a significant share. The young population also injects dynamism to this sector. The consumption for sweet biscuits, plain biscuits and new products such as chocolate-coated biscuits are growing, and currently reach 5 kg, well below the European average of 10-12 kg. The imported biscuit volume is insignificant and mostly from EU countries due to the lifting of customs taxes after the Customs Union agreement. Milk powder, ammonium bicarbonate, sodium bicarbonate, enzymes, lecithin, aromas, are imported ingredients of biscuits sector.

There is a growing research and development aspect in this sector resulting in new product developments. The local brands usually tend to copy the products of market leaders; they use very similar names and packages. Ulker Gida, the leader in packed food, is also leader in product development. For a more detailed description of Turkey's grain sector, please refer to the annual grain report TU6010 available on the FAS website [www.fas.usda.gov](http://www.fas.usda.gov).

### **8. Sugar and Confectionary:**

Currently there are approximately 200 companies active in confectionary and 35-40 companies active in the chewing gum sector. As per 2004 numbers, the production volume of confectionary was 175,000 tons and chewing gum production was 85,000. There are business activities of foreign and local high-technology corporations, small and medium sized corporations, and regional companies in this area. Smaller companies generally produce traditional products like Turkish delight and helva, while larger-scale companies produce more value-added products. Currently there are 11 multinational companies in Turkey in the confectionary business. The chewing gum, chocolate and cookies industry is well developed in Turkey, with modern facilities. The production of confectionary, chocolates, and cocoa products show great dynamism and potential considering the young population, increasing incomes, current low consumptions and tourism. As the local industry is developing new products, and improving quality the import rates in these products are declining. Quotas limit sugar beet and cornstarch-based sweeteners production so exports of sweeteners are declining. Iraq is the main importer of Turkish sugar. For imports in to Turkey, the import duty is 135 percent. There is a duty drawback on sugar for confectionary products exporting companies. However, local suppliers are also entitled to sell sugar to these exporting companies from world prices. For the first eight months of 2006 the total of sugar, glucose, fructose and similar products is around USD 11.5 million. The highest share of ingredient import is in cocoa. The value of imports on caramels, gums, chocolates, and other sugar products is around USD 40 million.

Local packaged food giant Ulker Gida's main production area is biscuits, chocolates and other confectionary products. Ulker has by far the most developed distribution channels within the processed food producers, has established widespread brand recognition and has the biggest market share in biscuits and confectionary sales. For a more detailed description of Turkey's sugar sector, please refer to the annual sugar report TU6017 available on the FAS website [www.fas.usda.gov](http://www.fas.usda.gov).

### **9. Beverages:**

Liberalization has been completed in Turkey's alcoholic beverages production and foreign trade channels, although high taxes remain a challenge. The state-owned TEKEL alcoholic beverage producer was privatized in 2003 and the new company Mey Icki, entered business in February 2004, and majority of Mey's shares was purchased by Texas Pacific Group in April 2006.

Turkey exports its traditional drink "raki" to European countries with significant Turkish populations, like Germany. Whiskey and vodka are major imported products and major exporting countries to Turkey are Sweden and United Kingdom. There is a heavy import duty burden on the imported alcoholic beverages: for wine, for instance, imports from EU are subject to 50 percent import duty and non-EU wines face a 70 percent import duty. Moreover, there is a 63.3 percent special consumption tax (SCT) for all wines as well as an 18 percent Value-Added Tax. Local producers also suffer from these high taxes, which increase the share of unregistered economy in beverage sector. Turkey's per capita wine consumption is increasing, but per capita consumption is still around 1 liter.

#### **10. Specialized food ingredients:**

There are several local and international firms in Turkey active in food additives, preservatives, thickeners and sweeteners industries, with high technology production capacity, employing around 10,000 people. With the implementation of Turkish Food Codex in 1997, the regulations for the production and usage of additives in food processing is identified, deterring the unregistered economy in the sector, however there is still a significant presence which creates unfair competition for professional companies. The majority of the industry is intensified in food additives for flour processing products due to the higher demand. Vast majority of ingredients in the food additives is imported. On the other hand, the developed nature of the industry shows a potential for export of end products to neighboring countries, especially when the industry is strengthened with the more serious combat with unregistered economy.

### **III. COMPETITION**

According to statistics of the Food and Agriculture Organization (FAO) of the United Nations, Turkey's total agricultural import, excluding tobacco products, was USD 4.5 billion in 2004. Bulk agricultural commodities constitute the largest share with USD 2.1 billion while cotton has a significant volume of USD 836.5 million.

Intermediate agricultural products like wheat flour, soybean meal, soybean oil, vegetable oils, planting seeds, sugars and sweeteners constitute an import value of USD 1.3 billion (excluding hides and skins from the data). Consumer oriented agricultural products like snack foods, breakfast cereals, dairy products, processed fruit and vegetable products share is USD 700 million. In these processed food import figures, EU-15 has the largest value with USD 435 million, while United States share remains around USD 45 million. The main exporters within the EU-15 are Germany with USD 104 million, Netherlands with USD 76 million and France with USD 38 million.

EU Countries enjoy some advantageous export opportunities to Turkey in terms of low or zero import duties on some products. The geographical proximity of European countries also contributes to this price advantage. Germany, Netherlands and France are the three main exporters of the EU-15 block to Turkey.

In 2004, the U.S. share of Turkey's intermediate agricultural products imports is 15 percent, worth USD 200 million. Imports from the EU-15 total USD 317 million (excluding hides and skins from the data). Former Soviet Union countries' share is also significant with USD 161 million. The U.S. share in Turkey's agricultural imports is stronger in imports of ingredients of the food processing sector rather than the end products. Other than the European and CIS countries, Malaysia and Indonesia are important intermediate agriculture product exporters to Turkey as well. Malaysia's palm oil sales were USD 150 million for 2004 and Indonesia's exports to Turkey were USD 103 million.

#### IV. BEST MARKET PROSPECTS

Functional food awareness is increasing in Turkey, as in most other countries. Although there is no consensus on the definition of the term, processed food products that claim to have specific beneficial effects on health beyond the provision of basic nutrients can be named functional foods. This claim should also be scientifically proven. Turkey's major processors like Ulker, Pinar and Danone, have introduced functional products such as probiotic yogurt and milk varieties, which have been very popular. The turnover on functional food has been USD 50 million in 2005, estimated to reach USD 150 million in 2006 and targeted by the industry to reach USD 500 million in 2007. Functional chocolate and sugar confectionary products, also functional gums and biscuits offer a good market opportunity. Diabetes is a widely seen problem in the Turkish population and specialized products for diabetics can also provide a good potential.

Baby and toddler foods also show great growth potential. *Euromonitor* estimates a 14 percent growth in the consumption of baby food, and 21 percent growth in the consumption of infant formula in 2005. According to industry sources, the baby food and infant formula market in Turkey for 2006 is 80 million euros. Moreover, only a very low percentage of children are fed with baby food. Considering that there are around 7 million children between ages of 0-5 and the constant increase in the number of women working outside the home, there is a high potential for baby food consumption. The advertisements of baby products, increased public awareness on high nutritional values and safety of baby foods should also contribute to the rise in consumption in this subsector.

Furthermore, there is a potential for healthy food products and supplements for toddlers, as there is no specialized products on the market for this age category. Communiqués on Infant foods and formulas are available in English, in the web page of General Directorate for Protection and Control, [www.kkgm.gov](http://www.kkgm.gov).

#### IV. POST CONTACT AND FURTHER INFORMATION

Turkey's All Food Importers Association, TUGIDER, is a non-governmental organization, which is involved in trade facilitation for new entrants to the market. Some 134 foreign companies active in Turkish Food Processing sector either as importers or as investors are members to this organization. TUGIDER can be contacted at tel: 90-212-347-2560, fax: 90-212-347-2570 or [www.tugider.org.tr](http://www.tugider.org.tr).

Turkish Union of Chambers and Commodity Exchanges, established a platform, "Business Opportunities in Turkey" where Turkish entrepreneurs leaves offers of foreign trade possibilities.

Foreign Economic Relations Board, DEIK is a very specialized private sector institution, whose main target is "to find new fields of cooperation to foreign markets and to provide better utilization of existing business opportunities". DEIK can be contacted at tel: 90-212-339-5000, fax: 90-212-270-4190, [info@deik.org.tr](mailto:info@deik.org.tr).

USDA's Foreign Agricultural Service has two offices in Turkey, Ankara Embassy and Istanbul Consulate General.

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For more information on high value food items, commodity and other reports for Turkey and other countries, please refer to FAS homepage, <http://www.fas.usda.gov>

### Appendix 1. Major Foreign Investors Operating in Processed Food Sector in Turkey

Major Foreign Investors Operating in the Processed Food Sector in Turkey		
Name of Company	Production	Origin
Coca-Cola	Beverage	U.S.A.
Pepsi Co.	Beverage	U.S.A.
Unilever	Margarine, Veg. Oil, Ice Cream	Netherlands
Cargill	HFS	U.S.A.
Nestle	Confectionary, Coffee, Cereals, Water, Baby Food	Switzerland
Danone	Dairy, Water, Mineral Water	France
Cadbury Schweppes	Confectionary, Chocolate	UK
Kraft	Snack food, Coffee, Chocolate	U.S.A.
Carlsberg	Beer	Netherlands
Frito-Lay	Snack food	Netherlands
Haribo	Confectionary	Germany
Henkel	Margarine	Netherlands
CP	Poultry	Thailand
Perfetti van Melle	Chewing gum	Italy