Prospects of Turkish Organic Food Sector: Some Suggestions Improving the Market

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1. Introduction

In recent years, consumer concerns on environmental and health issues related to food products have increased. In this market environment, consumers have become more concerned about the nutrition, health and quality of food they eat. The increasing importance of health, the impact of the food production on the environment and consumers’ food choice are well documented in the literature (Jolly et al., 1989; Baker and Crosbie, 1993; Grunert and Juhl, 1995; Karar and Gürlük, 2003; Azqueta and Delecamara, 2005). The demand for organic products rose considerably, among consumers. Environmental and nutrition issues make organic sector, one of the pioneering market segments, over the past few decades. And the growth rate in the trade of organic food is also very high, at all over the world which is rarely observed in food markets. As a consequence, production and consumption of organic products has grown in recent years. The number of papers which have been devoted to the study of organic food markets has increased (Beharrel and MacFie, 1991; Landell, 1992; Tregear et al., 1994; Thompson and Kindwell, 1998; Siderer et al., 2005; Spiller et al., 2006; among others). Everyday it is observed an increase in the number of farmers applying organic farming methods, hectares dedicated to organic agriculture, the number and variety of companies active in marketing and selling organic foods, at all over the world. Several nongovernmental organizations support organic agriculture and working to promote its use, marketing, and certification. Bringing together various players of the organic agriculture movement, International Federation of Organic Agriculture Movements (IFOAM) whose stated mission is to unite the organic world is currently in the process of redefining organic farming. Organic farming is based on minimal use of off-farm inputs and on management practices that restore, maintain or enhance ecological harmony. Worldwide, the demand for organic products appears to have expanded quickly in the past decade, stimulated by consumer perceptions that organic products are safe and healthy. Organic production in Turkey is almost entirely dependent on exports. Organic sector in Turkey is the relatively slow development of domestic demand. In this regard, the aim of this article is to give the readers an idea about the present situation of organic agriculture in Turkey. The topic summarizes the organic agriculture activity both in production and marketing aspects. Therefore, some recommendations are made to improve the organic market in Turkey.

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liberalization and privatization open the way for a greater role for entrepreneurs and producers’ organization. These trends are impulse for private initiatives for producing and marketing organic products (Scialabba, 2000). Developing countries success about marketing organic products is up to positioning them at foreign markets. On the other hand there were specific challenges to developing countries. For example, certification and lack of information are major issues. At this point lack of technical know-how, such as on organic farming and production methods; and lack of market information such as information on which products to grow, which markets and distribution channels to choose, competitors, market access and financing possibilities. Reliable market information is almost difficult to obtain (Rehber and Turhan, 2002:380). According to ITC (1999) Organic Food Reports; there are sound market opportunities for developing countries in most major markets like EU and Japan especially for the products that are not produced domestically and off season products. At the same time growing demand in these markets cannot be met by local supplies. In many developing countries policies related to organic agriculture seek to earn foreign exchange through exports for other development needs. There is no doubt that world markets for organic food and beverages will offer developing countries good export opportunities (ITC, 1999). For example, Turkey is the largest provider of organic cotton fiber, yams, fabrics and finished goods in the world (Haen, 1999). The organic agriculture in Turkey is still in progress and Turkey has important advantages in organic agriculture in terms of unpolluted soils, favorable climate that facilitates the growth of a large variety of crops, great agricultural production capacity which allows Turkey to produce approximately 4% of the annual, total vegetable and fruit production of the world and Turkey’s high contribution to utilized agricultural area. Turkey cannot make use of these advantages and become one of the leading organic producer countries (Ozbilge, 2007). In this regard, the aim of this article is to give the readers an idea about the present situation of organic agriculture in Turkey. The topic summarizes the organic agriculture activity both in production and marketing aspects. Therefore, some recommendations are made to improve the organic market in Turkey. The methodology of this study is summarizing some of the remarkable studies on organic agriculture in Turkey. The data is compiled from Turkey’s Ministry of Agricultural and Rural Affairs. The data set on organic production covers the period of 2002-2009.

2. Organic Agriculture in Turkey

Agriculture has always been one of the leading sectors in the Turkish economy, largely for natural reasons: the rich soil sources, biological diversity, good climate and geographical conditions. There is also a tradition of hardworking farmers and, more recently, private entrepreneurs interested in investing in Turkish agriculture. Agriculture has an important impact on the social and economic development of Turkey since it meets the majority of the population’s food requirements domestically and prevents Turkey from being dependent on international sources and also supplies the raw materials of other sectors dependent on agriculture. The share of agricultural production in Turkey’s GDP was 8.3 percent in 2009, down from 10.1 percent in 2000. During this period, Turkey continued its economic transformation from agriculture towards industry and services sector. Despite the decreasing share in GDP, agricultural production has been rising since 2000. In 2007, output fell due to drought, however starting from 2008 it has recovered. Agricultural production in 2008 was 73 billion Turkish Liras and in 2009 was 79 billion Turkish Liras. As of March 2010, the Turkish agriculture sector employs 5.2 million people which constitute approximately 24 percent of the total employment in Turkey. Employment in agriculture has been steadily declining by approximately 33 percent from 2000 to 2010. Considering the increase in the production during the same period, the efficiency of the agricultural sector in Turkey has risen significantly (Anonymous, 2010).

The organic sector in Turkey started, and is still largely dominated, by the cultivation of vegetal crops and is small-scale (Kena, 2002; Sungu, 2004). So in Turkey organic sector has grown more slowly than in other European countries. One of the main obstacles to organic food expansion in Turkey is existing gap between organic and conventional food prices. Approximately 680% of organic production is exported to foreign countries where organic food prices are higher than in domestic markets. However to increase consumption, the existing gap between conventional and organic food prices should be reduced. On this account producers get a premium when selling in foreign markets and they expect and want to earn same premium in the domestic market but Turkish organic market is still too thin and organic products are not available in all retail outlets.

Although far from being fulfilled, Turkey has a high potential in organic agriculture thanks to its farming experience, different climatic conditions and biodiversity. In Turkey organic food production started in 1984 with a demand coming from Europe for organically grown dried figs and raisins (Aksoy and Altindisli, 1999). Organic sector has been developed rapidly especially during the period between 1990 and 1999 when the number of farmers practicing organic agriculture increased from 313 to 12,275, and the area allocated to organic agriculture rose from 1.037ha to 46.508ha. According to Ministry of Agriculture and Rural Affairs-MARA data there are 35,565 organic farmers in Turkey and these farms area rose to 501.641 ha. In these areas Turkey produces, more than 212 different types of organic products (MARA, 2011) (Figure 1, 2, 3).

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>150</td>
</tr>
<tr>
<td>2003</td>
<td>179</td>
</tr>
<tr>
<td>2004</td>
<td>174</td>
</tr>
<tr>
<td>2005</td>
<td>205</td>
</tr>
<tr>
<td>2006</td>
<td>203</td>
</tr>
<tr>
<td>2007</td>
<td>201</td>
</tr>
<tr>
<td>2008</td>
<td>247</td>
</tr>
<tr>
<td>2009</td>
<td>212</td>
</tr>
</tbody>
</table>

Figure 1. Number of Products
Source: Ministry of Agriculture and Rural Affairs (MARA), (2011)

96
The variety of the products also increased in less than 15 years from 37 to 212 in 2009. These 212 kinds of products are categorized in 9 groups: dried fruits, edible nuts, spices and herbs, fresh/processed fruits and vegetables, pulses, cereals, industrial crops, oil seeds and other raw/processed products.

In terms of official data, 35,565 organic producers are practicing organic agriculture in Turkey. Most of these producers produce dried fruits, hazel nuts, apples, dried figs and raisin. Recently, significant investments in organic livestock production have been registered (USDA, 2006).

The organic agriculture in Turkey is still far away from being developed and this situation can be easily understood when the proportion of total organic land inside the total utilized agricultural area for Turkey is compared. Turkey does organic production only on 1.92% of its total utilized agricultural area. The area allocated to organic agriculture, in Turkey, has increased from 89.827 hectares in 2002 to 501.641 hectares in 2009, increasing by about 17.9%.

3. Official Policies Regarding Organic Agriculture

Even though the Turkish government has great advances in terms of support for organic agriculture, the level of state recognition and financial support, compared to European standards, is insufficient (Eraslan, 2004; Guler, 2006; Kenanoglu and Karahan, 2002; Ozbilge, 2007; Rehber and Turhan, 2002; Sungu, 2004). On the contrary to conventional farming, the prices of organic products depend exclusively on market conditions. This means that there are no price interventions (Sungu, 2004), as seen in conventional food production, where the 'Turkish Grain Board' carries out intervention purchases and keeps emergency stocks in order to prevent cereal prices from fluctuation (Lehner, 2009).

Official Turkey took recognition of organic agriculture in 1994, when the Turkish National Assembly passed the first by-law on organic agriculture, in line with the EU Regulation 2092/91, and the MARA became 'competent authority' (Demiryurek, et al. 2008). In the year 2003, the MARA reformed the institutional structure for organic agriculture and established a sub-division called 'Alternative Agriculture Techniques and Production Department' (AAPT Dept.). In 2004/05 followed the publication of Turkey's organic farming laws. Simultaneously, the MARA established two committees under the AAPT Dept., the 'Organic Agriculture Committee' (OTK) and the 'Organic Agriculture National Orientation Committee' (OTYK). Of the two, the OTK is the one with formal responsibilities, including the authorization and auditing of Control and Certification Institutions, the development and implementation of the legislation, and management and monitoring of entrepreneurs. The OTYK, on the other hand, is more of a stakeholder-forum, with little legislative power, but the assignment to create opinion on the subjects of development and implementation of organic agriculture, raising awareness among producers, local and foreign marketing, detecting problems in implementation and developing solutions, creating support projects, determining research priorities, and conveying them to the OTK (Stopes and Ananias, 2006). In 2006, the 'National Organic Strategy for Turkey' was completed (Lehner, 2009).
Only recently has the Turkish government started to actively support organic farming. Direct Income Support (DIS) is paid to organic farmers on a per hectare basis (180 TL/ha.), and, since 2004, enterprise- and investment loans for organic farms are available with a 60 % discount from the Turkish Agricultural Bank (ZIRAAT Bankası) (EC, 2006; Stopes, 2007). Furthermore, within the framework of the ‘Implementation Project of the Agricultural Reform’ and supported by the World Bank, a project was implemented which brought along additional payments for organic agriculture in four environmentally especially sensitive regions over a 3-years limited timeframe, starting in 2006 (Ozbilge, 2007). In support of the organic sector the MARA now undertakes information campaigns to increase awareness and interest in organic production among producers and consumers (EC, 2006). Since the 2004 law for organic agriculture, state television must broadcast half an hour of educational and/or promotional programs on the organic sector every month, and the ministry has installed specialists on organic farming in each of the 81 Provincial Agricultural Directorates, through which it conducts educational programs.

Apart from governmental institutions, several more or less government-affiliated organizations are of importance to the sector. The NGOs Turkish Association of the Organic Agriculture Movement (ETO), Organic Food Producers and Industrialists Association (ORGÜDER), and the Aegean Exporters’ Association (AEA) are prominent representatives.

4. Market Structure in Turkey

Organic production in Turkey is almost entirely dependent on exports. Organic sector in Turkey is the relatively slow development of domestic demand. It remains difficult to ensure transparency and traceability of organic product certification in traditional outlets such as bazaars (IGEME, 2009). Several authors recommend conducting more research about the domestic market in Turkey, since little research has been done to date and since the potential demand for organic products in Turkey promises to spread widely in the future.

So far in Turkey, the sales of organic products in domestic market are not widespread. Several reasons can explain this fact. One of them is lack of information about organic products for consumers. But the main reason appears to be that the average level of income is low and the income distribution is unbalanced. On the other hand there is a considerable different between the price of organically and conventionally produced products (Kenanoglu and Karahan, 2002). A research of University of Izmir shows that; out of the 1000 consumer 15% were willing to buy organic products. These are the income group which has 50% of the income. The organic products in the local Turkish market are mostly 40% more expensive than the conventional products in the market. There are about 50 shops and supermarkets that the local consumers can purchase organic foods. However the need is at least 100 shops and supermarkets (Yucel et al., 2007).

The domestic market is much below the expected level but has started to develop since the last 4-5 years, due to the interest of people who are living in big cities. The sales of organic products in domestic market are made in natural product shops or in special sections of hypermarkets. Major food supermarkets in Turkey like Tansas, Kipa and Migros have recently been trialing organic subsections of their fresh fruit and vegetables departments in targeted stores, primarily in capital cities. However, in country towns, fresh organic produce is hard to find and when available it usually has been trucked across the country and handled by several marketing intermediaries (Akgungor et al., 1999). In Turkey bulk of organic food is sold through specialty shops in Istanbul, Ankara and Izmir. Although there are a number of farmers’ markets, home deliveries and community gardens operating around the country direct marketing plays only a subordinated role to the wholesale distribution system because of the lengthy transportation distances between the country and the consuming public. Turkish organic food sector needs new researches to explore alternative distribution strategies and their impact on final price, taking in to account the relatively small premium consumers are willing to pay for organic products.

5. Foreign Trade of Organic Products

Despite the increase in the number of farms, production values and crop range, most of the organic products are destined to the export markets. European Union countries, and particularly Holland, Germany, France, Switzerland, and the UK are main export markets for Turkish organic products (Aksoy, 1999). The main drive to this development was the Ministry of Agriculture increased its policy interventions to support production and trade of certified organic products.

Organic production and the marketing of these products by exporting firms are carried out in various ways. In the first type local firm executes the production project and exports the products. In the second type a foreign firm located abroad conducts the production project. The processed products are then exported to the firm that owns the project either by the processor or by any of the local exporting firms, which is again contracted. At the third type, a foreign firm again conducts the production project; the products are processed in a firm, which is established in Turkey by the foreign firm itself or with its cooperation.

As mentioned earlier, the majority (about 80-90%) of the production of organic agricultural products is being exported. Domestic consumption in these products is very small. Several obstacles exist between organic and conventional products. On this account Turkish organic agricultural products are becoming more and more familiar to foreign importers. Turkey’s export rates related to Turkish organic products are indicated in Table 2.
For this reason following issues are important to improve Turkish organic market; important issues. Over Turkish logos certification and trademarks quality and price of Turkish organic food products are some exported to foreign countries where organic food prices are higher than domestic markets. The main drive of As most developing countries Turkey has small domestic organic market and 80% of organic production is products stands to benefit from the expansion of demand for organic products. In order to realize this potential, Turkey has to be designed: upgraded trainings new farming techniques, improvement of farmers' income, producers' organizations support, conversion aids, promotion of organic products to consumers, clear certification system and labeling education and information for producers as well as consumers and marketing innovations. It is clear that Turkey as a major exporter of agricultural products stands to benefit from the expansion of demand for organic products.

As most developing countries Turkey has small domestic organic market and 80% of organic production is exported to foreign countries where organic food prices are higher than domestic markets. The main drive of Turkey to produce organic food and fiber is to tap a market opportunities in developed nations. Because of this export oriented market structure; the development of organic market capacity is mainly dependent on success of positioning Turkish organic products in their target markets. At this point consumer confusion over Turkish logos certification and trademarks quality and price of Turkish organic food products are some important issues.

For this reason following issues are important to improve Turkish organic market;
1. To produce high added value of processed organic products and hence the vertical integration.
2. To carry out research and promotion activities and establishment of competitive distribution channels for both domestic and foreign markets.
3. To improve its competitive position and diversify into higher value products.
4. To avoid being dependent on imported inputs for organic agriculture in the long run. There for technological improvement should be emphasized and enabling the self -sufficient of the other inputs.
5. To organize compulsory education programs on organic agriculture for who are practicing and planning to practice on the sector.

In Turkey approximately all of the producer export their organic products on foreign brands. Creating a new brand is very expensive for Turkish producers. At this point image creation related to Turkish organic product labels and creating strong Turkish organic brands at foreign and domestic market is important issues. Also organic producers have to act together under their own organizations such as cooperatives. On the other hand by these umbrella organizations individual efforts can be combined and create new values related to organic products and positioning them. In Turkey certification costs are high. Giving priority to the cooperatives in the certification process not only reduce the high price margin between the conventional and organic products but also help to position these products at foreign markets. Turkey has a considerable potential for the development of eco-tourism and green resorts. At this point rural areas must be arranged for tourism oriented aims and tourists must be given to opportunity to get closer to nature (Kenanoglu and Karahan, 2002). Positioning Turkish organic food to be a healthier choice for customer is important. Invest in small but attractive packaging sizes for Turkish organic products can encourage customer trial for these products.

Worldwide studies on consumers show diverse results depending on country region and the year of research while some nations are more familiar to organic food consumption and even accepted as a part of

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity (kg)</th>
<th>Value (US $)</th>
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<tbody>
<tr>
<td>1998</td>
<td>8,616,687</td>
<td>19,370,599</td>
</tr>
<tr>
<td>1999</td>
<td>12,049,949</td>
<td>24,563,892</td>
</tr>
<tr>
<td>2000</td>
<td>13,128,934</td>
<td>22,756,297</td>
</tr>
<tr>
<td>2001</td>
<td>17,556,280</td>
<td>27,242,407</td>
</tr>
<tr>
<td>2002</td>
<td>19,182,859</td>
<td>30,877,140</td>
</tr>
<tr>
<td>2003</td>
<td>21,083,351</td>
<td>36,932,995</td>
</tr>
<tr>
<td>2004</td>
<td>16,093,189</td>
<td>33,076,319</td>
</tr>
<tr>
<td>2005</td>
<td>9,319,328</td>
<td>26,230,259</td>
</tr>
<tr>
<td>2006</td>
<td>10,374,493</td>
<td>28,236,617</td>
</tr>
<tr>
<td>2007</td>
<td>9,346,677</td>
<td>29,359,321</td>
</tr>
<tr>
<td>2008</td>
<td>8,628,790</td>
<td>27,260,473</td>
</tr>
<tr>
<td>2009</td>
<td>7,565,604</td>
<td>27,504,928</td>
</tr>
</tbody>
</table>

Their life style others especially developing countries involved newly. Studies mostly focus on describing organic consumers and also their motives and barriers. Moreover there are studies regarding to non-users of organic food and trying to dissolve and understand the reason of not consuming. Today income and price differences are no longer the barriers and also green movement is no longer the only motive in sector. Important think is marketers and companies have to aware of that organic consumption is rapidly expanding among the people from every socio-group ideology and new individual needs are rising. These factors bring new demand on the market (Mutlu, 2007).

Turkish organic food sector needs new researchers to explore alternative distribution strategies and their impact on final price taking into account the relatively small premium consumers are willing to pay for organic products. On the other hand Turkish organic food marketers need new strategies and marketing campaigns addressed to sensitive people related to health and environment to create new food habits and emphasizing the natural attributes of organic food products.

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