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## **TURKEY** **Agri-Food Trade Synopsis**

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## **Executive Summary**

Although Turkey is ideally situated in both Europe and Asia and has been undergoing major internal reforms, its demand for foreign agri-food and seafood products has remained highly variable. A confusing and unpredictable system of agricultural support, tariffs and other barriers to trade discourages exporting to Turkey. With a reform project underway and a desire to enter the European Union, the country is on its way to overhauling its agricultural support programme.

Turkey's major imports are cotton, oils and fats, and cotton but it imports no meat or livestock because of an import ban. The majority of these goods are exported by the EU and the United States; Canada's share of Turkish agri-food and seafood imports is less than 0.6 per cent. Although a major growth market would be meat if Turkey drops its ban, other possible areas of growth include eggs, cheese, and ice cream.

### **1. Overview of Turkey**

Turkey is a country ripe for growth. Its populace, numbering over 68 million, is growing at an annual rate of 1.6 per cent and is extremely young, with 30 per cent of the population under 15 years of age.<sup>1</sup> *Per capita* real GDP has increased 6.2 per cent overall in the period 1993-2002. With greater economic prosperity, the people of Turkey are becoming more interested in Western goods and lifestyles. This is partially signified by the increasing number of women working outside of the home.

Turkey has also been fighting to control its rapid price inflation. Recently, the government has been able to moderate inflation such that it currently stands at 35 per cent per annum. Turkey's high inflation has not had an equal effect on all goods. Between 1990 and 2001, *relative* food prices fell by 20 per cent in comparison to the overall consumer price index.<sup>2</sup> This effectively reduces the price of food and should therefore entice greater demand both of food overall but also for processed and high-value products.

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<sup>1</sup> *OECD in Figures*, OECD (2001)

<sup>2</sup> United Nations Economic and Social Commission for Asia and the Pacific.

## 2. Domestic Agricultural Environment

Overall levels of agri-food and seafood trade with Turkey are growing even though individual commodities have experienced large fluctuations from year to year. While part of this is due to the large uncertainty of prices, it is also exacerbated by variable levels of government support for agricultural producers. As a percentage of agricultural revenues, government assistance went from 26 per cent in 1998 to 10 per cent in 2001 and back to 23 per cent in 2002.<sup>3</sup>

This chaos of domestic agricultural production will most probably continue for the next few years. The government has adopted a policy framework, the Agricultural Reform Implementation Project, that is being phased in between 2001 and 2005. In an effort to streamline and modernize their agricultural sector, both to increase efficiency and to curry favour with the European Union, direct income support will be introduced in lieu of purchasing prices, compensatory payments, input subsidies, import tariffs, and export subsidies. Government expenditures should fall to approximately 1 per cent of GDP from 9 per cent over the period.<sup>4</sup> Not only will this dramatically alter levels of production within Turkey, but also the composition of agricultural output, as differentiated subsidies between crops should disappear. Although the reform programme itself is scheduled to be completed by 2005, the full effects of the transition of individual agricultural producers may take many more years to be realized.

Not only has Turkey reformed its agricultural subsidy programme because of large inefficiencies but also to align its policy with that of the Common Agricultural Policy (CAP) of the EU. Turkey established a customs union with the EU in January, 1996. Agricultural products were excluded until such time that Turkey met the requirements to parallel its system with the CAP. As yet, this has not been completed. Recent reports from the European Commission indicate that this will not occur in the very near future.<sup>5</sup> Even when this occurs, however, crops yields will not necessarily rise immediately. Inefficient farm size and an unskilled agricultural labour force are problems that have similarly plagued the newest members of the EU. Central and Eastern European Countries that are in the process of entering the EU have

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<sup>3</sup> *Agricultural Policies in OECD Countries*, OECD (2003)

<sup>4</sup> *OECD Economic Surveys: Turkey*, OECD (February 2001)

<sup>5</sup> *2002 Regular Report on Turkey's Progress Towards Accession*, Commission of the European Communities, (Oct. 2002).

experienced such problems. Merely joining the West will not immediately solve Turkey's problems.<sup>6</sup>

### **3. Trade Profile**

#### *International Perspective*

In an effort to compensate for the distortionary effects of high inflation, an examination of Turkey's quantity index of trade is crucial. A quantity index measures the physical shipments of goods, defined either by weight, volume or number, without the influence of price changes. Between 1995 and 2002, the quantity of agricultural exports increased by 10.2 per cent. Imports, however, displayed much higher growth. Over the same period, the quantity index of imports increased by 49.0 per cent.<sup>7</sup> This implies that, from a quantity perspective, Turkey is leaning towards becoming a smaller net agri-food and seafood exporter.

Furthermore, population growth exceeded 12.8 per cent during 1995 to 2002. In *per capita* terms, Turkey's quantity of exports appears to be falling while similar import values are rising. With population growth very high in the country, this increasing gap can only be good news to agricultural exporters around the world.

The Turkish agri-food and seafood export market had a large nominal contraction in value between 1998 and 2002, as seen in table 1. This was led by large declines in tobacco and oils & fats. The overall decline was only partially offset by the smaller decline of Turkey's predominant export, edible fruits and nuts. Furthermore, the performance of the seafood export industry doubled in value despite overall declines.

Some of this overall decline may be explained by variable exchange rates. While the value of most goods fell, certain export quantities rose. Prepared and edible vegetables both show increases with edible fruits and nuts rising over 50 per cent in quantity exported. Nevertheless, the value traded in American dollars decreased. The fall of tobacco exports, however, can be explained by lessened demand

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<sup>6</sup> Fernández, Javier. "The Common Agricultural Policy and EU Enlargement." *Eastern European Economics*, 40(3), May-June 2002, pp. 28-50.

<sup>7</sup> Turkish State Institute of Statistics. Note: the definition of agricultural products is not defined. Also, the quantity index was compiled via the Laspeyres formula and thus may have slight upward bias for imports and downward bias for exports.

from the West coupled with changing subsidy levels that favour other crops.<sup>8</sup>

<b>Table 1 TURKEY'S TOP AGRI-FOOD AND SEAFOOD EXPORTS BY COMMODITY</b>						
	1998 Value	Share		2002 Value	Share	Change (%)
<b>OVERALL</b>	4,860.7	100.0		3,769.5	100.0	-22.4
<b>Edible fruit and nuts</b>	1,291.1	26.6	<b>Edible fruit and nuts</b>	1,166.4	30.9	-9.7
<b>Prepared vegetables, fruits &amp; nuts</b>	620.1	12.8	<b>Prepared vegetables, fruits &amp; nuts</b>	508.3	13.5	-18.0
<b>Tobacco and substitutes</b>	589.3	12.1	<b>Tobacco and substitutes</b>	382.6	10.1	-35.1
<b>Edible vegetables and roots</b>	392.5	8.1	<b>Edible vegetables and roots</b>	319.0	8.5	-18.7
<b>Animal &amp; vegetable oils &amp; fats</b>	349.4	7.2	<b>Prepared cereal, flour or milk</b>	159.4	4.2	-18.0
<b>Cereals</b>	286.7	5.9	<b>Animal &amp; vegetable oils &amp; fats</b>	153.3	4.1	-56.1
<b>Sugars and confections</b>	219.9	4.5	<b>Sugars and confections</b>	146.8	3.9	-33.2
<b>Prepared cereal, flour or milk</b>	194.5	4.0	<b>Misc. edible preparations</b>	127.9	3.4	21.6
<b>Milling products, malt, starch</b>	140.2	2.9	<b>Cocoa and preparations</b>	102.3	2.7	37.7
<b>Misc. edible preparations</b>	105.1	2.2	<b>Fish and crustaceans</b>	85.6	2.3	114.8

Source: World Trade Atlas. Value is in millions of US dollars.

The European Union is currently inspecting poultry plants that, if approved, could increase Turkey's total poultry exports by 50 per cent in the first year alone. Quantity wise, exports would increase 10,000 tonnes over 2002 levels. This would have a two-fold effect. First, there would be increased competitive pressures on other exporters. As of 2002, Canada exported only 279 tonnes of poultry to the European Union and this could further reduce that market. Second, Turkey is unable to domestically produce enough feed for the increased number of birds and thus domestic import requirements of corn and soy are likely to rise, creating greater export opportunities.<sup>9</sup>

<sup>8</sup> *Tobacco and Products Annual*, USDA (May, 2003).

<sup>9</sup> *EU to Inspect Turkish Poultry Plants for Export*, USDA (Oct. 2003).

Turkey's composition of imports is a stark contrast to most industrialized nations'. First, its near complete ban since 1997 on the import of meat and livestock closes off a lucrative market to international exporters.<sup>10</sup> Second, Turkey's preferences are more focused on traditional goods because of its culinary tastes and thus its import demand is almost half bulk at 48.6 per cent.<sup>11</sup> Its exports are more processed at 76.0 per cent non-bulk. These numbers may be upwardly biased because of the first point.

Over the period 1998-2002, Turkey was in a period of economic uncertainty. The unemployment rate rose from 6.2 to 10.3 per cent. Furthermore, real GDP *per capita* fell by 3.9 per cent over the similar period.<sup>12</sup> This can partially explain the drop in both imports and exports. Value exported had more significant declines than value imported. Many of the declines in value imported, however, occurred while quantities increased. For example, quantities of cotton imports rose by 42 per cent and animal and vegetable fats and oils by 9 per cent during 1998-2002. In other words, Turkish consumers may have been demanding the same amount of products, but faced with falling incomes, they may have demanded lesser quality commodities.

	1998 Value	Share		2002 Value	Share	Change (%)
<b>OVERALL</b>	3,510.6	100.0		3,053.9	100.0	-13.0
<b>Cotton</b>	598.5	17.0	<b>Cotton</b>	493.4	16.2	-17.6
<b>Animal &amp; vegetable oils &amp; fats</b>	513.6	14.6	<b>Animal &amp; vegetable oils &amp; fats</b>	404.3	13.2	-21.3
<b>Cereals</b>	458.2	13.1	<b>Sheep and lambskins</b>	401.2	13.1	27.8
<b>Oilseeds</b>	348.3	9.9	<b>Cereals</b>	362.6	11.9	-20.9
<b>Sheep and lambskins</b>	313.9	8.9	<b>Oilseeds</b>	258.2	8.5	-25.9
<b>Tobacco and substitutes</b>	300.5	8.6	<b>Tobacco and substitutes</b>	208.5	6.8	-30.6
<b>Food industry residues and waste</b>	155.7	4.4	<b>Food industry residues and waste</b>	143.0	4.7	-8.2
<b>Edible vegetables, roots&amp;tubers</b>	89.2	2.5	<b>Misc. edible preparations</b>	133.8	4.4	56.4
<b>Misc. edible preparations</b>	85.6	2.4	<b>Cocoa and preparations</b>	103.6	3.4	51.4

<sup>10</sup> Exceptions are made for breeding stock.

<sup>11</sup> Source: Global Trade Atlas.

<sup>12</sup> Source: International Monetary Fund.

<b>Rubber, natural</b>	75.5	2.2	<b>Rubber, natural</b>	77.0	2.5	1.9
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Source: World Trade Atlas. Value is in millions of US dollars.

Turkey's leading agri-food and seafood imports are highly limited to imports of non-food commodities, such as cotton and sheepskins, and therefore the high percentage of bulk goods imported. Although the market as a whole has witnessed large declines, there are a few, select products that have demonstrated considerable growth in the value of their import (refer to table 3). Many of these products are meant for human consumption. The import growth of corn will not be sustained, however, as the Turkish government recently increased tariffs on imports from 20 per cent in August 2003 to 70 per cent in October 2003.<sup>13</sup>

<b>Table 3 SELCTED TURKISH AGRIFOOD AND SEAFOOD IMPORTS</b>			
	1998 Value	2002 Value	Growth (%)
<b>Eggs in shell</b>	1.3	12.7	876.9
<b>Cocoa beans</b>	40.4	69.0	70.8
<b>Corn</b>	96.5	134.9	39.8
<b>Animal food preparations</b>	23.5	32.0	36.2
<b>Chocolate food</b>	18.1	20.4	12.7

Source: World Trade Atlas. Value is in millions of US dollars.

Other goods, especially those containing cocoa, have seen large increases. Not a traditional food, this growth indicates a greater acceptance of the Western lifestyle and its tastes. Animal food preparations, including pet food, also had large gains.

### *Canadian Perspective*

Canada had a large agri-food and seafood trade deficit with Turkey in 2002, as Canada's imports from Turkey were valued at \$40.2 million while exports were \$14.8 million. But, as mentioned before, Turkey's trade patterns are highly erratic. In 1997, Canada's agri-food and seafood exports to Turkey totalled \$116.9 million while in 1993 they were only \$7.4 million. Much of this can be explained by the large and pervasive government involvement in the agricultural marketplace that can quickly change tariffs, quotas and other barriers to protect domestic producers.

Canadian agri-food exports to Turkey have similarly shown considerable fluctuations. Table 4 lists Canada's top five exports in 2002. The variability of trade is apparent when considering the

<sup>13</sup> *Turkey Increases Corn Import Duty Again*, USDA (Oct. 2003).

following. The largest item, dried leguminous vegetables, had an imported value by Turkey of \$28.5 million in 1999. On the other hand, 2002 proved the first year since at least 1992 that either soybean oilcake or corn was ever exported to Turkey from Canada.

<b>Table 4 TOP CANADIAN AGRI-FOOD AND SEAFOOD EXPORTS TO TURKEY</b>						
	1998 Value	Share		2002 Value	Share	Change (%)
<b>OVERALL</b>	29,160.3	100.0		14,849.8	100.0	-49.1
<b>Wheat and meslin</b>	10,844.3	37.2	<b>Vegetables, dried leguminous</b>	4,032.3	27.2	-52.5
<b>Vegetables, dried leguminous</b>	8,481.3	29.1	<b>Tobacco, unmanuf.</b>	3,575.2	24.1	-1.1
<b>Tobacco, unmanuf.</b>	3,615.9	12.4	<b>Soybean oilcake</b>	1,927.9	13.0	n/a
<b>Bovine rawhides</b>	1,319.1	4.5	<b>Eggs in shell</b>	1,442.9	9.7	n/a
<b>Potatoes, fresh</b>	1,155.5	4.0	<b>Animal feed preparations</b>	1,404.4	9.5	54.0

Source: CATS. Value is in thousands of Canadian dollars

Whereas almost all other products have seen declines, the sustained increased value of animal feed preparations (including dog and cat food) from year-to-year demonstrates that some exports to Turkey, especially of a highly specialized and processed nature, can repeatedly do well.

Lentils have always been a large commodity in Canadian-Turkish trade. From January to November 2003, Canada's exports of lentils, which are almost the only type of legume exported, were valued at \$8.1 million. Moreover, Canada provides for more than half of Turkey's annual imports.

#### **4. International Competitors**

Turkey's imports display patterns similar to those of many other European nations whereby approximately half of agri-food imports come from the United States and the European Union. Although this holds true for Turkey, the rising importance of agri-food trade with the European Union is of interest. The customs union entered into in 1996 excluded agricultural products because of inconsistencies in subsidy levels. As a result of overall greater trade volumes with the EU and Turkey's gradual paralleling of farm assistance programs with the CAP, the EU's import share of agri-food has risen over the last decade. In



1993, less than 25 per cent of Turkey's agri-food imports were from the EU; by 2000, the value had increased to 31.5 per cent.<sup>14</sup>

Trade with the Commonwealth of Independent States, however, has not accelerated following the demise of Communist rule. With Turkey's eastern edge bordering Georgia and Armenia, higher relative trade values may have been expected. Market share of agri-food and seafood imports from the CIS remained around 9 per cent of total agri-food imports from 1993 through 2000 with some increases in the years directly after the fall of Communism (1991-1995). Sustained increases have been elusive.<sup>15</sup> The rising importance of trade with the EU may be only because of increased co-ordination, but the growth market for Turkish agri-food and seafood trade may lie to the East.

Table 5	<b>LEADING AGRIFOOD EXPORTERS TO TURKEY</b>	
	<b>1998</b>	<b>2002</b>
<b>USA</b>	23.55%	27.51%
<b>Germany</b>	2.96%	4.48%
<b>Greece</b>	2.79%	4.38%
<b>Spain</b>	2.97%	4.06%
<b>Indonesia</b>	0.78%	3.91%

Source: World Trade Atlas

While the United States has remained the principal exporter, the rise of Indonesia is particularly strong. Indonesia effectively exports only two goods to Turkey: palm oil and coconut oil. Not only were prices rising but also quantities shipped. Thus, these two goods can almost completely explain Indonesia's ranking.

Table 5 demonstrates that Greece has gained significantly from close relations to Turkey, even though there are disputes over Cyprus. This is symptomatic of overall EU trade as discussed above.

Table 6	<b>SELECTED AGRIFOOD EXPORTERS TO TURKEY</b>	
	<b>1998</b>	<b>2002</b>
<b>Ireland</b>	0.75%	2.26%
<b>Malaysia</b>	4.45%	2.02%
<b>Kazakhstan</b>	0.54%	1.38%
<b>China</b>	0.46%	0.88%
<b>Canada</b>	0.52%	0.57%

Source: World Trade Atlas

preparations while Kazakhstan greatly increased its exports of wheat. Chinese exports are small, falling under one per cent of total imports. They are composed primarily of legumes.

Almost exactly contrary to Indonesia's rise, Malaysia's fall can be explained by a fall in the traded value of coconut and palm oil. Ireland's rise is due to the increase of processed food

<sup>14</sup> For all time periods, the 2002 list of EU members is used. The addition of Austria, Finland and Sweden in 1995 made little difference to the overall total.

<sup>15</sup> Source: World Trade Analyzer

As discussed earlier, some of Turkey's main imports are cotton, wheat, corn, sheep and lamb skins, soybeans, tobacco, and food preparations. Disaggregating these top imports by country of origin in table 7, it can be seen that Canada has only a modest share of Turkey's main agri-food imports. In comparison to Canada's southern neighbour, the United States, even accounting for its size advantage, has performed considerably better than Canada in the Turkish market. Especially in tobacco and corn, Canada's relative exports have been low.

<b>Wheat</b>		<b>Corn</b>		<b>Sheepskins, etc.</b>		<b>Tobacco</b>	
Country	Share	Country	Share	Country	Share	Country	Share
Russia	30.7	US	57.1	UK	19.2	US	48.4
Germany	23.0	Hungary	26.2	Spain	17.0	Brazil	11.3
Kazakhstan	19.2	Romania	7.6	Australia	13.8	Switzerland	6.9
Romania	5.4	Argentina	4.8	France	6.5	Netherlands	4.4
Hungary	3.8	Moldova	0.9	US	6.4	S. Korea	4.4
Canada	2.0	Canada	0.0	Canada	0.2	Canada	1.7
<b>Total imp.</b>	<b>\$236.8</b>		<b>\$210.8</b>		<b>\$629.8</b>		<b>\$327.7</b>

Source: World Trade Atlas for the year 2002. Value of imports is millions of dollars. Note: Some values above may not correspond to values stated before (ex. corn. In 2002, Canada states that it exported \$231,845 worth of corn while Turkey reports that it did not import any from Canada. The numbers here are reported as stated by the respective countries).

One of the goods not listed above is soybeans. In 2002, Canada exported no soybeans to Turkey. The United States' dominance of soybean imports (at 88.9% of a \$206 million import market) can be partially attributed to legislative changes. The US FAIR Act of 1996 increased support for soybean production such that acreage increased by fifteen per cent between 1996 and 2000 while prices simultaneously dropped by 36 per cent.<sup>16</sup> Thus, US soybeans have a large advantage in world export markets.

## 5. Market Structure

### *Domestic Consumption and Imports*

In comparison to the European Union, Turkey's agricultural sector is highly inward-oriented. As a measure of openness, the ratio of imports to domestic consumption (e.g., food, seed, waste) is calculated. As shown in table 8, Turkey has much lower ratios for every major

<sup>16</sup> U.S. Agriculture Policies: Impact on Soybean Production, Bi-Weekly Bulletin, Agriculture and Agri-food Canada, Decemeber 12, 2000.

product group. The ratio for meat is artificially low because of an import ban imposed by Turkey. As for the other commodities, however, most of these are low because of high government restrictions and paperwork on importing coupled with high internal subsidies.

These numbers indicate both a current isolationist outlook and yet a promising export market for the rest of the world once their barriers to agricultural trade have been reduced. There is significant room for expansion of exports of wheat, sugar and milk, for example. Turkey's relative imports should rise as she attains closer economic ties with the European Union.

<b>Table 8 Imports to Domestic Consumption (%)</b>		
	Turkey	European Union
<b>Wheat</b>	1.8	35.1
<b>Rice</b>	50.9	88.0
<b>Maize</b>	18.5	26.3
<b>Oats</b>	0.8	7.3
<b>Potatoes</b>	0.6	23.7
<b>Sugar</b>	0.2	36.8
<b>Soybeans</b>	87.0	109.0
<b>Wine</b>	0.0	25.9
<b>Meat</b>	0.0	26.0
<b>Milk</b>	0.4	29.7

Source: FAO Statistics for year 2001

### *Distribution of Goods*

Turkey's food distribution system is still dominated by small vendors, known as *bakkals*. On the decline, these merchants account for more than half of retail food sales in a \$23 billion (US) market. Whereas they composed 76 per cent of sales in 1994, by 2000 they commanded only 53 per cent of the market share. This decline was precipitated by the rise of supermarkets and other large retailers. Over the same time frame, supermarkets have come to represent 26 per cent of food sales from only 5 per cent.<sup>17</sup> Supermarkets typically attract middle- and high-income earners, in a country where a large proportion of income is spent on food.

As a result of this shift away from traditional markets, distribution channels are also evolving. Previously, an importer would purchase foreign goods and would either sell directly to the large supermarkets or sell to a wholesaler who in turn would distribute the product to *bakkals* and small markets. Increasingly, however, foreign exporters are selling directly to the larger supermarkets and bypassing middlemen altogether.

Not only does this reduce the shelf price of the imported goods, but also provides greater opportunities for new products to enter the

<sup>17</sup> Turkey Retail Food Sector Report 2001, USDA, 2001.

market. *Bakkals* are common markets, accessible by all, and usually carry local products. Large supermarkets, however, are generally situated in urban areas and cater to those who have benefited most from Turkey's rising prosperity. Their clientele have a penchant for Western styles and have the incomes to purchase it. With their expansion in the country, greater demand will likely be generated for high-value, processed goods from the industrialized world and supermarkets will provide the associated shelf space to supply it.

### *Internal Competition*

The hyper- and supermarket sector contains more than 50 entrants, many with a substantial number of outlets nationwide. While corporations such as Migros operate 450 stores nationwide and are a Turkish firm, there are also players such as Carrefour and Champion SA of France that have entered into a joint venture with a Turkish firm. Together they manage approximately 50 stores. German, British and American interests are also represented in supermarket ownership throughout the country.

These facts bring to light two important issues. First, competition is not concentrated in this market. Although there are two main players, there are a significant number of junior chains in a rapidly expanding market. Thus, there is little fear of constrained competition. Second, the presence of European and American companies in the Turkish market more easily enables the import and promotion of Western goods. On the other hand, of those firms, Europe dominates and as integration with the EU progresses, ease of access of European goods over North American goods could result in less market opportunities for North American agri-food exporters.

## **6. Opportunities for Canadian Agri-food Exporters**

Meat was Canada's largest agri-food export in 2002, valued at just under \$4.5 billion. As seen above, the import market for meat in Turkey is virtually non-existent, as a current import ban on all meat entering the country precludes the possibility of meat import. Although there might be initial opportunities if the ban is removed, long-term growth of the sector should be quite small.

Future projections for the domestic meat market show only modest growth. Through 2008, cumulative population growth should be 4.6

per cent.<sup>18</sup> Over the same time period, *per capita* consumption of beef and veal is expected to fall by 3.3 per cent and *per capita* poultry consumption is expected to fall by 3.0 per cent. Thus, by 2008, the internal demand for beef should only increase by 1.1 per cent, while for poultry, the value would be 1.5 per cent. Along with possible accession into the EU, these markets cannot be seen to be large growth markets for Canadian exporters. On the other hand, with *per capita* consumption rising 4.5 per cent, overall internal demand for cheese should increase by 9.3 per cent in quantity between 2002 and 2008.<sup>19</sup>

Eggs, which have shown a large increase in import demand by Turkey for the last few years, may be a further growth industry for Canadian exporters. Estimates suggest that domestic production is projected to fall 59.3 per cent between 2002 and 2008.<sup>20</sup> The import demand requirement for vegetable oils should also rise. While projections of production of oilseeds indicate no increased harvest, consumption is expected to rise 1.6 per cent per annum through 2008.<sup>21</sup> These two areas should provide new opportunities.

Some high value products that are quickly gaining the attention of consumers in developed countries are less desired by Turkish shoppers. Organic foods, although on the rise, comprise only \$3 to \$5 million (USD) in a \$23 billion (USD) retail food sector. Growth is expected to be 50 per cent per annum until 2006. The majority of consumers is unwilling to pay a premium for such products, with the market base devoted almost exclusively to the top 15 per cent of income earners.<sup>22</sup>

Ice cream is possibly a long-term growth market in Turkey. Whereas Western Europeans consume approximately 10 litres per year, the average Turk eats only 0.8 litres per year. The size of the market in 1999 was \$200 million (USD). With its young population and high growth rate, this market is expected to grow quickly. Growth rates should vary between 10 and 20 per cent with the take-home market expecting annual growth of 15 per cent. Much of this growth can be explained by the growth in the prevalence of home freezers.

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<sup>18</sup> Population projections from the United Nations Economic Commission for Europe.

<sup>19</sup> Consumption projections from *OECD Agricultural Outlook*, 2003.

<sup>20</sup> *Agricultural Outlook for Poultry and Eggs*, OECD (2003).

<sup>21</sup> *Agricultural Outlook for Oilseeds*, OECD (2003).

<sup>22</sup> *Turkey: Organic Foods: Organic Food Report, 2001*. USDA.

Only 4 per cent of households had freezers in 1992, but the figure rose to 20 per cent by 1999.<sup>23</sup>

The market for Canadian meat may not be bright but the state of Turkey's populations of poultry and cattle are poor. Major improvements in both genetics and the associated technologies are required if domestic production is going to expand. Much the same is occurring in the dairy industry, where national programmes have been undertaken to improve herd quality. These are areas where Canadian producers excel. Canada has exported bovine semen to Turkey in the past and there may be increased future opportunities.

Pulses have always been important to Turkey. As mentioned before, Canada exports a considerable amount. Pulse Canada has identified Turkey because of its re-export of lentils to non-traditional and inaccessible markets for Canadian producers. Although variable, the lentil trade with Turkey accesses both traditional (Europe and Asia) and untraditional (African and Middle Eastern) markets.

Overall, the major areas of growth on which Canadian exports can capitalize are primarily in the dairy market. If the meat market opens, this also will be a considerable asset to Canadian exporters. The closer links with the European Union, however, has the possibility of diverting even further trade away from North America and towards Europe.

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<sup>23</sup> *Market Brief: Turkey: Ice Cream*, USDA, 1999.

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