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Turkey

Tobacco and Products

Annual Report

2004

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Report Highlights:

MY 2004 total tobacco production is estimated to be about 153,750 MT. Oriental tobacco production is decreasing while non-oriental tobacco production shows a modest increase. Low export prices led to increased oriental tobacco exports that reached 107,870 MT in 2003. Non-oriental tobacco imports continue to increase due to increased demand for blended cigarettes. Imports from the United States continue to decline due to high cost. The GOT canceled Tekel's cigarette production unit privatization tender due to low bidding prices. Tekel is expected to announce a new tender in 2004.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Ankara [TU1]
[TU]

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Executive Summary

The GOT continues to strictly control oriental tobacco production in order to solve the expensive problem of overproduction and burdensome stocks. The new law that requires pre-season contracts for production effectively reduced all over-production of oriental tobacco in Turkey. MY 2004 total un-manufactured tobacco production is now estimated at about 153,750 MT (farm weight) of which 145,450 MT is oriental tobacco, 5,700 MT flue-cured and 2,600 MT burley. Tobacco production is expected to decline in coming years as incentives to produce alternative crops –and disincentives to produce tobacco- become well established.

Oriental tobacco consumption declined in 2003 while non-oriental tobacco consumption increased. Increased consumption of blended cigarettes was the reason for the change.

Turkish oriental tobacco exports increased in MY 2003 to 107,870 MT due to low export prices. The United States continued to be the leading importing country with 33,990 MT followed by the EU with 32,090 MT and FSU with 15,340 MT. Turkey did not export non-oriental tobacco in 2003.

Total imports of non-oriental tobacco in 2003 reached 43,390 MT, up from 37,280 MT last year. Existing data do not distinguish types of tobacco. Imports are estimated at about 28,000 MT for flue-cured and 15,390 MT for burley. The United States continues to be the leading supplier for non-oriental tobacco with 12,140 MT followed by Brazil (11,130 MT) and Argentina (4,650 MT). Turkey also imported 5,550 MT of scrap tobacco in 2003. Brazil was the leading supplier exporting 2,090 MT followed by Zimbabwe (1,120 MT). Homogenized tobacco imports during the same period have reached 15,180 MT. The United States was the leading supplier with 10,048 MT followed by Russia (2,190 MT) and France (1,920 MT). Turkey also imported about 6,330 MT of precut tobacco in 2003, Holland was the leading supplier with 4,570 MT followed by Switzerland (1,050 MT).

There is no change in Turkish tobacco import regime. Tobacco imports are subject to 25 percent duty and USD 3 per kg tobacco fund.

Production

Oriental tobacco production continues to decline as a result of GOT's efforts to limit production and keep costly tobacco stocks at manageable levels. The new preseason contract signing method effectively reduced oriental tobacco production. MY 2004 production is estimated at 145,450 MT (farm weight) down from 157,100 MT last year. Production declined in all regions but the Southeast Anatolian region. The biggest drop occurred in the Aegean region, where Turkey's top selling export quality tobaccos are produced. MY 2004 production in this region fell to 95,305 MT down from about 104,560 MT last year. Dry weather conditions in the region during the growing season also affected production adversely. Production in other regions was; Black Sea 21,735 MT, Marmara 2,220 MT, East Anatolia 4,435 MT and Southeast Anatolia 21,760 MT. For MY 2004 TEKEL signed production contracts for a total of 48,940 MT while private companies total contracted amounts reached 96,500 MT.

TEKEL also limits its contract amounts to 200 kg per farm. Even though the law required that excessive production is sold in auctions and via catalogs; no steps are taken on these issues. As a result, TEKEL ended up buying 10,000 MT of excessive MY 2003 tobacco last year.

The GOT is pursuing an alternative crop program for tobacco producers with assistance from IBRD. According to the program, farmers who shift from tobacco to an alternative crop are eligible for a USD 80 per dekar support payment. This program will end in 2004. It is reported that about 72,000 farmers shifted their production from tobacco to other crops because of the reduction program. Farmers in the Eastern and Southeastern regions are reportedly planting grains, pulses and vegetables and in the Aegean region farmers are planting grains and grapes in place of tobacco.

In the long run, oriental tobacco production in Turkey will be free of competition from EU member countries due to the lifting of tobacco production support programs in the EU. However, farmers will be facing increasing competition from eastern neighbors and FSU countries due to increasing production of oriental tobacco varieties in these countries.

Non-oriental tobacco production will be up marginally in MY 2004. Flue-cured production is expected to be 5,700 MT and burley production will be about 2,600 MT.

Consumption

In MY 2003 while oriental tobacco domestic consumption declined, non-oriental tobacco consumption increased due increasing popularity of blended cigarettes. The decline in domestic consumption of oriental tobacco is also attributed to the increase in smuggled low cost cigarettes. Total tobacco consumption is also adversely effected by the decline in exports. Oriental tobacco consumption in MY 2004 is estimated to recover somewhat while non-oriental tobacco consumption continues to increase due to increases in exports and domestic consumption as a result of better control against smuggled cigarettes.

Trade

Turkish oriental tobacco exports in MY 2003 reached 107,870 MT, up from 88,335 MT last year but low compared to the mid-nineties when annual exports of tobacco were about 150,000 MT on average. Low export pricing policy has reportedly helped TEKEL to clear stocks by increasing exports.

During MY 2003 grade A tobacco exports reached 23,760 MT with an average price of USD 4.81/kg and grade B tobacco exports were 15,980 MT, with an average price of USD 3.94/kg. Average prices for the other types were: USD 2.17 kg for "kappa", USD 1.49 for "kappa kappa", and USD 0.52 for scrap tobacco. Turkey also exported mixed quality tobacco known as "class unique". Exports of this quality tobacco in MY 2003 increased to 42,990 MT, with an average price of USD 2.38 per kg.

Existing official trade data does not properly distinguish types of tobacco imported. Based on information from a range of sources, Turkey's imports of non-oriental tobacco in MY 2003 was about 43,390 MT up from 37,280 MT of last year. Increased domestic consumption and stock replenishments were the primary reasons for the increase in non-oriental tobacco imports. About 28,000 MT of imports are estimated to be flue-cured (unstemmed and stem) and the remainder is burley tobacco (15,390 MT). The U.S. was the leading supplier of non-oriental tobacco exporting 12,140 MT followed by Brazil (11,130 MT), Argentina (4,650 MT), Thailand (2,330 MT), China (1,430 MT) and India (1,280 MT). Additionally, Turkey imported 4,185 MT of flue-cured tobacco from Zimbabwe and 3,000 MT of burley tobacco from Malawi.

Turkey also imported 5,550 MT of scrap tobacco in 2003. Brazil was the leading supplier exporting 2,090 MT followed by Zimbabwe (1,120 MT). Homogenized tobacco imports

during the same period reached 15,180 MT. The U.S. was the leading supplier with 10,050 MT followed by Russia (2,190 MT), France (1,920 MT) and Brazil (860 MT). Turkey also imported about 6,330 MT of precut tobacco in 2003. Holland was the leading supplier with 4,570 MT followed by Switzerland and Germany with 1,050 MT and 710 MT respectively.

Since available data do not differentiate between flue-cured, stem and burley tobacco it is not possible to create trade matrixes for these items.

Stocks

Domestic oriental tobacco stocks are expected to decline to 247,780 MT at the end of 2004. In the coming years the decline in oriental tobacco stocks is expected to continue due to the GOT's efforts, which include a combined approach of production control, exports and stock disposal via burning.

Policy

There is no change in tobacco import regime. Tobacco imports are subject to 25 percent duty plus a USD 3 per kg tobacco import fund charge.

Marketing

Current regulations require a notice stating that cigarette smoking is harmful to health but do not require manufacturers to print tar and nicotine levels on cigarette packages.

Marketing Subcategory
Cigarette Price

Company& Brand (Pack of 20) =====	April 2003 Price(US\$=1,600,000TL) =====	April 2004 Price(US\$=1,350,000TL) =====
Phillip Morris:		
Marlboro 100's	2,750,000	3,600,000
Marlboro Light	2,750,000	3,600,000
Marlboro 85's	2,500,000	3,300,000
Parliament	2,750,000	3,600,000
L&M 100's	1,600,000	2,150,000
L&M 85 mm	1,500,000	2,000,000
Chesterfield	1,750,000	2,300,000
 RJ Reynold:		
Camel 85's	2,500,000	3,300,000
Camel 85's light	2,500,000	3,300,000
Salem	2,750,000	3,600,000
Monte Carlo 100's	1,500,000	2,150,000
Winston	1,750,000	2,300,000
 TEKEL:		
Maltepe 100's	1,000,000	1,500,000
Maltepe 85's	950,000	1,250,000
Samsun 100's	1,000,000	1,500,000
Samsun 85 mm	950,000	1,250,000
TEKEL 2000 100's	2,250,000	2,950,000
TEKEL 2001 100's	1,600,000	2,900,000
Yeni Harman	1,100,000	1,500,000
 BAT:		
Viceroy	1,600,000	2,000,000
Kent	1,600,000	3,250,000
Pall Mall	N/A	2,300,000

End Report

**Turkey
Tobacco, Unmfg., Total**

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01.2002		01.2003		01.2004	MM/YYYY
Area Planted	188190	198373	210698	193789	0	183954	(HA)
Beginning Stocks	362462	392427	346922	346694	322912	306402	(MT)
Farm Sales Weight Prod	167000	151722	171314	163482	0	153750	(MT)
Dry Weight Production	137810	125930	142190	135690	0	127613	(MT)
U.S. Leaf Imports	22500	14267	11000	12256	0	14500	(MT)
Other Foreign Imports	28500	23010	44500	31132	0	38000	(MT)
TOTAL Imports	52000	37277	55500	43388	0	52500	(MT)
TOTAL SUPPLY	552272	555634	544612	525772	322912	486515	(MT)
Exports	85750	88840	98000	107870	0	100000	(MT)
Dom. Leaf Consumption	67600	71300	72500	62500	0	66500	(MT)
U.S. Leaf Dom. Consum.	25500	17000	12000	13000	0	14500	(MT)
Other Foreign Consump.	31800	31800	39200	36000	0	37500	(MT)
TOTAL Dom. Consumption	119600	120100	123700	111500	0	118500	(MT)
TOTAL Disappearance	205350	208940	221700	219370	0	218500	(MT)
Ending Stocks	346922	346694	322912	306402	0	268015	(MT)
TOTAL DISTRIBUTION	552272	555634	544612	525772	0	486515	(MT)

Turkey
Tobacco, Unmfg., Oriental

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01.2002		01.2003		01.2004	MM/YYYY
Area Planted	185000	195960	208648	191479	0	181479	(HA)
Beginning Stocks	332532	357260	317532	322535	289424	287060	(MT)
Farm Sales Weight Prod	160000	144712	165533	157102	0	145450	(MT)
Dry Weight Production	132000	120110	137392	130395	0	120723	(MT)
U.S. Leaf Imports	0	0	0	0	0	0	(MT)
Other Foreign Imports	0	0	0	0	0	0	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	464532	477370	454924	452930	289424	407783	(MT)
Exports	85000	88335	97500	107870	0	100000	(MT)
Dom. Leaf Consumption	62000	66500	68000	58000	0	60000	(MT)
U.S. Leaf Dom. Consum.	0	0	0	0	0	0	(MT)
Other Foreign Consump.	0	0	0	0	0	0	(MT)
TOTAL Dom. Consumption	62000	66500	68000	58000	0	60000	(MT)
TOTAL Disappearance	147000	154835	165500	165870	0	160000	(MT)
Ending Stocks	317532	322535	289424	287060	0	247783	(MT)
TOTAL DISTRIBUTION	464532	477370	454924	452930	0	407783	(MT)

Export Trade Matrix

Country Turkey
Tobacco, Unmfg.,
Commodity Oriental

Time Period	MY2003	Units:	Metric tons
Exports for:			1
U.S.	33992	U.S.	
Others		Others	
Germany	16625		
Lithuania	11612		
Indonesia	6375		
Holland	4419		
Japan	4010		
France	3213		
Ukraine	2608		
Philippines	2244		
Poland	2100		
Italy	1848		
Total for Others	55054		0
Others not Listed	18825		
Grand Total	107871		0

Turkey Tobacco,Unmfg.,Flue Cured							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01.2002		01.2003		01.2004	MM/YYYY
Area Planted	2300	1671	1400	1548	0	1650	(HA)
Beginning Stocks	19355	23410	17755	15575	20467	13170	(MT)
Farm Sales Weight Prod	5000	4780	3870	4333	0	5700	(MT)
Dry Weight Production	4150	3970	3212	3595	0	4730	(MT)
U.S. Leaf Imports	15000	9500	7500	7960	0	9000	(MT)
Other Foreign Imports	19000	15500	29500	20040	0	24000	(MT)
TOTAL Imports	34000	25000	37000	28000	0	33000	(MT)
TOTAL SUPPLY	57505	52380	57967	47170	20467	50900	(MT)
Exports	750	505	500	0	0	0	(MT)
Dom. Leaf Consumption	4000	3300	3000	3000	0	4500	(MT)
U.S. Leaf Dom. Consum.	17000	12000	8000	9000	0	10000	(MT)
Other Foreign Consump.	18000	21000	26000	22000	0	23000	(MT)
TOTAL Dom. Consumption	39000	36300	37000	34000	0	37500	(MT)
TOTAL Disappearance	39750	36805	37500	34000	0	37500	(MT)
Ending Stocks	17755	15575	20467	13170	0	13400	(MT)
TOTAL DISTRIBUTION	57505	52380	57967	47170	0	50900	(MT)

Turkey
Tobacco, Unmfg., Burley

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01.2002		01.2003		01.2004	MM/YYYY
Area Planted	890	742	650	762	0	825	(HA)
Beginning Stocks	10575	11757	11635	8584	13021	6172	(MT)
Farm Sales Weight Prod	2000	2230	1911	2047	0	2600	(MT)
Dry Weight Production	1660	1850	1586	1700	0	2160	(MT)
U.S. Leaf Imports	7500	4767	3500	4296	0	5500	(MT)
Other Foreign Imports	10500	7510	15000	11092	0	14000	(MT)
TOTAL Imports	18000	12277	18500	15388	0	19500	(MT)
TOTAL SUPPLY	30235	25884	31721	25672	13021	27832	(MT)
Exports	0	0	0	0	0	0	(MT)
Dom. Leaf Consumption	1600	1500	1500	1500	0	2000	(MT)
U.S. Leaf Dom. Consum.	8500	5000	4000	4000	0	4500	(MT)
Other Foreign Consump.	8500	10800	13200	14000	0	14500	(MT)
TOTAL Dom. Consumption	18600	17300	18700	19500	0	21000	(MT)
TOTAL Disappearance	18600	17300	18700	19500	0	21000	(MT)
Ending Stocks	11635	8584	13021	6172	0	6832	(MT)
TOTAL DISTRIBUTION	30235	25884	31721	25672	0	27832	(MT)

Turkey Tobacco, Mfg., Cigarettes							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01.2002		01.2003		01.2004	MM/YYYY
Filter Production	130330	130330	134000	125500	0	129500	(MIL PCS)
Non-Filter Production	500	500	500	500	0	500	(MIL PCS)
TOTAL Production	130830	130830	134500	126000	0	130000	(MIL PCS)
Imports	0	0	0	0	0	0	(MIL PCS)
TOTAL SUPPLY	130830	130830	134500	126000	0	130000	(MIL PCS)
Exports	15330	15330	18500	12549	0	15000	(MIL PCS)
Domestic Consumption	115500	115500	116000	113451	0	115000	(MIL PCS)
TOTAL DISTRIBUTION	130830	130830	134500	126000	0	130000	(MIL PCS)

Export Trade Matrix

Turkey

Tobacco, Mfg., Cigarettes

Time Period	MY2003	Units:	Mil. Pieces
Exports for:			1
U.S.		U.S.	
Others		Others	
Iran	5609		
Belgium	2467		
Greece	1392		
Slovenia	810		
Jordan	503		
Letonia	492		
N. Cyprus	454		
Yugoslavia	237		
Afganistan	186		
B.A.E.	151		
Total for Others	12301		0
Others not Listed	246		
Grand Total	12547		0