

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Turkey

Food Processing Ingredients

2012 Food Processing Ingredients Report

Approved By:

Jess K. Paulson, Agricultural Attaché

Prepared By:

Meliha Atalaysun, Ag Marketing Assistant

Report Highlights:

Lifestyle changes due to urbanization and the increase in income levels have affected the consumption patterns of Turkish consumers towards pre-processed and ready to eat products. This reflects positively in the packaged food sector. The shift towards organized retailing has also opened the way for imported brands. There is a growing demand for specialized products such as diabetic and diet products, functional and frozen foods.

Post:
Ankara

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I. MARKET SUMMARY

A. Economic Outlook

Turkey managed to survive the global economic crisis of 2009 with only minor bruises. After the economy shrank 5 percent economic in 2009, the economy grew by 8.9 percent in 2010. To control the rate of growth, in 2011, the government took some steps to cool off the economy and bring it to a ‘soft landing’. As a result, after growing well above global trends in 2010 and 2011, the Turkish economy has slowed to a more sustainable 3 percent growth rate in 2012. The International Monetary Fund (IMF) has predicted in its latest review that Turkey’s economy will grow 3.5 percent in 2013.

Growth has become more balanced, as domestic demand and imports decelerated on the back of

Sectors**2005 2006 2007 2008 2009 2010 2011**tighter
monetary
and
macro-

prudential policies implemented in 2011. On the other hand, exports increased thanks to successful diversification toward new markets. As decline in growth hit the demand for imports, and gold exports increased, Turkey's trade deficit narrowed for the 11th consecutive month in September 2012. The gap (between imports and exports) declined to \$6.8 billion from a record \$10.5 billion for the same period in 2011. The current account deficit shrank by 33 percent year-on-year in the 12 months to August. The ratio of the current account deficit - a soft spot of the Turkish economy - to gross domestic product will be 7.5 percent this year and will drop to 7.2 percent in 2013, according to IMF estimates.

In addition, Turkey's inflation rate fell in October 2012 to the lowest in 11 months as a slowing economy outweighed the impact of government price increases on gas and electricity. Inflation slowed to 7.8 percent from 9.2 percent the month before. The IMF expects inflation to fall to 6.2 percent in 2013 from an estimated rate of 7.5 percent this year, and the government targets a rate of 5 percent in 2015.

With a population of 75 million, Turkey's Gross Domestic Product (GDP) reached US\$ 761.9 billion in 2011. The agriculture sector makes up 9 percent of Turkey's GDP and 25 percent of its labor force. In 2011, Turkish per capita income reached US\$ 14,400.

A major economic development for Turkey in year 2012 has been the grade increase by Fitch Ratings. As a result of all the above stated positive developments in the economy, Fitch upgraded Turkey's grade to the investment grade (BBB-) in November, 2012. The outlooks on the long-term ratings are stable as well. This presents the combination of an ease in short-term macro-financial risks as the economy heads for a soft landing, and the underlying credit strengths including a moderate and declining government debt burden, a sound banking system, favorable medium-term growth prospects and a relatively wealthy and diverse economy.

This primarily means easier financing options for Turkish companies, but it is particularly important to attract foreign investment as well.

Foreign capital inflow has already been increasing since 2004, partly due to the adaptation of a new foreign direct investment law which abolishes permits granted by the General Directorate of Foreign Investment. The law abolished additional regulations and bureaucratic procedures to establish a foreign company, and the procedures are equal to those for local companies. The table below shows the amount of FDI in the food sector since the enforcement of this law. The figures are in US million dollars.

Food, Beverage and Tobacco Production	68	608	766	1.252	196	123	649
Hotels and Restaurants	42	23	33	24	54	113	47
Agriculture, Hunting and Forestry	5	5	6	23	48	77	31
Fisheries	2	1	3	18	1	5	0

Source: Turkish Central Bank

However, total foreign direct investment (FDI) inflow to Turkey contracted by 29.3 percent in the first eight months of 2012 (January to August) over the same period in 2011, and came to \$7.71 billion. Still, the food sector has been the second largest sector that foreign investors preferred in Turkey. The food industry received \$2.04 billion in FDI between January and August, which is a drastic increase of 251 percent over the same period in 2011. There are currently 30 thousand foreign capital companies in Turkey and 1224 of them are US companies.

Generally, the international capital inflow is through mergers and acquisitions with Turkish companies. Entering the Turkish market with a local company is usually preferred because of the complex nature of the country, both geographically and culturally. Distribution channels are of crucial importance in Turkey, as the country is much larger in area than most other European countries.

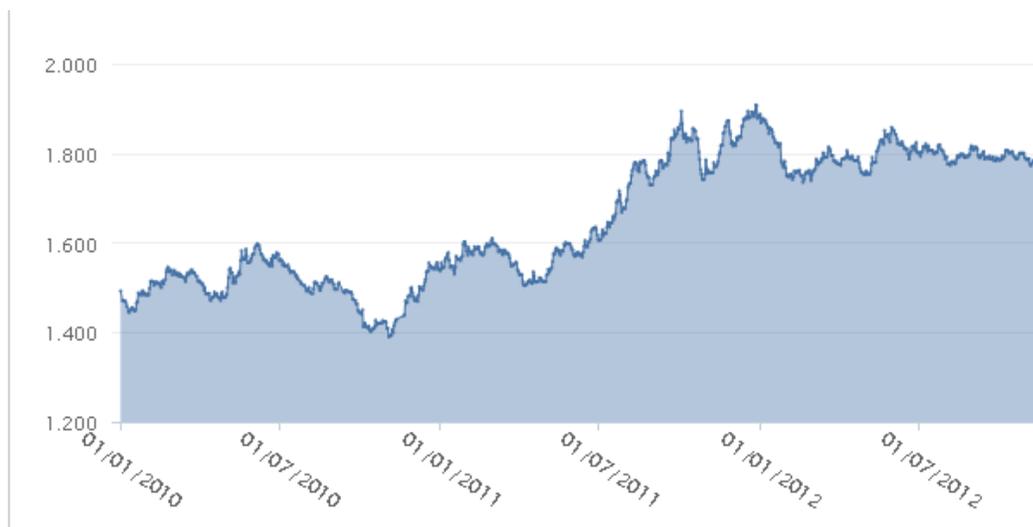
Also, geographical areas show different consumption trends. The three biggest cities, Istanbul, Izmir and Ankara, -- especially Istanbul with a population of 17 million-- comprise the largest portions of consumption. This trend changes in the summer, however, as tourists flood Southern and Western Turkey. Moreover, due to severe income disparity among the regions, investors must carefully analyze where to sell and to promote their. The economically disadvantaged and the prosperous can live very close to each other, yet their lifestyles, purchasing, and consumption patterns are sharply different. It is crucial to understand the Turkish market and internal dynamics before entering.

Major Foreign Investors Operating in the Processed Food Sector in Turkey		
Name of Company	Food Sector	Origin

Coca-Cola	Beverages	U.S.A.
Pepsi Co.	Beverages	U.S.A.
Unilever	Margarine, Veg. Oil, Ice Cream	Netherlands
Cargill	HFS	U.S.A.
Nestlé	Confectionary, Coffee, Cereals, Water, Baby Food	Switzerland
Danone	Dairy, Water, Mineral Water	France
Cadbury Schweppes	Confectionary, Chocolate and beverages	UK
Kraft	Snack food, Coffee, Chocolate, Vegetable oil	U.S.A.
Carlsberg	Beer	Netherlands
Frito-Lay	Snack food	Netherlands
Haribo	Confectionary	Germany
CP	Poultry	Thailand
Perfetti van Melle	Chewing gum and candy	Italy

The Turkish Lira exchange rate compared to the US Dollar has weakened since the beginning of 2011. The parity which had been 1 US\$= 1.4 TL in January 2011, reached 1 US\$= 1.8 TL as of December 2012.

The three-year (Jan, 2010 to Dec, 2012) fluctuation pattern of the \$/TL parity can be observed in the below table.



B. Consumer Trends

Food expenditures in Turkey account for about 20 percent of household consumption, compared to 10 percent in developed countries. Therefore, the fast moving consumer goods (FMCG - products that are sold quickly and at relatively low cost, i.e., non-durable goods such as soft drinks, toiletries, and grocery items) sector was one of the least affected sectors by the economic crisis of 2009.

Turkey's population is 75 million, and half of the population is below the age of 30. A young population is an important advantage for the processed food sector, and represents great consumption growth potential as the economy improves. The rate of urbanization continued its increase and reached 77 percent in 2012. 58 million Turks live in cities. Meanwhile, household size has decreased substantially from 5.5 to 4.5 *individuals per household between 1978 and 2000* in big cities like Istanbul (population 14 million), Ankara (5 million), Izmir (4 million), Bursa (2.7 million) and Adana, Antalya and Konya (each have a population of about 2 million).

Major changes in the lifestyles, income, and consumption patterns of Turks in the last decade have increased the tendency to dine and socialize over food outside of the home. A new and faster pace of life has led people to find quicker meal solutions for their shortened lunch hours. An increasing number of fast food chains and restaurants in newly established shopping centers and hypermarket complexes are growing evidence of newly emerging demand which positively affects the processed food market. Food manufacturers are now using sophisticated marketing methods in order to rapidly take advantage of changing consumption patterns.

The share of working women has increased to 30 percent of the total workforce and as a result cooking at home has decreased, and recreational and social dining has increased. More working women also increase the demand for pre-packed, easy to cook meals.

Turkey is expected to have a reduced household size in the future. Young Turks and rapid urbanization in major cities positively affect the processed food market as shopping habits shift from open farmers' markets to packaged and processed food sold in supermarkets.

Urbanization and increased income coupled with higher education levels in large cities also created a new demand for the health-products market. Manufacturers of packaged and processed food answered this demand with new product lines aimed specifically at this group of health conscious customers.

Turkey also has a strong and growing tourism industry. The number of foreign tourists (mostly European) visiting Turkey in the first 8 months of 2012 reached 21.8 million. This number is predicted to exceed 30 million by the end of the year.

C. Advantages and Challenges Facing U.S. Exports

Advantages and Challenges Facing U.S. Exporters of Processed Food Products & Ingredients to Turkey	
Advantages	Challenges
High export potential due to geographic proximity both to EU, Russian and Middle East markets.	EU exporters enjoy lower transportation costs, better cold chain infrastructure, and faster market access due to geographical proximity
Being a candidate for EU membership coupled with the latest economic improvements makes Turkey a favored destination for FDI.	Laws governing the food sector are mostly focused on protecting the local production rather than promoting trade, which can be overwhelming for both the importer and the exporter. In addition, regulations can be unclear, complex and they can be changed overnight
Additional demand for food products come from the strong and growing tourism sector.	There are some very high import duties on both bulk and processed products.
The good reputation of U.S. food products is the main reason for increasing demand as economic conditions and purchasing power improve.	Trends in the tourism sector for low price all-inclusive deals decrease the demand for high quality import food products
Change in retailing structure has opened new areas for branded import items.	Turkey has a well-developed food-processing sector with qualified products and competitive pricing. There is also a rich base of agricultural production, providing ingredients for this sector.
Some U.S. products (mainly bulk and intermediate commodities) are better priced than local products.	The Customs Union with the European Union creates an advantage for EU exports to Turkey, both in terms of price due to lower import duties and regulatory advantage due to harmonization of regulations within the member/candidate states
U.S. products have a high quality image in Turkey and Turkish consumers welcome U.S. style products.	There is significant tariff and non-tariff protection for locally produced foods and agricultural products.
International retailers that market a wide range of imported products in the sector have great influence on purchasing patterns.	There is a well-developed local food-processing sector supplying most product segments in the marketplace and it may be hard to compete with locally produced items.

As the processed food market continues to grow, so does the demand for food ingredients and they are mostly imported.

In the retail stores, competition for shelf space has led to high costs for introducing new products.

II. MARKET STRUCTURE AND SUBSECTOR PROFILES

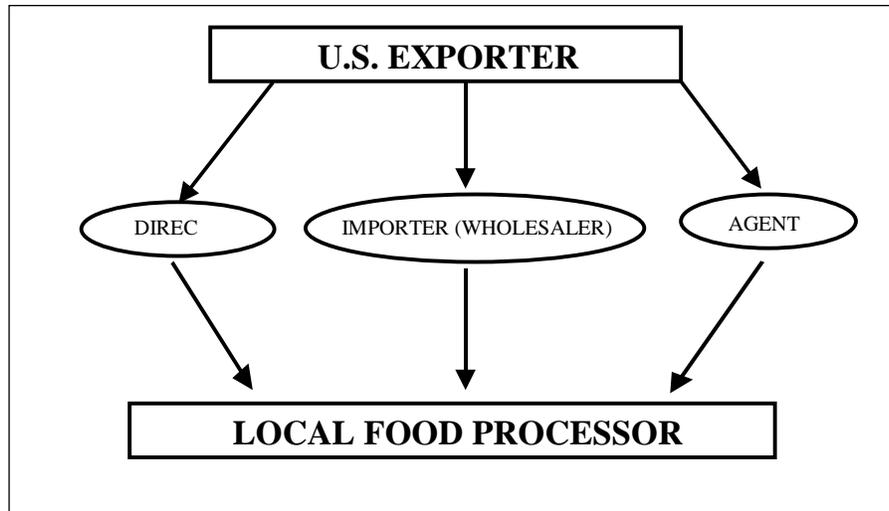
A. Market Structure and Entry Strategy

There are over 40 thousand companies operating in the Turkish food sector, generating TL 64.6 billion in 2011.

Retail is one of the fastest developing sectors in the Turkish economy. Industry sources estimate the retail food market to be USD 100 billion. The share of traditional food sellers (that are mainly open-air bazaars and mom-pop stores) decreased to 46 percent and the share of modern supermarkets increased to 54 percent.

50 percent of the fast moving consumer goods (FMCG) are sold through supermarkets. There are currently 135 supermarket chains with 13,127 stores throughout Turkey as of November 2012. The increased popularity of large-scale supermarkets allow greater variety of products at lower prices for the consumers and thus drives the processed food market forward. For a more detailed description of the retail sector, please refer to “Turkey Retail Sector Market” report TU7013 available on the FAS website: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Ankara_Turkey_1-3-2012.pdf

Large food processors have direct access to ingredient suppliers, and they are generally direct importers. On the other hand, small and medium sized processors, as well as the service sector (i.e. hotels, restaurants, catering companies), supply their products/ingredients from importers who are also wholesalers, and international company representatives or agents.



In recent years, the substantial increase in the number of supermarkets, hypermarkets, and wholesale markets have increased sales of packaged and processed food considerably.

Due to extensive import procedures, processed and packaged food products (i.e. high value items) are imported by some specialized importers and then distributed to hotels, restaurants and high-end supermarket chains. Major importers of high value items are listed below. Such products are priced higher than their local competitors and therefore appeal to A and B+ customer types.

Company & Contact Name	Distribution Channel	Location
Dolphin Food Mr. Cem Bensason Tel: 90-212-612 47 00 Fax: 90-212-612 47 57 dolphin@dolphin.com.tr	HRI, Retail	ISTANBUL
Demak Trade Mr. Nikola Marincic Tel: 90-212-289-0033 Fax: 90-212-289-8033 info@demaktrade.com	HRI, Retail	ISTANBUL
Koza Food Mr Kerem Sezer Tel: 90-212-332-2040 Fax: 90-212-332-0700 info@kozagida.com.tr	HRI, Retail	ISTANBUL
ADCO Food Ind. & Trade Mr. Randolph Mays	HRI, Retail	ISTANBUL

Tel: 90-212-322-0400 Fax: 90-212-322-0419 randy@kemergida.com		
Impeks Food Mr. Ogunc Yuncu Tel: 90-232-422-2622 Fax: 90-232-463-3370 ogunc@impekscomp.com	HRI, Retail	IZMIR
Ekol Food Mr Onder Bilen Tel: 90-212-321-3171 Fax: 90-212-321-4977 onder@ekolfood.com.tr	HRI, Retail	ISTANBUL

B. Food Laws and Regulatory System

The Ministry of Agriculture and Rural Affairs changed its name to Ministry of Food, Agriculture and Livestock in 2011. Under this ministry, the Food [and](#) Control Directorate (FCD) has primary responsibility for regulating imports of food and beverages, and their packaging materials. The nutritional and dietary supplements are also regulated by FCD.

The legal infrastructure of agriculture is mainly based on communiqués rather than on laws. The reason for this is that laws outline the general principles initially and later communiqués define the application procedures of the relevant law. Turkish agriculture-related regulations are available in English on the following Ministry website: <http://www.tarim.gov.tr/en/plants-and-plant-products>.

Currently Turkey's principle law governing food is the, "Production, Consumption and Inspection of Food" law (No. 5179) which has been in force since May 27, 2004. The purpose of this law is to provide food safety, to assure the hygienic production of all food products and food packaging materials, to protect public health, to establish the minimum technical and hygienic criteria for food producers, and to set forth the principles of monitoring production and distribution. This law has resulted in the creation of the National Food Codex Commission, the responsibility of which is to prepare, review and approve all changes to the Turkish Food Codex, including those changes that take place through EU harmonization.

The communiqué on the regulation of food ingredients can be found at:
http://www.gkgm.gov.tr/mevzuat/kodeks/kodeks_yonetmelik/gida_katki_maddeleri_yonetmelik.html.
This link is to the official FCD web site, therefore the communiqué is in Turkish.

One of the most important regulations that U.S. exporters should watch is the bio-safety regulation. As per the bio-safety regulation, imported food items for human consumption cannot have any genetically engineered (GE) content. Import of GE soy and some GE corn genes are currently allowed only for feed

use. No GE traits are approved for food use or cultivation in Turkey. For more information about the bio-safety situation in Turkey, please refer to the relative GAIN report is available at:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Agricultural%20Biotechnology%20Annual%20Ankara%20Turkey%207-13-2012.pdf>.

Another important regulation is the labeling regulation. Current legislation in Turkey prohibits statements on packages that would imply a health benefit of the product. Also, there cannot be any wording which would state superiority over the competition. This restriction sometimes forces the importer to ask for different packaging from the producer, or if that is not possible, the importer covers the unpermitted phrases with a sticker.

Requirements and standards for some imported foods may be more strict than those currently applied in the EU (biotechnology legislation for instance). For instance, the EU threshold for GE contamination is defined as 0.1 percent, whereas it is not defined (i.e. 0 percent) for unapproved events in Turkey.

C. Import and Customs

Until 2012, the majority of food items required a “control certificate”. This is, in essence, an import license that states whether the product is eligible for importing. As of 2012, however, with an attempt to simplify and speed-up customs procedures, this process was replaced by an electronic system called the Food Safety Information System (FSIS). As a result the control certificate is now required only for animal products (such as butter, milk powder, lactose, etc.).

A further step towards this goal is expected to go into effect in 2013, and that is the specialization of ports on certain types of products. This is expected to begin with plant based products (such as herbal teas) and such products will be allowed to be imported through designated ports.

Currently the import procedure is as follows: the importer makes an online application at the FSIS system before the products arrive. After the goods arrive at the port, the importer then applies to the Provincial Agricultural Directorate (PAD) with hard copies of the health certificate, invoice and ingredients list, and depending on the type of the product, the PAD decides whether the goods should be sent for analysis or inspected from the label.

The label should bear the country of origin, production and expiration dates, importing and exporting companies, ingredients and its gross and net weight. Depending on the type of product, the application package might also include:

- An Analysis Report from a government agency or on the exporting company’s letterhead; providing physical, chemical, microbiological and heavy metal specifications of the product imported. Frozen seafood is exempt from this requirement.
- A sanitary or phytosanitary certificate from the public food inspection agency of the origin country for consumer-ready products; stating that the product meets the phytosanitary requirements of the importing country. This is normally a “Certificate of Free Sale” issued by a State authority which must indicate

that “the product was produced in accordance with local laws and regulations and is fit for human consumption and is freely marketed in the country of origin”;

- For alcohol products, a “distribution certificate” provided by the producer’s company to the importer and/or distributor indicating that the Turkish company is authorized to market and deliver the product in Turkey;

Aromas are generally not subject to analysis. Packaging materials that are in contact with the food are sent for analysis only for the first shipment, but products like modified starch and other products that could include GE are always sent for analysis at each shipment.

For such analysis, Turkish Ministry of Agriculture officials take samples of the imported product and send these to government accredited laboratories for physical, chemical and microbiological analysis and confirm it matches the information supplied by the exporter.

In addition, if the foodstuff is a bulk or semi-processed commodity, it is checked by plant quarantine specialists or veterinarians for consistency with the Plant Quarantine Law and Animal Health Law. Results of the analysis usually take 3 to 5 working days, and the whole process is completed within 1 or 2 weeks, depending on the workload of the arrival port.

Import of foodstuff is allowed if the results of the analysis are found to be acceptable and consistent with Turkish regulations. For a more detailed description of Turkey’s food regulatory system and import process, please refer to the Food and Agricultural Import Regulations (FAIRS) report and Exporter Guide report available on the FAS website at:

[http://gain.fas.usda.gov/Recent20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative Ankara Turkey 3-22-2012.pdf](http://gain.fas.usda.gov/Recent20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Ankara%20Turkey%203-22-2012.pdf).

D. Company Profiles of Leading Processors

TURKEY: COMPANY PROFILES OF LEADING PROCESSORS			
Sector and Company Name	End-use Channel (Retail, HRI, Wholesale)	Plant/Company Location	Procurement Channels

DAIRY PRODUCTS			
Pinar Sut Mamulleri A.S. Mr. Ergun Akyol Tel: 90-232-436-1515 Fax: 90-232-482-2200 ergun.akyol@pinarsut.com.tr	HRI / Retail	IZMIR	Importer/ Direct
Ak Gida San ve Tic A.S. (Ulker Group) Mr. Huseyin Avci Tel: 90-264-554-0000 Fax: 90-262-554-0020 beyza.demiral@akgida.ulker.com.tr	HRI / Retail	SAKARYA	Importer/ Direct
Sutas Sut A.S. Mr. Muharrem Yilmaz Tel: 90-216-572-3050 Fax: 90-216-573- 46 12 sutas@sutas.com.tr	HRI / Retail	ISTANBUL	Importer/ Direct
Danone Sut Ms. Serpil Timuray Tel: 90-216-425-5690 Fax: 90-216-425-5695 serpil.timuray@danone.com	HRI / Retail	ISTANBUL	Importer/ Direct
SEK Milk Mrs. Arzu Aslan Kesimer Tel: 90-216-430-0000 Fax: 90-216-429-7330	HRI / Retail	ISTANBUL	Importer/ Direct
BEVERAGES			
Aroma Fruit Juices Mr. Mahmut Duruk Tel: 90-224-371-3939/ 90-212-542-9348 Fax: 90-224-371-3949/ 90-212-660-0110 Mahmut.duruk@aroma.com.tr	HRI / Retail	BURSA	Importer/ Direct
Dimes Gida San ve Tic A.S. Mr. Erol Diren Tel: 90-232-877-1400 Fax: 90-232-877-0520 erol@diren.com.tr ebugan@diren.com	HRI / Retail	IZMIR	Importer/ Direct
Coca-Cola Icecek A.S. Mr. Tuncay Özilhan Tel: 90- 216-578-8517 Fax: 90-216-573-7445	HRI / Retail	ISTANBUL	Importer/ Direct

Tuncay.ozilhan@adolugrubu.com.tr			
Tamek Food Mr. Cezmi Kurtulus Tel: 90-212-284-7766 Fax: 90-212-281-6839 Cezmi.kurtulus@tamek.com.tr	HRI / Retail	ISTANBUL	Importer/ Direct
Anadolu Efes Beer Mr. Tuncay Ozilhan Tel: 90-216-578-8517 Fax: 90-216-573-7445 Tuncay.ozilhan@adolugrubu.com.tr	HRI / Retail	ISTANBUL	Importer/ Direct
Turk Tuborg/Carlsberg Ms. Damla Birol Tel: 90-212-366-4000 Fax: 90-212-276-2554 info@carlsberg.com.tr	HRI / Retail	ISTANBUL	Importer/ Direct
MEY ICKI A.S. Mr. Galip Yorgancioglu Tel: 90-212-373-4400 Fax: 90-212-373-4404 info@mey.com.tr	HRI / Retail	ISTANBUL	Importer/ Direct
Kavaklidere Wines Mr. Ali Basman Tel:90-312-847-5073 Fax:90-312-847-5077 kavak@kavaklidere.com	HRI / Retail	ANKARA	Importer/ Direct
Doluca Wines Ms. Ahmet Kutman Tel: 90-212-213-4000 Fax: 90-212-698-9838 info@doluca.com	HRI / Retail	ISTANBUL	Importer/ Direct
SUGAR & CONFECTIONARY			
ETI Mr. Firuzan Kanatli Tel: 90-222-221-2000 Fax: 90-222-221-5500 etigida@etigida.com.tr eerbas@etigrup.com.tr	Wholesale / HRI / Retail	ESKISEHIR	Direct
Kraft Foods Mr. Ozcan Tahincioglu Tel: 90-262-648-7400 Fax: 90-262-653-9299 kraftturkey@krafteurope.com	Wholesale / HRI / Retail	KOCAELI	Direct

Ulker Gıda San ve Tic A.S. Mr. Murat Ulker Tel: 90-216-524-2489 Fax: 90-212-481-2883 Murat.ulker@ulker.com.tr	Wholesale / HRI / Retail	ISTANBUL	Direct
Nestle Mr. Reinhold Jakobi Tel:90-212-329-6000 Fax:90-212-329-6043	Wholesale / HRI / Retail	ISTANBUL	Direct
SEA FOOD			
Dardanel Gıda San A.S. Mr. Niyazi Oren Tel: 90-286-263-6666 Fax: 90-286-263-6686 dardanel@dardanel.com.tr	HRI, Retail	ISTANBUL	Direct
Kerevitas Mr. Ceyhun Caglar Tel: 90-224-600-2000 Fax: 90-224-488-5208 Ceyhuncaglar@kerevitas.com.tr Leylapoyraz@kerevitas.com.tr	HRI, Retail	ISTANBUL	Direct
Pinar Sea Food Mr. Engin Ozturk Tel: 90-232-726-0265 Fax: 90-232-726-0260 Engin.ozturk@camli.com.tr	HRI, Retail	IZMIR	Direct
CANNED FOOD			
Penguen Gıda A.S. Mr.Aykan Sozucetin Tel: 90-224-324-2424 Fax: 90-224-324-2425 aykan.sozucetin@penguen.com.tr	Wholesale / HRI / Retail	BURSA	Importer/ Direct
Tamek Gıda Mr. Cezmi Kurtulus Tel: 90-212-284-7766 Fax: 90-212-281-6839 cezmi.kurtulus@tamek.com.tr	Wholesale / HRI / Retail	ISTANBUL	Importer/ Direct
Tukas Mr. Semih Karadeniz Tel: 90- 232 865 15 55 Fax: 90- 232 865 11 45 Semih.karadeniz@tukas.com.tr	Wholesale / HRI / Retail	IZMIR	Importer/ Direct
Tat Cannery	Wholesale / HRI	ISTANBUL	Importer/

Mrs. Arzu Aslan Kesimer Tel: 90- 216-430-0000 Fax: 90-216-429-7330	/ Retail		Direct
Kerevitas Mr. Ceyhun Caglar Tel: 90-224-600-2000 Fax: 90-212-488-5208 Ceyhuncaglar@kerevitas.com.tr Leylapoyraz@kerevitas.com.tr	Wholesale / HRI / Retail	ISTANBUL	Importer/ Direct
EDIBLE OILS			
Edirne Yag Sanayi (Olin) Mr. Okyar Yayalar Tel: 90-284- 235- 0630 90-212-325-4580 Fax: 90-284- 235-0620 90212-325-4579 olin@olin.com.tr	Wholesale / HRI / Retail	EDIRNE	Importer/ Direct
Marsa Yag Sanayi A.S. Mr. Adnan Ozsahin Tel: 90-(0216) 570-1400 Fax: 90-0216) 577-4200 Adnan.ozsahin@marsa.com.tr	Wholesale / HRI / Retail	ISTANBUL	Importer/ Direct
Trakya Birlik Mr. Rafet Sezen Tel: 90-284-214-5522 Fax: 90-284-225-30 60 trakyabirlik@trakyabirlik.com.tr	Wholesale / HRI / Retail	EDIRNE	Importer/ Direct
Orucoglu Yag San ve Tic A.S. Mr. Ercan Kara Tel: 90-272-221-1133 Fax: 90-272-221-1132 info@orucogluyag.com.tr	Wholesale / HRI / Retail	AFYON	Importer/ Direct
MEAT & POULTRY PRODUCTS			
Pinar (Red Meat & Turkey) Mr. Zeki Ilgaz Tel: 90-232-877-0900 Fax: 90-232-877-0930 zekiilgaz@pinaret.com.tr	HRI, Retail	IZMIR	Direct
Maret Mrs. Arzu Aslan Kesimer Tel: 90-216-593-0270 Fax: 90-216-593-0291	HRI, Retail	ISTANBUL	Direct
Banvit (Poultry & Red Meat) Mr. Omer Gorener	HRI, Retail	BALIKESIR	Direct

Tel: 90-266-733-8600 Fax: 90-266-733-8618			
Seker Poultry Mr. Osman Bor Tel: 90-266-733-8420 Fax: 90-266-733-8423 osmanbor@sekerpilic.com.tr	HRI, Retail	BALIKESIR	Direct
Keskinoglu Poultry Mr. Mehmet Keskinoglu Tel: 90-236-427-2572 Fax: 90-236-427-2565 keskinoglu@keskinoglu.com.tr	HRI, Retail	MANISA	Direct

E. Sector Trends

Turkey is the world's 7th largest agriculture economy following China, U.S., India, Brazil, Japan and Indonesia. According to FAO (Food and Agriculture Organization of the United Nations) data, Turkey is the world's leading producer of hazelnuts, apricots, figs, cherries, sour cherries, quinces, raisins and poppy seeds. Turkey is also the second largest producer of melons, watermelons, strawberries and leek; and the third largest producer of lentils, apples, cucumbers, green beans, green peppers, chestnuts and pistachios.

Local agricultural products are the main input for the food-processing sector. Turkey has a developed food processing industry and a rich agricultural base with diversified agricultural production. However, when it comes to food ingredients, even though Turkey has the biggest sector in its region, it is very import dependent.

According to the Turkish Federation of Food and Beverage Industry Associations, there are over 40 thousand registered operations in the food and beverage industry, producing TL 64.6 billion in food and TL 5 billion in the beverage sectors. Turkish imports and exports of agricultural products were US\$ 4.9 billion and US\$ 8.9 billion in 2011 respectively.

Annual Import and Export figures of sub sectors in the F&B Sector (million US Dollars)				
	Imports		Exports	
	2010	2011	2010	2011
Meat and Meat Products	592	1,038	243	436
Fish and fish products	185	194	192	242
Processed fruits and vegetables	167	250	2,446	2,729
Vegetable & animal fats and oils	1,113	1,843	457	1,011

Dairy products	149	113	168	227
Processed grains	150	107	887	1,288
Starch and starch based products	169	207	95	148
Ready animal feed products	93	122	16	28
Bakery products	49	56	487	622
Sugar	22	24	46	58
Cacao, chocolate and confectionary	186	228	706	841
Pasta, noodles, couscous, etc (Flour products)	5	6	186	285
Unclassified other food products	405	500	551	713
Fermented ethyl alcohol	97	148	49	52
Wine	7	9	7	9
Beer and malt	6	8	69	64
Soft drinks, mineral and spring water	34	51	102	131
Total	3,429	4,905	6,708	8,884

Source: Turkish Federation of Food and Beverage Industry Associations

Turkish prices, compared to the European Union (EU-27), are 18 points lower for food products, on par with the EU-27 for nonalcoholic, and 76 points more expensive for alcoholic drinks.

The market size of the packaged food sector reached USD 36 billion in 2012. As the economy improves and continues to grow steadily, people's preferences towards better quality and branded packaged food increased continuously each year. High competition rates and the fact that prices are still a very important factor in purchasing decisions enabled consumers to obtain better quality products for competitive prices.

The food and beverage sector is one of the few sectors where exports exceed imports. The government tends to keep this trend by causing difficulties for imports in the form of high duty taxes, extensive customs procedures and lengthy bureaucratic requirements.

The biggest challenges of the food-processing sector in turkey can be summarized as:

- Structural defects of agriculture as a major input;
- Sustainable access to raw materials;
- Significant unregistered economy and insufficient monitoring
- Inconsistency in the taxation, tax(VAT) rates differing between 1 to 18 percent
- The volatile nature of production and the lack of a consistent agriculture policy
- Unclear regulations that are subject to change over-night and bureaucratic obstacles to imports

F. Subsector Profiles

1. Red meat:

Meat products in the Turkish market are fresh meat (beef, veal and sheep meat – pork consumption is limited to tourism due to religion), frozen meat, processed meat products (smoked, canned, ready to eat), prepared meatballs, and cured meats (sausages, salami). Pork is not consumed much due to religious reasons, but is available at big supermarkets and some restaurants.

The number of livestock declined considerably in the past decade due to increased feed prices and terrorism in the eastern regions of Turkey (where the mainstay of the population is husbandry). This decline in the meat supply led to significant increases in meat prices (16.5 TL/kg) in the first months of 2010. In response to high red meat prices, the Turkish Council of Ministers announced an import quota for 100,000 MT of live slaughter cattle and beef in 2010.

When this effort did not reduce meat prices, the customs duty for imported live fattening and slaughtering cattle was decreased from 135 percent to 40 percent. The customs duty on live slaughtering cattle was further reduced to 30 percent, and the import duty for live lamb (less than one year old) was reduced from 135 percent to 20 percent. On the same day, the duty on red carcass meat was reduced from 225 percent to 30 percent.

As a result, the carcass meat price dropped to 11-12 TL/kg in the first months of 2011 but it began to increase again in June 2011, and reached a peak of 15 TL/kg in July 2011 due to high feed prices. A major development that affected the feed sector was the enactment of the Biosafety Law in 2011. Due to the new Biosafety Law, corn and soybean imports had intermittent access throughout 2011. Soybean imports resumed in 2011, but biotech corn imports did not resume until 2012, and are hindered by several prohibited GE traits.

On the other hand, high market prices also attracted local investors to enter the business. Combined with a government incentive of 300 TL/head premium, many new actors from all sectors ranging from textiles to construction started building livestock facilities. This process also helped to improve the quality of breeding stocks.

In 2011, the increased number of domestic producers asked the government to either ban further meat imports or increase the customs tax to 70 percent in order to protect their investments from competition from imported meat. Eventually, the customs tax on carcass meat increased from 30 percent to 60 percent in the first half of 2011.

The 300 TL/head premium was then removed in July 2011 and the customs tax on carcass meat was increased from 60 percent to 75 percent.

Turkish red meat consumption is 13 kg per person compared to 31 kg in the U.S. Turkish consumption is expected to reach 20 kg in year 2023, and there is rising demand for high quality beef, particularly from the tourism industry.

For a more detailed description of Turkey's Livestock sector, please refer to the annual Livestock and Products report TU7049 available at:
www.fas.usda.gov/gainfiles/200708/146292012.doc.

2. Packaged Food

The packaged food market has shown steady growth over recent years. The market size (in terms of retail value) increased 27 percent from TL 51 billion in 2009 to TL 65 billion in 2012. Factors that contributed to the growth in market size have been:

- Development of functional foods aimed at health conscious consumers and new products launches for this market.
- Growth of organized retail sector like supermarkets, hypermarkets, wholesale markets, and discount supermarkets and improvements in the distribution sector, accordingly.
- Sophisticated marketing activities of packaged food manufacturers.

Consumers remain price sensitive, forcing manufacturers to keep their price increases at a minimum, forcing them to keep their focus on offers and discounting in order to maintain retail volume sales.

The share of artisanal products constitute more than 50 percent of the total sales value, although this stems from the dominant retail value share of artisanal bread, pastries, cakes and yoghurt. On the other hand, a large number of new products have been launched in the past 2 years to boost consumer demand. The highest number of new launches has been in chocolate confectionery, biscuits, packaged cakes and ice cream. These products were not only targeted at children, as they had been earlier, but also towards adults. They are increasingly considered as snacks and are in demand from office workers and students in particular.

In line with the increased health and wellness trend, the number of products designed to cater to this trend continued to increase during the last several years. Such products include organic milk and dairy products by Pinar, probiotic yoghurts by Danone, Kalbim brand line of functional spreadable oils, and fats by Yildiz Holding.

Yildiz Holding is the leader in packaged food with their major brand line Ulker. Having a presence in most sectors and a vertically integrated distribution system spread throughout the country, this Turkish company enjoys the highest level of brand recognition among consumers. Unilever follows Yildiz Holding in terms of market share.

The share of private labels also witnessed an increase since 2010 as a result of the rapidly increasing number of retail stores, as well as the affordable products that made an appearance in response to the economic crisis.

The packaged food sector is expected to see considerable growth in value and volume. The market has considerable potential for growth as the penetration of artisanal products as well as unpackaged goods is still quite high. As the economy continues to grow, consumers will opt for the convenience of packaged food. Urbanization will be an important determinant of growth since consumers tend to use unpackaged

products in rural areas, while in cities consumers tend to use packaged products. Furthermore, urbanization means more hectic lifestyles, which translate into demand for convenient food products. Moreover, Turkey's young population will facilitate growth as young consumers tend to respond well to innovation, which is predicted to fuel constant retail value and volume growth.

In the past decade, the leading distribution channel of independent small grocers - comprising mainly of *bakkals*, lost their share to supermarkets/hypermarkets and discount stores due to the advantage of “one-stop” shopping, competitive prices and the greater variety of products found in these channels. Such outlets, referred to as “organized retailers” offer attractive in-store promotions and an increased number of private label products at low prices, and their number of new outlets is rapidly increasing. This growth trend of the organized retail sector shows that the packaged food market is bound to grow steadily.

In the past few years, functional foods aimed at health conscious consumers have been increasing their market share. Manufacturers mostly focused on fortified and vitamin enhanced dairy and infant products, as well as pasta, cereals, and snacks.

In addition to the pro-biotic dairy products, mineral and vitamin enriched products, and omega-3 fortified products have been appearing in market. Enriched breakfast cereals aimed at children and increased pro-biotic foods targeted at females with digestive problems are among the most popular products.

Sales of Packaged Food by Category				
	2008	2009	2010	2011
(million TL)				
Nutrition/Staples	36,771	39,556	43,611	46,946
Bakery	26,156	28,565	31,841	34,193
Impulse and Indulgence Products	8,765	9,294	10,231	11,379
Dairy	5,843	6,000	6,334	6,859
Oils and Fats	4,985	5,274	5,838	6,415
Meal Solutions	2,544	3,045	3,279	3,524
Confectionery	2,544	2,735	2,943	3,199
Dried Processed Food	1,935	1,985	2,070	2,179
Sweet and Savoury Snacks	1,681	1,785	1,899	2,097
Ice Cream	1,426	1,529	1,900	2,314
Chilled Processed Food	1,079	1,454	1,585	1,688
Sauces, Dressings and Condiments	846	916	965	1,039
Spreads	752	783	832	882
Baby Food	453	479	511	562
Pasta	488	479	474	473
Soup	141	166	190	222
Canned/Preserved Food	203	211	217	229

Sales of Packaged Food by Category				
	2008	2009	2010	2011
<i>(million TL)</i>				
Frozen Processed Food	125	136	142	149
Ready Meals	59	62	64	67
Meal Replacement	34	29	25	22
Snack Bars	14	9	13	16
Packaged Food Total	48,084	51,899	57,125	61,853

Source: Euromonitor International

Note: Sum of sectors does not equal total packaged food because of double counting (eg canned soup is included in soups and canned foods)

3. Canned and Preserved Food

The canned and preserved food market has been steadily growing and reached 230 million TL in 2011. The Turkish canned food producers that used to concentrate on basic ingredients such as mixed vegetables, beans, and fish shifted their focus in the past years towards ready to eat preserved food varieties like fruits, seafood salads, and appetizers. Canned/preserved fish and seafood registered the fastest growth in 2011 with 3 percent volume growth.

Canned & Preserved Food Sales 2009-2011 (million TL)	2009	2010	2011
Vegetables	114.52	115.89	121.56
Fish and seafood	68.38	72.89	78.57
Ready meals	21.70	22.35	22.77
Beans	2.87	2.93	3.00
Tomatoes	2.89	2.96	3.20
Fruit	0.74	0.77	0.78
Total	211.10	217.80	229.88

Source: Euromonitor

Domestic companies are dominant in the canned/preserved food sector. Dardanel Onentas Gida kept its leading position in 2010 with a market share of 23 percent, followed by Tat and Tamek with approximately 12 percent each. The fourth player is the Superfresh brand of Kerevitas with a market share of 10.8 percent. It is quite difficult for multinationals to compete with these well-established domestic companies who have been present in the sector for many years, are accustomed to local tastes and preferences, and Turkish consumers trust their brands. Moreover, some domestic companies still enjoy first-mover advantage in different categories, like Dardanel Onentas in canned/preserved fish&seafood, and Tat Konserve and Tamek Gida in canned/preserved tomatoes, beans and vegetables. The best opportunity for exporters would be to introduce innovative solutions in untapped segments with competitive prices (like meat products, soup or pasta).

The health and wellness trend played a major role in the growth of the canned/ preserved food sector. Producers have introduced packaging developments to attract consumers, such as offering glass jars instead of metal food cans. TV advertisements emphasizing the freshness of the products and promotions played an important role in increasing sales, as well as competitive prices.

Consumers are price sensitive to canned/preserved food as fresh versions with lower prices are widely available in Turkey. Therefore, mid-priced and economy products were the most popular canned/preserved food in 2010. Most Turkish consumers perceive mid-priced products as offering good quality at reasonable prices. Premium products were negligible partly due to the commodity image of the category, but also due to the strong loyalty shown by consumers towards their favorite mid-priced products.

The share of private label is also increasing rapidly in canned/preserved food. The sales of private labels increased by about 16 percent in 2010, reaching 2 percent value share.

4. Poultry

Market size (000 tons)	2007	2008	2009	2012	2011	2012
Poultry Total volume	732	751,8	771	791,7	815	840
Frozen processed poultry	17,2	17,5	17,5	17,4	17,4	17,7

**Source : Euromonitor*

The Turkish poultry industry, which ranks in the world's top fifteen, is the country's top consumer of protein meal and feed demand continues to grow. MY 2012 poultry meat production is estimated at 1.7 MMT. Poultry production doubled in the last decade and became one of the strongest sectors in Turkish agriculture and food processing. Successful Avian influenza education programs have rebuilt the confidence of consumers and, unlike in 2006, outbreaks in 2007 and 2008 have had negligible impact on poultry and egg consumption, although exports were reduced.

Turkish poultry consumption is 21kg per person compared to 47kg in the US, and egg consumption is 11kg per person compared to 16kg in the US. In the year 2023 poultry consumption is expected to reach 30kg and egg consumption is expected to reach 15kg.

As poultry production continues to grow, egg production has also been increasing due to both increased domestic consumption and increased exports. Domestic egg consumption showed significant increase in recent years, reaching an estimated 163 per person annually in 2012, compared to 120 in 2004.

The major problem for the sector is expensive input prices, as significant amounts of animal feed must be imported. Total soybean and soy meal imports in MY 2012 are forecast at 1.9 MMT, as a result of increased use of full-fat soybeans in poultry rations (due to GE restrictions), increased local crushing, and the lack of domestic soybean production.

Poultry products are exported to neighboring countries: mostly Azerbaijan, Bulgaria, Uzbekistan, and Macedonia. Poultry shipments to Turkey are only for re-export, which are mostly to Iraq. These imports and re-exports are done through Free Trade Zones, primarily the one in Mersin. For a more detailed description of Turkey's livestock sector, please refer to the annual livestock report TU6038 available at: www.fas.usda.gov/gainfiles/200609/146248998.pdf.

5. Fish and Seafood

There has been a consolidation after the 2008 crisis in the sector and big groups became vertically integrated. Currently there are around 10 companies who are producers and/or importers.

Market Size (000 MT)	2008	2009	2010	2011	2012
Fish and seafood	620	631	643	653	661

**Source : Euromonitor*

Fish farms have also become increasingly popular, and the most popular fish varieties are the sea bream, sea bass and rainbow trout. Nearly 50 percent of the production is exported. The Netherlands, Germany, Italy and Japan are the main destinations for Turkish seafood products. Turkish fish and seafood exports have increased from US\$338 million in 2010 to US\$425 million in 2011. Exports during the first ten months of 2012 reached US\$347 million.

Turkish seafood imports increased 27 percent in 2011. The volume of imports has been US\$167 million in 2011, up from US\$131 million in 2010. Major countries exporting their fish products to Turkey are Norway, Iceland and France, although China is increasing market share rapidly.

Far-eastern cuisines increased popularity and the recent Sushi craze in Istanbul introduced Turks to new tastes in seafood such as surumi, Sushi grade tuna and salmon, and frozen crab legs. Until a few years ago, these products were seen as exotic luxury foods. Currently one can find them in every major supermarket or wholesale market in Istanbul.

Developments in the tourism sector, as well as healthier food consumption trends, have had positive effect on fish consumption. Turkish fish consumption is 6kg per person compared to 28kg in the US. In year 2023 this figure is expected to reach 9kg.

Fish & Seafood Products Import / Export (million USD)	2010		2011		2012 (Jan-Oct)	
	Import	Export	Import	Export	Import	Export
Fish And Seafood Products	131	338	167.4	425	142	347

**Source: Global Trade Atlas*

6. Processed Fruit and Vegetables:

Turkey is one of world's largest fruits and vegetables producers. There are 1,545 facilities operating in the processing and storage of fruits and vegetables as per the data of Turkish Statistics Institute.

Facilities active in this field are generally producing pickles, tomato paste, potatoes, fruit and vegetable juices, canned fruits and vegetables.

There is a rich variety of fruits and vegetables in Turkey. Approximately 80 different varieties of fruits and vegetables are produced and around 50 are exported. The highest export volume is in pickles, followed by olives and capers. Imports are insignificant, consisting mostly of products that are not grown in Turkey, such as canned pineapple. Canned fruits and vegetables present a good opportunity for investors due to Turkey's rich resources in terms of variety. However, the gradual change of preferences to frozen products, rather than canned products, and lack of high technology in production are threats to the sector.

Turkish exports of concentrated fruit juice have been increasing in the past decade. The improvements in current orchards and establishment of new orchards with better varieties contributed to both processed and fresh fruit exports. Traditionally, Middle Eastern countries, Russia and EU countries are the top export destinations for fresh fruits and vegetables.

- **Tomatoes:**

Tomato production accounts for approximately 38 percent of all vegetable production in Turkey. Tomatoes can be grown throughout Turkey, but for fresh consumption they are mainly grown in the Mediterranean Region, typically in greenhouses.

Production (000 MT)	2007	2008	2009	2010	2011
Tomatoes	9,945.0	10,985.4	10,745.6	10,052.0	10,101.3

Source: UN Food and Agriculture Organization, FAOSTAT

After registering continuous growth until 2010, Turkish tomato exports have entered a decline. This has been partly due to the decrease in production and the growth in domestic demand. Exports decreased 9 percent from US\$475 million in 2010 to US\$432 million in 2011. Russia is the main market for Turkish fresh (or chilled) tomato exports, followed by Bulgaria, Romania and Ukraine.

Approximately 20 percent of all tomato production is processed into products such as tomato paste, tomato juice, ketchup, tomato puree and chopped tomatoes. Turkey is one of the world's leading tomato paste producers. Tomato paste is the leading export among Turkey's processed fruit and vegetable sector. 85 percent of the processed crop is used to produce tomato paste, 10 percent is canned and the remainder is used to produce dried tomatoes and other products.

For a more detailed description of Turkey's tomato sector, please refer to the annual Tomatoes and Products report TU8019 available at:

www.fas.usda.gov/gainfiles/200806/146294893.pdf.

- **Frozen food:**

The rising employment rate in Turkey resulted in more working people with busier lifestyles, increasing the need for easy and convenient ways of cooking. Moreover, the increasing number of single households, mainly young consumers who do not wish to spend much time cooking, stimulates the sales of frozen processed food. In 2011, the sector grew 5 percent and reached TL 150 million in value. Within the sector, frozen poultry products showed the fastest growth with 8 percent retail volume growth.

Sales of Frozen Processed Food by Category (million TL)	2009	2010	2011
Frozen Bakery	28.73	29.96	31.54
Frozen Pizza	29.60	30.58	32.34
Frozen Processed Fish/Seafood	8.21	8.47	8.81
Frozen Processed Potatoes	29.64	30.09	30.97
- Non-Oven Frozen Potatoes	12.24	12.26	12.51
- Oven Baked Potato Chips	12.90	12.92	13.26
- Other Oven Baked Potato Products	4.50	4.90	5.21
Frozen Processed Poultry	2.85	3.00	3.34
Frozen Processed Red Meat	21.50	23.85	25.43
Frozen Processed Vegetables	4.41	4.52	4.64
Frozen Ready Meals	7.00	7.49	7.94
Other Frozen Processed Food	4.34	4.46	4.59
Frozen Processed Food Total	136.27	142.41	149.59

Source: Euromonitor International

The market is dominated by two major players: Kerevitas and Pinar Entegre, having a market share of 30 percent and 18 percent respectively. Kerevitas was established in 1970 in Bursa and has a wide range of products under the Superfresh brand, which made it the leading company in frozen bakery products, frozen processed potatoes, frozen processed vegetables and other frozen processed food. Pinar was established in 1975 and its production facility is located in Izmir. Originally the company focused on dairy, but then expanded its product range to meat and poultry products as well. In a study conducted by AC Nielsen, Pinar brand was ranked as the most recognizable Turkish brand in the meat and dairy industries.

Companies investing in TV advertisements are successful at attracting consumers, as Turkish people spend a lot of time watching TV. Consumers at higher incomes levels also consume more frozen products.

Recent images of frozen foods as a healthier alternative to canned foods helped in the growth of the sector. Improvements in the products themselves have also driven this growth. Examples include better packaging that is more consumer-oriented, that allows for easier and longer storage, and the launch of new products that are aimed towards local tastes.

Distribution chains are becoming more sophisticated as well. While frozen products could only be found at supermarkets or wholesale retail outlets before, now they can be commonly found in stand-alone deep freezers in small mom-and-pop type grocery stores.

7. Dairy products

Turkey invested heavily on imports of live dairy breeding cattle in the last three years, especially from U.S. Increased amount of new livestock farms increased the production of milk. Currently Turkey has a surplus stock in milk. In order to reduce the build-up of stocks the Government began a school milk project on May 2012. The project has two components: one is to purchase milk from the market to stabilize milk prices, and second is to help child development.

The state owned Turkish Milk Institute (“SEK”) was privatized in 1996. Since then, some conglomerates have entered this industry either alone or together with foreign investment, so the industry has grown, albeit in a slow pace. Today, the major companies in this field are: Danone, Pinar, Ulker, Sutas and SEK. Approximately 3 million tons of total production is processed. The balance is either sold as “street milk” or processed in unregistered facilities. The final products of the industry are packaged milk, yogurt, traditional yogurt drink “ayran,” cheese, creams, butter, milk powder, and flavored dairy products. A majority of finished product imports are in cheese; some imported varieties are cheddar, mozzarella, ricotta, edam, gouda, roquefort, and parmesan.

The Turkish dairy sector has significant growth potential. First, per capita consumption is increasing and there is significant room for continued growth. Second, European Union accession talks are reducing the unregistered economy. The volume to be replaced by modern facilities is significant considering the very high ratio of unregistered economy in the dairy product sales.

The introduction of new dairy products is quite new in the Turkish dairy industry. The production and sale of functional products such as organic milk, probiotic milks, special products for pregnant and nursing women and for babies are increasing. Also traditional dairy products such as a hot drink called “sahlep” and cold drink called “ayran”, together with international products such as fruit yogurts and mozzarella cheese, are new factors in the industry. Considering Turkey’s tourism numbers, there is a huge potential for manufacturing functional and flavored goods in this subsector.

According to industry sources, milk production in Turkey reached 13 MMT in 2012. Industrial milk production is 700,000 MT and ultra-high temperature (UHT) milk has a 90 percent market share. The majority of milk is processed as cheese which is 7 MMT in 2012. Only 1.7 MMT of the milk is consumed as liquid milk. Yogurt consumption traditionally is very high at 2.5 MMT, butter is 1.5 MMT, the growing ice cream consumption is 90,000 MT, and milk powder consumption is 90,000 MT.

Dairy product (excluding cheese) imports decreased to US\$82 million in 2011 after reaching US\$121 million in 2010. Exports on the other hand showed the opposite trend and increased from US\$70 million in 2010 to US\$118 million in 2011. This is a result of the increase in livestock inventory.

However in cheeses, imports increased from US\$26 million in 2010 to US\$28 million in 2011, and exports increased from US\$101 million to US\$114 million.

Cheese varieties available in the market are also increasing. Traditionally it used to be limited to only white cheese and cheddar cheese. Then local cheese varieties from Anatolia gained popularity, and recently imported cheese varieties can also be found in supermarket shelves like gouda and camembert.

Turkish milk consumption is 170kg per person compared to 255kg in the US. In the year 2023 this figure is expected to reach 225kg.

Dairy Products Import & Export ('000 USD)	2009		2010		2011		2012 (Jan-Oct)	
	Import	Export	Import	Export	Import	Export	Import	Export
Dairy Products (excluding cheese)	92,687	58,324	121	70,343	81,895	118	63,853	89,609
Cheese	27,581	87,854	26,291	101	28	114,257	18,692	105

**Source: Global Trade Atlas*

Despite the improved quality of breeding stock in the last few years, expensive feed continues to be the biggest problem of the dairy sector, just as in the red meat sector.

8. Flour and Flour based products:

Currently there are 5,559 operations in the “processed flour products” and 1,766 operations in “flour and flour products” sectors. These numbers account for about 31 percent of operations registered to Turkish Federation of Food and Beverage Industry Associations. Total production capacity for “processed flour products” and “flour and flour products” is 45 million tons.

Turkey claims the world’s highest per capita wheat products consumption of about 160 kg/year. Bread production is dominated by artisanal production in mom-pop type town bakeries. A significant number of Turks prefer their bread daily baked from such bakeries. Industrial pre-packaged bread manufacturers are focusing on functional and fortified breads in order to compete with town bakeries.

Another growing trend in flour and flour based products is the development of functional biscuits, especially aimed at the weight conscious consumers. Once a niche product, diet crackers can be found in a variety of tastes in every grocery store. There is a growing research and development aspect in this sector resulting in new product developments. Local brands usually tend to copy the products of market leaders, and market leaders sometimes imitate American or European products. Ulker Gida, the leader in packed food, is also the leader in new product development.

Pasta production significantly developed in recent years in terms of both quality and quantity. Only dried pasta is available in Turkey, and Barilla retains its leading position in 2011 with a 32 percent value

share. Other categories, such as frozen or canned/preserved pasta have not been introduced to the country yet, while sales of chilled/fresh pasta are negligible. As consumers are familiar with dried pasta, manufacturers have been reluctant to invest in other types. Turkish consumers are generally traditional in their tastes and tend to hesitate before trying something new. The market size was TL 473 million in 2011.

Over capacity is a problem in the flour sector due to state incentive programs. Flour production in Turkey is more than sufficient in quantity; however quality can be a problem.

For a more detailed description of Turkey's grain sector, please refer to the annual grain report at: [http://gain.fas.usda.gov/Recent20GAIN20Publications/Grain20and20Feed20Annual Ankara Turkey 5-11-2012.pdf](http://gain.fas.usda.gov/Recent20GAIN20Publications/Grain20and20Feed20Annual%20Ankara%20Turkey%205-11-2012.pdf).

9. Sugar and Confectionary

The market size of sweets and chocolate sector increased from US\$250 million in 1998 to US\$3.1 billion in 2012. From a demographic perspective, chocolate consumption is higher in regions where income levels are relatively higher. In recent years the increase of chain retail stores affected chocolate consumption in developing regions as well and a 70 percent increase is observed in the East and Southeast Anatolia regions. Current consumption shares of Turkey's 7 regions are as follows: Marmara region – 52 percent, Mediterranean and Aegean Regions 17 percent, Central Anatolia – 12 percent, East and Southeast Regions – 12 percent, and Black Sea Region – 7 percent.

Despite high input costs in sugar, cacao powder and cacao oil, the relatively lower labor costs in Turkey give the local producers an edge in the global competition.

Currently there are approximately 1,616 companies active in the confectionary sugar, cacao and chocolate sector with a production capacity of 2.5 million tons. There are business activities of foreign and local high-technology corporations, small and medium sized corporations, and regional companies in this area. Smaller companies generally produce traditional products like Turkish delight and "helva", while larger-scale companies produce more value-added products.

The chewing gum, chocolate and cookies industry is well developed in Turkey, with modern facilities. The production of confectionary, chocolates, and cocoa products show great dynamism and potential considering the young population, increasing incomes, current low consumptions and tourism.

Turkey produces its sugar from sugar beets and there are also starch based sugar producers. Sugar production is regulated and limited to quotas allocated each year to every producer in the country. This maintains Turkish self sufficiency in sugar production and only excess sugar is exported, and that is mainly to the Middle East. For imports in to Turkey, the import duty is 135 percent.

For a more detailed description of Turkey's sugar sector, please refer to the annual sugar report available at:

10. Beverages

Average annual fruit juice consumption per person is 8 lt in Turkey compared to 45 lt in the US. This promises a significant growth opportunity. Even though the sector classifies fruit juice in 4 categories as 100% fruit juice, fruit nectar, fruit drinks and flavored drinks, most consumers regard them all as fruit juice.

Alcoholic drinks are mainly consumed by the young generation in Turkey with a median age of 28. Many young consumers go to urban areas for university education or better job opportunities. People in urban areas, where religious and conservative attitudes are less observed, are influenced by Western trends. Therefore, as a result of rising urbanization and Westernization, young people are driving sales of alcoholic drinks in Turkey.

The major factor that affects the price of alcoholic beverages is the high rate of Special Consumption Tax (OTV) applied on such drinks. The OTV on beer for instance increased by 737 percent between 2002 and 2009 (since the current government came into power). This reflects in the prices as follows: The traditional drink raki (*a traditional Turkish grape spirit aromatized with aniseed*) retailed at an average price of TL 9.15 in 2002 and TL 36 in 2011.

The table below shows the Taxation and Duty Levies on Alcoholic Drinks as of year 2011.

Excise tax (Minimum fixed tax per litre in TL)	
	%
Malt beer	0.44
Fresh grape wine	2.44
Sparkling wine	16.12
Vermouth and other fresh grape wines	22.11
Up to 18 % ABV	17.55
Fermented drinks	2.44
ABV higher than 22 %	85.8
Grape wine	71.5
Gin	57.2
Vodka	57.2
Liqueurs	78.65
Raki	51.48

Excise tax (Minimum fixed tax per litre in TL)	
	%
Import tax (%)	
Up to 18% ABV	7.6
18% ABV and over	4.4
Sales tax (%)	18
Defense fund	10
Education fund	10
Additional Tax	15
Treasure share	10
War benevolent fund	2

Source: Trade press (www.ntvmsnbc.com)

In 2011, rising prices due to excessive taxation resulted in a shift to cheaper products. This reflected in a decline in sales within many alcoholic drinks in Turkey. The fact that many consumers shifted to cheaper products like beer had a negative impact on wine and spirits sales. However, Turkey offers great potential for alcoholic drinks growth in the future due to a young population, rising disposable incomes and the improving economic environment.

Local players dominate the alcoholic drinks sales in Turkey. Efes Pilsen has a leading position due to the fact that beer is the largest area within alcoholic drinks and also as a result of the company's long presence in Turkey, good distribution network and strong brand name. Tuborg follows Efes Pilsen whilst Mey İçki ranked third within alcoholic drinks and led overall spirits sales due to its dominant position within aniseed-flavored spirits (raki).

Supermarkets, hypermarkets and discount stores are able to offer a greater variety of products as they have more shelf space than small corner shops. For instance, imported vodka, rum and whiskies, imported wine and premium lager have become more available thanks to these channels.

Raki: Until 2004 Turkish alcoholic beverages market was regulated by Turkish Government via TEKEL organization (literally translated as monopoly). Changes in early 2004 in privatization of the alcoholic beverages industry have allowed entrepreneurs to enter the market with new brands. As a result, raki production has increased dramatically. Turkey exports its traditional drink "raki" to European countries with significant Turkish populations, like Germany.

The mix between fresh and dried grapes for producing raki changes with the price and availability of lower quality grapes or raisins. Also recent changes in the taste preferences of Turkish consumers affect the mix. Traditionally supply of dried grapes with seeds and low grade raisins have been more predominantly used in raki production. In the last couple of years, raki made from fresh grapes has gained popularity and it has become the preferred raki variety.

Beer: The majority of the beer consumed in Turkey is produced in local breweries. The two largest firms, Efes Pilsen and Tuborg, dominate the local market with 99 percent share but there are five

additional small beer producing companies as well. The dominance of Turkish companies is due to years of protectionist trade policies and regulations. Even though privatization of the alcoholic beverages industry has allowed import beers to enter the market since 2003, they are still very few in number. Total size of the Turkish beer market is estimated at 900,000MT and per capita consumption is about 12 liters.

The amount of imported beer on supermarket shelves is increasing by the year. European beer such as German, Italian, Dutch and Czech beer and a Mexican brand are the most popular imported beer in Turkey. Import beers (as with their wine counterparts) are competing in the premium sector with high prices. Turkey's younger population prefers either lower priced Turkish brands or premium offerings of the Turkish brands.

Micro breweries are still at their infancy. Micro breweries first started in 2002 by Taps Micro Brewery in Istanbul, yet imported micro brews and exotic beers are still rarely found in the market. Due to their premium prices and Turkish taste preferences, their demand remains quite low. The dominating beer varieties in the market are Lager and Pilsner.

Wine: 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 willing to try new varieties. Increased income, a growing young population and tourism all contributed to the wine consumption increase in Turkey. However due to high import taxes, premium wines of Europe and USA are marketed at astronomical prices and appeal only to a very niche market. Lower-end foreign wine brands are sold at relatively competitive prices and are slowly establishing themselves as alternatives to Turkish brands. Domestic production of wine is about 70,000MT. Along with well established local wine houses, now there are many boutique type wine houses producing good quality wine from local grapes.

The wine culture is also growing in Turkey and the number of educational courses/events about wine varieties, manufacture, and culture are growing. The US, French, Chilean, Italian and Spanish wine brands are the most popular imported brands. Some low cost wine brands from Eastern Europe are also imported. Despite the price advantage of domestic wines and protection of the local industry via high import taxes, imported wines have increased their market share to 3 percent compared to 1.2 percent four years ago.

Whiskey: Single malt scotch is rarely found in the Turkish market and blended scotch is the whisky of choice. Since whisky is viewed as a higher-end drink, its popularity among the young population is increasing at a very slow pace, and the established taste and brand preferences of the middle & older aged market is very difficult to change. Having realized this, some American producers in the market are targeting the younger generation through rock concerts and motor-rally sponsorships, but recent changes in regulations put age limits for participation to these promotion programs.

Sales of Alcoholic Drinks by Category:

Total Volume (Million liters)	2008	2009	2010	2011
Beer	916.7	927.4	932.4	939.0
Cider/Perry	-	-	-	-
RTDs/High-Strength Premixes	0.5	0.4	0.4	-
Spirits	61.3	65.4	65.2	64.6
Wine	63.6	59.4	56.6	55.0
Alcoholic Drinks Total	1,042.1	1,052.7	1,054.5	1,058.6

Source: Euromonitor

Although Turkish culture is a tea drinking culture, there is still a vast void in the high-end, specialty tea market. Meanwhile a Starbucks is a good example of variety success; Starbucks entered the Turkish market in 2003 and reached 172 stores in 9 years in 14 cities throughout Turkey.

11. Specialized food ingredients

There are approximately 250 food additive producers in Turkey ranging from agents of multinational giants to very small operations. None of these, however, produce the actual additive like the citric acid or ascorbic acid. Such products are all imported. The only additive actually produced in Turkey is calcium carbonate. All of these companies import such additives and mix them to produce intermediate products. These are called auxiliary products and are mostly enzymes and yeast (for dough, cheese, etc.). The majority of the industry is intensified in food additives for flour processing products due to the higher demand. On the other hand, the developed nature of the industry shows a potential for export of end products to neighboring countries.

Spices are an important part of the Turkish cuisine. The market size of spices reached 400 million TL in 2012. 85 percent of the market belongs to non-packaged open sales. However, a new communiqué is on the way that will prevent open sales of spices. This new Turkish Food Codex Spice Communiqué will reorganize the production and sales of 53 spices, and ban open sales of all spices. A 1-year compliance period will be allowed for the 30 companies operating in the sector.

From the biggest top 3 companies; the leader in the spice market is the Ankara based Bagdat Spice company. The second place belongs to the US Mc Cormick company. Seeing the potential, McCormick entered the packaged spice market last year in cooperation with Ulker under the *Ducros* brand. The 3rd place belongs to the Italian company Kotanyi who entered the market 3 years ago by introducing their spices in glass containers. All of their spice products are imported and their market share is 8.5 percent.

III. COMPETITION

US exporters are facing two main competitors in the Turkish market: European Union exporters and domestic companies.

European exporters' competitive advantages are:

- Lower transportation costs due to their geographical proximity.
- Turkey's engagement in a customs union with the EU gives EU suppliers price advantage due to lower import duties and regulatory advantage due to harmonization of regulations.
- Turks are also very familiar with European palate due to white-collar workers living in major European countries for more than three generations. These workers and their families frequently come to Turkey for holidays regularly infusing the market with European trends.

Local producers' competitive advantages:

- Turkey has a well-developed food-processing sector with quality products manufactured for local taste at competitive prices.
- This sophisticated food processing sector is supported with a rich base of agricultural production, providing ingredients for this sector.
- In addition there is significant tariff and non-tariff protection for locally produced foods and agricultural products.

US exporters' competitive Advantages and disadvantages:

- Changes in the retailing structure have opened new areas for branded import items.
- There is a growing demand for specialized products such as diabetic and diet foods, ready-to-eat and frozen foods, which are mostly imported.
- Some U.S. products (mainly bulk and intermediate commodities) are better priced than local products.
- U.S. products have a good image in Turkey and Turkish consumers welcome U.S. style products.
- International retailers that market a wide range of imported products in the sector have considerable influence on purchasing patterns.
- Specialized fancy food companies operate in niche markets to overcome these difficulties.
- U.S. food products are weakly promoted in Turkey.
- Competition for shelf space at supermarkets has led to high costs for introducing new products.

IV. BEST MARKET PROSPECTS

Adopting products popular in the west is a large part of the modern Turkish life. Internationally known brand names are well placed for this. Exporters should be particularly sensitive to brand positioning and

be ready to invest in the necessary research and marketing support to assist their local partners for a successful entry.

The best products for the imported food market are internationally recognized branded food products. These types of products in general account for 30 percent of overall imported food items. These include cocoa and instant coffee, chocolate and confectionary goods, cookies and crackers, breakfast cereal, cheese, alcoholic beverages, sauces, seafood and pet foods. The change in wine and beer import and distribution regulations now allows imported products to be sold in the retail market, which have created new opportunities for U.S. wine and beer to be sold in the Turkish market, although taxes still remain high. Functional food items such as food supplements and “sports drinks” also represents a new opportunity for U.S. exports since it is a relatively new sub-sector with a rapid growth.

Major products that have market potential are:

- Health and beauty promoting soft drinks: The types of non-alcoholic beverages in Turkey are limited to fruit juices, sodas and mineral waters. There is a vast void in health promoting beverage types such as digestive health, bone and joint health, brain and memory, cardiovascular health, etc. There are also no products in the market for the ‘beauty from within’ type. The consumers are ready for such products, so the demand is there, and there is a tremendous untapped potential in this segment.
- Functional food awareness is increasing in Turkey, as in most other countries. Functional chocolate and sugar confectionary products, baby and toddler food, gums and biscuits offer a good market opportunity. Diabetes is a widely seen problem in the Turkish population and specialized products for diabetics also provides a good market potential.
- Wine: Popularity of wine as an alcoholic beverage has increased in recent years. French and Californian wine brands are held in high esteem.
- Whiskey: Blended scotch is the whisky of choice. Some American brands in the market 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 the local fresh fish, frozen, preserved and ready to eat seafood products are welcomed by Turkish consumers.
- Dairy products: Specialty cheeses and butter have good market potential for US suppliers. Currently EU countries dominate the market.
- Breakfast cereals: Consumption of breakfast cereals is increasing Chocolate cereals, corn flakes, bran fiber flakes with raisins and mixed fruit and chocolate cereals are becoming popular among the Turkish consumers.
- Sauces and syrups: Various brands of sauces for salads, meat and international cuisines are popular in Turkey. Especially the increasing popularity of Asian cuisine is promoting the

specialty herb, sauce, and syrup demand. Currently sauces are imported from Germany, UK, France, Asian countries and the United States.

- Organic processed products: Even though Turkey has a great organic production, it is limited mostly to produce, herbs and other bulk commodities. In this respect there is an opportunity for organic processed products to meet the growing demand of health conscious consumers.

US Exports of Agricultural, Fish & Forestry Products to Turkey (1000\$)	2010	2011	2012 (up to September)
BULK AGRICULTURAL PRODUCTS	1,417,347	1,624,814	827,506
WHEAT	55,526	237,835	507
COARSE GRAINS	2,718	0	98
RICE	180,193	44,955	47,088
SOYBEANS	250,427	127,999	279,434
COTTON	860,904	1,174,511	477,588
TOBACCO	26,131	21,646	10,939
PULSES	15,535	4,524	5,664
PEANUTS	0	0	0
OTHER BULK COMMODITIES	25,913	13,344	6,188
INTERMEDIATE AGR. PRODUCTS	409,586	476,130	334,487
SOYBEAN MEAL	59,445	46,731	77,533
SOYBEAN OIL	79	2,803	243
VEGETABLE OILS (EXCL SOYBEAN OIL)	45,957	42,360	26,338
FEEDS & FODDERS (EXCL PET FOODS)	89,067	21,295	69,133
LIVE ANIMALS	74,950	208,547	67,049
HIDES & SKINS	11,093	20,883	10,916
ANIMAL FATS	107,767	103,900	64,263
PLANTING SEEDS	9,104	16,102	9,149
SUGARS, SWEETENERS, & BEVERAGE BASES	618	1,101	438
OTHER INTERMEDIATE PRODUCTS	11,506	12,407	9,425
CONSUMER-ORIENTED AGRICULTURAL PRODUCTS	268,365	347,848	207,899
SNACK FOODS (EXCL NUTS)	1,564	1,781	978
BREAKFAST CEREALS & PANCAKE MIX	44	11	72
RED MEATS, FRESH/CHILLED/FROZEN	862	1100	682
RED MEATS, PREPARED/PRESERVED	3	76	0

POULTRY MEAT	32,257	39,332	44,677
DAIRY PRODUCTS	8,653	5081	1,809
EGGS & PRODUCTS	188	0	601
FRESH FRUIT	986	260	0
FRESH VEGETABLES	496	1,275	129
PROCESSED FRUIT & VEGETABLES	15,781	43,990	9,246
FRUIT & VEGETABLE JUICES	503	1,184	279
TREE NUTS	187,255	225,391	122,715
WINE & BEER	265	436	3,478
NURSERY PRODUCTS & CUT FLOWERS	373	350	483
PET FOODS (DOG & CAT FOOD)	2,703	1,224	1,273
OTHER CONSUMER-ORIENTED PRODUCTS	16,435	26,358	21,478
FOREST PRODUCTS (EXCL PULP & PAPER)	53,722	72,276	79,458
FISH & SEAFOOD PRODUCTS, EDIBLE	1,131	4,421	6,485
AGRICULTURAL PRODUCT TOTAL	2,095,299	2,448,792	1,369,892
AGRICULTURAL, FISH & FORESTRY TOTAL	2,150,152	2,525,488	1,455,835

V. POST CONTACT AND FURTHER INFORMATION

- TUGIDER**
 Turkish Food Importers Association is a non-governmental organization involved in trade facilitation for new entrants into the market. 115 companies active in Turkish Food Processing sector either as importers or as investors are members to this organization. TUGIDER can be contacted at tel: 90-212-347-2560, fax: 90-212-347-2570 or www.tugider.org.tr.
- TOBB**
 Turkish Union of Chambers and Commodity Exchanges, established a platform called “Gateway to Turkey” to help foreign investors gain a better understanding of the Turkish market. The website to the platform is:
<http://www.tobb.org.tr/GatewayToTurkey/Sayfalar/Eng/AnaSayfa.aspx>
- DEIK**
 Foreign Economic Relations Board is a very specialized private sector institution, whose main target is “to find new fields of cooperation to foreign markets and to provide better utilization of existing business opportunities”. DEIK can be contacted at tel: 90-212-339-5000, fax: 90-212-270-3092, info@deik.org.tr.

USDA's Foreign Agricultural Service has two offices in Turkey; the Ankara Embassy and the Consulate General in Istanbul.

- FAS Ankara:
Foreign Agricultural Service
Embassy of the United States
110 Ataturk Bulvari
Ankara, Turkey

U.S. mailing address:
Foreign Agricultural Service
U.S. Embassy Ankara
PSC 93 Box 5000
APO AE 09823

Tel: 90-312-455-5555 Ext: 2406
Direct: 90-312-468-6129
Fax: 90-312-467-0056

- FAS Istanbul:
Foreign Agricultural Service
Consulate General of the United States
Istinye Mah. Kaplicalar Mevkii No: 2
Istinye, Istanbul, Turkey

U.S. (APO) Address:
PSC 97, Box 0002
APO AE 09827-0002

For more information on high value food items, commodity and other reports for Turkey and other countries, please refer to FAS homepage, <http://www.fas.usda.gov>.