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## Turkey

### HRI Food Service Sector

### Annual

### 2008

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**Report Highlights:**

Total 2007 food service revenues were about USD 19.5 billion. The tourism industry is optimistic about the 2008 season and based on early reservation numbers the Mediterranean Touristic Hotel Association predicts a 5 to 10 percent increase in 2008 revenues. Major changes in the lifestyles, incomes and consumption patterns of Turks in the last decade have resulted in increased tendencies to eat outside of the home. These trends have led to a growth in the HRI sector, particularly for fast food and institutional food service

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## Section I. MARKET SUMMARY

### Overall Macroeconomic Factors

After a crisis in 2001, the Turkish economy has shown steady improvement. GDP is expected to grow by 4 percent in 2008, imports have increased by 21.8 percent since 2006, and Turkey was recently ranked 16<sup>th</sup> in the world in terms of FDI. The inflation rate at the end of 2007 was 8.39 percent, much better than in 2002 when it was 29.7 percent. Price inflation on some products was higher, for example tobacco and alcohol product prices went up 17.2 percent in 2007. In 2007 the official unemployment rate was 9.7 percent, up from 9.33 percent in 2006.

In October 2005, EU accession negotiations were started on 35 chapters, but the road has been a rocky one and in 2007 the negotiations were temporarily put on hold. Also, a power struggle between the hard-line secularists and the current ruling party has been negatively affecting domestic and worldwide confidence in the Turkish economy. A recent lawsuit to close down the ruling party has increased uncertainty. This environment has caused consumers to be cautious about their spending habits, resulting in a decrease in spending in many industries. The retail and apparel industries have lowered their growth estimates for 2008 by 10 percent and more industry leaders are expected to follow. These signs of recession have not seemed to affect the food market.

### Key Demand Drivers Affecting the Food Service Market

In Turkey about 40 percent of income is spent on food, compared to 10 percent in developed countries. Socialization over food is an important aspect of Turkish culture, whether at home or elsewhere. Major changes in the lifestyles, incomes and consumption patterns of Turks in the last decade have resulted in an increased tendency to eat outside of the home. In addition, a new and faster pace of life has led people to find quicker meal solutions for their shortened lunch hours. These trends have led to a growth in the HRI industry of Turkey, particularly two sectors; fast food and institutional food service. An increasing number of fast food chains and restaurants in newly established shopping centers and hypermarket complexes are evidence of this newly emerging trend. Turkey's fast food industry is now a USD 3.5 billion market.

In addition to the overall economic growth of Turkey, four main factors have helped to drive the growth in the HRI sector:

Increased income levels- Despite sporadic downturns in the economy, per capita income in Turkey has increased to USD 6,470 in 2007. However, according to purchasing power parity per capita income is actually much higher - approximately USD 8,385.

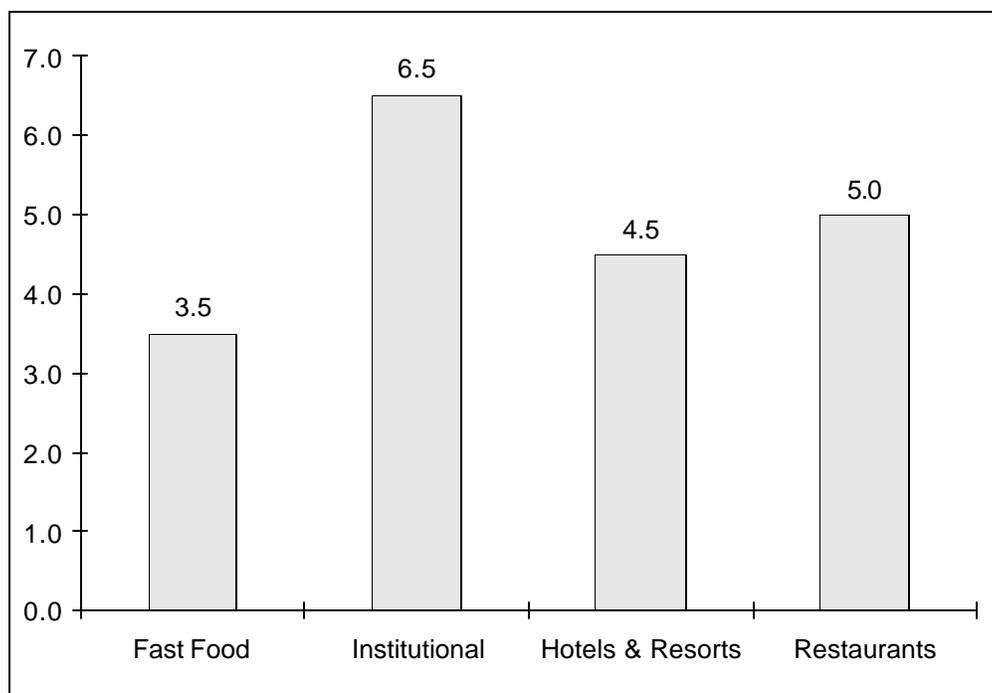
Urbanization and smaller household size- The share of the urban population increased from 44 to 70.5 percent in the last few decades. In Istanbul (population 12.5 million), Ankara (population 4.5 million), and Izmir (population 3.7 million) there was a sharp decrease in household size from 5.5 to 4.5 individuals per household between 1978 and 2000 and this trend is expected to continue. These trends should stimulate expenditure in the HRI sector.

Growing number of working women- The share of working women has increased from 15 to 28 percent of the workforce during the last two decades. Also, the percentage of families with female heads of household has increased from 8.7 percent in 1990 to 12.8 percent in 2006. As a result, home cooking decreased and recreational and social dining increased.

Growth in tourism- Turkey has a strong and rapidly growing tourism industry. The number of foreign tourists (mostly European) increased by 18.6 percent to 23.5 million tourists in 2007 compared with the year before. Tourism revenues followed the same trend with a 10 percent increase to 18.4 billion in 2007 compared to 2006. However, in the same period spending per tourist decreased from USD 728 to USD 679 in 2007. Despite political uncertainty, the tourism industry is optimistic about the 2008 season and based on early reservation numbers the Mediterranean Tourism Hotel Association predicted a 5 to 10 percent increase in 2008 revenues compared to 2007

A major problem for the HRI industry in Turkey is the volume of unregistered establishments. For example, according to official figures from the Ministry of Culture & Tourism, as of 2006 there were 3,344 hotels and resorts in Turkey. However according to unofficial estimates from the Turkish Hotel Federation this number is actually around 6000.

#### Food Service Revenues by Sub-sector 2007 (USD Billion)



2007 total food service revenue is estimated to be about USD 19.5 billion. The major trend in HRI food service is a shift away from the traditional type of restaurants towards catered meals and fast food. The institutional catering sector has shown rapid growth in recent years and reached USD 6.5 billion in 2007. The fast food market in Turkey is currently USD 3.5 billion.

Another trend that is catching on quickly in pastry shops, cafes, and restaurants is offering a Turkish style breakfast or brunch, which has traditionally been eaten at home. This developing sector of the restaurant market usually offers open buffets or all inclusive fixed prices. So far, most of the menu items for these breakfasts and brunches have been domestically procured. A small amount of imported food items are served in 5 star hotel's brunch menus but their share is negligible.

Though there is promising growth in the HRI sector as a whole, opportunities for U.S. food imports in large quantities remain limited, since it is possible to supply most food ingredients through domestic production and because imports are limited by high duties and complicated procedures. For example, meat imports are banned due to phytosanitary concerns and import and consumption taxes on wine are over 200 percent.

As a result, imported food and food ingredient consumption remains at only 3 percent for the local HRI food service industry. This number is only slightly higher (10 percent) for hotels and restaurants that feature foreign cuisine. Imported products include bulk items such as rice, corn, pulses, chickpeas, vegetable oil (corn oil, soy oil), and beans as well as other items used in catering such as specialty cheeses, hams, sauces, pastries, tropical fruits, seafood and alcoholic beverages.

The following is a summary of the advantages and challenges facing U.S. food products in Turkey:

Advantages	Challenges
The number of western fast food outlets is continuing to increase.	A Customs Union with the EU created a privileged position for EU country imports to Turkey.
Some U.S. products are more competitively priced than local products.	Transportation costs are less for products from neighboring countries, compared to products from the United States.
Branded foreign products do well in the Turkish market due to changing consumption patterns, western influence and high quality labeling.	Many import tariff rates are high. (Between 6% to 140% on processed food products and 12% to 240% on agricultural commodities).
The young and urban segments of Turkish society are receptive to new products & western tastes.	There is a well-developed local food-processing sector providing most needed items.
The number of foreign cuisine restaurants (Asian, Fusion, Italian etc.) and international hotel chains is increasing.	European (French & Italian) and Far East cuisine are still dominant in restaurants and hotels. High tariffs prevent the import of many specialty ingredients.

## Section II. ROAD MAP FOR MARKET ENTRY

### A. Entry Strategy

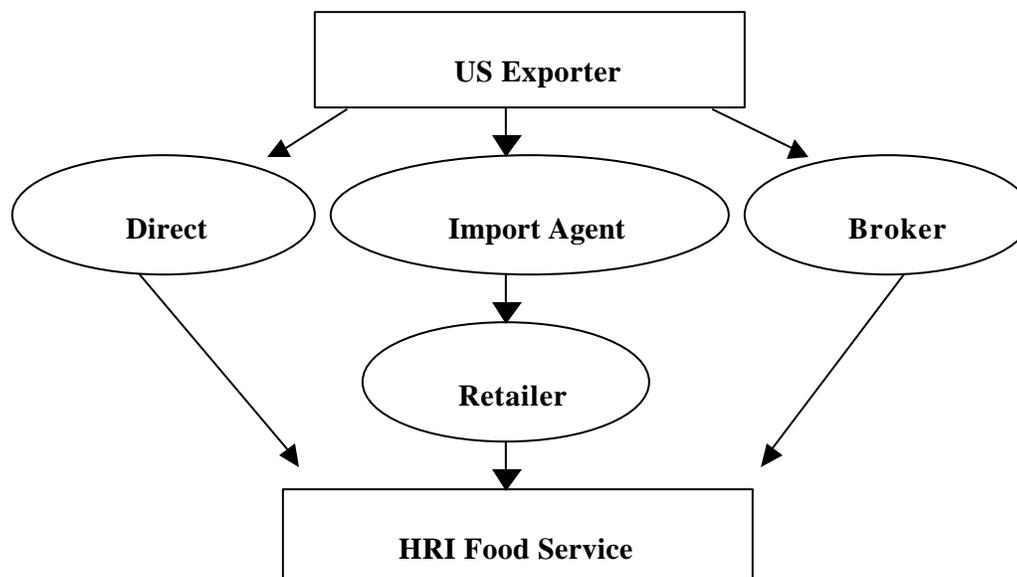
Since import procedures are complex and volume is low in this sector, very few HRI companies handle the direct importation of food service products. Most domestic distribution companies, with the exception of some of the large concerns, also do not deal with imports. Imported food products are generally handled by specialized import distribution companies. Therefore, the best approach for new-to-market exporters is to first contact importers and distributors through specialized institutions such as TUGIDER (Association of Food Importers) and DEIK (Foreign Economic Relations Board) who are involved in trade servicing. TUGIDER

has 150 members, which include the majority of food importing companies in Turkey. This organization can be contacted by phone at (+90-212) 347 2560; by Fax at (+90-212) 347-2570 or via their website at [www.tugider.org.tr](http://www.tugider.org.tr). DEIK is an organization that assists Turkish businesses that are interested in moving into international commerce. DEIK can be contact by phone at (+90-212) 339 5000, by fax at (+90-212) 270 3092, or via their website at [www.deik.org.tr](http://www.deik.org.tr).

## B. Market Structure

The distribution system in Turkey is shifting from the wholesaler/dealer model to one with large-scale networks backed by large distribution companies. There are also a large number of food manufacturers with their own distribution companies.

The following chart illustrates how the distribution network operates for HRI food service purchasers. The most common pattern is exporter to import agent, import agent to retailer.



## C. Sub-sector Profiles

### 1. Shopping Malls

By the end of 2007 the total area of western style shopping malls reached 1.5 million square meters. There is a significant amount of construction in this sector and the area is expected to reach 3 million square meters in the next few years. In Istanbul alone there are 59 existing shopping malls and 46 that are currently being built, plus an additional 37 in the project planning phase. While the food courts in the shopping malls usually attract both domestic and foreign fast food restaurants, recently built higher-end malls also include full service restaurants which serve foreign dishes.

### 2. Hotels and Resorts

Approximately 23.5 million tourists visited Turkey in 2007. The number of tourists is expected to increase by 10 percent in 2008 and reach 30 million by 2010. By 2010 annual income from tourism is expected to grow from USD 18.4 billion to USD 27 billion. Along with

the tourism sector, hotel and resort food service is also expected to grow by 15-20 percent per year in the next few years. By 2013 Turkish investors are planning to invest a total of USD 15 billion in tourism and to increase the number of modern hotel rooms from 600,000 to 1 million.

In order to further stimulate the tourism sector the government reduced the consumption tax by 10 percent on motels, restaurants, and other tourist complexes that don't sell alcohol. The new consumption tax for these establishments is 8 percent. This change in the consumption tax has caused confusion in the industry, as different parts of hotels now need to charge different tax rates based on whether or not they serve alcoholic drinks. Also, while consumers expected drastic price reductions due to this tax adjustment, hotel room rates virtually remained unchanged and there were only token price reductions in the food service sector. For example, at Mc Donald's the price of a standard Big Mac meal decreased by approximately USD 0.25 to USD 6.3.

The hotel sector accounts for 23 percent of the total food service market and 21 percent of the total beverage market (including alcoholic and non-alcoholic beverages). About one-fourth of the hotel sector's total revenues are estimated to come from food & beverages, with 73 percent of this subsector coming from food and 27 percent from beverages. There are approximately 6000 hotels and resorts in Turkey, of which 3344 are registered. There are 369 registered 5 star hotels, which account for approximately 32 percent of total bed capacity. In 2008 an additional 125 hotels –of which 40 will be 5 star hotels- are planned to open.

Four and five star hotels and holiday resorts with foreign dining options form the major target group for imported food & beverage items. These hotels cater not only to foreign tourists but also to domestic tourists, business meetings and conferences. Hotels contact importers and distributors for their imported food and beverages needs. It is rare for hotels and restaurants to purchase imported items from cash and carry outlets or hypermarkets since these businesses generally require cash payments and do not offer delivery services. Luxury hotels have expressed an interest in importing high-value food items, but high tariffs and complicated import procedures make many imports impractical. Many resorts offer all-inclusive packages and buffet style dining. Currently, imported foods rarely find their way into these buffets due to prohibitively high costs, however it remains to be seen if domestic production can continue to satisfy the demand in terms of both quantity and quality.

In the last 2 decades tourism has become one of the fastest growing sectors in the unstable Turkish economy. Turkey is an attractive and affordable destination, particularly for tourists from Europe and the former Soviet republics.

### 3. Restaurants

Foreign Cuisine Restaurant Profiles		
Restaurant Name	Location	Type of Cuisine
Broadway Diner	Istanbul	American
Polat Champions The American Sports	Polat Renaissance Hotel, Istanbul	American
Tribeca	Istanbul	American
Woo	Istanbul	American / Californian
Sunset	Istanbul	American / Californian

Wine'n Roses	Istanbul	American / Californian
The Brasserie	Ceylan Intercontinental Hotel	American / Californian
TGI Friday's	Istanbul, Ankara	American & Mexican
Dragon	Hilton Hotel, Istanbul	Chinese
Dynasty	Istanbul	Chinese
Great Hong Kong	Istanbul	Chinese
Ku Kong	Swissotel, Istanbul	Chinese
Royal China	Polat Renaissance Hotel, Istanbul	Chinese
Yuen Çin Lokantasi	Istanbul	Chinese
Citronelle	Ceylan Intercontinental Hotel, Istanbul	French
La Corne D'or	Swissotel, Istanbul	French
Panorama	The Marmara Hotel, Istanbul	French
L'appart	Istanbul	French
Bogaziçi Paysage	Istanbul	French
Cafe De Paris/O Bar	Istanbul	French
Cafe Du Levant	Istanbul	French
Chez Petit	Istanbul	French
Divers Palais Restaurant	Istanbul	French
Flambe Restaurant	Istanbul	French
Les Bons Restaurant	Richmond Hotel / Istanbul	French
Divan	Divan Hotel, Istanbul	French & Turkish
Turkuaz	Dedeman Hotel, Istanbul	French & Turkish
Tandoori	Istanbul	Indian
Bellini	Ciragan Palace Hotel, Istanbul	Italian
Bice	Istanbul	Italian
Coco Pazzo	Istanbul	Italian
Blue Cat	Richmond Hotel Istanbul	Italian
Circus	Istanbul	Italian
Da Umberto	Istanbul	Italian
Il Padrino Ristorante	Istanbul	Italian
Il Piccolo	Istanbul	Italian
Il Sole	Istanbul	Italian
La Vecchia Torretta	Istanbul	Italian
Porto Venere	Istanbul	Italian
Pucci Plus	Istanbul	Italian
Ristorante Italiano D'Argento	Istanbul	Italian
Ristorante Rosa	Istanbul	Italian
Sapore	Istanbul	Italian

La Select	Istanbul	Italian
Mezza Luna	Istanbul, Ankara	Italian
Paper Moon	Istanbul, Ankara	Italian
Royal Garden	Falez Hotel, Antalya	Italian
Santini	Sheraton Hotel, Ankara	Italian
Spasso	Hyatt Regency Hotel, Istanbul	Italian
Mikado	Ankara	Japanese
Miyako	Swissotel, Istanbul	Japanese
Takarabune Japanese	Hyatt Regency Hotel, Istanbul	Japanese
Cafe Bunka	Istanbul	Japanese
Hai! Sushi Bar	Divan Hote / Istanbul	Japanese
Itsme	Istanbul	Japanese
Maki Sushi	Istanbul	Japanese
Mori Restaurant	Istanbul	Japanese
Ninja	Istanbul	Japanese
Udonya	Point Hotel / Istanbul	Japanese
Seoul Restaurant	Istanbul	Korean
El Torito	Istanbul	Mexican
Meksikana	Istanbul	Mexican
Picante	Bodrum / Mugla	Mexican
Mexican Cantina	Istanbul	Mexican
Rio Bravo	Istanbul	Mexican
Machka	Istanbul	Russian
Havyar Bar	Ciragan Palace Hotel, Istanbul	Russian
Rejans	Istanbul	Russian
Amandine	Ceylan Intercontinental Hotel	Swiss
ÇokÇok	Istanbul	Thai
Ladda's	Bodrum / Mugla	Thai
Pera Thai	Istanbul	Thai
Sai-Thai	Istanbul	Thai

As of 2007 there was an estimated 200,000 restaurants in Turkey. Restaurants used to comprise the leading market segment in the food service sector, accounting for 36 percent of total food service revenues in 2004. However the exponential growth in institutional food service caused the share of restaurants in the market to decline to 25.5 percent of total food service revenues in 2007. Three quarters of total restaurant revenues come from food sales and the remainder comes from beverages. This category covers all kinds of outlets from traditional kebab and *pide* (similar to pizza) houses to luxury restaurants offering a wide variety of international menus.

Increasing purchasing power in Turkey has been encouraging many consumers to eat out for dinner and socialize over prolonged meals. The growing popularity of restaurants offering foreign menu items has increased per unit food prices and total transaction prices. In

response to the popularity of foreign restaurants, restaurants with traditional Turkish menus have been strategically lowering their prices.

The use of imported food and beverages by traditional restaurants is negligibly small, as the high import tariffs are a major deterrent. In addition, since these restaurants specialize in traditional cuisine all of the food inputs are available locally. An average 10 percent yearly growth is expected in the restaurant food service.

Luxury restaurants comprise the main market for imported food and beverages, but only 5 to 10 percent of the total restaurant market. Along with a great many restaurants specializing in Turkish cuisine, there are a considerable number that specialize in foreign food. There are now more than 300 foreign cuisine restaurants in Turkey. Italian, French, Far Eastern and Mexican cuisines are particularly popular. Of the current full-service restaurants 95% serve traditional Turkish dishes using of course mainly domestic ingredients. The remaining 5% serve foreign food and these restaurants are clustered around Istanbul, Ankara, and Izmir.

Foreign cuisine restaurants procure their imported items either through importers or wholesalers. In the case of urgent or specialty needs, hypermarkets are used. Few international chains import directly. The main imported items are wine, beer, fish products, specialty cheeses, sauces, pastries and staple items like rice. Many restaurant owners have expressed an interest in buying imported meat products if the government would lift its current ban on such items. Food purchasing managers complain about cumbersome import procedures preventing them from importing specialized ingredients.

Restaurant chains in general have not become very popular yet in Turkey – most are single entity businesses. An exception to this is fast food chains, discussed in the next section. A recent trend in the restaurant industry is the emergence of high quality deli and butcher shops establishing high end full service restaurants under their own brand names. Formerly these butcher and deli shops used to supply raw materials to luxury beef restaurants such as Beyti, Vouge, and TGI Fridays. These new restaurants usually focus on beef products and differentiate themselves through better tasting red meat dishes. Due to import regulations, such restaurants supply their beef from domestic sources.

#### 4. Fast Food Restaurants

<b>Top Fast Food Restaurant Company Profiles</b>					
<b>Company / Restaurant Name</b>	<b>Sales CY 2007 \$ Million</b>	<b>Current Number of Restaurants (2007)</b>	<b>Expansion Plan (Total Outlet Target)</b>	<b>Nationality</b>	<b>Purchasing Agent</b>
Arby's	8	7	25 in 1010	US	Broker / Direct
Burger King	300	193	500 in 2010	UK	Direct
Suchico / Chinese In Town	N/A	12	14 in 2008	Turkish	Broker / Direct
Dominos Pizza	40	93	200 in 2010	US	Broker
Dunkin Donuts	N/A	20	50 in 2010	US	Wholesaler
Duran Sandwiches	3	10	14 in 2008	Austria	Broker / Direct

My Fish / North Fish	N/A	13	25 in 2008	Turkish	Direct
Gloria Jean's	N/A	60	85 in 2008	Australia	Direct / Broker
Kahve Dunyasi	N/A	21	N/A	Turkish	Broker / Direct
Kentucky Fried Chicken	40	36	72 in 2010	US	Broker
Little Caesars Pizza	6	23	48 in 2008	US	Broker
McDonald's	125	104	120 in 2008	US	Direct
Pizza Hut	42	32	74 in 2010	US	Broker
Pizza Pizza	15	112		Turkish	Wholesaler
Starbucks	N/A	99	+200 by 2010	US	Direct, Wholesaler
Sultanahmet Koftecisi	70	72	100 in 2008	Turkish	Direct
Subway	N/A	6	80 in 7 years	US	Direct

Fast food chains are a relatively new concept in Turkey, emerging only in the last 20 years. With the entrance of foreign chains like McDonald's and Burger King, Turkey's fast food market reached about USD 1.2 billion in 2004 and increased to USD 3.5 in 2007. The market is predicted to grow by 25 percent per year for the next few years.

The potential of the fast food industry has been encouraging not only new players to enter the market but also has encouraged existing businesses to expand their operations. The Subway representative agency in Turkey, which currently has 6 restaurants in Turkey, recently announced that within the next 7 years it would like to expand to 80 locations.

Same potential exist in high end coffee shops. Predominantly a tea drinking culture, prior to Starbucks' entry to the market Turks were familiar with only two coffee types: Turkish traditional coffee and instant coffee such as Nescafe. After Starbucks entered the market, many similar specialty coffee shops quickly began emerging. Specialty coffees and flavored coffees are becoming more wide spread and this trend is being promoted both by international café chains as well as their Turkish counterparts. In the EU for every 100 people there is 1 coffee machine while in Turkey for every 5000 people there is 1 coffee machine. Hence, there is still a high growth potential in the high-end coffee shop market. The international coffee chain called Dallymayr Coffee is planning to capitalize on this potential by expanding from 6 to 35 locations. Turkish competitors such as Kahve Dunyasi, which has 21 shops and is expanding steadily, are capitalizing on the growth of the sector by offering similar services at much lower prices.

The fast food sector has good prospects for future growth due to Turkey's relatively young population that is open to new tastes. Fifty percent of Turkey's population is younger than the age of 28. Fast food sector growth has also helped decrease operational costs, increase the number of shopping malls, and decrease the amount of households that rely on home cooking.

The great majority (about 75 percent) of fast food restaurants are located in big cities like Istanbul, Ankara, and Izmir. At first fast food companies choose to expand their operations only in larger cities, however the growth has recently been expanding to Anatolian cities. For example the Pizza Hut and KFC franchiser, Turkent, is planning to expand not only in the three large cities but also in smaller Anatolian cities such as Eskisehir, Kocaeli, Konya, Kayseri, and Antalya.

Though Turkey's fast food consumption is climbing fast, it lags far behind European levels. In 2004 per capita fast food consumption is estimated to be about USD 16 compared to USD 40 in France and USD 160 in the UK. In 2007 an average meal price in McDonalds is about USD 5.0-5.5 for a Cheeseburger, French fries and soft drink.

U.S. fast food franchises are dominant in Turkey, with an estimated 50 percent market share. Turkish chains have about a 30 percent share. European chains, primarily a Burger King franchiser, hold the remainder. Turkish fast food restaurants are gaining popularity but the fragmented competition from Turkish companies, where there are no established large chains, causes no real threat to foreign brands. According to a survey conducted among university students however, the most popular fast food item is *durum* (a kind of Turkish burrito with meat) and hamburgers are in second place. University students also said that half of their approx USD 200 monthly incomes are spent on fast foods.

Traditional Turkish restaurants specializing in fast food service continue to emerge. These restaurants serve traditional chicken, beef and lamb kebabs and other Turkish dishes, but in a new fast food style. All fast food companies use local products due to difficulties in importing. Burger King primarily sources food items locally, importing only paper products directly from the UK. Mc Donald's not only prefers to work with local food manufacturers for some items like Pinar (for condiments), Tat (for other sauces and ketchup), McCormick (for condiments), and Bolpat (frozen potatoes), but it also produces its own beef to insure quality and price competitiveness.

#### 5. Home Delivery and Takeout

While Turkish restaurants also offer home delivery and take out services, their share in this sector is negligible compared to that of fast food companies. In 2006 the sector reached USD 440 million in revenues. Even foreign fast food chain restaurants such as Mc Donald's and Burger King that do not traditionally offer home delivery have established delivery services. Fast food pizza companies dominate the sector, with Dominos being the current sector leader. The main reason for this trend is the increasing number of women in the workforce. Another factor is the increasing work hours, especially in Istanbul, and the increase in companies offering financial support for food for their employees working overtime. In the future the popularity of internet based meal order companies is expected to fuel the sector, as some internet order companies such as Yemek Sepeti have already reached USD 40 million in orders in 2007.

#### 6. Institutional Food Service

Company Name	Sales \$ Million	Sales CY 2007 \$ Million	Percent Increase	Portion Capacity Per Day CY 2004	Portion Capacity Per Day CY 2005	Percent Increase	Nationality	Purchasing Agent
Sofra/Eurest Compass	75 (CY 2003)	250	233%	165,000	280,000	70%	UK-French	Manufacturer, Distr.
Sodexho	35 (CY 2003)	90	157%	100,000	200,000	100%	French	Manufacturer, Distr.
Sardunya	45 (CY 2001)	65	44%	100,000	120,000	20%	Turkish	Manufacturer, Distr.
Emin-Kluh	5 (CY 2001)	20	300%	25,000	50,000	100%	Turkish	Wholesaler
Savas	12 (CY 2001)	27	125%	30,000	145,000	383%	Turkish	Wholesaler

In the 1980s, institutional food service providers began emerging in Turkey to provide food service to factories, schools, hospitals, private companies and public sector organizations. The institutional food service sector developed rapidly, sometimes with the help of foreign joint venture investments. It is now a USD 6.5 billion market compared to USD 2.25 billion in 2004, accounting for over 30 percent of the overall HRI sector. The size of the institutional food service market will continue to enlarge as the military has started contracting out an increasing number of catering services at its premises. Another driver is Turkish business laws, which require some employers to provide lunch and dinner to their employees. About half of the places that provide lunch and dinner do so with self produced meal and sometimes provide dining coupons for employees to use in their choice of restaurants that are participating in the meal ticket systems. There are about 5,000 institutional food service enterprises in Turkey, of which about 2,700 are located in Istanbul. The institutional food sector provides meals to about 7 million people daily, half of which live in Istanbul. The sector is growing 10 percent annually and is composed mostly of small- to medium-sized private enterprises with mostly local customers. Larger foreign catering companies such as Sodexho of France, Compass of England and Klüh of Germany are also in the market. Unregistered companies exist, and they have an unfair advantage over registered companies because they do not pay taxes and also do not have to meet the same hygiene standards.

Following the usual pattern, the institutional food service industry has spread from Istanbul to other industrialized cities such as Ankara, Izmir, Adana, Bursa and Eskisehir. The main food inputs of this sector are meat, grains, fruits and vegetables. The use of imported food items is mostly limited to bulk commodity agricultural products such as rice, pulses and vegetable oils. There is less demand for catered food from public sector organizations, with the exception of the armed forces, than from companies in the private sector. Many public sector organizations have cafeteria services on their premises or offer meal vouchers that are good at nearby restaurants.

A major problem for the industry is a lack of qualified labor. Currently only 3 percent of the 350,000 employees in this industry are educated in the culinary arts. High meat prices are another problem. While 1 kg of red meat costs 1.5 USD in Europe, in Turkey it costs USD 7.5.

#### 7. Turkish Style (or Local) Deli Shops

An orphan sector of the food industry according to size and variety of services, these delis are usually considered part of fast food, restaurant or institutional food service. They offer home-style Turkish foods and also distribute in bulk to neighboring business establishments and offer decent prices. An increasing part of the working population has been eating in these establishments. In fact these delis are the restaurant type of choice for employees of small- to mid-sized companies that do not have their own cafeterias. This sector is expected to grow by 3 percent on a yearly basis and is considered a part of the institutional food sector in this report.

### SECTION III. COMPETITION

Because of customer preferences for familiar foods, high duties and other restrictions on imports, most of the HRI market's needs are met by domestic products. Higher-value imported products are mainly branded products (sodas, dairy products, sauces) and certain products that are either not available in Turkey or that cost much more than domestic products (sea food, exotic and tropical fruits, spices, etc.).

The majority of Turkey's imports in the food service sector are from European countries, due to proximity, the Customs Union with the EU (which provides for quota-free access and lower duties), and the dominant position of European cuisines such as French and Italian among foreign cuisines in Turkey. Other leading suppliers are Brazil for fruit juice, Egypt for rice and Ecuador for bananas. The United States continues to be another leading supplier for the food service sector, selling mainly vegetable oil (corn), rice, almonds and processed fruits and vegetables.

Since June 2006 the Turkish government stopped publishing complete import and export data due to a new policy. Accord to the policy, if a given item is traded by three or fewer companies in any month, trade figures will be shown as zero. Consequently it has become impossible to find accurate import numbers. The table below shows major suppliers for some of the leading food imports to Turkey.

Product	Supplier Countries
Juices	Brazil, Holland
Cacao	Ghana, Ivory Coast, Cameroon
Chocolate	Italy, Germany, Holland
Coffee	Brazil, Germany
Banana	Ecuador, Costa Rica
Corn Oil	USA, Brazil, Bulgaria, Argentina
Sun Oil	Ukraine, Romania, Russia, Bulgaria
Rice	Egypt, USA, China, Italy
Milk and Crème Concentrate	France, Germany, Ukraine, Switzerland
Cheese	N. Cyprus, Poland, Holland
Butter	Sweden, Germany, Holland
Sauces	Macedonia, Germany, France, England
Soy oil	Spain, Portugal, Greece, Italy
Pulses	Canada, Kyrgyzstan, Iraq
Almond	USA, Iran
Breakfast cereals	Spain, Germany, Italy, France
Baby formulas	Germany, France, Spain
Jams	Germany, Czech Republic
Biscuits	Belgium, Italy, Holland
Pasta	Italy, Switzerland, Korea
Sea food	Norway, Spain, Mauritania, Ghana

#### SECTION IV. BEST PRODUCT PROSPECTS

**Beer:** A majority of the beer consumed in Turkey is produced in local breweries. The dominance of Turkish companies in this market is due to years of protectionist trade policies and regulations on alcoholic beverages by Turkish Government via TEKEL organization (literally translated as "monopoly"). However, changes in 2004 and the privatization of the alcoholic beverages industry have allowed imported beer to enter the market. Imported beer, like wine, competes in the high priced premium beverage sector, however the younger population still prefers Turkish brands. The microbrewery sector is still in its infancy. The first microbrewery, Taps Microbrewery, emerged in 2002 in Nisantasi, Istanbul. Imported microbrews and exotic beers are rarely found in the market, since they are still relatively expensive and tend to taste different than the typical beers that are preferred in Turkey. The dominant beer varieties in the market are Lager and Pilsner.

**Wine:** Recent changes in local wine import and distribution regulations allow importers to import, distribute and sell wine at retail markets. The popularity of wine as an alcoholic beverage has increased in recent years. Local consumption has doubled during the last four years and Turkish consumers are more and more willing to try new varieties. Due to high import taxes, premium wines from Europe and the United States are sold at astronomical prices and therefore appeal only to a very small market segment. Cheaper foreign wines are sold at much more competitive prices and are slowly establishing themselves as alternatives to Turkish brands. The wine culture is also growing in Turkey and the number of educational courses/events about wine varieties, manufacturing and culture are growing. French and Californian wines are held in high esteem compared to other imports from Eastern Europe, Spain, South America, and Italy. Due to the price advantage of domestic wines and decades of protection of the industry, imported wine accounts for only 1.2 percent of domestic consumption.

**Whiskey:** Single malt scotch is rarely found in the Turkish market, as blended scotch is the whisky of choice. Because whisky is viewed as an expensive drink, it is not popular among the young population and the established taste preferences of the middle aged and older consumers are very difficult to change. Having realized this, two American bourbon brands in the market, Jack Daniels and Jim Beam, are targeting the younger generation through rock concerts and motor-rally sponsorships.

**Seafood:** Turkey is a promising market for various seafood products. In addition to local fresh fish, frozen, preserved and ready to eat seafood products are welcomed by Turkish consumers. The governments of Turkey and the United States have agreed on a seafood health certificate that should facilitate market access.

**Dairy products:** Specialty cheeses and butter from the United States have potential in the Turkish market, however imports from EU countries currently dominate.

**Breakfast Cereals:** Sales of breakfast cereals are increasing not only in the HRI sector but also in the retail market. Chocolate cereals, corn flakes, bran flakes with raisins and cereals mixed with fruit or chocolate are becoming popular with Turkish consumers.

**Sauces and syrups:** Various brands of sauces for salads, meat and international cuisines are popular in Turkey and form an important part of the HRI sector. In particular, the increasing popularity of Asian cuisine is promoting demand for specialty herbs, sauces, and syrups. Most sauces are currently being imported from Germany, the UK, France, Asian countries and the United States.

The adoption of products popular in the West is a large part of modern Turkish life, so internationally known brand names are particularly well received. Exporters should be sensitive to brand positioning and be ready to invest in research and marketing to help their importing partners have a successful entry into the market.

## SECTION V. POST CONTACT AND FURTHER INFORMATION

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