



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 4/22/2002

GAIN Report #TU2018

Turkey

Dried Fruit

Annual

2002

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Report Highlights:

MY 2002 should be a good year for Turkish raisin production, which is currently projected at 240,000 MT. The MY 2001 raisin crop estimate was raised slightly to 200,000 MT. TARIS announced a base procurement price of TL 875,000 for standard #9 raisins and procured a total of 44,680 MT. Our PS&D export estimates for MY 2001 is now 190,000 MT, slightly lower than the earlier estimate. GOT officials continue to raise concerns about U.S. lead level restrictions for raisins at bilateral economic meetings, but have yet to respond to a sample protocol which was provided to them in November 2000.

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

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Executive Summary

MY 2002 is expected to be a good year for Turkish raisin production which is currently projected at 240,000 MT, significantly higher than our revised estimate for MY 2001.

Due to low export prices, farmers are discouraged from expanding their orchards. However, some of the orchards which were established in recent years will soon start bearing sultana grapes.

TARIS is expected, at harvest time, to announce a base procurement price for MY 2002 crop raisins which is expected to be lower in real terms than in MY 2001. TARIS had announced a procurement price of TL 875,000 per kilogram in MY 2001 for standard #9 and purchased a total of 44,680 MT of raisins.

PS&D export estimates for MY 2001 were lowered slightly to 190,000 MT due to short supply and appreciation of the Turkish Lira. With a larger supply projected for MY 2002, exports should increase.

Government supports to raisin producers have been minimized and are expected to be eliminated in 2002. TARIS appears to be in a comparatively good position (compared to other state economic enterprises) to meet its financing needs, particularly the raisin division, which turns a profit.

There is no direct export subsidy for raisins. In 2002, the government announced a levy 56.1 percent (reduced from last year's 56.7 percent) import duty for raisins of all origins based on CIF value, in order to protect local producers. GOT officials continue to raise concerns about problems associated with lead levels in raisin exports to the United States. In Nov. 2000, The U.S. government provided the Ministry of Agriculture and Aegean Exporters Union with a draft protocol which could provide a blueprint for resolving the problem and meeting U.S. standards. We were recently informed that the document is still being reviewed.

Production

It is too early to have a firm projection on raisin production. Turkey is projected to produce more raisins in MY 2002, at around 240,000 MT compared to 190,000 MT in MY 2001, if the weather conditions continue to be favorable and no serious hail or flood damages occur. Improved precipitation this year, in sultana growing areas, is expected to significantly improve yields. The PS&D production estimate for MY 2001 was slightly increased according to information received from the industry sources.

Farmers were encouraged to expand their production in recent years by high export prices in international markets, and good prices in the domestic market for fresh consumption. During this period, there were some shifts from cotton growing areas to seedless sultana grapes as a result of comparatively better prices and returns for seedless sultana grapes. Downward pressure on export prices in MY 2000 and MY 2001 discouraged farmers from establishing new orchards. Some of the orchards which were established in recent years, however, will start to bear grapes in MY 2002 and subsequent years.

Grapes are grown throughout Turkey. However, seedless grapes--virtually all of which are "*Vitis viniserae* L.," the same genus and species as Thompson seedless grapes, constitute nearly thirty percent of the total grape crop, and are grown only in the provinces of Izmir, Manisa, and Denizli in Turkey's Aegean Region. In general, around ten percent (increased in recent years) of the seedless grape crop is consumed fresh, two or three percent is exported, and the remainder is dried. In MY 2001, total seedless grape production is estimated at about 1,125,000 MT, less 175,000 MT (about fifteen percent) for fresh consumption and exports, divided by a conversion ratio of about 4.75 to 1, slightly larger than the average conversion ratio of 4.5 to 1 because of smaller sizes of grapes and losses due to the rain during the drying season.

Seedless grape production has increased faster than the increase in seedless grape area. Most of the increases resulted from more intensive cultivation through better irrigation and the use of trellises, largely because land suitable for cultivation (and drying) is beginning to be in short supply. For the past several years, TARIS has advocated limiting seedless grape area because it believed the export market was saturated. The idea has received little support from the growers, the government, or the processors.

Seedless grapes generally are grown on small farms that produce a variety of other crops as well. As many as 60,000 farmers are estimated to produce seedless grapes, with farms averaging about 1.2 hectares in seedless grapes. About 50 percent of all raisin producers are members of TARIS. Each year, TARIS announces a procurement price, which acts as a support price. TARIS is required to purchase raisins from its members, but members are free to sell to other buyers and usually do.

The industry has, in recent years, sought to improve the quality of Turkish raisins through better growing, harvesting, and drying techniques designed to improve cleanliness. Improvements have included the widespread use of trellises, increasing use of small plastic harvest crates (rather than sacks to minimize compaction), and the widespread use of concrete drying beds and/or plastic sheeting. Most of these improvements have been financed by private processors and much of the capital was derived from higher export prices obtained as a result of the EU's minimum import price system.

The two major factors determining standards are color and berry count per 100 grams. In general, Turkish raisins are lighter in color and rounder than California raisins. The color difference is due to the fact that lye is used to speed the drying of Turkish sultanas (since the drying season is short and drying space scarce). To encourage quality improvements, TARIS has established quality/cleanliness premiums for sultana raisins produced from trellised vines and dried on concrete slabs. In MY 2000, however, TARIS did not announce a premium but, instead, announced that it would not buy any raisins below #8 quality. TARIS also did not announce any premium for cleanliness in MY 2001.

Consumption

Domestic consumption fluctuates based on the supply and quality of the crop. This is primarily because of variations in quantity which TEKEL, the state liquor monopoly, consumes for distillation. In MY 2001, Turkish domestic consumption is projected at about 41,000 MT, including around 20,000 MT for confectionery purposes and 21,000 MT for TEKEL. TEKEL generally consumes 70,000 MT of fresh or dried grapes (including raisins) although the mix between the two changes with price and availability. The private sector handles the bulk of marketing, both for the domestic market and exports. Although there are numerous firms in the dried fruit processing and export business in Turkey, the top ten firms are estimated to control about 85 percent of the raisin market.

In conjunction with IBRD and IMF-backed reforms to reduce the government's role in agriculture, the role of TARIS in procuring and marketing raisins is decreasing. In general, TARIS has become the buyer of last resort, purchasing a large percentage of lower grades. For example, in MY 1994, TARIS procured around 9,000 MT of raisins because market prices were strong due to good export demand. This was a reversal, however, from in MY 1995 and MY 1996, when TARIS was the largest buyer of raisins with purchases of about 30,000 MT and 40,000 MT respectively. TARIS procured even larger quantities about 65,000 MT in MY 1997, 75,000 MT in MY 1998, 65,000 MT in MY 1999, and again TARIS procured about 75,000 MT of raisins in MY 2000. TARIS procured a smaller quantity in MY 2001, parallel to the GOT policy to reduce the budget deficit and government involvement in and outlays for agriculture.

TARIS is expected to announce its MY 2002 procurement prices for raisins at the beginning of the harvest. TARIS did not announce any procurement price at the beginning of the harvest season in MY 2001, but started buying with an advance payment system. It paid member farmers TL 400,000 per kilogram at the time of procurement and promised to pay the balance later when the procurement price was announced. Shortly after, TARIS announced the base procurement price for standard #9 raisins as 800,000 TL per kilogram. Later in the same marketing year, the base procurement price was raised to TL 875,000 per kilogram. The lowest price TARIS paid was TL 780,000 per kilogram for standard #8 meanwhile the highest price was paid TL 1,025,000 for standard #11. No premium was announced for cleanliness. In MY 2001, TARIS procured about 44,680 MT (about 22 percent of the total crop). The quality of the crop was not very good, and only about 18 percent of the total procurement (8,070 MT) TARIS made were better than standard #9 quality. Even though it sold a large quantity to TEKEL, at the commodity exchange, and exported significant quantities, TARIS still has about 50,000 MT in stocks, including older year crops.

TEKEL, which had announced MY 2001 raisin procurement price at TL 530,000 per kilogram, procured only about 1,200 MT. Early this year, TEKEL signed an agreement with TARIS to buy about 8,000 MT of MY 1999 crop raisins at a price TL 330,000 per kilogram, which was the TEKEL's 1999 procurement price. TEKEL signed another agreement with TARIS to buy an additional 12,000 MT. Out of this total, 3000 MT were MY 1999 crop which was bought at TL 530,000 per kilogram and 9,000 MT were MY 2000 and MY 2001 crop with a price of TL 780,000

per kilogram.

TARIS had about 69,000 MT in stocks at the end of MY 2000, including MY 1999 and MY 2000 crops. After selling at the Izmir Commodity Exchange, and to TEKEL, TARIS will eliminate almost all of its MY 1999 crops and will have only MY 2000 and MY 2001 crops in stocks.

The Izmir Commodity Exchange is the main cash market for raisins. On April 15, spot prices at the Izmir Commodity Exchange were in between TL 900,000 and TL 1,050,000 per kilogram for standard #9 and standard #10 (compared to TL 750,000 and TL 800,000 in early October, respectively). With inflation currently averaging about 90 percent per annum, these prices are significantly lower in real terms. In mid-April, USD 1.00 is approximately TL 1,300,000, having dropped from TL 1,650,000 last October.

Trade

MY 2002 raisin exports are currently projected higher at 210,000 than in MY 2001, due to a larger supply. The PS&D export estimate for MY 2001 was revised slightly downward due to the short supply and appreciation of the Turkish Lira which makes Turkish raisins less competitive in the world markets than raisins from South Africa, Australia and Greece. According to Exporters' Union data, traders exported 129,349 MT of raisins in the period between September 1, 2001- April 4, 2002, about seven percent less than the same period last year (138,757 MT). According to the same data, average export prices were USD 689 per MT in MY 2001 compared to USD 879 per MT in MY 2000. Germany, United Kingdom, Netherlands, and Italy were the leading destinations. Official GOT trade data is now available for the entire marketing year 2000. We are using Aegean Exporters Union data for the first seven months of MY2001 (September 2001 - March 2002). Official GOT data is also available for the entire CY 2001 (January - December).

In the past, TARIS used to export about 5,000 MT of raisins annually and sell the remainder on the Izmir spot market. In recent years, however, TARIS exported larger quantities as a result of larger procurement. In MY 2000, TARIS exported about 16 percent of its purchases (12,150 MT) and sold 24 percent on the market. TARIS has already exported about 12,000 MT from the MY 2001 crop. Its export volume is expected to be significantly higher than last year, having procured a significant proportion of the crop.

Current export prices are lower than a year ago. The price of standard #9 bulk is about USD 800 per MT and for standard #10 bulk about USD 850 per MT (all prices are FOB Izmir). Prices may be slightly higher or lower depending upon the grade (as A, B, and C). These prices are slightly lower (about USD 30-60 per MT) than they were last year (about USD 880 for standard #9 and USD 910 for standard #10) and even those were lower than prices two and three years ago.

The first columns of the MY 2000 export and import matrixes reflect official data from the State Institute of Statistics. The second columns of the export and import matrix reflect official data for only the first four months (Sep. - Dec. 2001) of MY 2001. Official export and import data for the January-Dec (CY) 2001 is presented in the last table.

Stocks

There is no official data available for raisin stocks. PS&D stocks were gathered from public and private industry sources. The PS&D carryover stock estimate for MY 2001 is projected to increase compared to our previous

estimate, but is considerably lower than MY 2000.

Policy

Production Policy

As part of the policy reforms enacted in 1994, the government no longer sets a procurement price for a number of crops, including grapes. The GOT also passed a law in June 2000, to give autonomy to all agricultural SEEs' (state economic enterprises), including TARIS. As a result of the change, the general directors of the SEEs', who used to be appointed by the government, are now elected. Also, the SEEs' will eventually be operating on their own financial assets. Government supports have been minimized and are expected to be eliminated in 2002. TARIS appears to be in a comparatively good position (compared to other SEEs') to meet its financing needs, particularly the raisin division which turns a profit.

Trade Policy

There is no direct export subsidy for raisins. In 2002, the government announced a levy 56.1 percent (reduced from last year's 56.7 percent) import duty for raisins of all origins based on CIF value, in order to protect local producers. GOT officials continue to raise concerns about problems associated with lead levels in raisin exports to the United States. In Nov. 2000, The U.S. government provided the Ministry of Agriculture and Aegean Exporters Union with a draft protocol which could provide a blueprint for resolving the problem and meeting U.S. standards. We were recently informed that the document is still being reviewed.

Statistical Tables

PS&D Table for Raisins

PSD Table						
Country	Turkey					
Commodity	Raisins				(HA)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		09/2000		09/2001		09/2002
Area Planted	80	80	82	82	0	82
Area Harvested	76	76	78	78	0	79
Beginning Stocks	37594	37594	61277	69463	22277	39463
Production	285000	285000	190000	200000	0	240000
Imports	1000	3101	1000	1000	0	1000
TOTAL SUPPLY	323594	325695	252277	270463	22277	280463
Exports	232317	226232	200000	190000	0	210000
Domestic Consumption	30000	30000	30000	41000	0	40000
Ending Stocks	61277	69463	22277	39463	0	30463
TOTAL DISTRIBUTION	323594	325695	252277	270463	0	280463

Export Trade Matrix

Export Trade Matrix			
Country	Turkey		
Commodity	Raisins		
Time period	Sep. - Aug.	Units:	Metric Tons
Exports for:	2000	Sep. - Dec.	2001
U.S.	133	U.S.	4
Others		Others	
United Kingdom	47769	Germany	17758
Germany	36649	United Kingdom	16581
Netherlands	32932	Netherlands	13456
Italy	17703	Italy	12463
Australia	12735	Australia	5329
France	12273	France	5253
Belgium	11810	Belgium	4265
Brazil	8520	Brazil	4029
Spain	8048	Spain	3318
Ireland	5541	Ireland	2448
Total for Others	193980		84900
Others not Listed	32119		15661
Grand Total	226232		100565

Import Trade Matrix

Import Trade Matrix			
Country	Turkey		
Commodity	Raisins		
Time period	Sep. - Aug.	Units:	Metric Tons
Imports for:	2000	Sep. - Dec.	2001
U.S.	2119	U.S.	
Others		Others	
Greece	555	Greece	160
United Kingdom	77	Philippines	63
Uzbekistan	76	Canada	41
Turkmenistan	32	Algeria	40
Austria	20	Netherlands	38
Ukraine	17	Ukraine	34
Taiwan	14	Italy	25
Germany	13	Germany	20
New Zealand	13		
United Arab Em.	6		
Total for Others	823		421
Others not Listed	159		1
Grand Total	3101		422

Export and Import Trade Matrix for CY 2001

Trade Matrix			
Country	Turkey		
Commodity	Raisins		
Time period	Jan. - Dec.	Units:	Metric Tons
Exports for:	2001	Imports for:	2001
U.S.	48	U.S.	2119
Others		Others	
United Kingdom	47056	Greece	510
Germany	37911	Philippines	63
Netherlands	31394	Uzbekistan	55
Italy	17916	Ukraine	51
Australia	13703	Canada	41
France	13240	Algeria	40
Belgium	10590	Netherlands	39
Brazil	8332	Italy	25
Spain	6016	Turkmenistan	22
Ireland	4753	Germany	20
Total for Others	190911		866
Others not Listed	34781		163
Grand Total	225740		3148