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GAIN Report

Global Agricultural Information Network

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Turkey

Raisin Annual

Turkey Annual Raisin Report

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Report Highlights:

After the drastic decrease in yields in MY 2015/16 caused by frost and hail, Turkish sultana raisin production is expected to recover back to 300,000 MT in MY 2016/17 thanks to favorable weather conditions. Sultana raisin exports are also forecasted to increase to 220,000 MT in MY 2016/17 up from 193,460 MT in MY 2015/16.

Executive Summary:

This report focuses specifically on sultana raisins, which are a dried seedless grape variety indigenous to the Izmir region of Turkey and grown mostly in the regions of Manisa and Izmir.

The Turkish Raisin Production Forecast Commission has members from the Izmir Commodity Exchange, Izmir Chamber of Commerce, Manisa Commodity Exchange, Alasehir Commodity Exchange, Aegean Exporters Union and the Ministry of Food, Agriculture, and Livestock (MinFAL) Grape Research Center. This Commission visits certain vineyards in late July to forecast the production of the upcoming marketing year.

Post expects the sultana raisin production in the Aegean region, which accounts for virtually all production, to be 300,000 MT from a planted area of 105,000 hectares (roughly 259,000 acres). In MY 2016/17, the weather was favorable apart from the brief rise in temperatures in mid-June, which resulted in sunburns in some vineyards. Raisin production in MY 2016/17 is expected to be 300,000 MT. The European Union (EU) is the top export destination for Turkish raisins receiving an average of 80 percent of all Turkish raisin exports. United Kingdom (UK) is the leading export destination, receiving around 50 percent of all Turkish exports. UK is followed by Germany, the Netherlands, Italy and Australia.

In January 2016, EU published a directive stating that the *chlorpyrifos* residue limit (a pesticide used against grapevine moth) shall be reduced from 0.5 ppm to 0.01 ppm beginning from August 10, 2016. This resulted in an unexpected decrease in raisin prices despite low yields in MY 2015/16. The prices of raisins dropped from 5.5 TL/kg in August 2015 to below 4 TL/kg in February 2016. If Russia does not lift import sanctions against Turkey within the next few months, fresh grape exports that would normally be exported to Russia would turn into raisins, which would reflect as a 15 - 20,000 MT of increase in raisin production.

Commodities:

Raisins

Production:

Turkey is generally the world's second largest raisin producer after the United States and the leading exporter. Grapes are grown throughout Turkey, and there are more than 1,200 different grape varieties in Turkey. Turkey produces approximately 4 MMT of grapes annually. While the Aegean region produces seedless grapes, the Marmara, Central Anatolia and Southeast Anatolia regions produce table and wine grapes.

Table grapes make up approximately 30 percent of the production, drying grapes make up 35 percent, grapes for traditional products such as molasses (*pekmez*) make up 25 percent, and grapes used for alcoholic beverage production make up approximately 10 percent of this total.

Harvest season starts around August 15, so the marketing years in this report refer to the period between September 1st of the first year until August 30th of the next year.

Seedless grape production expanded significantly in Turkey in the 1990s due to more intensive cultivation and adoption of better irrigation techniques. Seedless grape production is about 1.5 million MT, which constitutes around 40 percent of Turkey's total grape crop and are grown only in the Aegean (western) part of Turkey. Twenty percent of this production is consumed as fresh and the rest is dried. When dried, approximately 4 kg of grapes result in 1 kg of raisins.

The Sultana Raisins Association, which was established in 1934, formed the basis of "Raisins Agricultural Sales Cooperatives Union - TARIS". Generally, TARIS purchases around 15-20 percent of total production. The cooperatives of the union are spread across the Aegean Region, located in the western part of Turkey. The vineyards of TARIS members have always set a good example in the region regarding the yield and the quality of the product.

The size of an average farm is less than 3 hectares in Turkey. Therefore, as like other commodities, seedless grapes are generally grown on small farms averaging about 1.3 hectares. It is estimated that nearly 65,000 growers produce seedless grapes in Turkey, and about half of all raisin producers are members of TARIS. Each year TARIS announces a procurement price for raisins, which also serves as a support price. TARIS is required to buy raisins from its members but members are free to sell to other buyers and they often do.

The pictures below show the state of some vineyards around Manisa during the week of July 18, 2016.





Consumption:

Despite Turkey's leading role in the production of raisins, domestic consumption is comparatively low. Most of the production (generally around 80 percent) is exported. Direct human consumption is around 20-25,000 MT and the industry consumption (for cakes, biscuits and snacks) is about the same amount which account to a total of 45,000 – 50,000 MT. The reason for low domestic consumption is that grapes are mostly consumed as fresh in the season and there are many grape alternatives grown throughout the country. Raisins are generally consumed when there are no fresh grapes around. As for the industry, raisins are used in some cakes, biscuits and as chocolate covered snacks, but their consumption is limited.

The alcoholic beverages sector (lead by *raki* - a strong anise based Turkish alcoholic drink, and followed by wine and brandy) generally uses fresh grapes but also uses low quality raisins when there is excess supply. An average of 20,000 MT of raisins go into the *raki* industry annually.

The alcohol legislation passed in 1942 and amended in 2013, along with several tax increases, has effectively made it more difficult and expensive to buy or sell alcohol in Turkey. Alcohol legislation had been tightened gradually since the Justice and Development Party (AKP) came to power in the early 2000s, with the strictest rules introduced in 2013. The *raki* industry usually requires 350,000 MT of grapes, and the brandy and wine industries require about 80,000 MT of grapes annually, and the wine grape production barely meets this demand.

Trade:

Although there are numerous firms in the dried fruit processing and export business in Turkey, the top ten firms are estimated to control about 80 percent of the raisin market.

TARIS's role in procuring and marketing raisins has been decreasing in conjunction with International Monetary Fund (IMF)-backed reforms to reduce the government's role in agriculture. In general, TARIS has been the buyer of last resort, purchasing a large percentage of lower quality raisins. The quantity of raisins TARIS procured has varied from as low as 9,000 MT to as high as 75,000 MT during the last ten years due to variable production levels and quality.

TARIS and the Izmir Commodity Exchange are the two price determinants in the market. The former announces the advance procurement prices in the beginning of the season and the latter is the main cash market for raisins.

EU countries continue to be the top export destinations for Turkish raisins, accounting for 80 percent of Turkey's raisin exports. The United Kingdom, Germany and the Netherlands continue to be the top three importers of Turkish raisins. After the decrease in production in MY 2015/16, Post expects a recovery in the amount of exports to 220,000 MT in MY 2016/17.

Russia started to impose sanctions on Turkish imports following the downing of a Russian plane in November, 2015. Fresh grapes cannot be exported to Russia under the sanctions. If Russia does not lift import sanctions against Turkey soon, fresh grape exports that would normally be exported to Russia would turn into raisins, which would reflect as a 15 - 20,000 MT of increase in raisin production.

In MY2015/16, low yields reflected as an increase in prices initially. However, in January 2016 the European Union published a regulation for the decrease in *chloropyrifos* levels from 0.5 ppm to 0.01 ppm beginning from August 10, 2016. This resulted in a panic in the industry and the prices started to drop. Following this regulation, Turkey banned the use of this pesticide in March 2016. As a result, even though the issue has been resolved, the prices remained at the same levels with the expectation of a good crop in MY 2016/17.

Currently raisins are traded at 3.40 – 4.00 TL/kg at the Izmir Commodity Exchange (1 US\$ = 3 TL as of the date of this report). Daily current prices of raisins can be followed at the Izmir Commodity Exchange website: <https://itb.org.tr/en/SultanasRaisinsOnlineTransactions>

Production, Supply and Demand Data Statistics:

Raisins	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	98,300	0	100,000	0	105,000
Area Harvested	0	98,000	0	99,000	0	100,000
Beginning Stocks	20,702	20,602	0	57,096	0	12,242
Production	310,000	320,000	0	196,109	0	300,000
Imports	1,000	2,568	0	2,500	0	2,500
Total Supply	331,702	343,170	0	255,705	0	314,742
Exports	235,000	236,074	0	193,463	0	220,000
Domestic	70,000	50,000	0	50,000	0	50,000

Consumption						
Ending Stocks	26,702	57,096	0	12,242	0	44,742
Total Distribution	331,702	343,170	0	255,705	0	314,742
(HA) ,(MT)						