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Turkey

Dried Fruit

Annual Dried Fruit Report

1999

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Report Highlights:

Turkish raisin production is estimated significantly lower (190,000 MT) in MY 1999. However, exports are estimated to decrease slightly only (180,000 MT) due to large carry over stocks. The quality of the crop is good.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Ankara [TU1], TU

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Executive Summary

MY 1999 is expected to be a normal year for Turkish raisin production. Both the quantity and quality of the Turkish seedless grape crop are still good but lower than last year. Production is estimated at 190,000 MT, significantly less than it was last year but, exports are still estimated at 180,000 MT, only which is slightly lower than it was last year due to the large carry over stocks.

Raisin producing area is projected to decrease slightly in MY 1999, after continuous increases in recent years, due to high demand from both the international markets for raisins and the domestic market for fresh seedless grapes.

The industry is attempting to focus on improving quality to expand to more quality-conscious markets, rather than increasing quantity. According to market observers, one likely trend is an increase in consumer-pack exports once the European Union ends its minimum import price system in December 1999.

TARIS announced a base procurement price for raisins for MY 1999 at TL 405,000 per kilogram of standard #9 quality with an added premium of TL 7,500 per kilogram for cleanliness in standard #9 or better quality. TARIS is expected to procure around 50,000 MT which is less than it was a year ago, due to shorter supply. For the same reason, raisin exports are expected to decrease by about 8 percent in MY 1999.

There is a 57.9 percent duty on imports.

Production

After two consecutive excellent crops and record highs, MY 1999 (September 1999 - August 2000) production is estimated significantly lower at 190,000 MT, primarily because of three reasons: 1) lebecia botrana (also called the European grape moth) and mildew diseases reduced the quantity and also the quality in some areas, 2) hail damage in four districts of Manisa and Cal District of Denizli reduced the production by about 50 percent in 2,140 hectares of vineyards, and 3) stress on orchards due to very high production during the last two years in a row. However, weather was excellent during the drying season.

Production estimates for raisins, in MY 1999, vary from 180,000 MT to 214,000 MT. TARIS, the quasi-governmental Agricultural Growers' Cooperative Union for olive oil, cotton, figs and raisins, estimates production on the lower side but, the technical committee that consists of representatives from Manisa Viticulture Research Institute, the Izmir Commodity Exchange, the Aegean Exporters' Union, etc., place it higher. The quality of Turkish raisins in MY 1999 is good but still slightly lower than last year's which was excellent. In normal years, about 80 percent of the crop consists of standard #9 and better (most of which are exported) and the remainder consists of #8 (most of which are consumed domestically). Preliminary indications for this year's crop are: #10 - 15 percent, #9 - 70 percent, and #8 - 15 percent compared to last year's 27 percent, 68 percent, and 5 percent, respectively.

On September 10, 1999, the GOT announced a MY 1999 base procurement price of TL 405,000 per kilogram for standard #9 raisins. The announcement also included a premium of TL 7,500 per kilogram for cleanliness in standard #9 and better quality. After deducting taxes and other charges, the net price paid to the growers is estimated at nearly TL 390,000 per kilogram. At the current exchange rate, the procurement price now equates to about USD 0.88 per kilogram (USD 1.00 = TL 470,000), compared to USD 0.93 per kilogram a year ago. The new procurement price represents a 64 percent increase over the MY 1998 procurement price (TL 260,000 per kilogram). With inflation averaging around 65 percent from September 1998 to September 1999, the announced price represents a slight decrease in real terms.

TEKEL, the state liquor monopoly, has not yet announced the MY 1999 raisin procurement price. It is projected that TEKEL will procure only a small quantity of raisins directly from farmers. TEKEL is not expected to buy any raisins from TARIS because it still has about 7,000 MT carry over stocks from MY 1998.

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 30 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 10 percent of the seedless grape crop is consumed fresh and the remainder is dried. In MY 1999, total seedless grape production is estimated at about 1 MMT, less 120,000 MT for fresh consumption and exports, divided by an average conversion ratio of about 4.5, depending on the sugar content. The seedless grape growing area, which has been continuously increasing in recent years due to high demand for raisins in the international markets and good prices in the domestic market for fresh consumption, decreased slightly in MY 1999 due to changes in production from sultanas to cherries and peaches and area usage shifts to industry in (only) Kemalpasa District of Izmir. However, total area is expected to continue to increase in upcoming marketing years to meet an expected increase in domestic and international demand.

In recent years seedless grapes production has increased faster than the increase in seedless grape area. Most of the increases have 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 believed 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.

In recent years, the industry has 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 these improvements, TARIS sets a scale of quality premiums for sultana raisins produced from trellised vines and dried on concrete slabs.

Consumption

Domestic consumption fluctuates based on the supply and quality of the crop. This is primarily because of variations in quantity TEKEL, the state liquor monopoly, consumes for distillation. In MY 1999, Turkish consumption is projected at about 35,000 MT, including around 20,000 MT for confectionery purposes and 15,000 MT for TEKEL. TEKEL generally consumes 70,000 MT of either fresh grapes or raisins and the mix between the two changes with price and availability. Given this year's relatively short supply and good quality, current indications are that a smaller than normal quantity of production will be suitable for distillation by TEKEL. In addition to that, TEKEL has carryover stocks of about 7,000 MT from MY 1998. In MY 1998, TEKEL bought about 22,000 MT of raisins for distillation. Of this total, 7,000 MT were bought directly from farmers and 15,000 MT were bought from TARIS. MY 1998 PS&D consumption was revised downward according to the public and private sources.

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 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 only around 9,000 MT of raisins because market prices

were strong due to good export demand. This was reversed however, 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 has procured even larger quantities about 65,000 MT of in MY 1997 and 75,000 MT in MY 1998. Analysts believe TARIS will procure about 50,000 MT in MY 1999, due to the decrease in production.

TARIS's export volume also has decreased in recent years. TARIS, in normal years, exports about 5,000 MT of raisins annually and sells the remainder on the Izmir spot market. Lately, however, TARIS exported larger quantities as a result of larger procurement. In MY 1998, TARIS exported about 11 percent of what it procured (about 8,000 MT), about 20 percent was sold to TEKEL (about 15,000 MT), and about 30 percent was sold on the market. TARIS, reportedly, still has about 35,000 MT in stocks which may be sold for domestic consumption. TARIS's MY 1999 export volume is expected to be at least as high as last year or even slightly higher due to substantial quantities of procurement and the large carry over stocks, and the quality is good.

Izmir Commodity Exchange is the main cash market for raisins. On October 6, spot prices at the Izmir Commodity Exchange were about TL 390,000 per kilogram for standard #8, TL 410,000 per kilogram for standard #9, and TL 440,000 for standard #10. These prices represent increases of about 65 percent, 69 percent, and 75 percent for standard #8, #9, and #10 raisins, respectively. Again, with inflation averaging about 65 percent from September 1998 to September 1999, current prices are about the same for #8 raisins but, represent slight increases for standard #9 and #10 raisins in real terms.

Trade

MY 1999 raisin exports should decrease from the previous year, in line with the smaller crop and are currently projected at 180,000 MT. According to the Exporters' Union data, traders sold 30,516 MT of raisins for exports in the period of September 1-30, 1999, compared to the last years 24,557 MT in the period. Germany, Italy, the Netherlands, and the United Kingdom were the leading importers during the first month of MY 1999.

Official trade data is now available only for the first nine months (September 1998 - May 1999) of MY 1998 but Aegean Exporters Union data place MY 1998 exports at another record high-level (196,220 MT). The increase in exports was attributed to a global supply shortage, larger supply, and the successful effort of both farmers and processors to improve quality.

During the last two years, the United States and Turkey have been involved in discussions to resolve phytosanitary problems related to excessive lead and pesticide content in Turkish raisins and experts from the FDA have visited Turkey. Limited shipments of Turkish raisins are authorized into the U.S. and are placed under automatic detention. Special laboratories, authorized by the FDA, monitor the lead and pesticide content. While the FDA only allows maximum residuals up to 0.25 ppm, sources indicate that Canada, which allows imports of Turkish raisins through a similar mechanism, has established limits of 0.30 ppm, Denmark 0.30 ppm and Australia 0.40 ppm. The Turkish industry asserts that the lead content problem is under control and that both traders and producers, who are aware of the issue, are taking measures to avoid high lead levels.

Virtually all Turkish exports are bulk (mainly in 14-kilogram boxes) and are destined for industrial uses (baking etc., as opposed to direct human consumption as snack food), allowing them to qualify for the European Union's minimum

import price (MIP) scheme. The MIP for retail packs is much higher than the MIP for bulk sales, making consumer-pack purchases less attractive to importers (and, thus, protecting EU packers and distributors). However, the MIP system has largely lost its importance as it has been reduced by 5 percent every year, as part of the GATT negotiations. By the end of 1999, if not extended once again, it will be totally eliminated. Industry sources believe that the elimination of the MIP will provide increased opportunities for consumer pack exports, and several companies have already geared up to take advantage of the opportunity. Since February 1, 1999, the MIP for raisins has been Euro 910.75 per MT for bulk and Euro 1086.10 per MT for small packages.

Current MY 1999 export prices for standard #9 bulk reportedly are between USD 1,000 per MT and USD 1,100 per MT and for standard #10 bulk are between USD 1,000 per MT and USD 1,400 per MT, depending upon the grade (as A, B, and C) and specifications required (all prices FOB Izmir).

The first column of the MY 1998 export matrix reflects unofficial data from the Aegean Exporters' Union for the entire marketing year (September 1998 - August 1999). The second column of the same matrix is the official data from the State Institute of Statistics for the first nine months of MY 1998 (September 98 - May 1999). Similarly, the second column of the MY 1998 import matrix provides the official data for the first nine months of the year.

Stocks

There is no official data available for raisin stocks. MY 1998 ending stocks were reported to be very high. TARIS MY 1998 stocks were estimated at about 35,000 MT at the beginning of the new season, according to the industry sources. TEKEL had another 7,000 MT in stocks.

Policy

Production Policy

As part of policy reforms enacted in 1994, the government no longer sets a procurement price for a number of crops, including grapes. However, because TARIS' director is appointed by the government, the Government of Turkey's (GOT) financial responsibilities are not entirely clear should TARIS run a deficit. In theory, TARIS is self-financed and could borrow commercially if the need arose.

Privatization of grower cooperatives has been extremely slow due to frequent changes in government. In 1995 the government took the first step in this process by forgiving all debts of the Agricultural Sales Cooperative Unions. The Agricultural Bank was provided long-term bonds to erase the debts of these unions, including TARIS. However, there has not been any development since then. TARIS operates a separate division for each commodity and indicates that its raisin division is a profitable one.

Raisin producers, similar to other farmers, are provided loans with low interest rates by the Agricultural Bank --a state-owned bank. Interest rates are about half of the commercial rates.

Trade Policy

There is no direct export subsidy for raisins. The Agricultural Bank of Turkey, however, provides subsidized credit to producers and packers at lower than commercial interest rates.

To protect the domestic industry, the government levies a 57.9 percent (reduced from 58.5 percent last year) import

duty for raisins of all origins based on CIF value.

Tables

PS&D Table

PSD Table						
Country	Turkey					
Commodity	Raisins				(HA)(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		09/1997		09/1998		09/1999
Area Planted	0	73	0	75	0	74
Area Harvested	0	73	0	75	0	74
Beginning Stocks	15273	15273	28593	28593	36593	45373
Production	240000	240000	250000	250000	0	190000
Imports	3090	3090	3000	3000	0	3000
TOTAL SUPPLY	258363	258363	281593	281593	36593	238373
Exports	192770	192770	195000	196220	0	180000
Domestic Consumption	37000	37000	50000	40000	0	35000
Ending Stocks	28593	28593	36593	45373	0	23373
TOTAL DISTRIBUTION	258363	258363	281593	281593	0	238373

Export Matrix

Export Trade Matrix			
Country	Turkey		
Commodity	Raisins		
Time period	Sep98/ Aug99	Units:	Metric Tons
Exports for:		Sep98/May99	1
U.S.	440	U.S.	626
Others		Others	
United Kingdom	43925	United Kingdom	29898
Germany	29933	Germany	22655
Netherlands	28983	Netherlands	21694
Italy	19178	Italy	15536
France	11638	Belgium	8269
Belgium	11410	France	8129
Australia	8232	Australia	6394
Ireland	5662	Ireland	4082
Spain	5498	Spain	3891
Brazil	5302	Brazil	3363
Total for Others	169761		123911
Others not Listed	26019		20614
Grand Total	196220		145151

Import Matrix

Import Trade Matrix			
Country	Turkey		
Commodity	Raisins		
Time period		Units:	Metric Tons
Imports for:		Sep98/May99	1
U.S.		U.S.	1
Others		Others	
		Greece	1
Total for Others	0		1
Others not Listed			
Grand Total	0		2