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Report Highlights:

The GOT is determined to reduce oriental tobacco production. MY2001 production is currently expected to decrease 25% in MY 2001 production to 150,000 MT.

Oriental tobacco exports are decreased as well from 100,194MT in MY2000 from 115,340MT in MY1999. Imports of flue and burley tobacco increased to 38,785MT and 18,625MT respectively. Manufacturers are increasing their capacity in order to meet expanded local and international demand. A new tobacco law will expedite privatization of TEKEL and reduce government outlays to the tobacco sector.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Total 2000 tobacco production is now estimated at about 216,000 MT (farm weight) for all types, including 208,350 MT oriental tobacco. Flue-cured and burley production remain low, despite increasing domestic consumption, at 4,860 MT and 2,140 MT respectively. The GOT is limiting oriental tobacco production in 2001 at 150,000 MT to keep production and stocks at manageable levels in accordance with the agreements signed with the IMF and the World Bank.

Turkish oriental tobacco exports continued to be relatively low at 100,194MT, compared to record exports in 1995 and 1996. Reasons for the decline are the anti-smoking movement in Turkey's major tobacco trading partners in the western world, particularly the United States, and economic difficulties in Former Soviet Union countries (FSU). In MY2000, the EU continued as the leading importer of Turkish tobacco with 37,505MT followed by the United States (26,558MT) and FSU (16,245MT).

Turkey imported a total of 58,410MT of non-oriental leaf tobacco, including an estimated 38,785 MT flue-cured and 18,625 MT burley. The United States was again the leading supplier of both types with total exports of 27,750 MT. Turkish exports of non-oriental tobacco during the year were negligible at 706MT.

Cigarette production and exports both increased in MY2000. Total domestic disappearance reached 115.2 billion pieces for 2000 and is estimated at about 116 billion in 2001. Blended cigarettes captured sixty-two percent of the local market, while non-filtered oriental cigarette consumption decreased to less than one percent. Competitively priced value-blended cigarettes continue to gain market share.

A new law has been prepared for privatization of TEKEL, in accordance with Turkey's IMF and IBRD commitments. According to the proposed law TEKEL's cigarette manufacturing and leaf tobacco buying sections will be separated. The new law should facilitate TEKEL's partnerships with other international companies. However, international cigarette manufacturers operating in Turkey have expressed concern about several aspects of the law, including domestic content and purchasing requirements. Government officials have justified this part of the law as necessary to protect Turkish tobacco producers.

Turkish cigarette exports increased to 12.2 billion pieces in MY2000. Ninety percent of the exports are done by one private manufacturer and the rest by TEKEL. Middle Eastern countries were the main export destinations.

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Total			(HA)(MT)		
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	283600	270475	269900	247755	0	183700
Beginning Stocks	311010	310010	335150	329499	339160	351551
Farm Sales Weight Prod	260000	250484	238600	215350	0	158800
Dry Weight Production	215640	207830	197260	178742	0	132305
U.S. Leaf Imports	25000	17184	24000	27750	0	26300
Other Foreign Imports	18000	28815	20500	30660	0	29500
TOTAL Imports	43000	45999	44500	58410	0	55800
TOTAL SUPPLY	569650	563839	576910	566651	339160	539656
Exports	125500	115710	125000	100900	0	90750
Dom. Leaf Consumption	67000	74630	69750	68700	0	66200
U.S. Leaf Dom. Consum.	25000	25000	24000	25200	0	26000
Other Foreign Consump.	17000	19000	19000	20300	0	22000
TOTAL Dom. Consumption	109000	118630	112750	114200	0	114200
TOTAL Disappearance	234500	234340	237750	215100	0	204950
Ending Stocks	335150	329499	339160	351551	0	334706
TOTAL DISTRIBUTION	569650	563839	576910	566651	0	539656

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Oriental				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	280000	267465	260000	244250	0	180000
Beginning Stocks	297561	297561	319561	313821	321561	323558
Farm Sales Weight Prod	252000	242900	230000	208350	0	150000
Dry Weight Production	209000	201600	190000	172931	0	125000
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	506561	499161	509561	486752	321561	448558
Exports	125000	115340	125000	100194	0	90000
Dom. Leaf Consumption	62000	70000	63000	63000	0	60000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	62000	70000	63000	63000	0	60000
TOTAL Disappearance	187000	185340	188000	163194	0	150000
Ending Stocks	319561	313821	321561	323558	0	298558
TOTAL DISTRIBUTION	506561	499161	509561	486752	0	448558

Production, Oriental tobacco

Oriental tobacco production for MY2000 reached about 208,350MT (farm weight), despite continued efforts of the GOT and TEKEL to limit the production at about 200,000MT. High production (52,000MT) in the Southeast Anatolia region of mostly low quality tobacco offset official projections. Production in other regions was within target limits i.e., 3,700MT in Marmara region, 31,850MT in Black Sea region, 114,000MT in Aegean region and 6,900MT in East Anatolian region. Two large tobacco crops in a row during 1998 and 1999 also lack of exports and IMF measures have forced the GOT to introduce another plan to limit oriental tobacco production with 150,000MT in 2001.

Consumption

Domestic consumption of oriental tobacco is decreasing steadily due to the increasing popularity of blended cigarettes and newly introduced moderately priced value brands. In some years TEKEL burns low quality old tobacco to free up warehouse space. Also, last year a large fire destroyed about 5,000MT oriental tobacco. Consumption is expected to decrease to 60,000MT in MY2001.

Trade

Since 1996 Turkish oriental tobacco exports continued to decrease. During 2000 Turkish oriental tobacco exports were about 100,194MT compared to 115,340MT in 1999. Low demand in various markets, particularly the United States, due to anti-smoking movements, and economic difficulties in the FSU have caused exports to decline.

During 2000, A grade tobacco exports reached 26,524MT with an average price of US\$5.72/kg and B grade tobacco exports were 12,994MT, at an average price of US \$4.97/kg. Average prices for other types were: US\$2.79/kg for "kappa", 1.76 "kappa kappa", and US\$0.50/kg for scrap tobacco. Turkey also exported mixed quality tobacco known as "class unique". Exports of this quality tobacco in 2000 reached 38,680MT, with the average price of US\$3.01 per kg.

Export Trade Matrix			
Country	Turkey		
Commodity	Tobacco, Unmfg., Oriental		
Time period		Units:	Metric tons
Exports for:			1
U.S.	26558	U.S.	
Others		Others	
Germany	16203		
Russia	10728		
Holland	7647		
Japan	3931		
France	2974		
Switzerland	2923		
S.Korea	2846		
Italy	2460		
Spain	2427		
Kazakhstan	1960		
Total for Others	54099		0
Others not Listed	19537		
Grand Total	100194		0

Stocks

GOT efforts to lower oriental tobacco stocks to acceptable levels, using a combine approach of production controls(quotas) higher exports, and stock disposals via burning, were successful until 1997. Increases in production since then, especially in the Southeast Anatolian region, pushed oriental tobacco stocks to higher levels.

Policy

Tobacco imports are subject to a 25 percent customs duty, plus a US\$3 per kg tobacco import fund charge. A new law has been prepared for privatization of TEKEL, in accordance with Turkey's IMF and IBRD commitments. According to the proposed law TEKEL's cigarette manufacturing and leaf tobacco buying sections will be separated. The new law should facilitate TEKEL's partnerships with other international companies. However, international cigarette manufacturers operating in Turkey have expressed concern about several aspects of the law, including domestic content and purchasing requirements. Government officials have justified this part of the law as necessary to protect Turkish tobacco producers.

Marketing

Current regulations do not require manufacturers to print tar and nicotine levels on cigarette packages, but do require a notice stating that cigarette smoking is harmful to health.

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Flue Cured				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	2500	2140	2800	2605	0	2750
Beginning Stocks	8281	8281	9431	10331	10931	19445
Farm Sales Weight Prod	5600	5684	6000	4860	0	6600
Dry Weight Production	4650	4650	5000	4035	0	5480
U.S. Leaf Imports	16000	11170	16000	18750	0	17500
Other Foreign Imports	11000	18730	12000	21035	0	19500
TOTAL Imports	27000	29900	28000	39785	0	37000
TOTAL SUPPLY	39931	42831	42431	54151	10931	61925
Exports	500	370	0	706	0	750
Dom. Leaf Consumption	3000	3130	4500	4000	0	4500
U.S. Leaf Dom. Consum.	16000	17000	16000	17000	0	17500
Other Foreign Consump.	11000	12000	11000	13000	0	14000
TOTAL Dom. Consumption	30000	32130	31500	34000	0	36000
TOTAL Disappearance	30500	32500	31500	34706	0	36750
Ending Stocks	9431	10331	10931	19445	0	25175
TOTAL DISTRIBUTION	39931	42831	42431	54151	0	61925

Production, Flue cured tobacco

MY 2000 flue cured tobacco production is estimated at 4,860MT. The stagnation in production, despite the increase in consumption, reflects availability of low price tobacco from other countries, the GOT's agricultural support policies, and the reluctance of international companies to invest in the sector. During 1998 TEKEL and RJR formed a joint venture company, Reytek, to produce flue cured and burley tobacco locally. The goal was to increase production ten percent per year and reach 10,000MT total production for both types by the year 2005. In 1996, Phillip Morris(PM) contracted an international tobacco company to produce flue cured and burley tobaccos in the Marmara region. However, the high cost of initial investment(drying barns) and operation costs (fuel) prevented production increases to any appreciable level.

Consumption

Flue cured consumption continues to increase as a result of the increasing popularity of blended cigarettes. Blended cigarettes are expected to capture about sixty-two percent of local cigarette market in 2001. Their current (2000) market share is estimated at about sixty percent.

Trade

Official trade data does not differentiate between non-oriental tobacco types. According to available information, Turkey imported a total of 58,410MT of non-oriental leaf tobacco in MY 2000, of which 38,980MT are believed to be flue cured (unstemmed and stem) tobacco. MY1999 non-oriental leaf imports were about 44,990MT. Larger than anticipated imports are attributed to increased domestic consumption and exports as well as the manufacturers desire to take advantage of low priced South American and African tobacco..

The United States remains the leading supplier with an estimated 18,750MT. Until 1994, the U .S. was the only supplier of non-oriental tobacco to Turkey. Since then, private cigarette manufacturers and later TEKEL introduced low price blended cigarettes that contained low-cost African, South American and Asian flue cured tobacco.

Turkish imports of flue cured tobacco from Zimbabwe in 2000 increased to 9,790MT from 6,250MT in 1999. Turkey also imported 4,600MT flue cured tobacco from South Korea. During 2000 Turkey also imported 3,767MT of scrap tobacco. Brazil is the leading supplier with 1,422MT. Homogenized tobacco imports during the same period reached 12,541MT of which the United States and Germany were the leading suppliers with 11,607MT and 895MT respectively. Turkey also imported about 3,497MT of precut tobacco in 2000 of which Switzerland was the leading supplier with 3,202MT.

Turkey exported 706MT of non-oriental tobacco during 2000, all flue cured. Switzerland is the main importer.

Since available official data do not differentiate between flue cured, stem and burley tobaccos, it is not possible to create trade matrixes for these items.

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	1000	870	1100	900	0	950
Beginning Stocks	4168	4168	5158	5347	5668	8548
Farm Sales Weight Prod	2400	1900	2600	2140	0	2200
Dry Weight Production	1990	1580	2260	1776	0	1825
U.S. Leaf Imports	8000	6014	8000	9000	0	8800
Other Foreign Imports	8000	10085	8500	9625	0	10000
TOTAL Imports	16000	16099	16500	18625	0	18800
TOTAL SUPPLY	22158	21847	23918	25748	5668	29173
Exports	0	0	0	0	0	0
Dom. Leaf Consumption	2000	1500	2250	1700	0	1700
U.S. Leaf Dom. Consum.	8000	8000	8000	8200	0	8500
Other Foreign Consump.	7000	7000	8000	7300	0	8000
TOTAL Dom. Consumption	17000	16500	18250	17200	0	18200
TOTAL Disappearance	17000	16500	18250	17200	0	18200
Ending Stocks	5158	5347	5668	8548	0	10973
TOTAL DISTRIBUTION	22158	21847	23918	25748	0	29173

Production, Burley tobacco

Burley production in 2000 is 2,140MT and is expected to remain about the same in 2001. As with flue cured tobacco, high production costs, more attractive alternative crops, and the availability of lower priced supplies from Africa and South America continue to effect production adversely.

Consumption

Factors affecting consumption are similar to those for flue cured tobacco as both depend on the increasing popularity of blended cigarettes.

Trade

According to the available data and sources Turkey imported about 18,625MT of burley tobacco during 2000. Official figures are not available but TEKEL is expected to be received some of the 6,000MT tobacco that it both from auctions during 1999. TEKEL also imported 3,136MT of Malawi burley in 2000.

PSD Table						
Country	Turkey					
Commodity	Tobacco, Mfg., Cigarettes			(MIL PCS)		
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Filter Production	123000	123000	126000	127000	0	130000
Non-Filter Production	2000	2000	2000	800	0	1000
TOTAL Production	125000	125000	128000	127800	0	131000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	125000	125000	128000	127800	0	131000
Exports	9500	9500	10000	12265	0	14500
Domestic Consumption	115500	115500	118000	115535	0	116500
TOTAL DISTRIBUTION	125000	125000	128000	127800	0	131000

Production, Cigarette

MY2000 cigarette production was about 126.6 billion (all production estimates are based on estimated sales) pieces. Oriental cigarette production in MY2000 accounted for thirty-three percent of the total production compared to thirty-eight percent in 1999. About fifty-four percent of TEKEL production are oriental cigarettes and the rest are blended cigarettes. About 99 percent of the production of private manufacturers are blended cigarettes.

Fierce competition is taking place between the cigarette manufacturers to get a larger share of the local cigarette market. TEKEL now controls sixty-six percent of the market, while Phillip Morris has twenty-six percent and Japan Tobacco International(JTI) eight percent. The quality image of TEKEL-2000 cigarette was shaken by smuggled imitations. There are many more brands now, even TEKEL introduced new ones. TEKEL 2000's market share has declined considerably to twenty-four percent of the blended market compared to thirty percent two years ago. While the market shares of the oriental brands are declining and full-flavor brands share is constant, value blended brands are continue to capture a larger share of the market.

To meet domestic and export demand, manufacturers have increased their production capacity. PM finalized its project to increase its production capacity at Torbali, Izmir to 30 billion pieces per year. JTI is reported to be investing also to increase production to 28 billion from the present capacity of 20 billion pieces. Meanwhile TEKEL's new cigarette plant with 5 billion per shift capacity in Samsun Ballica started production in the early summer of 1997. The plant have capability of producing both oriental and blended cigarettes. BAT, which failed in reported efforts to purchase some of TEKEL's brands and facilities, is said to be lookin at buying land to build a 2 billion piece capacity plant in Izmir.

Consumption

Despite strict anti-smoking legislation, which have now been fully implemented, in a normal year cigarette consumption continue to increase two to three percent per year. The less than usual increase during 2000 is attributed to lower stock demand of retailers.

Prices

Manufacturers adjusted their prices in accordance with the recent sharp devaluation of Turkish Lira in recent months, which also pushed local inflation to about fifty percent per annum.

Company&Brand (Pack of 20)	Oct. 2000 Price(US\$=675,000)	April 2001 Price(US\$=1,250,000)
=====	=====	=====
Phillip Morris:		
Marlboro 100's	900,000	1,250,000
Marlboro Light	900,000	1,250,000
Marlboro 85's	850,000	1,150,000
Parliament	900,000	1,250,000
L&M 100's	650,000	850,000
L&M 85 mm	600,000	800,000
Chesterfield	600,000	800,000
RJ Reynold:		
Camel 85mm Light	850,000	1,150,000
Camel 85 mm Light	850,000	1,150,000
Salem	900,000	1,250,000
Monte Carlo 100's	550,000	650,000
Winston	650,000	800,000
TEKEL		
Maltepe 100's	325,000	425,000
Maltepe 85 mm	275,000	375,000
Samsun 100's	325,000	425,000
Samsun 85 mm	275,000	375,000
TEKEL 2000 100's	650,000	900,000
TEKEL 2000 85 mm	600,000	800,000
TEKEL 2001 100's	500,000	700,000
Yeni Harman	350,000	425,000

Trade

Turkey is becoming a major export point for cigarettes due to its location and cost of production. Exports in 2000 were reported at 12.2 billion pieces, up from 9.5 billion pieces in 1999. The great majority of the cigarette exports of Turkey are done by one private manufacturer and the rest by TEKEL. The Gulf states and the neighboring Middle Eastern countries are the main destinations.

Export Trade Matrix			
Country	Turkey		
Commodity	Tobacco, Mfg., Cigarettes		
Time period		Units:	
Exports for:			1
U.S.	78	U.S.	
Others		Others	
UAE	5955		
Lebanon	5000		
Slovenia	446		
Belgium	302		
Azerbaijan	266		
Switzerland	59		
Afghanistan	47		
N.Cyprus	41		
Poland	26		
England	5		
Total for Others	12147		0
Others not Listed	40		
Grand Total	12265		0