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Dried Fruit
General Summary

Both the quantity and quality of Turkish sultana exports are expected to decline in MY 1996/97, following three consecutive record export years. Record September rainfall has caused significant, but as yet undetermined, damage to the crop. Preliminary reports indicate that as much as 20 percent of the crop has not been dried and that a significant portion was only partially dried when the rain hit. Indications are that mold will be a problem, that losses could amount to more than 10,000 MT and that a significant portion of the crop will be downgraded. As a result, MY 1996/97 exports are estimated at 125,000 MT (down sharply from MY 1995/96 exports of 179,500 MT) and prices for export quality sultanans have increased accordingly.

Industry sources estimate total production potential at

about 220,000 MT. They generally believe the industry will continue to concentrate on improving quality to expand to more quality-conscious markets, rather than increasing quantity as land suitable for cultivation and drying is in short supply. One likely trend is an increase in consumer-pack exports, once the European Union ends its minimum import price system in 1998.

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Raisins

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                        Global Economic Data Exchange System
Commodity: Raisins (0575200) (1000 HECTARES) (METRIC TONS)
Beg. Month/Year of Marketing Year: 09 / 94                      09 / 95                      09 / 96
TURKEY                      Revised 1995                      Prelim 1996                      Forecast 1997
                        Old                      New                      Old                      New                      Old                      New
Area Planted                      64                      64                      66                      66                      0                      67
Area Harvested                      64                      64                      66                      66                      0                      67
Beginning Stocks                      33470                      33470                      15864                      20864                      0                      6364
Production                      176000                      176000                      180000                      190000                      0                      170000
Imports                      36                      36                      0                      0                      0                      0
TOTAL SUPPLY                      209506                      209506                      195864                      210864                      0                      176364
Exports                      168642                      168642                      145000                      179500                      0                      125000
Domestic Consumption                      25000                      20000                      30000                      25000                      0                      40000
Ending Stocks                      15864                      20864                      20864                      6364                      0                      11364
TOTAL DISTRIBUTION                      209506                      209506                      195864                      210864                      0                      176364
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PRODUCTION

Grapes are grown throughout Turkey. However, seedless grapes--virtually all of which are "Vitis viniserae L." which is the same genus and species as Thompson seedless grapes--constitute about 20 percent of the total grape crop and are grown only in the provinces of Izmir, Manisa, and Denizli in Turkey's Aegean region. Sources estimate that the total production potential for sultanas is about 220,000 MT.

In recent years, most of the increase in seedless grape production has resulted from more intensive cultivation (through better irrigation and the use of trellises), rather than from an increase in area, largely because land suitable for cultivation (and drying) is in short supply. For the past several years, TARIS, the quasi-governmental Aegean growers' cooperative for olives, cotton, figs and sultanas, has advocated limiting the area planted to seedless grapes because it believes the export market is saturated. The idea, however, has received little support from the growers, the government, or the processors.

Seedless grapes generally are grown on small farms that produce a variety of other crops as well. Sources estimate that as many as 60,000 farmers produce sultanas, which equates to an average area of seedless grapes per farm of about one hectare. There are a few farms with as much as 20 hectares and many farms with less than a hectare. About 50 percent of sultana producers are members of TARIS. Each

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PRODUCTION

year, TARIS announces a procurement price, which acts as a support price. TARIS is required to purchase sultanas from its members but members are free to sell to other buyers and usually do.

On August 20, 1996, TARIS announced the MY 1996/97 procurement price of T.L. 85,000 per kilogram of Type #9 sultanas (which equated to about USD 1.00 per kilogram at the prevailing exchange rate). After deducting taxes and other charges, TARIS' net price to the growers is estimated to be about T.L. 82,000 per kilogram. At the current exchange rate, the procurement price now equates to about USD 0.91 per kilogram (USD 1.00 = T.L. 93,000). This price represents about a 90 percent increase in the MY 1995/96 procurement price of T.L. 44,000 per kilogram in nominal terms and, with inflation averaging about 80 percent from August 1995 to August 1996, represent a slight increase in real terms.

In recent years, the industry has sought to improve the quality of Turkish sultanas through better growing, harvesting and drying techniques designed to improve cleanliness. Improvements include the widespread use of trellises, increasing use of small plastic harvest crates (rather than sacks to minimize compaction), and the widespread use of concrete drying beds and/or plastic sheeting. Most of these improvements have been financed by private processors and much of the capital was derived from higher export prices obtained as a result of the EU's minimum export price system.

The two major factors determining type are color and berry count per 100 grams. In general, Turkish sultanas are lighter in color and rounder than California sultanas. The color difference is due to the fact that lye is used to speed the drying of Turkish sultanas (since the drying season is short and drying space scarce). To encourage these improvements, TARIS sets a scale of quality premiums for sultanas produced from trellised vines and dried on concrete slabs.

In general, about 10 percent of the seedless grape crop is consumed fresh and the remainder is dried for sultanas. Prior to the start of the MY 1996/97 harvest, industry sources were optimistic that sultana production could be as high as 200,000 MT (i.e., 1.0 MMT of seedless grapes minus 100,000 MT for fresh consumption divided by the average conversion ratio or about 4.5, depending on the sugar content). However, earlier-than-normal rains in early

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Raisins

PRODUCTION

September and heavy rain in late September have caused significant quality problems and some crop loss. According to rainfall data, this past September was by far the wettest September of the century and the forecast for the first two weeks of October call for additional rain.

Although the industry has not had time to completely assess the damage, preliminary reports indicate that as much as 20 percent of the crop has not been dried and that a significant portion was only partially dried when the rain

hit. Indications are that mold will be a problem, that losses could amount to more than 10,000 MT and that a significant portion of the crop will be downgraded to #8. In normal years, about 85 percent of the crop consists of standard #9's or better (most of which are exported) and the remainder consists of #8's (most of which are consumed domestically). Preliminary indications for this year's crop are as follows: #7 - 10%, #8 - 50%, #9 - 25%, and #10 - 15%.

CONSUMPTION

Domestic consumption generally is estimated to be between 30,000 and 40,000 MT, of which about 20,000 MT is confectionery consumption and the remainder is purchased by TEKEL, the state liquor monopoly, for distillation.

TEKEL generally consumes a total of 65,000 MT of either raisins or sultanas and the mix between the two changes with price and availability. Given this year's quality problems, current indications are that a much larger than normal quantity of sultanas will be suitable for distillation only and TEKEL reportedly already has purchased 20,000 MT.

The private sector handles the bulk of marketing, both for the domestic market as well as for export. Although there are numerous firms in the dried fruit processing and export business in Turkey, the top ten firms are estimated to control about 85 percent of the sultana market.

In conjunction with reforms to reduce the government's role in agriculture, TARIS' role in procuring and marketing sultanas is decreasing. In general, TARIS has become the buyer of last resort, purchasing a large percentage of lower grades. In MY 1993/94, TARIS procured 97,000 MT of sultanas or about half of the crop. However, in MY 1994/95, TARIS procured only around 9,000 MT because market prices were strong due to good export demand. In MY 1995/96, TARIS was

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CONSUMPTION

the largest buyer of sultanas with purchases of about 30,000 MT.

This year, TARIS has plans to purchase up to 60,000 MT of the crop, which the rest of the industry felt to be unnecessarily large. Given quality problems, this level of procurement appears likely. Through September, TARIS had procured about 40,000 MT. TARIS' export volume also has decreased in recent years as part of its diminished marketing role. TARIS now exports about 5,000 MT of sultanas annually and resells the remainder on the Izmir spot market.

The Izmir Commodity Exchange is the main (cash) market for raisins. In early October, spot prices at the Izmir Commodity Exchange were about T.L. 84,000 per kilogram for Type #8, T.L. 87,500 per kilogram for Type #9, and T.L. 95,000 or more for Type #10. Current price levels are more than double last year's prices due to a shortage of quality sultanas. Again, with inflation averaging about 80 percent from August 1995 to August 1996, current prices represent a significant increase in real terms.

STOCKS

MY 1995/96 ending stocks were reported to be very low due to the good quality of the crop and record exports.

TRADE

Although official trade data remains unavailable, unofficial sources indicate MY 1995/96 exports reached a record 179,500 MT. This was the third straight record year and sources attribute the increase to the good quality of the MY 1995/96 crop due largely to the effort of both farmers and processors to improve quality in recent years.

Although uncertain, the outlook for MY 1996/97 is not as optimistic. Assuming production of 170,000 MT and domestic consumption of 40,000 MT, maximum exportable supplies likely will be around 125,000 MT. In addition to uncertainty of the extent of this year's quality problems, competition from Iran and import demand from Russia will help to determine MY 1996/97 exports.

Iran's MY 1996/97 sultana production is estimated at about 90,000 MT. Sources generally estimate that about 6,000 MT

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 TRADE

of Iranian sultanas enter Turkey annually via unregistered border trade. Iranian sultanas are consumed locally as well as re-exported. These unregistered imports increase supply and depress prices. Turkey's current quality problems are expected to provide increased incentives for this unregistered trade. Reportedly, Iranian sultanas were being offered at USD 825 to 900 per MT (bulk, CIF Europe) in mid-September.

Russian demand also is an important variable. Under the defunct bilateral barter supply agreement, which mainly involved the exchange of CIS natural gas for Turkish commodities, Russia imported about 20,000 MT of Turkish sultanas annually. Now Russia buys about 15,000 MT of Iranian sultanas and officially imports about 1,500 MT of Turkish sultanas. However, the unrecorded "suitcase trade" in Turkish sultanas to Russia is estimated to be as high as 10,000 MT in MY 1995/96. Since Russia generally is an importer of lower-quality sultanas, official as well as the "suitcase" trade in Turkish sultanas could increase this year.

Virtually all Turkish exports are bulk (mainly in 14-kilogram boxes) and are destined for industrial uses (baking etc., as opposed to direct human consumption of a snack food). Sources indicate the major reason most of Turkey's exports are in bulk form is the European Union's minimum import price (MIP) scheme. Currently, the MIP for retail packs is much higher than the MIP for bulk sales, making consumer-pack purchases less attractive to importers (and, thus, protecting EU packers and distributors). However, as part of the GATT negotiations, the MIP system is to be eliminated in 1998. Industry sources believe the elimination of the MIP will provide increased opportunities for consumer pack exports and several are gearing up to take

advantage of the opportunity.

Canada and Australia also were among the top ten destinations. One promising but slowly growing market is Japan, where Turkey replaced Australia as one of the major suppliers.

Current MY 1996/97 export prices for standard Type #9, Grade C sultanas in bulk reportedly are around USD 1,170 per MT (all prices FOB Izmir). Grade B's or better command a premium of about USD 100 per MT. The general export price level has increased about USD 50 per MT since mid-September. The EU's MY 1996/97 MY 1996/97 MIP (for bulk sultanas) is Pounds Sterling 770 per MT (CIF United Kingdom border) or DM

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 1,770 per MT (CIF Germany border).

Recently, several shipments of Turkish sultanas reportedly were rejected by Canada, after Canadian standards for lead were amended from 2 parts per million (PPM) to 0.5 PPM. These same shipments were then shipped to the United States, where they also reportedly were rejected. The Aegean Exporters' Union is attempting to determine the reason(s) for the shipments' rejection and has initiated a systematic study to determine possible sources of lead.

(Note: MY 1995/96 trade data is unofficial data from the Aegean Exporters' Union for the full September-August marketing year.)

Trade Matrix

Raisins

Units: METRIC TONS

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Exports for 1995 to:		Imports for 1995 from:	
-U.S.		-U.S.	
-Other		-Other	
United Kingdom	36,951		
Netherlands	31,067		
Germany	24,383		
Italy	15,842		
Belgium	10,871		
France	8,942		
Australia	5,906		
Canada	5,286		
Spain	4,321		
Ireland	4,289		
	-----		-----
Total of Others	147,858	Total of Others	
Others not listed	31,642	Others not listed	
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Grand Total	179,500	Grand Total	

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 POLICY

 Production Policy

As part of policy reforms enacted in 1994, the government no longer sets a procurement price for a number of crops, including grapes. However, because TARIS' director is appointed by the government, the Government of Turkey's (GOT) financial responsibilities are not entirely clear should TARIS run a deficit. In theory, TARIS is self-financed and could borrow commercially if the need arose.

Movement to privatize grower cooperatives has been extremely slow. In 1995 the government took the first step in this process by forgiving all debts of the Agricultural Sales Cooperatives Unions. The Agricultural Bank was provided long-term bonds to erase the debts, which totaled T.L. 138 trillion (about USD 1.5 billion), including T.L. 43.4 trillion for TARIS. TARIS operates separate division for each commodity and indicates its sultana division is profitable. Most of the losses are believed to have been incurred in cotton.

Trade Policy

There is no direct export subsidy for raisins. The Agricultural Bank of Turkey, however, provides subsidized credit to producers and packers at about 50 percent of commercial interest rates.

To protect the domestic industry, the government levies a 30 percent import duty plus a 10 percent surcharge on the CIF value of raisin imports.
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