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Report Name: Food Processing Ingredients Annual

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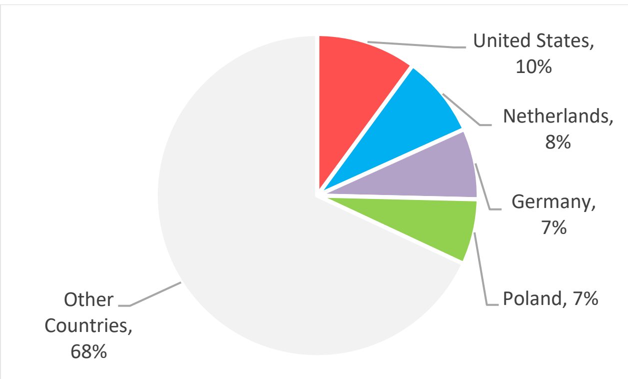
Report Highlights:

Turkiye's food and beverage sector depends on domestic and imported ingredients, a large portion of which are sourced from Europe. European ingredients enjoy zero or low import duties under preferential trade agreements, as well as lower freight costs. The sector, which boasts nearly 60,000 businesses, continues to grow in response to steady consumer demand for processed food products. Continued high inflation and the devaluation of the Turkish lira (TL) in 2023 resulted in important changes in consumer purchasing behavior in Turkiye. There is a noticeable shift from branded products to economy priced or private label.

Executive Summary:

Turkiye is an emerging, largely free economy and a leading producer of agricultural products, textiles, and construction materials.
The economy's growth rate was 4.5 percent in 2023 and expected to grow at a modest 3.5 percent in upcoming three years. The country continues to struggle with rising inflation and a weakened currency, which will continue influencing food consumption patterns.

Consumer-Oriented Agricultural Imports



Top Exporting Countries to Country Turkiye, 2023

Food Retail Industry:

Despite recent economic headwinds, the retail food industry continues to grow, with sales topping nearly $60 billion in 2022. A young, largely urban population and growing middle class are driving this growth.

Food Processing Industry:

Turkiye has a large and sophisticated food and beverage manufacturing sector, which relies on domestic and imported ingredients. As of 2023, there were nearly 59,824 food and beverage manufacturers in Turkiye. With the declining purchasing power, people have been eating out less and cooking more at home, causing an increase in sales of cooking ingredients and meals.

Food Service Industry:

In 2022, there were about 109,000 commercial food service restaurants in Türkiye with sales of more than 257 billion TL ($15 billion, see table 2). Interestingly, sales in terms of TL exceeded pre-pandemic levels because of inflation. However, sales in USD terms and the numbers of restaurants and transactions lagged behind pre-pandemic levels.

Quick Facts CY 2023

Imports of Consumer-Oriented Products

(5.8 $billion)

List of Top 10 Growth Products in Turkiye (Imported Processed Food Ingredients) 2021-2023

1) Baking inputs, Mixes	6) Malt, Roasted
2) Wheat Gluten	7) Malt, Not Roasted
3) Strach, Potato	8) Flavoring
4) Yeast, Active	9) Gum Arabic
5) Vegetable Saps	10) Flour

Food Industry by Channels (U.S. billion)

Retail Food Industry	$60 billion
Food Service-HRI	$15.3 billion
Food Processing	$51.2 billion
Food and Agriculture Exports	$33.9 billion

Top 10 Host Country Retailers (based on sales)

1) Bim	6) A 101
2) Migros	7) Sok
3) CarrefourSA	8) Ekomini
4) Hakmar	9) Sec
5) Onur	10) File

GDP/Population

Population: *85 million*
GDP: *$1.12 trillion*
GDP per capita: *$13,159*

Sources:
Turkish Statistical Institute (TurkStat); Trade Data Monitor (TDM); Economist Intelligence Unit (EIU)

Strengths/Weaknesses/Opportunities/Threats

Strengths	***Weaknesses***
-Long term GDP and disposable income growth, despite the recent downturn -Large population base: young and growing	-Domestic and international political challenges -Economic instabilities such as exchange rate fluctuations and increasing inflation
Opportunities	***Threats***
-Unsaturated market, open for new items	-Complex and time- consuming import procedures

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I. MARKET SUMMARY

Turkiye has a large and sophisticated food and beverage manufacturing sector. The sector, which boasts nearly 60,000 businesses, continues to grow in response to steady consumer demand for processed food products. Continued high inflation and the devaluation of the Turkish lira (TL) in 2023 resulted in important changes in consumer purchasing behavior in Turkiye. There is a noticeable shift from branded products to economy priced or private label. With declining purchasing power, people have been eating out less and cooking more at home, causing an increase in sales of cooking ingredients and ready-made meals.

Turkiye's economic growth was about 4.5 percent[1] in 2023 and it is expected to be 3.1 percent in 2024. The government has started to increase taxes and interest rates, and is limiting access to credit, which will decrease consumer spending and government expenditure as a tool to decrease high inflation rates. The growth rate is expected to be around 3.5 percent between 2025 and 2028. The inflation rate slowed down to 65[2] percent in 2023 from a high of 82 percent in 2022.

Turkiye's food and beverage sector is facing rising input costs, a weakened currency, and supply chain uncertainties. To keep costs down, businesses are looking to diversify ingredient sources or switch to alternatives. The Government of Turkiye (GoT) cut the value added tax (VAT) on basic food products from eight percent to one percent on February 14, 2022. The cut applies to staples such as flour, rice, pasta, meat, fish, tea, coffee, water, milk and dairy products, cheese, eggs, oils, sugar, fruits, vegetables, nuts, and legumes. However, as inflation continues climbing higher, consumers have become increasingly price conscious in making food purchase decisions. About 29 percent of household consumption is spent on food.

Table 1: Advantages & Challenges facing U.S. Food Processing Ingredients in Turkiye

ADVANTAGES	CHALLENGES
A large and developed food processing industry requires a wide range of ingredients.	Importing can be complex. Rules and regulations are opaque, import procedures are time consuming, and there is a zero tolerance for genetically engineered products or ingredients in food.
A growing number of dual-income households drives new demand for processed, frozen, prepared food, and ingredients.	Artisanal food products, such as bakery items and cheese, utilize domestic ingredients and have strong existing relationships with ingredient suppliers.
For U.S. companies already exporting to Europe, entering the Turkish market may be less complicated since many Turkish regulations are similar to those in the EU.	The depreciation of the local currency means that imported food ingredients are relatively more expensive than domestic ingredients. Many EU products benefit from preferential duties under the Customs Union and freight advantages due to proximity.
The food processing industry has a positive perception of innovative new food processing ingredients from the United States.	There is misinformation among higher end consumers about processed food ingredients and additives.
Growing demand for high value packaged food, ready to-eat/cook meals.	The Turkish food industry produces many western style products, such as packaged confectionery products and ready-to-eat meals.

Source: FAS-Turkiye

[1] Economist Intelligence, https://viewpoint.eiu.com/analysis/geography/XG/TR/essential
[2] https://viewpoint.eiu.com/analysis/article/1113860694

II. ROAD MAP FOR MARKET ENTRY

a. ENTRY STRATEGY

After conducting market research and determining that there is a potential market in Turkiye for a specific food ingredient, it is important to develop a good strategy for market entry. Turkiye straddles southern European and Middle Eastern cultures, and personal relationships are very important for business.

Finding a local agent is a safe approach for entry into the market, especially for small and medium enterprises. Agents in Turkiye are sometimes an importer, distributor, wholesaler, a commission-based trader, or some combination thereof. Local representatives will have experience in market development and contact information of potential buyers, such as the food processors that are likely to use your products. A good representative can guide you in the market, including on import rules and regulations, which ports to utilize, local business practices, conducting market intelligence formally or informally, starting sales calls, etc. Before selecting any local agent, personally visiting them in Turkiye is highly recommended. One should have meetings with several of them before selecting one. Following that, larger companies with more resources may be able to establish a company in Turkiye and hire some local personnel.

Large food processors in Turkiye are often capable of accessing the ingredient suppliers themselves and importing directly. Therefore, one might approach them directly or try and meet them in a large trade show such as Anuga in Germany, Sial in France, or Gulf Food in Dubai. Food trade shows in Turkiye can be helpful to visit before deciding to enter the market. Anfas Food Product, World Food Istanbul, IbaTech , CNR Food Istanbul, and Food Ingredients Fi Istanbul are good shows to visit and meet importers.

Successfully entering the Turkish market often requires a long-term perspective and persistence, as building trust is important. Thorough market analysis must be done before entry. Please review other FAS reports and contact the FAS Turkiye offices in Ankara and Istanbul, as needed.

b. IMPORT PROCEDURES

Import procedures are complicated and burdensome in Turkiye. This makes a local business ally more essential. For details on the requirements, please refer to our Exporter Guide to Turkiye and FAS Turkiye reports on Food and Agricultural Import Regulations and Standards and Required Certificates. The U.S. Foreign Commercial Service also provides some general information on Turkiye's import procedures, and on doing business in Turkiye.

Turkiye's import processes and regulations can be difficult to navigate; in most cases some counseling with a customs broker/consultant in Turkiye is useful as these brokers/consultants often understand the complex import processes better than a new, lesser-experienced company. Contacts include Istanbul, Izmir , Mersin, or Ankara Customs Brokers Association, depending on needs.

Many laws and regulations are harmonized with those in the European Union. Companies that have exported to the EU before are often better prepared for navigating Turkish regulations, though exporters should not assume all requirements are the same. Labeling requirements should also be taken into consideration.

Please visit our country page for other FAS exporter assistance reports.

c. DISTRIBUTION CHANNELS

Food processing ingredients reach processors in Turkiye either through a local importer, agent, distributor, or broker, or are imported directly by the processor. Large processors prefer to buy directly from the producer in the exporting country but also buy from agents as well. Other small and medium sized processors will buy ingredients from importers or wholesalers to reduce risk and complications.

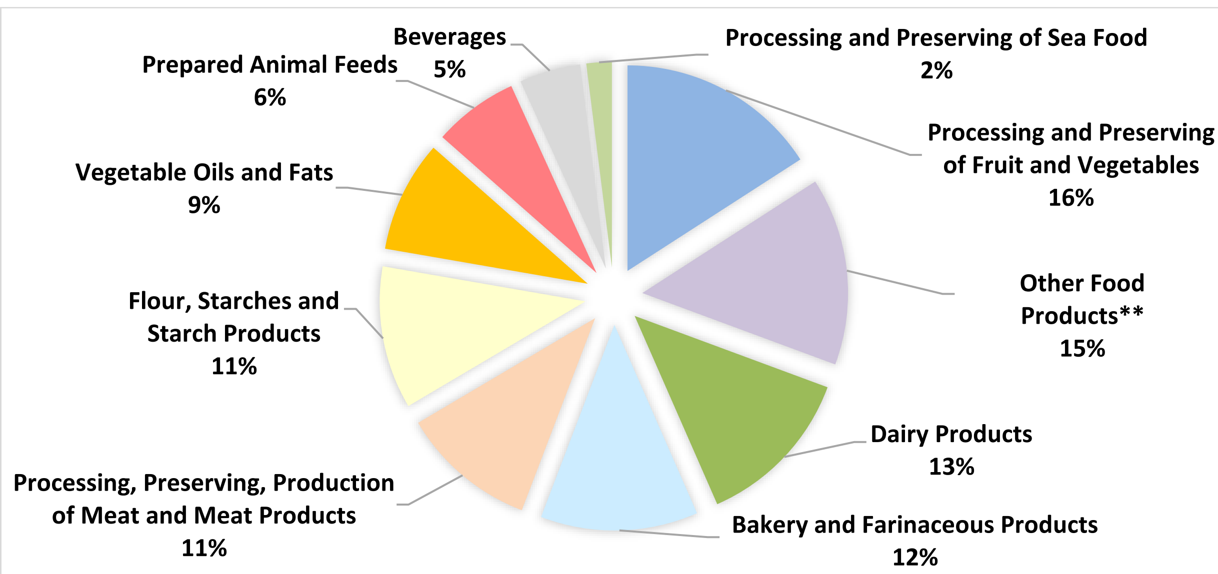
Imported processed food is distributed mostly through premium organized retailers in the country. The penetration of organized retailers is approximately 50 percent, with the rest being traditional, small, family-owned corner grocery stores. These smaller stores have little or no imported packaged food, but more domestically produced processed products such as cheese, bakery items, confectionary items, and snacks.

Please review our Turkish Food Retail Sector Report to better understand the retail market structure and distribution channels and opportunities.

Food service is another way of reaching consumers. High end restaurants that are generally in large metropolitan areas or coastal resort towns are potential users of imported processed food and ingredients. Please review our Food Service - Hotel, Restaurant, Institutional Report for more information.

d. SHARE OF MAJOR SEGMENTS in the FOOD PROCESSING INDUSTRY in 2022

Figure 1. Share Of Major Segments in the Food Processing Industry -Turkiye (2022)



*The above chart is for 2022 which is the latest year that TurkStat reported data.
** Other food products include manufacturing of sugar, manufacturing of cocoa, chocolate and sugar confectionery, processing of tea and coffee, manufacturing of other food products
*** Percentages are calculated on the basis of turnover created by the respective industry. See actual data.

e. COMPANY PROFILES

Turkiye is home to more than 59,824 food and beverage manufacturers. The leading companies from each sub-sector are included below with links to their individual websites. There are 35 food and beverage companies listed among Turkiye's Fortune 500 for 2022.

Dairy Companies

1. SEK Sut Urunleri
2. Pinar Sut Mamulleri
3. Sutas Sut Urunleri
4. Yorsan Sut Urunleri
5. Danone Turkiye
6. Ak Gida / Ulker Icim Sut
7. Eker Sut Urunleri
8. Torku Gida

Meat and Poultry Processing

1. Pinar Et
2. Namet Et
3. Maret Et (Owned by Namet since 2014)
4. Trakya Et
5. Polonez Et Urunleri
6. Sahin Melek Et ve Mamulleri
7. Besler Et ve Gida Sanayi
8. Coskun Et Mamulleri
9. Banvit Poultry
10. Keskinoglu Poultry
11. Beypilic Poultry
12. Akpilic Poultry
13. CP Turkiye Poultry
14. Has Poultry

Confectionary, Chocolate, Snack

1. Eti Gida
2. Ulker Gida
3. Nestle Turkiye
4. Frito Lay Turkiye
5. Mondolez International Turkiye
6. Torku Gida
7. Dogus
8. Ferrero Turkiye
9. Saray Biscuits
10. Haribo Turkiye
11. Bifa Gida

Processed Seafood

1. Dardanel Gida
2. Kerevitas
3. Leroy Turkiye
4. Kocaman
5. Kilic Deniz
6. Marines Sea Food

Nuts and Dried Fruits

1. Malatya Pazari
2. Tadim
3. Papagan
4. Peyman
5. Pinar Kuruyemis
6. Milhans Kuruyemis
7. Seyran Gida

Beverages

1. Dimes Gida (Fruit Juices)
2. Aroma (Fruit Juices, Carbonated Drinks, Water)
3. Tamek (Fruit Juices)
4. PepsiCo Turkiye (Carbonated drinks, chips)
5. Coca Cola Turkiye (Carbonated drinks, fruit juices, water)
6. Anadolu Efes (Beer)
7. Turk Tuborg (Beer)
8. Mey Icki (Hard liquor, wine)
9. Doluca Wine
10. Kavaklidere Wine

Canned Food, Ready to Eat Food, Frozen Food, Processed Vegetables & Fruits

1. Tat (canned, glass bottle conserved)
2. Tamek (canned, glass bottle conserved)
3. Yurt Konserve (canned)
4. Superfresh (frozen)
5. Pinar (Frozen)
6. Feast (Frozen)
7. Tukas Gida (canned, glass bottle conserved)
8. Penguen Gida (glass bottle conserved)

f. SECTOR TRENDS

Turkiye’s food manufacturing industry has not only benefitted from sustained economic growth in the country but has also been a major driver of growth for over a decade. Production of food and beverages is one of the major components of Turkiye’s economy, accounting for nearly 14 percent of total manufacturing production, with turnover of $51 billion in 2022. See table 2. The food and beverage producing sector is the second largest industry in Turkiye.

Table 2: Number of Enterprises and Turnover Values of Food Manufacturing Industry Turkiye

	Number of Enterprises					Turnover in Millions of USD*				
FOOD MANUFACTURING INDUSTRY in TURKEY	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Manufacture of food products	49,025	51,338	52,869	57,573	59,146	61,273	63,396	63,580	73,886	51,271
Processing and preserving of meat and production of meat products	1,282	1,358	1,422	1,505	1,608	7,483	7,122	6,412	7,924	5,760
Processing and preserving of fish, crustaceans and mollusks	254	283	305	329	351	1,178	1,328	1,463	1,792	1,074
Processing and preserving of fruit and vegetables	2,615	2,791	3,061	3,553	3,838	10,000	10,577	10,956	12,098	8,554
Manufacture of vegetable oils and fats	1,353	1,404	1,451	1,600	1,720	5,497	5,843	6,211	8,178	4,726
Manufacture of dairy products	2,304	2,409	2,542	2,837	2,963	8,243	8,511	8,423	9,102	6,883
Manufacture of grain mill products, starches, and starch products	3,141	3,132	3,062	3,216	3,097	6,890	7,484	7,360	8,461	6,053
Manufacture of bakery and farinaceous products	33,897	35,511	36,217	38,896	39,395	7,708	8,243	7,774	9,084	6,667
Manufacture of other food products	3,591	3,832	4,133	4,875	5,347	9,864	9,834	10,211	11,169	7,953
Manufacture of prepared animal feeds	588	619	676	762	827	4,408	4,455	4,771	6,077	3,603
Manufacture of beverages	628	649	657	654	678	3,112	3,205	2,759	3,096	2,592
TL/USD*						4.83	5.68	7.02	8.88	16.58

Source: Turkish Statistical Institute, 2022 is latest available year as of March 2024.
* The values are calculated using the average TL-USD rate for that year.

The Turkish people continue to struggle from persistently high inflation, which progressively decreases purchasing power. This trend has a major impact on the entire packaged food industry, forcing consumers to make major changes in their consumption patterns. Out-of-home consumption among the local population continues to decline significantly due to the high cost of dining out. This could cause potential volume growth across most categories of cooking ingredients and meals. Also, leading players in the food industry have adopted strategies to decrease their operation costs while staying competitive with their rivals. One significant trend is to reduce package sizes while maintaining or even raising the price. The smaller size trend is easy to observe in various product lines, but most significantly in bread.

Table 3. Percentage Volume Growth of Staple Food

Percentage of volume growth	2018/2023	2022/2023
Staple Foods	21.3%	2.8%
Baked Goods	12.8%	1.1%
Breakfast Cereals	12.0%	-2.4%
Processed Fruit and Vegetables	35.4%	0.0%
Processed Meat, Seafood and Alternatives to Meat	47.8%	7.4%
Rice, Pasta, and Noodles	82.9%	12.0%

Source: Euromonitor, 2024.

As it shown in Table 3, staple food categories showed resilience during Turkiye's economic crises as expected. Companies are reacting to the weak purchasing power of consumers accordingly, responding with cost effective alternatives. Smaller portions and pack sizes are estimated to become more common in staple foods in the short term.

High inflation and increasing prices are the main factors impacting the performance of dairy products and alternatives in 2023. Although the supply of milk increased during 2023, higher costs of animal feed, energy, wages, and logistics caused a considerable increase in unit prices. This has made baby food and other dairy products less affordable, forcing consumers to switch to cheaper brands or price promoted brands.

Additives/Flavorings

Turkish companies still tend to import food additives, such as artificial colorings and sweeteners. There is one prominent Turkish company that is producing aromas and natural-identical flavors called Aromsa. Three large companies produce yeast for the baking sector: Turkish-owned Pakmaya, French-owned Lesaffre, and British-owned Mauri. All three are also exporting to other countries. A list of Food Processing Ingredients producers can be found at the Turkish Association of Food Ingredients and Improvers Manufacturers (GIDABIL) .

Most enzymes used as food processing aids are imported from other countries, with a small amount of local production. There are currently two local enzyme producers in Turkiye, with Lvzym, established in 2014, being the biggest. Turkiye is currently consuming 20,000 metric tons of enzymes, with 25 percent used in the food industry. With a new operation facility, Lvzym is planning to supply most of the enzymes needed for the domestic food production industry.

For gelatin, there is demand for non-pork based, halal gelatin since Turkiye is a predominantly Muslim country; domestic halal gelatin producers use only beef products. Most vitamin and mineral additives are imported, though there is some local production, such as calcium carbonate. Food additives are primarily imported from the Netherlands, Germany, and the United States.

III. COMPETITION

While Turkiye's food manufacturing and retail sectors are robust, there is still considerable room for international brands to grab a slice of the market. Major competition for U.S. processed food and food processing ingredients mostly comes from local companies and European suppliers which benefit from preferential duties under trade agreements.

Many processed food products from Europe have zero or low import duties under the Turkiye-EU Customs Union. EU-origin processed food ingredients also benefit from lower freight costs, aligned regulatory structures, and familiarity among Turkish consumers. Turkiye also has a free trade agreement with European Free Trade Association (EFTA) countries. For example, Norway sells seafood to Turkiye, some of which goes into food processing and Switzerland sells additives, processing aids, and cocoa to Turkiye. Turkiye has 23 Free Trade Agreements (FTA), with many including preferential tariff rates on food and agriculture products.

Turkiye depends on imported vegetable oil for some of its food processing needs. Malaysia and Indonesia are the leading suppliers of palm oil to Turkiye. Russia and Ukraine supply sunflower oil.

The United States is mainly exporting food additives, aids, and ingredients, most of which fall under the "Food Preparations nesoi" category (HTS 2106.90). Imports of U.S. products under this HTS face a 10 percent retaliatory duty, which Turkiye imposed in 2018 in response to U.S. Section 232 tariffs on Turkish steel and aluminum.

Table 4. Processed Products and Ingredients Imports to Turkiye by Country

Processed Food Import and Share of Turkiye 2021-2023 (Thousand dollars)							
Country	**Imports 2021**	**Share (%) 2021**	**Imports 2022**	**Share (%) 2022**	**Imports 2023**	**Share (%) 2023**	**FTA Status**
Ukraine	95,119	1.73	1,001,813	12.78	1,174,780	15.86	No
Malaysia	875,015	15.95	1,175,803	15.00	1,033,589	13.95	Yes
Russia	1,144,892	20.87	1,378,318	17.58	637,408	8.61	No
Germany	288,491	5.26	331,318	4.23	390,162	5.27	EU
Netherlands	328,931	6.00	342,756	4.37	348,754	4.71	EU
United Kingdom	168,587	3.07	230,025	2.93	296,545	4.00	EU
France	193,282	3.52	219,036	2.79	291,282	3.93	EU
Italy	154,129	2.81	179,386	2.29	260,501	3.52	EU
Syria	95,396	1.74	129,765	1.66	234,603	3.17	EU
Poland	137,387	2.50	177,675	2.27	197,562	2.67	No
United States	96,396	1.70	91,694	1.20	115,987	1.60	No
World Total	5,485,269	100	7,839,028	100	7,406,882	100	

Source: Trade Data Monitor, 2024

Imports in 2023 slightly decreased to $7.4 billion compared to $7.8 billion in 2022. U.S. market share reached $116 million which is 26 percent higher compared to 2022 imports, even though the TL continues to depreciate dramatically against the U.S. dollar. Most of this increase comes from increased imports of other processed foods, ingredients, and beverage bases. Trying to grow U.S. market share in the future will be a challenge due to local and foreign competition and the weak TL.

Germany is the top supplier of food processing ingredients to Turkiye, mostly exporting food preparations, malt, thickener, and flavoring (Table 5). Italy and the France are the other two EU countries from which Turkiye imports similar food processing ingredients. The United States is the fourth biggest supplier of food processing ingredients with the sales of $60 million in 2023.

Table 5. Food Preparations and Ingredients Imports to Turkiye by Country

Food Preparations and Ingredients Import of Turkiye 2018-2022 (Thousand dollars)						
Country	**2019**	**2020**	**2021**	**2022**	**2023**	**FTA Status**
Germany	115,620	122,383	134,782	124,545	129,150	EU
Italy	51,523	52,001	53,929	69,936	97,066	EU
France	41,262	48,318	52,470	41,949	63,768	EU
United States	26,521	43,805	48,817	47,598	60,301	No
Netherlands	118,530	152,272	169,071	55,879	53,395	EU
United Kingdom	3,679	44,657	45,982	45,274	53,320	Yes
Malaysia	10,297	13,195	15,831	40,490	48,500	Yes
Russia	10,573	18,323	13,576	48,162	35,577	No
Poland	21,392	23,977	27,284	47,457	34,169	No
Belgium	14,144	15,399	18,125	19,057	32,608	EU
World Total	675,856	599,950	685,736	780,643	814,794	-

Source: Trade Data Monitor, 2024

IV. BEST PRODUCT CATEGORIES

Turkiye is a highly competitive and very price sensitive market for many items. A thorough analysis should be done before prospective exporters consider Turkiye as a long-term market investment.

a. PRODUCTS PRESENT in the MARKET WHICH HAVE GOOD SALES POTENTIAL

1. Ingredients and beverage bases
2. Food preparations nesoi
3. Distilled spirits
4. Canned fruit
5. Baking inputs, mixes, and doughs
6. Cranberries

b. PRODUCTS NOT PRESENT in the MARKET BUT WHICH HAVE GOOD SALES POTENTIAL

1. Ingredients for healthy, natural, or functional foods
2. Ingredients for organic processed food

c. PRODUCTS NOT PRESENT in the MARKET BECAUSE THEY FACE SIGNIFICANT BARRIERS

1. Ingredients and additives derived from biotechnology (Agricultural Biotechnology Report - Turkiye)
2. Organic sugar
3. Beef and beef products.

V. **KEY CONTACTS AND FURTHER INFORMATION**

Republic of Turkiye, Ministry of Agriculture and Forestry (MinAF)

Turkish Statistics Institute (TurkStat)

Union of Chambers and Commodity Exchanges of Turkiye (TOBB)

Foreign Economic Relations Board of Turkiye (DEIK)

Investment Support and Promotion Agency of Turkiye (ISPAT)

Federation of All Food and Drink Industry Associations of Turkiye (TGDF)

Association of Food Additives and Ingredients Manufacturers (GIDABIL)

All Foods Foreign Trade Association (TUGIDER)

For other agricultural industry reports on Turkiye and other countries in the world, please visit the Foreign Agricultural Service (FAS) Global Agricultural Information Network (GAIN) webpage. Contact the FAS-Turkiye offices via the information below:

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Attachments:

No Attachments