Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 5/19/2001

GAIN Report #TU1028

Turkey

Tomatoes and Products

Annual

2001

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Report Highlights:
MY2001 tomato paste production is projected at 200,000MT, about twenty percent lower than last year. Other cash crops like corn and wheat have better returns. Turkish tomato paste exports are down as well due to competition from lower priced Chinese paste exports to former Turkish export markets. Turkey's paste exports are expected to remain around 145,000MT, compared to 190,638MT a year ago. The E.U. still refuses Turkey's utilization of its 38,400MT duty free quota for tomato paste. This is due to a lingering dispute over E.U. duty free meat exports to Turkey.

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

Executive Summary

MY2001 industrial tomato area and production is estimated to be down significantly, for the second year in a row, due to farmer's dissatisfaction with the return from industrial tomatoes. Following last year's large global production of tomato paste and the accompanying lower world prices, and also one of the worst financial crises to hit Turkey in many years, some local processors are reported as not being able to pay to farmers for last years' crop. So many industrial tomato farmers this season have been shifting to other cash crops i.e., corn, wheat, rice. Processors, who are concerned with the large production in California and extremely low export prices of China, are not willing to increase production either. MY2001 production of tomato paste is estimated to decrease to about 200,000MT, compared to 260,000MT in MY2000.

Turkey is reported to be losing its exports markets, mostly to China, due to lower prices of this country. Available data indicate that Turkish tomato paste exports during the first four months of the MY2000 was only about 55,789MT, compared to 112,823MT for the same period a year ago. Turkish year end tomato paste exports are expected to be about 145,000MT, down from 190,638MT in MT1999.

Low exports and slow domestic sales has increased MY2000 stocks but lower production in MY2001 will further decrease the stocks as well.

Retail prices for processed tomato products increased slower than the annual forty-eight percent annual inflation during the last twelve months, due to soft local sales.

The E.U. is not permitting Turkey to utilize its 38,400 MT duty free paste export quota due to disagreements over Turkey's meat import obligations. Negotiations are still continuing with the E.U. to prevent the 15 percent imports tax on Turkish tomato paste.

PSD Table						
Country	Turkey					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		09/1999		09/2000		09/2001
Deliv. To Processors	2050000	2050000	1700000	1700000	0	1250000
Beginning Stocks	9673	9673	15673	25035	8673	23035
Production	310000	320000	260000	260000	0	200000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	319673	329673	275673	285035	8673	223035
Exports	190000	190638	150000	145000	0	95000
Domestic Consumption	114000	114000	117000	117000	0	120000
Ending Stocks	15673	25035	8673	23035	0	8035
TOTAL DISTRIBUTION	319673	329673	275673	285035	0	223035

Production

Tomatoes are grown throughout Turkey but the bulk of production is concentrated in the Marmara region (western Turkey) and the Aegean region (southwestern Turkey) where climatic conditions are nearly ideal. Recent trends in tomato production include increasing greenhouse production in southern Turkey for fresh consumption in urban areas during the winter. Also, there is interest in expanding production of early varieties of industrial tomatoes in Southeastern Turkey to take advantage of the massive Southeastern Anatolian Development Project (GAP).

Industry observers unofficially forecast total MY2000 tomato production to be about 6.8 MMT. Usually tomatoes produced for processing comprise about twenty-five of Turkey's total production, but in MY2001 less than twenty percent is expected to be for processing, the remainder are destined for fresh consumption. Processing tomatoes are grown mainly in the township of Balikesir and Canakkale of the Marmara region and Bergama and Turgutlu of the Aegean regions; and also are newly emerging in Tokat, Central Anatolia, where the processing industry is located.

Tomato production is labor intensive and the bulk of production occurs on small family farms. Most planting continues to be done by hand. In both regions, seedlings are started around mid-March and are transplanted after the danger of frost has passed, generally after mid-to-late April. Harvest of early varieties begins in late July, with the peak harvest occurring around mid-August. Growers generally begin to pick the crop once about half of a field is ripe. Since all harvesting is done by hand, three or four pickings are possible. Depending on the weather, hand-picking can extend the harvest until early October. About 80% of the processing tomato crop is grown under commercial contract, mainly with the larger tomato processors. The remaining 20% of the crop is grown independently to supply the smaller processors, who generally do not contract, as well as to supply the home processing market.

Consumption

About 75 percent of Turkey's total tomato production is consumed fresh and the remainder is processed. Of the 25 percent of the crop that is processed, about 80 percent is used to produce tomato paste, 15 percent is utilized for canned tomatoes, and the remainder is used for catsup, juice and other products. Total (nominal) tomato paste production capacity is estimated at about 400,000 MT, assuming three shifts and a 60-day harvest. However, hot summer weather often shortens harvest, significantly reducing actual capacity to about 340,000 MT.

Currently, there are about 45 firms in the industry. Seven or eight large firms (average annual tomato paste production of 15,000-to-20,000 MT) account for about 70 percent of total tomato paste production. Most of large firms can process 2,000-to-3,000 MT of tomatoes daily. The industry product yield (tomatoes to paste) generally is reported to be 6 kilograms of tomatoes yielding 1.0 kilogram of paste.

Commercial tomato paste production for MY2001 is projected to be about 200,000 MT, a twenty-three percent decrease from last year. Large global stocks, tough competition from other countries, and the domestic financial crisis are the reasons for the decline. In addition to commercial production, about 4,000 MT of tomato paste estimated to be produced at home.

Prices
(1US$=1.125,000TL)
Because of Turkey's traditionally high inflation (between 60 to 120 percent each year during the last ten years) and recent, severe devaluation, price information in nominal terms is not very meaningful and is difficult to calculate in real terms. Under commercial contracts, processors supply inputs and agree to buy all production that meets specifications at a set price. However, since the contract price is lower than the prevailing market price (because the value of the supplied inputs is deducted) diversion of production to non-contracting processors or to the fresh market is a constant concern.

For MY2001 processors are reported to have forced TL50,000 for per kilogram industrial tomatoes on growers, representing only a thirty-two percent increase from the MY2000 contracting price of TL 38,000 per kilogram delivered to the factory. Growers are reported to be not happy with contract prices and instead are planting corn, rice and wheat.

Canned tomato paste currently retails for about TL1,000,000 per kilogram, as compared to TL700,000 last year. This is less than the annual forty-eight percent annual inflation and is mostly due to slow domestic sales.

Trade
Available data indicates that Turkey has exported a total of 55,789MT of paste during the first four months of the MY2000, as compared to 81,782MT exports for the same period a year ago. Overall year end exports are also expected to be lower, about 145,000MT, compared to 190,638MT last year.

The Turkish tomato paste industry is very dependent on exports. In recent years, exports to traditional markets, particularly Algeria and Libya, have declined sharply as a result of political and economical problems in the importing countries.

To compensate for the loss of these markets, the Turkish industry has turned increasingly to "quality" markets, particularly Japan and non-EU European countries. Japan continues to be Turkey's leading export destination because the Japanese prefer the color and taste of Turkish paste and believe that hand picking improves the quality. Several Japanese firms are in partnership with Turkish processors and the trend to greater Japanese investment in the industry is expected to continue. On the other hand Russia and Ukraine are emerging to be new price sensitive markets for Turkish paste. But, starting from 1999, Turkey has reportedly faced increasing competition by China and Iran for these markets and is losing market share due to the significantly lower prices from these countries. Chinese paste to Far Eastern countries is reported to be about US$200 per ton cheaper than Turkish paste.

The E.U. is not allowing Turkey to utilize its 38,400MT of duty free tomato paste export quota due to a lingering dispute over duty free E.U. meat exports to Turkey. Over quota imports are subject to a 15 percent tariff. In general, industry members believe that Turkey has a competitive advantage in production and processing over European producers, and will benefit from an anticipated agricultural customs union to be negotiated with the EU in coming years.

Industry and trade representatives indicate that current local price for export quality tomato paste to be between USD600-650 per MT, the lowest of the last several years.

Export Trade Matrix			
Country	Turkey		
Commodity	Tom. Paste,28-30 % TSS Basis		
Time period	MY2000	Units:	Metric tons
Exports for:			
U.S.	176	U.S.	
Others		Others	
Japan	13424		
S. Arabia	8524		
Russia	6888		
Malaysia	2919		
Germany	2819		
S. Korea	2700		
U.A.E.	1900		
Boltic Countries	1770		
Romania	1481		
Egypt	1333		
Total for Others	43758		
Others not Listed	11855		
Grand Total	55789		

Stocks

There are no official statistics on tomato and tomato products production and stocks. Industry sources estimate that the 2000 marketing year end stocks are about 23,035MT. Most of the stock is reported to be in cans and suitable to be consumed in the local market or in border trade. The stock figure in this report is calculated as residual from the other factors and includes all products in all parts of the distribution network.

Policy

Other than the credit available from the Agricultural Bank of Turkey at about 50% of commercial rates, the government does not support prices or otherwise assist tomato production. All production and marketing are handled by the private sector.

Tariff Changes

Turkey decreased its tariffs on tomato paste imports slightly in 2001 to 140.4 percent customs tax

Export Subsidies

There is no export subsidy on tomato paste exports.

End of Report.