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Turkey

Tobacco and Products

Semi-Annual

2001

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Report Highlights:

MY2001 tobacco production is expected to exceed early estimates to reach 187,300MT including 180,000MT oriental tobacco. Non-oriental imports are expected to be below the high level reached in MY2000. MT2001 imports from the United States have been lowered by 5,300 MT to reflect reduced purchases by TEKEL which will, instead, use existing stocks. When passed, the proposed tobacco law will expedite privatization of TEKEL and should reduce GOT outlays to the tobacco sector.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Ankara [TU1], TU

General summary

Official production figures for MY2001 are not yet available, but total un-manufactured tobacco production -- for all types -- is expected to reach 187,300MT (farm weight). Oriental tobacco production should exceed early predictions and reach 180,000MT, but non-oriental tobacco (flue-cured and burley) production for 2001 remains low despite increasing domestic consumption. Turkish flue-cured production is about 5,200MT and burley about 2,100MT. Despite its lack of success with previous attempts, the GOT remains determined to limit oriental tobacco production from MY2002 and on at about 150,000MT.

Turkish oriental tobacco exports reached 55,257MT during the first eight months of MY2001 and are expected to reach 90,000MT by the end of the year compared to 100,194MT exports in 2000. Reasons for the decline include lower cigarette consumption in the western world (mostly in the U.S.) and economic difficulties in the FSU. During the first eight months of the year the United States was the leading importer (23,875MT) of Turkish tobacco followed by the EU (16,763MT) and FSU (3,140MT). Turkish exports of non-oriental tobacco (all flue-cured) during the first eight months of the year were negligible at 504 MT.

According to official (non-differentiated) data for the first six months of MY2001, Turkey imported a total of 24,816MT of non-oriental tobacco, of which 16,000MT is estimated to be flue-cured (unstemmed and stem) and 8,816MT of burley tobacco. The United States was again the leading supplier of both types with total exports of 10,655MT. Turkey also imported 1,800MT of scrap tobacco during the first half of the marketing year. Canada was the leading supplier with 553MT. During the same period 4,058MT of reconstituted tobacco was imported of which eighty-nine percent was sourced from the United States. Precut tobacco imports were about 1,760MT and Switzerland was the leading supplier with 1,361MT. While private companies continue to buy U.S. tobacco, TEKEL is currently relying on previously purchased stocks. Consequently, U.S. exports of flue cured and burley are expected to be lower in MY2001.

While domestic consumption increased only slightly, cigarette production and exports increased. Total domestic disappearance was about 116 billion pieces for MY2001 and is projected at the same level in MY2002. Exports are expected to reach 15 billion pieces from the present level of 12.5 billion pieces in MY2002.

The proposed tobacco law was vetoed by the president, but is expected to be re-introduced to Parliament before the new year. The law will change the way tobacco and tobacco products are produced and marketed in Turkey. According to the new proposal, tobacco production will be done by contracts and out of contract tobacco sales will take place at tobacco auctions. TEKEL will not be buying excess tobacco and its cigarette manufacturing and leaf tobacco buying sections will be separated. The new law should make it easier for TEKEL to form partnerships with other firms. The new law allows only producers with two billion pieces annual capacity of a given brand to import their sales short fall. It also includes the current 40 cent per pack fund for cigarette imports.

Turkey continues to be a one of the largest cigarette consuming countries. To meet the domestic

and export demand manufacturers are increasing their production capacity and investing in new plants. PM finalized its project to increase capacity to 30 billion pieces at its plant in Torbali, Izmir. JTC is also increasing its production to 28 billion from 20 billion pieces. BAT, which failed to buy some of TEKEL's brands and facilities, purchased land to build a two billion pieces capacity plant in Tire, Izmir. The plant is expected to operate in early 2003. TEKEL, however, canceled plans to equip an idle cigarette plant in Manisa which conflicted with the privatization program.

Turkish cigarette exports in MY2001 are expected to remain about 12.5 billion pieces. Ninety-five percent of exports are done by one private manufacturer and the rest by TEKEL. Middle Eastern countries continue to be the main export destinations.

There were no changes in the tobacco import duty (25%) or fund charges (US\$3 per kilogram) since our last report.

Prices:

During the last six months all producers increased cigarette prices to keep up with the high local inflation and sharp devaluation of Turkish lira (TL) against major currencies.

As of October 15, the exchange rate was US\$1=TL1,600,000.

Company&Brand (Pack of 20)	Oct. 2001 Price(US\$=1,575,000)	April 2001 Price(US\$=1,250,000)
=====	=====	=====
Phillip Morris:		
Marlboro 100's	1,800,000	1,250,000
Marlboro Light	1,800,000	1,250,000
Marlboro 85's	1,700,000	1,150,000
Parliament	1,800,000	1,250,000
L&M 100's	1,000,000	850,000
L&M 85 mm	950,000	800,000
Chesterfield	1,250,000	800,000
RJ Reynold:		
Camel 85mm Light	1,700,000	1,150,000
Camel 85 mm Light	1,700,000	1,150,000
Salem	1,800,000	1,250,000
Monte Carlo 100's	1,000,000	650,000
Winston	1,200,000	800,000
TEKEL		
Maltepe 100's	600,000	425,000
Maltepe 85 mm	550,000	375,000
Samsun 100's	600,000	425,000
Samsun 85 mm	550,000	375,000
TEKEL 2000 100's	1,400,000	900,000

TEKEL 2000 85 mm	1,300,000	800,000
TEKEL 2001 100's	1,000,000	700,000
Yeni Harman	600,000	425,000

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	269900	257230	183700	213300	0	188190
Beginning Stocks	335150	329499	339160	364454	322315	362462
Farm Sales Weight Prod	238600	230780	158800	187300	0	167000
Dry Weight Production	197260	191545	132305	155458	0	137810
U.S. Leaf Imports	24000	27750	26300	21000	0	22500
Other Foreign Imports	20500	30660	29500	29000	0	29500
TOTAL Imports	44500	58410	55800	50000	0	52000
TOTAL SUPPLY	576910	579454	527265	569912	322315	552272
Exports	125000	100900	90750	90750	0	85750
Dom. Leaf Consumption	69750	68600	66200	69200	0	67600
U.S. Leaf Dom. Consum.	24000	25000	26000	25500	0	25500
Other Foreign Consump.	19000	20500	22000	22000	0	26500
TOTAL Dom. Consumption	112750	114100	114200	116700	0	119600
TOTAL Disappearance	237750	215000	204950	207450	0	205350
Ending Stocks	339160	364454	322315	362462	0	346922
TOTAL DISTRIBUTION	576910	579454	527265	569912	0	552272

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Oriental				(HA)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	260000	254000	180000	210000	0	185000
Beginning Stocks	319561	313821	321561	336132	296561	332532
Farm Sales Weight Prod	230000	223500	150000	180000	0	160000
Dry Weight Production	190000	185505	125000	149400	0	132000
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	509561	499326	446561	485532	296561	464532
Exports	125000	100194	90000	90000	0	85000
Dom. Leaf Consumption	63000	63000	60000	63000	0	62000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	63000	63000	60000	63000	0	62000
TOTAL Disappearance	188000	163194	150000	153000	0	147000
Ending Stocks	321561	336132	296561	332532	0	317532
TOTAL DISTRIBUTION	509561	499326	446561	485532	0	464532

The following trade matrix is for the first eight months of MY2001.

Export Trade Matrix			
Country	Turkey		
Commodity	Tobacco, Unmfg., Oriental		
Time period (January-August)	MY2001	Units:	Metric tons
Exports for:			1
U.S.	23875	U.S.	
Others		Others	
Germany	5865		
Holland	3155		
Russia	2580		
Switzerland	2392		
France	2283		
S. Korea	1833		
Spain	1543		
Austria	1151		
Malaysia	952		
Indonesia	873		
Total for Others	22627		0
Others not Listed	8755		
Grand Total	55257		0

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Flue Cured				(HA)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	2800	2350	2750	2400	0	2300
Beginning Stocks	9431	10331	10931	19790	16661	19355
Farm Sales Weight Prod	6000	5280	6600	5200	0	5000
Dry Weight Production	5000	4380	5480	4315	0	4150
U.S. Leaf Imports	16000	18750	17500	14000	0	15000
Other Foreign Imports	12000	21035	19500	18000	0	19000
TOTAL Imports	28000	39785	37000	32000	0	34000
TOTAL SUPPLY	42431	54496	53411	56105	16661	57505
Exports	0	706	750	750	0	750
Dom. Leaf Consumption	4500	4000	4500	4500	0	4000
U.S. Leaf Dom. Consum.	16000	17000	17500	17500	0	17000
Other Foreign Consump.	11000	13000	14000	14000	0	18000
TOTAL Dom. Consumption	31500	34000	36000	36000	0	39000
TOTAL Disappearance	31500	34706	36750	36750	0	39750
Ending Stocks	10931	19790	16661	19355	0	17755
TOTAL DISTRIBUTION	42431	54496	53411	56105	0	57505

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	1100	880	950	900	0	890
Beginning Stocks	5158	5347	5668	8532	8093	10575
Farm Sales Weight Prod	2600	2000	2200	2100	0	2000
Dry Weight Production	2260	1660	1825	1743	0	1660
U.S. Leaf Imports	8000	9000	8800	7000	0	7500
Other Foreign Imports	8500	9625	10000	11000	0	10500
TOTAL Imports	16500	18625	18800	18000	0	18000
TOTAL SUPPLY	23918	25632	26293	28275	8093	30235
Exports	0	0	0	0	0	0
Dom. Leaf Consumption	2250	1600	1700	1700	0	1600
U.S. Leaf Dom. Consum.	8000	8000	8500	8000	0	8500
Other Foreign Consump.	8000	7500	8000	8000	0	8500
TOTAL Dom. Consumption	18250	17100	18200	17700	0	18600
TOTAL Disappearance	18250	17100	18200	17700	0	18600
Ending Stocks	5668	8532	8093	10575	0	11635
TOTAL DISTRIBUTION	23918	25632	26293	28275	0	30235

PSD Table						
Country	Turkey					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Filter Production	126000	127000	130000	127500	0	130000
Non-Filter Production	2000	800	1000	1000	0	1000
TOTAL Production	128000	127800	131000	128500	0	131000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	128000	127800	131000	128500	0	131000
Exports	10000	12265	14500	12500	0	15000
Domestic Consumption	118000	115535	116500	116000	0	116000
TOTAL DISTRIBUTION	128000	127800	131000	128500	0	131000

The following trade matrix is for the first six months of the MY 2001, beginning Jan 2001.

Export Trade Matrix			
Country	Turkey		
Commodity	Tobacco, Mfg., Cigarettes		
Time period (Jan-August)	MY2001	Units:	Million pieces
Exports for:			
U.S.		U.S.	
Others		Others	
B.A.E.	3562		
Lebanon	2244		
Afghanistan	40		
N. Cyprus	20		
Azerbaijan	15		
Belgium	14		
Germany	4		
Mersin Free Trade Zone	4		
Israel	3		
Total for Others	5906		
Others not Listed			
Grand Total	5906		