# Leaf Crop and Prices Increasing in Turkey

*by Halûk Tanriverdi*


Tobacco is one of the main sources of income for Turkey as an important export commodity. With an average annual leaf production of 200 thousand tonnes and exports of around 80 to 90 thousand tonnes a year, Turkey ranks 6th on the world tobacco market. 230 thousand hectares of land are under tobacco cultivation and most farms are family-run. Since the dissolution of the monopoly in 1986, Turkey has been importing Virginia and Burley leaf for blended cigarettes. Efforts are being made to change leaf cultivation to provide this leaf locally.



**Résumé: Augmentation de la récolte et des prix tabacoles en Turquie**

Le tabac constitue l'une des plus importantes sources de revenu de la Turquie et il est aussi une importante marchandise d'exportation. Avec, annuellement, une production tabacole moyenne de 200000 tonnes et des exportations se situant entre 80 et 90000 tonnes par an, la Turquie occupe la sixième place sur le marché tabacole mondial. La superficie plantée en tabac représente 230000 ha, la plupart des plantations étant des entreprises familiales.

**Resumen: La cosecha y los precios de tabaco en Turquía están subiendo**

En Turquía, el tabaco es una de las fuentes más importantes de ingreso y una mercancía de exportación muy importante. Con su promedio de exportaciones de tabaco de 200000 toneladas aproximadamente por año y exportaciones de 80000 a 90000 toneladas por año, Turquía ocupa el sexto rango en el mercado mundial de tabaco. El tabaco se está cultivando sobre una superficie de 230000 hectáreas; la mayoría de los cultivos son empresas familiares.

**Zusammenfassung: Tabakernte und -preise steigen in der Türkei**

Tabak ist eine der wichtigsten Einkommensquellen in der Türkei und eine bedeutende Exportware. Mit einer durchschnittlichen Tabakproduktion von jährlich 200000 Tonnen, Exporten zwischen 80 und 90000 Tonnen pro Jahr, rangiert die Türkei auf Platz sechs des Welttabakmarktes. Auf einer Fläche von 230000 ha wird Tabak angebaut, die meisten Plantagen sind Familienbetriebe.

**Riassunto: Aumento del raccolto e dei prezzi del tabacco in Turchia**

Nella Turchia il tabacco è una delle fonti d'introiti più importanti e un notevole prodotto d'esportazione. Con una produzione media di tabacco di 200000 tonnellate all'anno, di cui 80 - 90000 tonnellate destinate all'esportazione, la Turchia occupa il sesto posto nel mercato mondiale del tabacco. Il tabacco è coltivato su una superficie di 230000 ha; la maggior parte delle piantagioni sono gestite da aziende familiari.

**Samenvatting: Tabaksoogst en prijzen stijgen in Turkije**

Tabak is een van de grootste inkomstenbronnen in Turkije en een belangrijk exportprodukt. Met een gemiddelde jaarlijkse tabaksproduktie van 200000 ton en een export tussen de 80 en 90000 ton per jaar, staat Turkije zesde op de ranglijst van de wereldtabaksmarkt. De tabak wordt verbouwd op een oppervlakte van 230000 ha; de meeste plantages zijn familiebedrijven.


Leaf tobacco sales of Turkish tobacco take place between December and April. An imperfect pricing system prevails. Prices on the leaf tobacco market are determined by three mechanisms: these are the Tekel purchases for domestic production, support purchases to help the farmers maintain an adequate income, and Tekel and private sector purchases for exports.

Tobacco equals 2 per cent of all exports from Turkey. The US is the main customer for Turkish leaf and buys 55 per cent of the exported leaf. West Germany, Japan, France, the Netherlands, Poland, and Belgium follow.

For Turkey's only blended cigarette, Tekel 2000, Virginia and Burley leaf are imported from America. In 1989, 2500 tonnes were imported.

Average leaf stocks over the last 12 years were 335 million kg; according to Government sources, 90 million kg of these stocks were destroyed in 1989.

## Advisory and Managerial Committees

The Tobacco and Tobacco Monopoly Act of 1969 envisaged the foundation of active institutions to formulate and implement a *national tobacco policy*. With this act, the Interministerial Tobacco Committee, the National Tobacco Committee, and the Scientific Research Sub-committee were founded. Their funtions were to determine, tobacco policy and regulate it, and to co-ordinate work in the field. Between the years 1978 and 1985 the National Tobacco Committee held eight meetings.

The tobacco industry faces various problems in cultivation. Black Sea and Marmara tobacco varieties, such as Artvin, Edirne, Düzce, Hendek, and Izmit, which are needed for Turkish blends, are in short supply; eastern and south eastern tobaccos are of poor quality and impossible to export so are used in high quantities in blends.

To straighten out the tobacco industry, Turkey must reduce the quantity of leaf grown to and annual figure of between 170 and 180 thousand tonnes for ten years. This could help to reduce stocks and help improve the quality of the leaf grown.

Trial cultivation of Virginia and Burley leaf has been carried out but no significant progress has been made.

In 1990 the situation on the Turkish tobacco market is very confusing. While Tekel and the private sector were unhappy with sales conditions, the farmers were dissatisfied with the announced prices. The market opened two months later than planned and for the first time not in Izmir but in Ankara. Among the reasons for the delayed opening were *quality, premium, and* financing problems.

Sales of the 1989 Aegean crop opened with increased prices for all grades of leaf. The average rise in price was 54 per cent in comparison to prices

for the previous crop. The market for this leaf closed in the second half of March. The Aegean crop totalled 159 thousand tonnes in 1989, of this total the private sector bought 67 thousand tonnes.

## Development of Market Since 1986

In 1986, when the Turkish tobacco market was opened to foreign companies, the nuclear accident in Chernobyl reduced demand for Turkish leaf. In 1987, to meet foreign demand, the private sector offered higher prices than Tekel and began to purchase leaf earlier than usual. Hence, 1987 was a good marketing and export year. The high prices of 1987 led to increased leaf production in 1988 when the crop totalled 218 thousand tonnes. In 1989, because of the pricing policy, appreciation of the US$ was low, but inflation of the Turkish pound on the domestic market was very high. This led to a drop in export income.

By the end of 1989, tobacco stocks stood at 320 thousand tonnes. The previous year's high prices and the increase by 16 per cent in production to 253 thousand tonnes (the largest yield in ten years), the low quality of the leaf from the Aegean region, and the high costs for farmers caused the delay in the start of sales in 1990, as Tekel looked for a solution that would not require external financing. The private sector also stressed that if Tekel set prices too high, it would not purchase or export any leaf. Prices finally increased by between 5 and 44 per cent, reflecting Tekel's anticipation of US$ increases in export prices. The private sector then entered the market offering prices between 5 to 10 per cent higher than the Tekel average. ■

**Average Purchasing Prices Leaf production, Exports and Imports in Turkey**

| Crop Year | Monopoly Average TL | Merchant Average TL | Total Producer Number | Production in Tonnes | | Monopoly Exports 1000 Tonnes | Merchant Exports 1000 Tonnes | Imports Tonnes |
|---|---|---|---|---|---|---|---|---|
| | | | | Aegean | Total | | | |
| 1985 | 778 | 1318 | 374975 | 112839 | 170491 | 25.3 | 79.0 | 0 |
| 1986 | 1447 | 1593 | 362888 | 106706 | 158480 | 11.4 | 70.4 | 0 |
| 1987 | 2931 | 3667 | 394172 | 119577 | 184712 | 41.9 | 54.6 | 0 |
| 1988 | 4860 | 7330 | 469020 | 139053 | 218033 | 26.8 | 50.1 | 420 |
| 1989* | 7500 | 8500 | 557900 | 159000 | 253000 | 30.0 | 55.0 | 2500 |

*Estimated
Source: Aegean Tobacco Exporters' Association, Treasury and Foreign Trade Office, Tobacco Experts.

# Dear Reader,

Any Editorial team worth its salt sits down at regular intervals to take a critical look at its publication with regard to contents and appearance.

We at TJI have the best possible sources for the contents, in you, the reader. Your suggestions, your praise, and your criticisms are important parameters for TJI and are taken very seriously.

With all the expert advice from our readers we work at perfecting the contents of the journal. The energy involved in making TJI even more informative, in compliance with your wishes, requires total concentration. This channelling of activity in producing a specialist magazine that fulfils the needs of all its readers can lead to neglect as far as the improvement of appearance is concerned.

Looks are difficult ground at the best of times and when dealing with an international readership especially so. TJI is distributed world-wide and what is seen as a good lay-out in America may not necessarily find approval in China.

This almost impossible task of finding a solution acceptable to all was regarded here as a challenge and was taken up with great verve.

The issue before you is the result of our work.

The face-lift has matched appearance with contents. The structure of TJI is now more precise, the sections are clearly marked, and you will find your way around more easily. The articles have been made more reader-friendly and the general impression of the journal is fresher.

Test-readers confirmed all these points and much more in a small survey, and our graphic artist, Thomas Heid, saw this as proof of a job well done.

However, although it was vital to conduct a survey and hear what a selection of readers had to say, your opinion is just as valuable. We would like to know where you think we still have room for improvement and which subjects interest you most. You can tell us what should receive more attention and what less.

The editorial team, Barbara Horne, Janine Mörixbauer, Folker Kling, Hans-Georg Pöhl, and I, is always open to new ideas and constructive remarks.

Put pen to paper today and send us your words of praise or criticism.

Your

H.G. Koenen



**The TJI team** (from left to right) Ingrid Wehren, Barbara Horne-Hilgers, Folker Kling, Hans-Gerd Koenen, Hans-Georg Pöhl, Janine Mörixbauer.

**Our cover photo** is published courtesy of Helgard Keistler

# IN THE PIPELINE

## East Germany

An estimated 4 million people smoke in East Germany and demand for brands from the West is high. All the large manufacturers have already approached the VEB Kombinat Tabak in Dresden and BAT has announced its intention to enter a co-operation regarding tobacco technology and cigarette manufacture with the Kombinat.
**TJI 3/90**

## Italian Rumours

Rumours about a possible privatization of the Tobacco Monopoly in Italy have caused quite a stir in Italian tobacco circles and led to much speculation. The Italian Government justifies this possibility with the consideration that the entire Italian economy will be reorganized in readiness for the single internal market in 1993. Those directly affected reject the idea entirely. **3/90**

## Great Strides

Much has happened during the last 25 years in the tobacco industries of the three countries Malawi, Zambia, and Zimbabwe. Tremendous strides were made, particularly in the two Rhodesias during the Federal era, but since the dissolution of the Federation, each of the industries in the separate territories has developed in a different direction. This and many other aspects of the tobacco world in Southern Africa will be covered in a special supplement. **3/90**

## Tanzania

Tobacco production is small and stable in Tanzania, averaging 13 million kg annually. The Tanzanian Government is tackling its fuel problem by improving land tenure and private wood lots, and increasing tobacco curing efficiency. Tabora/Urambo is the main tobacco-growing area where 80 per cent of all leaf is grown. **3/90**

## Costs Controlled

In order to bring the continuous rise in the cost of production under control, the Eastern Company of Egypt has turned to cheaper leaf instead of buying expensive US tobaccos. It has also replaced many other imported items with locally-made products, thus saving foreign exchange. **3/90**

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TOBACCO JOURNAL
INTERNATIONAL

Printed in West Germany, published bimonthly
Mainzer Verlagsanstalt und Druckerei
Will und Rothe GmbH & Co. KG
Directors: Eckart Helfferich,
Karlheinz Röthemeier

**Editorial and Business Offices:**
Pressehaus, Große Bleiche 44—50,
P.O.B. 3120, D-6500 Mainz
Phone:..49/6131/144-0, Telex: 4187753 (azmz),
Telefax:..49/6131-144577

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Europe DM 120.00, Overseas $ 66.00 per year, post free. Single copy: DM 20.00 or $ 11.00 incl. postage. By airmail additional charge. Library serial no: ISSN 0039-8748. For advertising, please request price list No. 21.

**Bank account:**
Deutsche Bank, Mainz 0202994 (BLZ 55070040)

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# TOBACCO JOURNAL

INTERNATIONAL

MARCH/APRIL

2/1990

TJI

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