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Turkey

Food Processing Ingredients Sector

Market Update

2002

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Report Highlights:

It is fair to say that the vast majority of processed food products available in Turkey are locally made using local ingredients. In some sectors, however, there is significant demand for ingredient imports. The growth and development of the processing food sector will continue to provide opportunities for imports of raw materials and specialized ingredients. Currently, opportunities exist for edible oils, some grains and legumes, and specialized food additives.

Includes PSD changes: No
Includes Trade Matrix: No
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I. MARKET SUMMARY

Turkey is a very dynamic market for processed foods. It has a large (70 million) and young (50% under age 25) population and rising income levels (especially in urban areas). Increased travel by Turks abroad and by tourists to Turkey is also stimulating significant changes in the attitudes and consumption patterns of Turks. Moreover, rapid urbanisation and the growing numbers of working women are increasing the demand for processed foods.

It is fair to say that the vast majority of processed food items available in all types of retail and wholesale outlets are made in Turkey of local ingredients. This can be accredited to diversity of Turkey's agricultural production, a relatively well developed (and protected) processing sector, and an import regulation regime that discriminates against processed food imports. Major U.S. exports to Turkey which enter the processing food sector include rice and vegetable oils. For other ingredients and ready to consume items, the U.S. share of imports is very small.

Total food expenditures in 2000 are estimated at \$23 billion of which approximately \$18.7 billion is processed foods. Processed food expenditures decreased in late 2000 due to a severe devaluation of the Turkish Lira and the subsequent economic crisis. The size of the sector continued to decrease in 2001 but is expected to grow again in 2002, albeit at a slower pace than the 1990's when the growth rate averaged 4-5% per year. Annual expenditures on processed food items still only amounts to about \$265 per person.

Year 2000 Overview of Processed Food Sector in Turkey				
Source: State Planning Office, in Millions USD				
Sub-Sector	Production	Imports	Exports	Consumption
Flour & Flour-based Products	6,917	38	215	6,740
Vegetable Oils	1,022	363	157	1,228
Meat Products	2,444	1	11	2,434
Milk & Dairy Products	2,609	36	24	2,621
Sugar & Confectionary Goods	2,427	14	232	2,209
Beverages	1,639	14	37	1,616
Processed Fruits & Vegetables	2,900	167	1,300	1,767
Fish Products	137	37	46	128
TOTAL	20,095	670	2,022	18,743

Turkey, with its rich agricultural base has a well developed food-processing industry. According to the most recent census (1998) there are over 24,000 food processing firms in Turkey. Most are small to medium sized enterprises and many are utilizing outdated equipment. All major processing sectors have significant over-capacity. Only about 4,000 of these firms use modern

equipment and have a quality control system. The average utilisation rate in the food processing industry was 70 percent of total capacity between 1995 to 1999. However, utilisation decreased in 2001 to as low as 50 percent in some industries, (oil, confectionary, pasta) due to the economic crisis and lack of exports. In 2002, capacity utilization in the entire food sector is showing signs of improvement.

Development of the sector has been aided, to a certain extent, by foreign investment. There are approximately 145 companies in the food sector that received foreign investment at some point in the past. Currently, Turkey's investment climate is very poor and many investors continue to have problems. Total foreign investment in Turkey during the first nine months of 2002 was reportedly \$180 million - a fraction of the amount received by other emerging markets.

After 1983, the Turkish government began to liberalize import policies. As a result, imported food products that were not previously available are becoming more familiar to Turkish consumers. Likewise, newly imported products that have enjoyed good sales are now beginning to be produced domestically. More confectionary products, beverages, snack foods and fruit yogurts, are now produced locally. While many ingredients enjoy improved access, there is a ban on meat and meat product imports and strict limitations on dairy product imports. There have been no U.S. wheat exports to Turkey for the past several years. Turkey satisfies its demand for high quality milling wheat through a quota arrangement with EU and Black Sea countries.

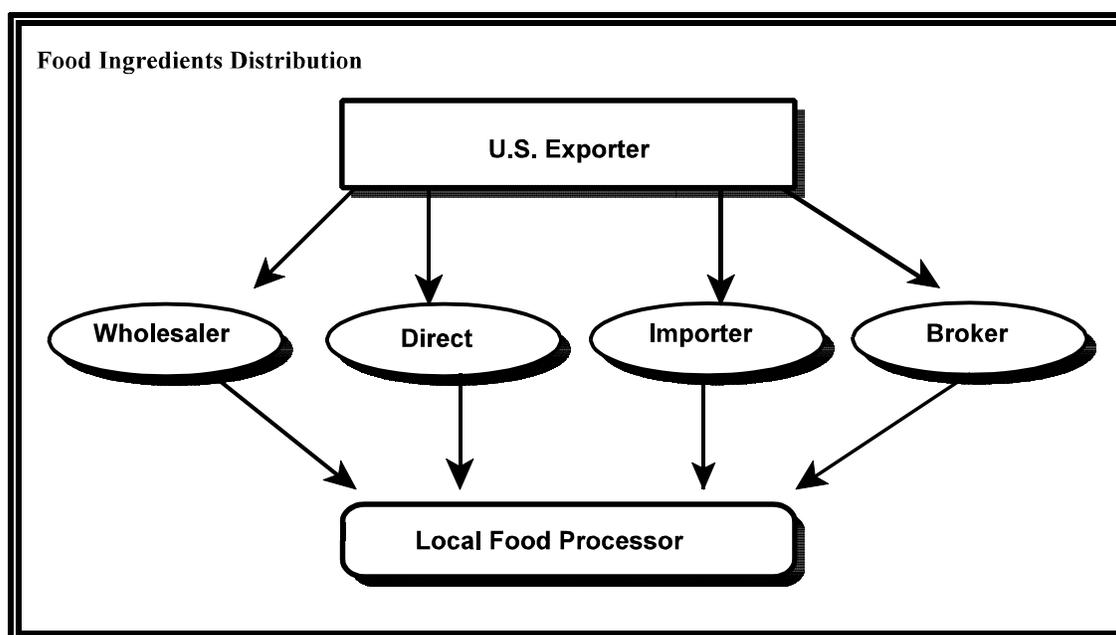
The following is a summary of the advantages and challenges facing U.S. exports of processed food products and ingredients in Turkey:

Advantages	Challenges
Turkey has a relatively well developed food-processing sector.	The Customs Union with the EU created an advantage for EU ingredient exports to Turkey.
Investment by international companies raised standards and forced the utilization of higher quality imported ingredients.	Transportation costs are lower for nearby suppliers. There is also more familiarity with regional products.
Some U.S. products (i.e., rice, vegetable oil) offer lower prices than local products.	There are high import duties on particular products (Between 12% and 230% on bulk agricultural commodities and 6% to 124% on processed food products).
Southern Anatolian Project (GAP) offers many opportunities for foreign investors.	The overall investment climate remains dismal. Unless outstanding investment problems are resolved, large investors are likely to avoid this market.

II. MARKET STRUCTURE AND SUBSECTOR PROFILES

A. Market Structure and Entry Strategy

Large food processors generally prefer to import their food ingredients directly. However, small to medium sized processors work with importers, brokers, and wholesalers. Often times, the importer is also a wholesaler. The chart below shows the flow of products through the distribution chain.



Exporters wishing to enter the Turkish market should first identify an experienced, reliable importer. Lists of importers/distributors are available from the FAS offices in Turkey. Some are available in this report. U.S. exporters may also want to visit or exhibit in Turkish retail food, food processing, and hotel/restaurant trade shows in Turkey. Please refer to the *Promotion Opportunities in Turkey Report* (TU2043) published by FAS offices in Turkey. It can also be found in the reports section of the FAS web page at www.fas.usda.gov. Also, specialized Turkish institutions such as TUGIDER (Association of Food Importers) and DEIK (Foreign Economic Relations Board) are involved in trade facilitation and can be very helpful. There are about 110 specialized food import companies, of which 72 are members of TUGIDER. This organization can be contacted at tel: (90) (212) 212-0919, fax: (90) (212) 212-0920 or at www.tugider.org.tr. DEIK assists Turkish businesses which are interested in moving into international commerce. DEIK can be contacted at tel: (90) (212) 243-4180, fax: (90) (212) 243-4184, or at www.deik.org.tr.

B. Company Profiles of Leading Importers and Processors:

Sector and Company Name	Food Sales CY 2001 \$ Million	End-use Channel (Retail vs. HRI Food service)	Plant/ Company Location	Procurement Channels
CANNED FOOD IMPORTERS				
Dolfin Gida Mr. Cem Bensason Tel:90-212-291-1372 Fax:90-212-291-1247 Email: cem@dolfin.com.tr	NA	Wholesale Food Service	Istanbul	Direct
Impeks Gida Mr. Ibrahim Yunucu Tel:90-216-572-3697 Fax:90-216-572-3699 Email: foodcofudeks@yahoo.com	NA	Food Service Retail	Izmir	Direct
Zeba International Mr. Etkin Basyazgan Tel:90-212-296-6938 Fax:90-212-296-6110 Email:zeba@atlas.net.tr	NA	Retail	Istanbul	Direct
Koza Gida Mr. Kerem Sezer Tel:90-212-257-6097 Fax:90-212-265-7536 Email: kozagida@superonline.com	NA	HRI, Retail	Istanbul	Direct
Haks Gida Mr. Kenan Hamzaoglu Tel:90-216-366-5020 Fax:90-216-366-9616 Email:haks@haks.com.tr	NA	HRI, Retail	Istanbul	Direct

Sector and Company Name	Food Sales CY 2001 \$ Million	End-use Channel (Retail vs. HRI Food service)	Plant/ Company Location	Procurement Channels
FRESH FRUIT IMPORTERS				
Alpas Mr. Altug Basar Tel:90-212-431-8252 Fax:90-212-431-8143	NA	HRI, Retail	Istanbul	Direct
Armada Gida Mr. Fetih Sonmez Tel:90-324-238-0729 Fax:90-324-238-0742	NA	HRI, Retail	Mersin	Direct
Berka Gida Mr. Fadi Nahas Tel:90-212-257-4482 Fax:90-212-287-5924 Email: naplus@na-plus.com	NA	Wholesale	Istanbul	Direct
Ata Foreign Trade Mr. Mustafa Manav Tel:90-216-478-3245 Fax:90-216-478-3248 Email: manavata@superonline.com	NA	Retail, HRI	Istanbul	Direct
Vemey Gida Mr. Bilal Kutlualp Tel:90-212-886-5358 Fax:90-212-886-5033	NA	Retail, HRI	Istanbul	Direct

Sector and Company Name	Food Sales CY 2001 \$ Million	End-use Channel (Retail vs. HRI Food service)	Plant/ Company Location	Procurement Channels
ADDITIVE IMPORTERS				
Mis Sut Mr. Burhan Nevsehir Tel:90-266-762-6134 Fax:90-266-762-6134	NA	Retail, HRI Food Service	Balikesir	Wholesale
Mr. Ahmet Arsan, Pinar Sut Tel:90-232-436-1515 Fax:90-232-436-2033 Email: ahmet.arsan@pinar.com.tr	NA	Retail, HRI Food Service	Izmir	Wholesale
Sutas Gida Mr. Muharrem Yilmaz Tel:90-224-688-5101 Fax:90-224-688-5088	NA	Retail, HRI Food Service	Bursa	Importers
DanoneSA Ms. Serpil Timuray Tel:90-216-425-5068 Fax:90-216-425-5685	NA	Retail, HRI Food Service	Istanbul	Importers
TOBACCO				
TEKEL Mr. Mehmet Akbay T:90-212-533-1900 F:90-212-532-0527 E-mail: makbay@tekel.gov.tr	665	Retail	Nationwide	Importers, Direct
Philsa Mr. Sukru Arkayin T:90-232-853-1100 F:90-232-853-1131	250	Retail	Izmir	Importers, Direct
J T. Intl' Mr. Servisimin Comert T:90-212-339-0800 F:90-212-339-0992	158	Retail	Izmir	Importers, Direct

Sector and Company Name	Food Sales CY 2001 \$ Million	End-use Channel (Retail vs. HRI Food service)	Plant/ Company Location	Procurement Channels
Dimon Mr. Selim Yegen T:90-232-376-8187 F:90-232-376-8040	48	Mfg.	Izmir	Direct
EDIBLE OIL PROCESSORS				
Trakya Birlik Mr. Cemalettin Uslu T:90-284-214-5522 F:90-284-225-3060 E-mail: trakyabirlik@trakyabirlik.com.tr	89	Retail, HRI	Edirne	Wholesale, Direct
Marsa Mr. Umit Ersoy T:90-216-325-5773 F:90-216-325-5790 E-mail: iyasar@krafteurope.com	141	Retail, HRI	Istanbul	Importer, Wholesale Direct
Besler Mr. Metin Yurdagul T:90-216-378-1840 F:90-216-378-8266	112	Retail, HRI	Izmir	Importers, Wholesale
Kucukbay Yag Mr. Ahmet Kucukbay T:90-232-388-2557 F:90-232-388-3792 E-mail:orkide@orkide.com.tr	41	Retail, HRI	Izmir	Importers, Wholesale
Taris Mr. Fatih Cenikli T:90-232-463-5500 F:90-232-421-0066	28	Retail, HRI	Izmir	Importers, Direct
Edirne Yag Mr. Okyar Yayalar Tel:90-212-243-1536 Fax:90-212-249-1842	NA	Retail, HRI Food Service	Istanbul	Direct

Sector and Company Name	Food Sales CY 2001 \$ Million	End-use Channel (Retail vs. HRI Food service)	Plant/ Company Location	Procurement Channels
Ege Yag Mr. Faruk Sari Tel:90-236-233-2520 Fax:90-236-233-2523	NA	Retail, HRI Food Service	Manisa	Direct
SUGAR & CONFECTIONARY				
Turkiye Seker Sanayi Mr. Selahattin Un T:90-312-435-9815 F:90-312-431-7225	781	Retail, FP	Nationwide	Wholesale Direct
Ulker Food Mr. Mehmet Tutuncu T:90-212-567-6800 F:90-212-577-7628	146	Retail, HRI	Istanbul	Importer Wholesale
Konya Sugar Mr. Evirgen Guney T:90-332-324-0353 F:90-332-324-0345	130	Retail, FP	Konya	Wholesale Direct
Kent Food Mr. Fehmi Tahincioglu T:90-262-653-8090 F:90-262-653-3234	79	Retail, HRI	Gebze	Importer Wholesale Direct
MILK & DAIRY				
Pinar Sut Mr. Baydur Veznedaroglu T:90-232-436-1515 F:90-232-436-2040	114	Retail, HRI	Izmir	Importer Wholesale Direct
Ak Gida/ Ulker Mr. Zeki Ziya Sozen T:90-216-595-0531 F:90-216-378-5262 E-mail: akgida@superonline.com	61	Retail, HRI	Istanbul	Importer Wholesale Direct
Sutas Sut Mr. Muharrem Yilmaz T:90-224-688-5101 F:90-224-688-5088	70	Retail, HRI	Konya	Importer Wholesale Direct

Sector and Company Name	Food Sales CY 2001 \$ Million	End-use Channel (Retail vs. HRI Food service)	Plant/ Company Location	Procurement Channels
SEK Mr. Hasan Tulgar T:90-212-551-2600 F:90-212-503-6902	35	Retail, HRI	Istanbul	Importer Wholesale Direct
MEAT PRODUCTS				
Pinar Meat Mr. Zeki Ilgaz T:90-232-877-0900 F:90-232-877-0950 E-mail:zekiilgaz@pinaret.com.tr	42	Retail, HRI	Izmir	Importer Wholesale Direct
Banvit Chicken Mr. Omer Gorener T:90-266-733-8600 F:90-266-733-8472 E-mail:nese@banvit.com	100	Retail, HRI	Balikesir	Importer Wholesale Direct
Maret Meat Mr. Ali Guler T:90-216-304-1100 F:90-216-304-1097	40	Retail, HRI	Istanbul	Importer Wholesale Direct
Koytur Mr. Osman Sismanoglu T:90-312-479-8181 F:90-312-479-0979 E-mail: osman_sismanoglu@ktg.com.tr	65	Retail, HRI	Ankara	Importer Wholesale Direct
Beypi Mr. Sait Koca T:90-374-243-9151 F:90374-243-8442 E-mail:beypilic@superonline.com	54	Retail, HRI	Bolu	Wholesale Direct

Sector and Company Name	Food Sales CY 2001 \$ Million	End-use Channel (Retail vs. HRI Food service)	Plant/ Company Location	Procurement Channels
FRUIT & PRODUCTS				
Tat Mr. Ahmet Toygar T:90-212-252-3600 F:90-212-252-3309 E-mail:kader@tat.com.tr	47	Retail, HRI	Istanbul	Importer Wholesale Direct
Penguen Mr. Ergun Sen T:90-224-4701010 F:90-224-470-1515 E-mail:genelmudur@penguen.com.tr	28	Retail, HRI	Bursa	Importer Wholesale Direct
Merko Mr. Tolga Dursun T:90-212-356-2727 F:90-212-356-2515	35	Retail, HRI	Istanbul	Importer Wholesale Direct
Kerevitas Mr. Mustafa Kose T:90-212-676-0110 F:90-212-676-0125	22	Retail, HRI	Istanbul	Importer Wholesale Direct
Tukas Mr. Ahmet Uysal T:90-232-445-9777 F:90-232-482-1222	34	Retail, HRI	Izmir	Importer Wholesale Direct
FLOUR & FLOUR BASED PRODUCTS				
Ulker Mr. Mehmet Tutuncu T:90-212-567-6800 F:90-212-577-7628	146	Retail, HRI	Istanbul	Importer Wholesale Direct
Eti Mr. Basri Acarsoy T:90-222-335-3440 F:90-222-236-0416	53	Retail, HRI	Eskisehir	Importer Wholesale Direct

Sector and Company Name	Food Sales CY 2001 \$ Million	End-use Channel (Retail vs. HRI Food service)	Plant/ Company Location	Procurement Channels
Ankara Un Mr. Murat Cavcav T:90-312-287-3530 F:90-312-286-7373 E-mail: ankaraun@ankaraun.com	31	Retail, HRI	Ankara	Importer Wholesale Direct
Istanbul Halk Ekmek Mr. Mesut Pektas T:90-212-4910089 F:90-212-635-2086	28	Retail, HRI	Izmir	Importer Wholesale Direct
Filiz Mr. Murat Bozkurt T:90-374-243-9000 F:90-374-243-9008 E-mail: arzuozkan@filizgida.com	28	Retail, HRI	Bolu	Importer Wholesale Direct
BEVERAGES				
Coca Cola Mr. Ahmet Burak T:90-216-556-2198 F:90-216-326-9189	115	Retail, HRI	Regional	Wholesale Direct
Fruko Tamek Mr. Unal Binere T:90-212-656-6280 F:90-212-656-6288	105	Retail, HRI	Istanbul	Wholesale Direct
Anadolu Efes Mr. Serdar Bolukbasi T:90-216-586-8000 F:90-216-488-7863 E-mail: serdarbolukbasi@efespilsen.com.tr	170	Retail, HRI	Istanbul	Importer Wholesale Direct
Turk Tuborg Mr. Hakan Saracoglu T:90-232-436-1930 F:90-232-436-1905 E-mail: hakansaracoglu@turktuborg.com.tr	35	Retail, HRI	Izmir	Importer Wholesale Direct

Sector and Company Name	Food Sales CY 2001 \$ Million	End-use Channel (Retail vs. HRI Food service)	Plant/ Company Location	Procurement Channels
OTHER				
Caykur (Tea) Mr. Nejat Ural T:90-464-213-0211 F:90-464-213-0222	200	Retail	Rize	Importer Wholesale Direct
Marsa Mr. Umit Ersoy T:90-216-325-5773 F:90-216-325-5790 E-mail:iyasar@krafteurope.com	141	Retail, HRI	Adana	Importer Wholesale Direct
Anadolu Food (Cookies,Crackers) Mr. Hilmi Durmaz T:90-312-398-1020 F:90-312-398-1049	73	Retail, HRI	Ankara	Importer Wholesale Direct
Fatoglu (Flour, water) Mr. Aslan Fatoglu T:90-216-348-7080 F:90-216-348-2889 E-mail: fatoglu.istanbul@fatoglu.com	45	Retail, HRI	Ankara	Importer Wholesale
Solen Food (Chocolate) Mr. Asef Coban T:90-212-252-5025 F:90-212-422-1797	25	Retail, HRI	Istanbul	Importer Wholesale Direct

C. Sector Trends

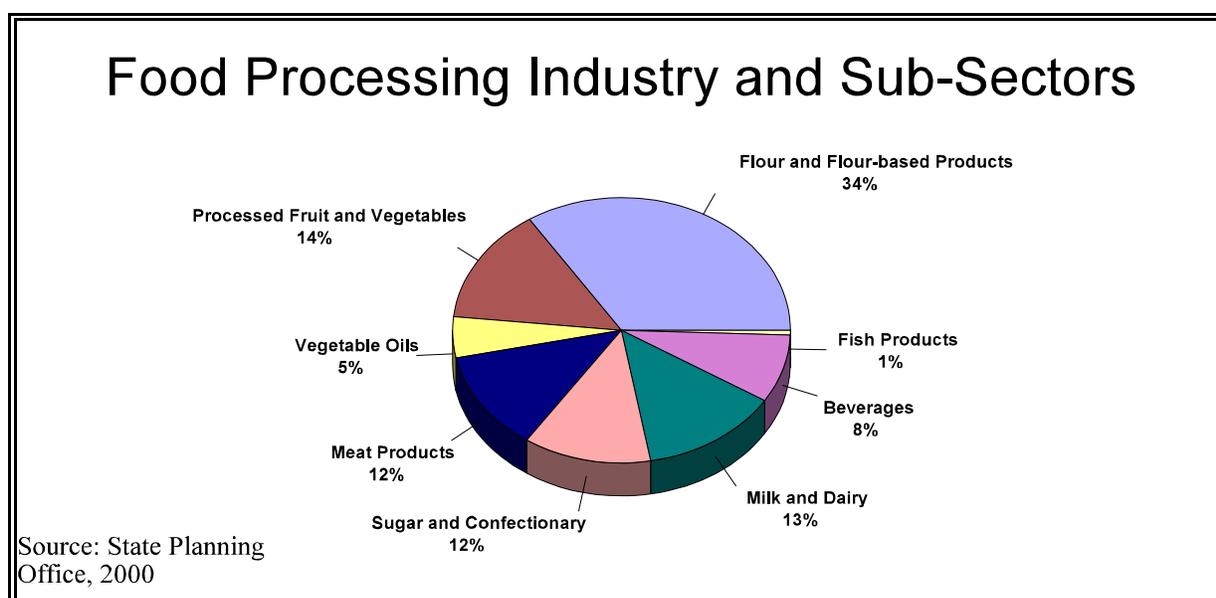
Changes in the retail sector have driven changes in the processing sector in Turkey.

The trend in the retail sector in the 1990's was away from small grocery stores and towards super- and hyper-markets. The share of hyper-markets in the retail food market increased to approximately 25 percent in 2000 compared to 6 percent in 1994. Consumer expectations have also changed significantly. Faced with an increasingly diverse range of products, quality and price, consumers have become more demanding. In response to increasing consumer expectations, large food retailers, especially international companies, are demanding higher

quality standards from Turkish food manufacturers.

This trend has led to new investments and quality improvements within the processing sector. Local cheese and dairy product manufacturers, for example, were forced to invest in order to meet higher quality standards. These companies now produce specialty cheeses and dairy products to compete with European products.

The rapid change in consumption patterns has led Turkish food processors to begin investing in ready-to-eat meals and frozen food products as well. There are about twenty companies that are in the frozen food and ready-to-eat meal market today with many diverse products. One of the biggest canned tomato paste manufacturers, is planning to invest in the production of ready-to-eat meals.



Due to the rising quality standards in the Turkish and international markets, Turkish food processors are beginning to use higher quality food ingredients, rejecting those additives and ingredients that are not widely accepted in the European and U.S. markets.

D. Sub-Sector Profiles

The production of processed foods increased by about five percent per year during 1990's, but since late 2000 the economic situation has slowed growth in the industry. According to Turkey's State Planning Organisation (SPO), production will rise only by 1 percent in 2002. The sectors hit the hardest were those which were growing the fastest prior to the crisis, such as the poultry and meat processing sectors. These sectors are also poised to recover rapidly (especially poultry) due to the restructuring that took place in the sector. The rise in the retail sector is also giving way to an increasing variety of milk and dairy product production.

Flour and flour-based products account for about one-third of processed food output, a reflection of Turkey's role as a major producer of wheat (16-19 million tons per year) and barley (7-8 million tons per year). Bread and flour products (as well as bulgur) are a major part of Turkish diet. Per capita bread, pasta and bulgur consumption totals about 200 kg. GOT's investment incentives for the flour milling industry over the years facilitated formation of a very large milling industry with total number of about 1,100 mills with total capacity of 35 MMT. Due to the large number of mills, capacity utilization of the industry is only about forty percent. Exports of flour have declined in recent years to about 170,000MT in 2001 from 550,000MT in 1994.

The number of modern bakeries that utilize modern production techniques and ingredients in the big cities of Turkey is increasing. Some are using defatted soy flour to improve yield and shelf life. Turkey also has a large pasta manufacturing industry with nearly 400,000MT per year in production. Turkey is also a significant regional exporter of pasta.

Pastry production is an estimated 20,000 tonnes per year, 80 percent of which is fresh (unpacked) and marketed in small store-front operations. These small stores are the major consumers of concentrated milk and cream for pastry production, mainly imported from European countries.

Turkey has a significant cookie & cracker production sector with total capacity of 780,000 MT. Only about 60 percent of the capacity is used, producing 450,000 MT per year. The total domestic market size for cookies, crackers and cakes is US\$410 million. The candy market is about US\$63 million. Also, annually more than US\$125 million of chewing gum is consumed in Turkey.

In the vegetable oil processing industry, Turkey has insufficient domestic oilseed production to meet the local demand. In 2001 the production of oilseeds decreased by 14 percent and vegetable oils accounted for nearly 25 percent of the total food ingredients imported into Turkey. There is also overcapacity in the vegetable oil manufacturing (crushing and refining) sector, with only 45 percent of capacity being utilized. Despite significant overcapacity, many crushing and refining plants are investing in modernization. Per capita consumption of vegetable oil in Turkey is around 16.5 kg. Turkey is also an important regional exporter of refined edible oils.

In the meat sector, low quality breeding stocks have led to extremely low yields. Turkey needs to invest in all aspects of herd improvement. Still, a wide variety of locally processed lamb, beef, turkey and chicken products are available. While Turkey does not allow imports of meat products, there are significant imports of other ingredients for the sausage and meat processing industry.

Milk consumption – at only 15 litres per capita – is still low in Turkey (one-tenth that of many European countries). The considerable opportunities have spurred the dairy sector's fast development, led by the privatization of 41 plants of SEK, the state dairy producer, now mostly owned by the Koc group. Other major companies are Pinar Milk, Nestle (Mis Milk), Bizim Sut/Ulker and Sutas. In recent years the Ulker group also entered the sector. The gap in milk supply is expected to reach 3.5 million tons by the year 2005. Demand for powdered milk is growing, mainly in cheese production. In 2000, powder milk imports reached US\$12 million

while imports of cheese were US\$12 million as well. In 2001, however, imports of milk powder and cheese declined nearly 50 percent in value. Butter consumption is on the rise, reaching 128,000MT in 2000 of which 5,700MT was imported. The Turkish ice cream market is also growing and total domestic consumption is about 70,000MT. Algida of Unilever and Schoeller are market leaders. Due to the large number of market entrants, the milk and dairy sector is experiencing a rapid expansion in product diversification. For example, locally produced fruit yogurt is now widely available.

Turkey is the fifth largest producer of vegetables in the world and the ninth largest producer of fruit. Processed fruit and vegetable production grew an average of 9 percent in the late 1990's. Processed fruits and vegetables have also been an important part of Turkey's total food exports. Due to large volumes of orange exports, Turkey is importing some orange concentrates for domestic processing. (See TU2045) Given the preference for fresh produce, processed fruit and vegetables are not as popular in Turkey. Tropical fruit and vegetables both fresh and canned and off-season items have strong potential. The large majority of the conserve industry is exported, although exports have fallen from \$578 million in 1996 to US\$363 million in 2000. The frozen food (meals and fruits) market is growing by over 10 percent annually and the production is expected to reach 232,000MT in 2005.

The market for soft drinks and alcoholic beverages is continuing to increase in 2002 following a drop in 2001 because of the economic crisis. Consumption of soft and carbonated drinks is expected to increase about 8 percent during the next five-years compared with 15 percent between 1995 and 2000. The bulk of this growth in demand will be met by domestically produced beverages.

TEKEL still is the sole local producer, importer and distributor of spirits despite privatization and liberalization efforts. Liberalization in this sector has been quite disappointing despite commitments to the IMF. Once this monopoly is lifted, most of the world's major spirit companies will be able to develop their own distribution structures. Whisky and champagne can be imported by private importers. The world's biggest alcoholic and tobacco groups have all expressed an interest in working with TEKEL either in the form of joint venture agreements or acquisition when the organization is ready for privatization. TEKEL targeted its total sales at about US\$4 billion in 2002 (80% tobacco products, 19% alcoholic beverages and 1% salt).

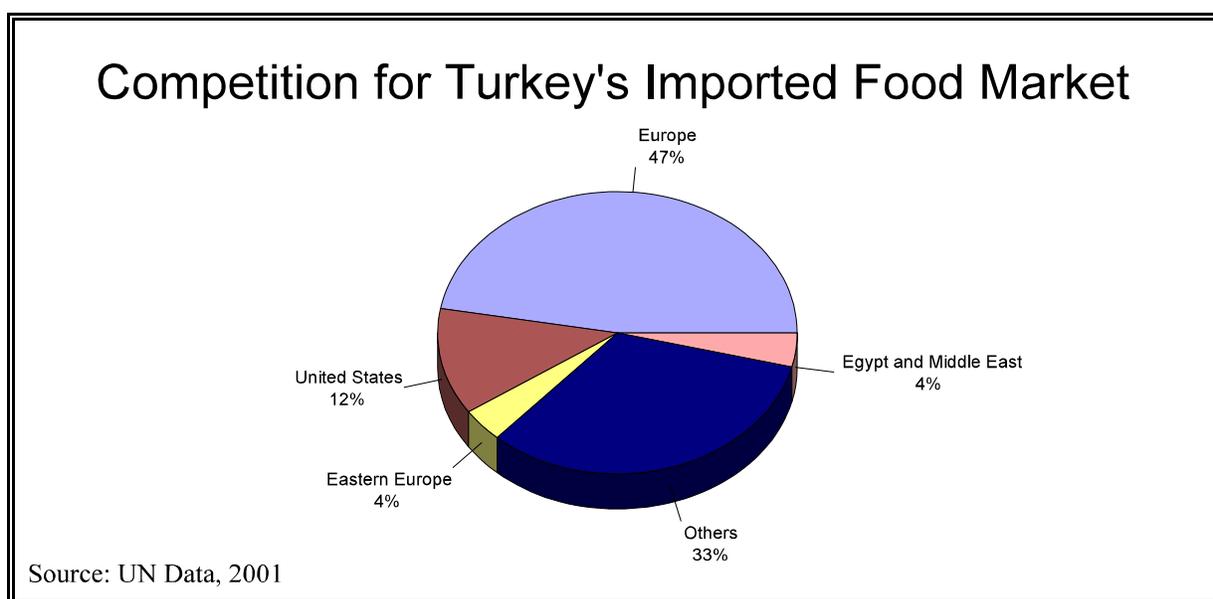
There is a significant amount of foreign investment in the Turkish food processing industry. While the wheat products and flour industry is totally owned by local firms, foreign investment has large shares in the vegetable oils and fats, beverages, candy and chewing gum, dairy products, confectionary, beer and artificial sweeteners industries. (Appendix I) Some of these international companies have been operating in Turkey for many years (Unilever's margarine plant has been operating since 1955, Coca-Cola and Pepsi since 1965). Some companies invested in Turkey after the 1980's when GOT started to open up the local market to international companies. Also, during the past twelve months some international companies bought local firms that are in financial difficulties. For example, Cadbury Schweppes bought Kent, a leading Turkish candy producer, Pepsi bought Fruko-Tamek, a local but large beverage and food canning company, and Kraft bought Karsu, the local market leader of chips and snacks.

III. COMPETITION

Including raw materials such as wheat, rice, coffee, cocoa and edible oils, Turkey's annual imports of processed foods and ingredients has ranged between \$900 million and \$1.5 billion over the past five years. According to official UN statistics, as of 2001, the United States (\$111 million) is second to the EU (427 million) in processed food and ingredient exports to Turkey. Turkey imported approximately \$1 billion in processed foods and ingredients in 2001, down 30 percent from 2000 due to the economic crisis. Turkey's imports are expected to improve based on data through the first half of 2002.

Germany and the Netherlands are the main EU countries exporting to Turkey. Wheat, snack foods, dairy products, processed fruits and vegetables and other consumer-ready products are the main imports from EU countries. Some of the main ingredient imports include crude vegetable oils, rice and legumes (green lentils) due to low levels of domestic production. High quality milling wheat is imported from EU and Black Sea region countries. The key advantage is in the Customs Union Agreement. According to this agreement, Turkey has begun to eliminate all duties and equivalent charges on imports of industrial and selected agricultural goods from the EU.

Imports of special food ingredients include milk powders, soy proteins and isolates, lecithin,



lactose, and imitation food ingredients like fruit aromas, coloring agents, etc. Due to its less developed food chemical sector, Turkey is especially dependent on imported food additives and artificial food ingredients.

France, the Netherlands, the United States, Germany and the UK are the major exporters of food additives and artificial food ingredients to Turkey. The market share of the top five countries is estimated at 90 percent.

IV. BEST PRODUCTS PROSPECTS

Products now present in the market

Vegetable oils: Crude edible oil imports make up about 24 percent of total food imports by value in Turkey, and provide some of the best prospects for exports. There is a huge demand for palm oil, corn oil, sun oil and soy oil for domestic consumption and export. Beginning in 1998, blended oil products were allowed to be marketed which increased the consumption of imported oils. Recent import tax adjustments (June 2002) are expected to slow the rate of increase.

Grain and legumes: Turkey was one of the leading grain and legumes exporting countries in the 1980's. However, in recent years due to local production problems, imports of rice, corn and lentils have increased. While U.S., Egypt and Australia were the leading countries for rice imports in 2000, Canada and Syria were the leading lentil suppliers.

Coffee & Tea: These items are mainly imported in bulk and then packaged in Turkey. Brazil is the leading exporter of coffee beans to Turkey. Instant coffee is mainly exported by Italy and Germany. The major brands are Nestle and Jacobs. A few US companies are active in the aromatic filter coffee market. (US-style coffee is known as "filter" coffee). Turkey is also importing tea to blend with local varieties. Sri-Lanka, India and UAE are the leading suppliers.

Cocoa & Chocolate: Cocoa is mainly imported in bulk mostly from Ghana and the Ivory Coast. Turkey also imports chocolate and products. Germany and Italy are the leading sources.

Milk & Dairy Products: Demand for milk & dairy products is growing. Besides milk powder, there is potential for increasing imports of cheese and butter. Imports in 2001, however, fell by nearly 50 percent. Future growth in trade in this sector will depend on the development of the domestic industry, and the level of protection. Currently, only products *not* widely produced in Turkey are eligible for import (blue cheese, mozzarella etc.)

Seafood: In the frozen and canned seafood processing industry, imports are made up mainly by tuna fish, mackerel, octopus and shrimp, demand for which cannot be met by local production. Premium U.S. products with excellent packaging have good potential.

Confectionary and Chewing gums: Despite the availability of local varieties, market opportunities exist for luxury cookies (chocolate covered, waffles etc.) and cracker products. Also there is a growing demand for imports of sugar-free varieties of chewing gums and biscuits.

Sauces: Turkey imports various sauces (soy and other Asian sauces, Tex-Mex, and other sauce mixes) to meet the growing demands for international cuisines and flavors. There is also demand from the large HRI industry for a wide variety of international spices and sauces.

Dry nuts and snack food: Turkey has a good import potential for almonds and walnuts. There is also a growing demand for U.S. popcorn and roasted corn snacks.

Pasta: In the pasta sector, very specialized niche products and frozen pasta have a chance of being competitive.

Products with strong sales potential but not substantially in the market

Special ingredients, food additives and artificial food ingredients: Food ingredients and additives such as soy protein and isolates, casein, lecithin and dextrin have great potential due to low domestic production. The Turkish food processing industry has become very sensitive to quality standards due to export-oriented production which necessitates producing at international food standards.

Products not successful in the market

Import barriers implemented by the Ministry of Agriculture on some products make it very difficult to import, even when market forces would make such imports desirable. For instance, although the EU has a negotiated quota, imports of meat have been completely prohibited. Poultry imports require certification, among other requirements, of production facilities by Turkish authorities, at the importer's expense. On sugar there is a 138% tax that prohibits its import. Imported wines and beer are not available in supermarkets or stores. Wine and beer imports are only permitted for on-premise consumption sales and face very high tariff levels.

V. POST CONTACT INFORMATION

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For more information on other high value food and sector reports for Turkey or other countries around the world, please refer to the FAS homepage, URL Address of: <http://www.fas.usda.gov>

Appendix 1. Foreign investors operating in processed food sector in Turkey

Name of Company	Production	Origin
Nestle	Confectionary, Dairy, Coffee	Switzerland
Cadbury Schweppes	Candy	UK
Kraft Jacobs	Confectionary, Coffee	International
Coca-Cola	Beverage	USA
Pepsi Co.	Beverage, snacks	USA
Unilever	Margarine, Veg. Oil, Ice Cream	Holland
Schoeller	Ice cream	Germany
ADM	Veg. Oil, HFS	U.S.A.
Cargill	HFS	U.S.A.
Henkel	Margarine	Germany
Best Foods (Knorr)	Food concentrate	U.S.A.
Danone	Dairy	France
Carlsberg	Beer	Danmark
Perfetti	Chewing gum	Italy
CP	Poultry	Thailand