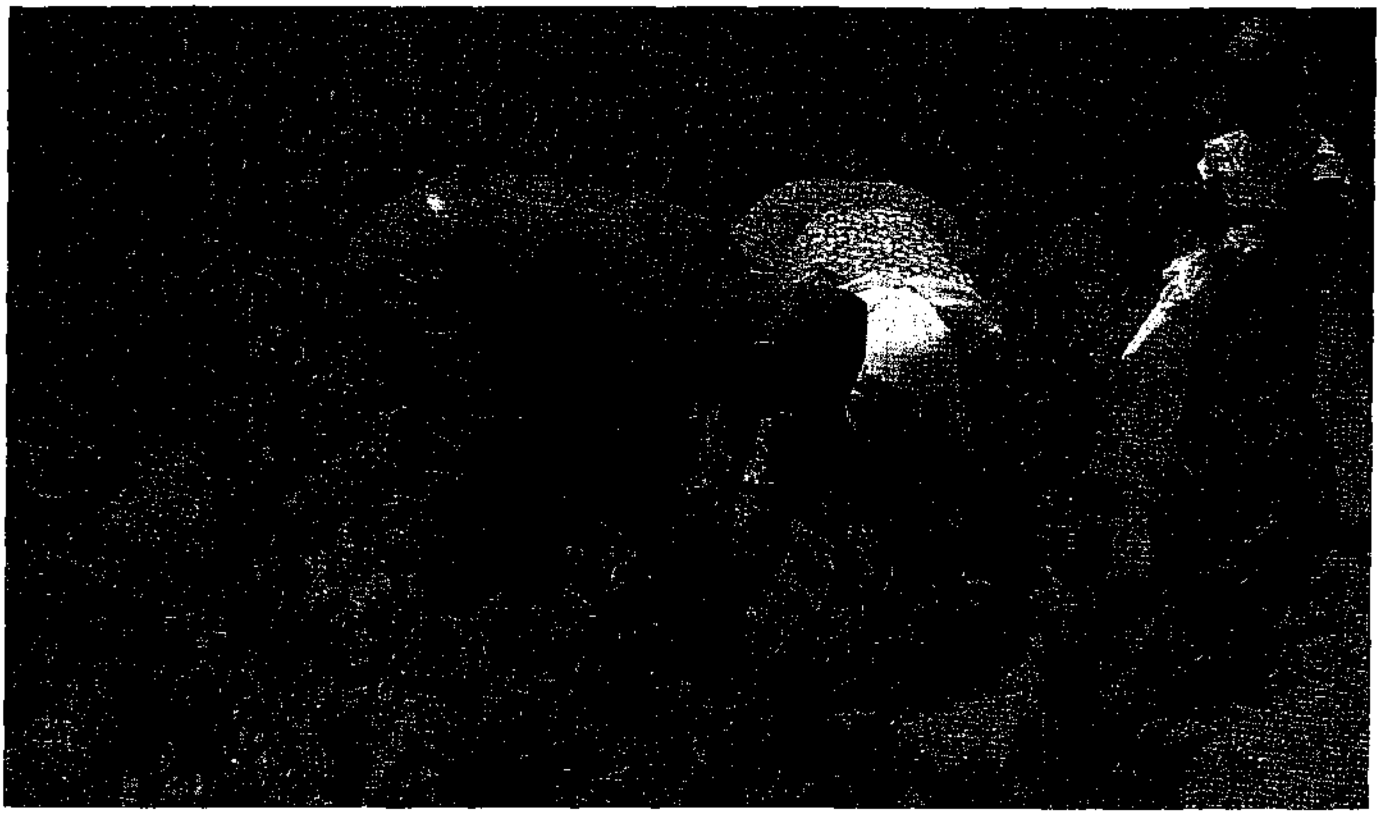

Is Turkish Leaf Production Heading for a Crisis?

by Halûk Tanriverdi

Tobacco production in Turkey continued to increase in 1989, ranking Turkey fifth in world production of tobacco and first in that of oriental tobacco. Further rises in production in 1990 are predicted. However, prices too are on the increase and production far exceeds domestic consumption. Exports, the prices of which are regulated by the government, while increasing in quantity and absolute values, are decreasing as a percentage of Turkish exports as a whole. The private sector, with a 68 per cent share in exports, wants to be able to speak authoritatively on this matter.

The tobacco crop in Turkey reached 253 million kg in 1989, constituting an increase in production of 37 per cent over the last 10 years. This increase has been especially marked in the last two years, and the increase on the previous year's production was 15 per cent. Thus, Turkey is ranked fifth in world tobacco production and first in that of oriental tobacco.

In the Aegean region the increase in the number of villages producing tobacco was 4 per cent (2 199), in the number of producers 30 per cent (349 942), in production area 14 per cent (163 306ha) and in production 14 per cent (158 122 tonnes). Production increased in the Izmir and Manisa subregions by 5 million kg each, in Denizli by 4 million kg, in Mugla by 3 million kg, in Balikesir by 2 million kg and in Aydin by 1.5 million kg, in comparison with the previous year. These increases were caused by the favourable climatic conditions due to late planting and maturing.

In the Marmara region, in compari-

Table 1 — Leaf Tobacco Production in Turkey

Crop Year	Producer	Per Cent Change	Area Hectares	Per Cent Change	Production	Per Cent Change
1984	405 561	− 3	188 752	− 18	177 529	− 24
1985	374 975	− 7	176 873	− 6	170 491	− 4
1986	362 888	− 3	169 920	− 4	158 480	− 7
1987	394 172	9	206 247	21	184 712	17
1988	465 796	18	237 068	15	219 063	19
1989	588 163	26	273 032	15	252 947	15
1990*	615 000	5	300 000	10	282 355	12

* Estimated
Source: Turkish Ministry of Finance and Customs, Tobacco Experts College.

son with the previous year, the increase in the number of villages producing tobacco was 5 per cent (570), in the number of producers 16 per cent (25 284), in area 20 per cent (10 907 ha) and in production 24 per cent (8 841 tonnes). The early planting and the summer rains had negative effects on the harvest and curing. The largest production increases occurred in the Bursa, Izmit and Bandirma sub-regions.

Excellent Growing Conditions

In the Karadeniz region, in comparison with the previous year, the increase in villages producing tobacco was 5 per cent (1 155), in producers 12 per cent (116 002), in area 8 per cent (46 348 ha), and in production 17 per cent (35 233 tonnes). Production increases were greatest in Samsun, Tokat and Trabzon sub-regions, and climatic and natural conditions favoured improvement in quality.

As for the Eastern and South Eastern regions, in comparison with the previous year the increase in villages producing tobacco was 9 per cent (1 240), in producers 37 per cent (96 935), in area 21 per cent (52 471 ha) and in production 21 per cent (50 751 tonnes). These increases can be attributed to the balance set up between alternative agricultural products (e.g. cotton, lentils) and tobacco. The highest increases in the region were in the Batman, Adiyaman, and Adana sub-regions. The quality was better than in the previous year.

In Turkey as a whole, productivity was on average 926 kg/ha, production per hectare having increased in the Aegean and Eastern and South Eastern

Table 2 — Tobacco Production by Varieties (Tonnes)

Varieties	Crop Years 1988	1989	1990*
Oriental Tobaccos			
Aegean Region	139 836	158 122	172 000
Marmara Region	6 977	8 614	8 000
Karadeniz Region	30 155	35 207	42 000
Eastern Region	5 311	4 520	6 000
South Eastern Region	34 863	44 289	52 000
Oriental Total	217 142	250 752	280 000
Foreign Tobaccos			
Virginia	1 495	1 704	1 800
Burley	113	116	130
Tombak	231	292	350
Hasankeyf	56	57	50
Cigar	26	26	25
Foreign Total	1 921	2 195	2 355
Grand Total	**219 063**	**252 947**	**282 355**

* Estimated
Source: Turkish Ministry of Finance and Customs, Tobacco Experts College.

La production turque de tabac brut menacée d'une crise?

En 1989, la production turque de tabac brut a continué de progresser. En tant que producteur de tabac, la Turquie se range, au niveau mondial, à la cinquième place et en tant que producteur de tabac d'Orient, à la première. On prévoit encore une augmentation de la production pour 1990. Mais les prix sont aussi en train de monter et la production excède les besoins domestiques. Tandis que les exportations de tabac augmentent quantitativement, leur part par rapport à l'ensemble des exportations turques est en baisse.

¿La producción turca de tabaco en rama en la crisis?

En 1989, la producción turca de tabaco en rama ha seguido creciendo. Como productor de tabaco el país mundialmente ocupa el quinto rango y como productor de tabaco de Oriente el rango uno. Para 1990 se espera otro crecimiento de la producción. Los precios, sin embargo, también están subiendo y la producción supera la demanda doméstica. Mientras las exportaciones de tabaco están subiendo, está bajando su proporción en comparación con el total de las exportaciones turcas.

Türkische Rohtabakproduktion vor einer Krise?

Die türkische Rohtabakproduktion hat 1989 weiter zugenommen. Als Tabakproduzent nimmt das Land weltweit den fünften Platz ein, als Hersteller von Orienttabak Platz eins. Ein weiterer Produktionsanstieg wird für 1990 vorausgesagt. Allerdings sind die Preise ebenfalls im Steigen begriffen und die Produktion überschreitet den heimischen Bedarf. Während die Tabakexporte mengenmäßig zunehmen, geht ihr Anteil, gemessen am türkischen Gesamtexport, zurück.

Crisi in vista nella produzione di tabacco greggio turco?

Nel 1989 la produzione di tabacco greggio turco è ulteriormente aumentata. Come produttore di tabacco la Turchia occupa, su scala mondiale, il quinto posto, e come produttore di tabacco orientale il primo posto. Per il 1990 si prevede un ulteriore aumento della produzione. Tuttavia, salgono anche i prezzi e la produzione supera il fabbisogno indigeno. Mentre le esportazioni di tabacco aumentano, la loro quota parte cala rispetto alle esportazioni globali del Paese.

Turkse tabaksproduktie voor een crisis?

De Turkse tabaksproduktie is in 1989 verder gestegen. Op de wereldranglijst staat Turkije als producent van tabak op de vijfde, als producent van orienttabak op de eerste plaats. Voor 1990 voorspelt men een verdere stijging van de produktie. Ook de prijzen stijgen en de produktie gaat de inlandse behoefte te boven. Terwijl de tabaksexport kwantitatief toeneemt, loopt haar aandeel, gemeten naar de totale Turkse export, terug.

Table 3a

Purchased Quantities from Producer and Average Price 1988 and 1989

Crop Year	Aegean	Marmara	Karadeniz	Eastern and South Eastern	Total
1988					
Quantity (Tonnes)					
Total	138 718	6 906	29 351	39 442	214 417
Tekel	37 345	6 200	22 717	39 435	105 697
Merchant	101 373	706	6 634	7	108 720
Av. Price TL					
General	6 678	5 028	5 749	4 173	6 037
Tekel	4 865	4 972	5 334	4 173	4 714
Merchant	7 346	5 517	7 171	4 345	7 323
1989*					
Quantity (Tonnes)					
Total	158 122	8 841	35 233	50 751	252 947
Tekel	88 322	8 059	28 433	50 751	175 565
Merchant	69 800	782	6 800	—	77 382
Av. Price TL					
General	8 142	6 972	9 000	6 361	7 863
Tekel	7 657	6 923	8 768	—	7 429
Merchant	8 756	7 475	9 975	6 361	8 850

* Estimated

Source: Turkish Ministry of Finance and Customs.

Is Turkish Leaf...

regions, while it decreased elsewhere. Average area per producer was 5 089 square metres and average crop per producer was 430 kg. These two statistics decreased in the Aegean and the Eastern and South Eastern regions, while in others it increased.

As far as the 1990 crop year is concerned, the yield is the third biggest (282 million kg), after the crop years of 1976 and 1978 (324 and 293 million kg respectively). Forecasts for the production of the Aegean region exceed 170 million kg, which would be the second biggest crop ever for the region concerned after 1976 (201 million kg). The total tobacco production for the Eastern and South Eastern regions is predicted to be nearly 60 million kg, which will be the biggest crop ever for the area. According to an official source, the forecast for Eastern tobaccos is 6 million kg and for the South East 52 million kg. While the predictions for Marmara tobaccos remain unchanged (8 million kg), tobacco production of the Karadeniz region is estimated to reach at least 42 million kg.

In the 1989 crop year, tobacco markets were opened one or two months later than in the last five years. Declared prices for the regions increased by 46 to 48 per cent in American Grade (AG), 37 to 48 per cent in B Grade (BG) and 33 to 36 per cent in Kappa (KP) with respect to last year's prices.

The percentage of merchant purchases of the total in the 1986 crop year was only 26 per cent, due to the effect of the Chernobyl nuclear accident. However, in the 1988 crop year, the figure reached 50 per cent, falling again in 1989 to 30 per cent. In 1988, the private sector purchased the biggest amount in history (108.7 million kg), but this dropped to only 77.4 million kg in the 1989 crop year. As for Tekel, it purchased 105.7 million kg of the 1988 crop and 175.6 million kg in the 1989 crop year.

In the 1987 crop year prices which were paid to the producers increased by 119 per cent (Tekel by 101 per cent and merchant by 130 per cent) in comparison with the previous year. They were the biggest price rises ever in Turkey's tobacco history. The second biggest price increases occured in the 1988 crop year (in general by 85 per cent), when the average price of Tekel increased by 62 per cent and that of the merchants by 97 per cent in comparison with 1987. In the 1989 crop year, the increases of average price were in general around 30 per cent, with those of Tekel being 58 per cent and of the private sector 21 per cent.

In the 1988 crop year Tekel's supporting purchase was 41 per cent of Tekel tobaccos, and it paid 498 billion TL to the producers, while the payments of

Leaf production far exceeds domestic consumption. *Photo: Tekel*

the private sector reached 796 billion TL. In the 1989 crop year, Tekel's supporting purchase of Tekel tobaccos was also 41 per cent, and it paid 1 304 billion TL, while the payments of the private sector reached 685 billion TL.

However, as of 1 January 1990, tobacco stocks (320 million kg) had decreased by 4 per cent with respect to the previous year. Tekel then held 85 per cent of the total, and, as of 30 June 1990, it held 95 per cent of the total tobacco stocks of 237 million kg.

The prices on the domestic market increased to nearly ten times those five years ago. These high prices, declared

Table 3

Declared Purchasing Prices (TL)

Region	1988 Crop Year			1989 Crop Year		
	AG	BG	KP	AG	BG	KP
Aegean	7 500	4 200	1 100	11 000	5 800	1 500
Marmara	7 850	4 500	1 200	11 500	6 200	1 600
Karadeniz	7 850	4 500	1 200	11 500	6 200	1 600
Eastern	7 550	4 000	1 100	11 100	5 900	1 500
South Eastern	7 300	3 950	1 050	10 800	5 450	1 400

Source: Turkish Ministry of Finance and Customs

Table 4 The Leaf Export of Turkey and Average Export Price									
Year	Tekel			Private Sector			Total		
	Quantity Tonnes	Value (000) $	Average Prices $/kg	Quantity Tonnes	Value (000) $	Average Prices $/kg	Quantity Tonnes	Value (000) $	Average Prices $/kg
1980	39 027	91 912	2.36	54 069	189 931	3.51	93 096	281 843	3.03
1981	80 412	208 798	2.60	49 041	173 587	3.54	129 453	382 385	2.95
1982	22 088	52 935	2.40	73 532	278 478	3.79	95 620	331 413	3.47
1983	15 466	36 788	2.38	54 037	199 391	3.69	69 503	236 179	3.40
1984	29 051	84 267	2.90	52 059	167 234	3.21	81 110	251 501	3.10
1985	25 301	67 385	2.66	79 056	269 937	3.41	104 357	337 322	3.23
1986	11 424	30 636	2.68	70 460	246 956	3.50	81 884	277 592	3.39
1987	41 943	107 013	2.55	54 666	169 406	3.10	96 609	276 419	2.86
1988	26 834	63 327	2.36	50 106	192 390	3.84	76 940	255 717	3.32
1989	20 080	60 260	3.00	96 539	420 299	4.35	116 619	480 559	4.12

Source: Turkish Ministry of Finance and Customs

by the government and affected by social and political situations, encouraged over-production. As a result, since no balance has been set up among the alternative agricultural crops, tobacco production has been increasing over the capacity of domestic consumption, so export possibilities are growing.

Exports of Leaf Increasing

In the 1989 crop year, the producer markets opened with uncompetitive rates, so Tekel and the private sector entered the market late. Tekel had financial difficulties with the supporting duty. It was also obliged to repay loans from banks (600 billion TL) and so had increased the prices of its tobacco products.

The high rate of inflation prevented the reflection of the rate of foreign exchange. The high rate of credit interest, insurance premiums and storage expenditure were the problems of the private sector. Tekel, while purchasing tobacco for its own consumption and export needs, was faced with difficulties due to the social function of its supporting mechanism.

Quantity and absolute values of tobacco exports have been increasing, but the percentage of tobacco of the total Turkish export market (2 to 4 per cent) has still decreased. The policy of minimum export prices has caused a decrease in foreign exchange incomes, and stocks have increased. Inharmonious export prices, which encouraged inflation, caused a financial deficit. As for high level export prices, when the premium amount increased and the producers had been supported, tobacco production increased continuously. However, increased production caused a decrease in the quality of the crop and the elasticity of foreign demand. The origin of these problems was the export price, which is based on the increasing domestic prices and not on world prices or according to the principles of a free rate of exchange. The private sector, representing 68 per cent of the total exports of tobacco and exporting on average at a price of 1 dollar more than that of Tekel, wanted to be able to speak authoritatively on tobacco exports.

As for the quality grades of export tobaccos, while the private sector exported 72 per cent of AG, 16 per cent of BG, 9 per cent of KP and 3 per cent of Kappa Kappa (KP KP) in 1989, Tekel exported 16 per cent of AG, 51 per cent of BG, 31 per cent of KP and 2 per cent of KP KP. And 54 per cent of tobaccos were exported to Dollar countries (the USA), 29 per cent to EC countries, 16 per cent to Free Foreign Exchange Trade Agreement coutries and 1 per cent to Bilateral-Agreement countries.

On the other hand, of all the leaf tobacco exported by Tekel, 32 per cent was from the 1988 crop, 33 per cent from the 1987 crop, 7 per cent from the 1986 crop, 7 per cent from the 1985 crop, 17 per cent from the 1983 crop and the remaining quantities from other crop years. The total Turkish tobacco exports of the first five months of 1990 were 37 277 tonnes. Of this quantity 2 214 tonnes were from Tekel and 35 063 tonnes from the private sector. ■

Table 5 Destinations of Turkish Tobacco Exports in 1989		
Countries	Quantity Tonnes	Value (000) $
USA	63 113	275 683
Federal Republic of Germany	14 681	55 787
Japan	8 414	34 061
Netherlands	7 596	30 371
Spain	3 223	13 750
Switzerland	3 079	12 999
Italy	2 314	7 724
France	2 112	5 011
South Korea	1 600	5 570
Belgium	1 358	4 226
Denmark	1 285	6 552
Indonesia	1 200	2 590
Austria	761	3 154
Other	5 883	23 072
Total	**116 619**	**480 559**

Source: Turkish Ministry of Finance and Customs.

EDITORIAL

For travellers in the US it unfortunately now goes without saying that domestic flights are strictly no-smoking journeys.

The government passed legislation to this end. The first decree, that only applied to flights of up to two hours, was then extended to six-hour journeys. This, after various airlines changed flight times from just under to just over two hours in the new timetables because they feared that smokers would turn to alternative means of travel.

Competition livens up business, which is of benefit to the consumer, and competition for passengers is especially fierce among US airlines. A multitude of carriers vie for passenger favours, so an isolated decision from any one airline to ban smoking on board would have been sorely felt in loss of business.

The rivalry is not quite so fierce in the EC because the circumstances differ fundamentally from those in the US. Most flights last between 60 and 120 minutes within EC countries, the prices are higher and competition on ones own soil is practically non-existent.

Besides, the German government, for example, would not dream of passing legislation to ban smoking on board. Officially, therefore, smoking was permitted on German domestic flights.

However, since October, things have changed at the internationally-respected airline, Lufthansa. Starting with the new flight plan, smoking is prohibited on all domestic Lufthansa flights — not because the government of Chancellor Kohl has passed a law, but because Lufthansa decided that this was a far-sighted move to make.

On the surface, the health of flight passengers appears to be of prime importance to Lufthansa. And the health of its guests is indeed jeopardized on the long flights — the longest from Hamburg to Munich takes 70 minutes. Lufthansa has even justified this move with the support of a traveller survey. The fact that the results of the survey are being kept under lock and key — even the press has been rebuffed — strengthens the suspicion amongst insiders that the smoking ban is based purely on financial considerations.

As Lufthansa offers three classes on domestic flights, i.e. first, business and tourist, it is simpler and cheaper to introduce a one-class, no-smoking society. With the elimination of no-smoking/smoking seat reservation Lufthansa saves time and money.

The carrier's only consideration appears to be of a financial nature. Why else does the smoking ban only apply to domestic flights, where Lufthansa has no competition? Foreign carriers are not permitted to take on passengers within Germany for domestic flights so it is easy to forbid smoking when you have no rivals.

On the international front, Lufthansa is following a different line. Smoking is permitted on all international flights. But of course, here the smoker has a choice of carrier.

The management seems to have been rather rash in its decision-making. Why should a smoker fly with the German carrier on international journeys when he is not allowed to smoke on domestic flights because of an independent company decision?

It is not surprising that Germany's first smoker lobby has told smokers to boycott Lufthansa where possible; as one has to fly with them in Germany for lack of competition one can at least use other carriers on international flights. If smokers around the world were to follow suit, Lufthansa's decision could soon be filed under the heading of "managerial blunders".

Cover photo: Süleyman Iskender

IN THE PIPELINE

Review of Vienna

TJI is planning to publish a fully-illustrated review of new equipment and supplies shown at the World Tobacco Exhibition in Vienna. Do not hesitate to visit us on stand 130 F if you are at the show. **6/90**

Statistics

World-wide statistics on cigarette production in 1989 are available, at last. They are now being prepared for publication. **6/90**

Guatemala

Guatemala is the most populated country in Central America with 9 million inhabitants. The economy has been relatively stable over the past five years and agriculture is the country's leading industry, accounting for nearly 25 per cent of the gross domestic product. Tobacco is one of the leading agricultural exports. In 1989 leaf exports totalled 6761 tonnes, an increase of almost 46 per cent over 1988. Burley leaf accounts for around 84 per cent of Guatemala's entire leaf production and flue-cured, light air-cured, and oriental leaf account for the remainder of the tobacco crop. Cigarette manufacture reached two billion pieces in 1989, with filter-tipped brands accounting for 97 per cent of production. **6/90**

Romania

Cigarette production in Romania remained stable at 31.4 billion pieces in 1989. The production high of 36 billion pieces during the 1980s is not likely to be attained in the foreseeable future. **6/90**

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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,
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Phone:..49/6131/144-0, Telex: 4187753 (azmz),
Telefax:..49/6131-14415

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Subscription rates:
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

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5/1990

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