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Turkey

Food Processing Ingredients

Turkey's Advanced Food Sector Provides Opportunities in Spite of Economic Downturn

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Report Highlights:
Turkey's food sector is diverse and growing, although an economic downturn is affecting businesses across all sectors starting in the latter half of 2018. U.S. processed food and food processing ingredients face strong competition from local suppliers and from European countries benefitting from proximity to the market and a customs union. While import regulations can be complex, there are opportunities for innovative ingredients and additives, including aromas and flavorings. Particularly among the young and growing middle class, consumers in Turkey have an increasing taste for international flavors.

Executive Summary

The Republic of Turkey has a young population of 82 million people fueling consumption. It is in a Customs

MARKET FACT SHEET: TURKEY

Union with the EU and is the 17th largest economy in the world. Annual average GDP growth of 3.6 percent is forecast for 2019-2023. There has been a slight decrease (in USD terms), in processed food imports to Turkey from 2017 to 2018. In general, there are opportunities for U.S. food exporters and they should utilize importers in Turkey to penetrate the market.

Food Processing Industry

There are 47,617 food processing and 595 beverage producing enterprises in Turkey as of 2017, according to the latest statistics published by TurkStat. Turkey has a modern and developed food processing industry supplying the domestic population and exporting, which represents 16 percent of all manufacturing activities. As of the end of 2018, there were 611 foreign direct investments in food and beverage production: 101 of these were German, 44 Dutch, 33 French, 31 from the United States, 30 from Italy, 26 from Russia, 26 from Iran and 25 Swiss.

FOOD PROCESSING INDUSTRY in TURKEY	2017
Processing and Preserving of Fruit and Vegetables	17.9%
Bakery and Farinaceous Products	11.9%
Processing, Preserving, Production of Meat and Meat Products	11.8%
Dairy Products	11.0%
Flour, Starches and Starch Products	10.2%
Vegetable Oils and Fats	9.8%
Cocoa, Chocolate and Sugar Confectionery	5.8%
Beverages	5.1%
Prepared Animal Feeds	5.0%
Manufacture of Sugar	3.9%
Processing of Tea and Coffee	3.4%
Other Food Products	2.9%
Processing and Preserving of Sea Food	1.4%

Food Retail Industry

Grocery sales were USD 68 billion in 2018, and the inflation/seasonally adjusted Real Retail Sales Index has been increasing between 2012 and 2016, although it registered a small decrease in 2017. Despite the recent political and economic challenges, due to a young and urban population and a growing middle class, the food retail industry is on the rise. Several foreign players in grocery retailing have left, but the domestic industry, especially organized and modern retailers in the hard discount segment are expanding with fast-paced investments.

Imports of Consumer-Oriented Agricultural Products

EU countries are the major suppliers of consumer-oriented agricultural products, with the advantage of proximity and the Customs Union. Turkey imports some consumer-oriented products such as rice, dried beans, walnuts, almonds, bananas, coffee, cocoa, meat, fish and different kinds of processed/packaged food items.

Quick Facts on Turkey's Food Sector

Imports of Processed Foods, 2018
USD 3.1 billion

List of Top 10 Growth Products in Turkey (Imported Processed Food Ingredients) 2016-2018

1. Roasted Chicory
2. Clams, Cockles, Arkshells
3. Crab
4. Octopus
5. Shrimp/Prawns
6. Flours/Meals of Soybean
7. Palmoil, crude
8. Buttermilk/Kephir
9. Nutmeg
10. Green tea, not fermented

Top 10 Imported Food Processing Ingredients to Turkey (from all origins) 2018

1. Food Preparations nesoi
2. Palm Oil, refined
3. Sunflower Seed/Safflower Oil
4. Food Preparations for Infants
5. Coffee Extracts, Essences etc.
6. Fish Fats & Oils
7. Palm Kernel/Babassu Oil
8. Cocoa Butter/Fat/Oil
9. Cocoa Paste, not defatted
10. Cocoa Powder, not sweetened

Top 10 Retailers (by Market Share in 2018)

1. Bim
2. A 101
3. Migros
4. Şok
5. CarrefourSA
6. Kipa (a Migros Brand)
7. Ekomini
8. Hakmar
9. Onur
10. Yunus

GDP/Population
Population: 81.9 million (TurkStat, Year-end 2018)
GDP, PPP: USD 2,186 billion (CIA Factbook, 2017)
GDP Per Capita, PPP: USD 27,000 (CIA Factbook, 2017)

Sources: CIA World Fact Book; Euromonitor International (EMI); Turkish Statistical Institute (TurkStat); Global Trade Atlas (GTA)

Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
Long term GDP and disposable income growth, despite the downturn in 2018	Domestic and international political challenges
Large population base: young and growing	Economic instabilities such as exchange rate fluctuations and increasing inflation
Opportunities	**Threats**
Unsaturated market, open for new items	Complex and time-consuming import procedures
Growing demand for high value packed food; ready to-eat/cook meals as the share of working women increases	Strong traditional food and cuisine affecting consumption habits

Sources: CIA World Fact Book; Euromonitor International (EMI); Turkish Statistical Institute (TurkStat), Economist Intelligence Unit (EIU), Global Trade Atlas (GTA)

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I. MARKET SUMMARY

The average real Gross Domestic Product (GDP) growth between 2014 and 2018 was about 5 percent and annual average projected GDP growth is 3.6 percent according to Economist Intelligence Unit (EIU) between 2019 and 2023. Despite this growth, Turkey's macroeconomic outlook is facing challenges. There has been a 3.0 percent shrinkage in the economy in the last quarter of 2018, resulting in an overall growth rate for 2018 of 2.6 percent. The New York Times announced that there is a recession in Turkey, since there have been two consecutive quarters of contraction in the economy in terms of seasonality adjusted figures. A continued slowdown in the economy is expected for 2019, with various institutions forecasting between -1.1 percent and 1.1 percent annual real growth rates for GDP in Turkey.

Inflation measured by consumer price index (CPI) in Turkey rose to 20.3 percent by the end of December 2018. Food and beverage prices increased 25.11 percent in 2018 and are considered as one of the main drivers of the overall inflation[1] by the government. Many companies declared "concordat"[2] in 2018 in Turkey to restructure their debt, and the trend continues in 2019. In mid-March 2019, the European Parliament (EP) officially recommended freezing EU membership negotiations with Turkey and not to update the customs union agreement unless there is an improvement in democracy and human rights issues. If EU leaders act on this recommendation, it is likely to affect the Turkish economy adversely[3]. Please see our Exporter Guide for more on macro-economic issues and the concordat trend among Turkish companies, including food processors.

Turkey remains a net exporter in the processed foods industry both to the world and the United States in 2018, as they have been for the past five years. The international trade surplus is slowly but persistently increasing in Turkey's favor in USD terms for this particular industry, whereas there is a trade deficit overall. The country has a developed food processing industry with good quality products and the pricing is competitive compared to Europe and the United States. Turkey is home to a rich base of agricultural production and is able to supply labor with relatively competitive prices to the industry.

Table 1: Advantages & Challenges facing U.S. Food Processing Ingredients in Turkey

ADVANTAGES	CHALLENGES
A large and developed food processing industry is requiring a wide range of ingredients and is open to innovative ones, like additives and processing aids.	Importing can be complex: There is lack of transparency in rules and regulations, time consuming import procedures, and a zero tolerance for genetically engineered products or ingredients for food use in Turkey.
Strong and steady retail market and GDP growth, as well as more dual income households, drives new demand for processed, frozen, prepared food and ingredients.	Artisan domestic products such as bakery and cheese utilize domestic ingredients and have strong existing relationships with ingredient suppliers.
For U.S. companies already exporting to Europe, expansion to Turkey can be easier as many regulations are similar to those of the EU.	The depreciation of the TL means that imported food ingredients for use in the domestic market are more expensive than domestic ones, and many EU products benefit from the Customs Union and proximity.
There is positive perception among the food processing industry for innovative new food processing ingredients from the United States.	There is misinformation among higher end consumers and bad publicity in the media about processed food ingredients and additives.

Source: Market observations of FAS Istanbul Office.

Based on Post analysis of the market, it is expected that demand for imported higher-value processed food products will increase in the coming years, especially in Turkey's urban western centers where consumers are relatively wealthier. With a growing young middle class who travels more than their parents, taste for international flavors will increase. Turkey's geographical position facilitates food imports and exports as well.

[1] Source: Turkish Statistical Institute (TurkStat). Inflation by Producer Price Index was 33.64 percent by the end of 2018.
[2] Concordat is basically an official permission given to a company, by court order, to restructure its debt.
[3] This is a non-binding resolution approved on March 13th, 2019 by EP & directed this advice to EU governments and the European Commission, the bloc's executive arm, which together run the accession process with the Turkish government.

Despite the political and economic difficulties, including depreciation of the Turkish Lira (TL), packaged food continued to register volume and current value growth (in TL terms) in 2018 compared to 2017 but it is still below the volume and sales value seen in 2013 in USD terms. More contractions in volume and USD sales are expected in the short term due to the deteriorating macro-economic environment.

Mainly due to fast expansion of discounters and hard-discounters, modern market chains are becoming so widely available in close proximity to consumers that now a big portion of urban consumers are reaching packaged goods very easily and have become less likely to visit small shops to purchase artisanal foods.

"Functional/fortified" packaged goods are gaining ground in the market due to increased health consciousness of mainly urban middle, upper middle, and higher class consumers. Stronger growth in real terms is expected when compared with regular packaged food. Media has focused on harmful effects of sugar and saturated fats in recent years and obesity and diabetes are a growing problem in Turkey. In addition, urbanised, better educated parents with more disposable income give high importance to the nutritional content of the food they give to their children. This is creating an increasing demand for functional/fortified baby and children's food. Overall demand for "better for you" packaged food is also an increasing trend. Urban professionals are more concerned with appearance, therefore low-fat, low-carbon and low-sugar, "better for you", packaged food is getting more popular. Low-fat milk and yogurt are early examples of this kind of food; baked potato chips instead of fried is getting more popular even though they are more expensive. "Naturally healthy" packaged food such as nuts, seeds and dried fruits, high fiber bread (instead of white regular bread), sourdough bread, kefir for probiotics, high probiotic yogurts, cold press olive oil also continue to gain market share and observe real sales growth. Low-salt options are also common. Newly-developed products and innovative ideas are expected to continue coming into the market prompting more sales in all of these three categories, i.e. "functional/fortified", "better for you" and "naturally healthy" packaged food.

There are 47,617 food processing and 595 beverage producing enterprises in Turkey as of 2017, according to the latest statistics published by TurkStat. Calculated on the basis of sales values, the food production industry constitutes 14.25 percent of all production industries as of 2017, and beverage manufacturing industry is 0.70 percent of all manufacturing industries in Turkey. This makes food and beverage production the second largest manufacturing industry in Turkey after motor vehicles.

The number of companies in food production has slowly and steadily been increasing over the past five years except in 2015. Also, revenue of these companies has been steadily increasing between 2013 and 2017 in terms of TL but foreign exchange rate shocks caused the sales numbers in USD terms to deteriorate in 2015 and 2017.

Table 2: Number of Enterprises and Turnover Values of Food Manufacturing Industry in Turkey

	Number of Enterprices					Turnover in Millons of USD*				
FOOD MANUFACTURING INDUSTRY in TURKEY	**2013**	**2014**	**2015**	**2016**	**2017**	**2013**	**2014**	**2015**	**2016**	**2017**
Manufacture of Food Products	**41,907**	**44,977**	**43,733**	**45,567**	**47,617**	**73,233**	**76,231**	**67,963**	**67,715**	**66,256**
Processing and preserving of meat and production of meat products	952	1,107	1,203	1,268	1,259	8,646	8,785	7,696	8,056	8,639
Processing and preserving of meat	349	325	360	378	383	2,279	2,283	2,272	2,815	**
Processing and preserving of poultry meat	83	83	79	87	89	5,139	5,159	4,192	4,079	4,306
Production of meat and poultry meat products	520	699	764	803	787	1,228	1,343	1,233	1,162	**
Processing and preserving of fish, crustaceans and molluscs	169	181	190	225	245	913	1,026	1,002	1,114	1,060
Processing and preserving of fruit and vegetables	2,168	2,263	2,345	2,456	2,547	11,294	12,971	11,968	11,301	10,865
Processing and preserving of potatoes	40	39	33	63	73	203	275	262	266	284
Manufacture of fruit and vegetable juice	192	193	198	219	228	1,192	1,220	1,059	1,022	1,115
Other processing and preserving of fruit and vegetables	1,936	2,031	2,114	2,174	2,246	9,899	11,477	10,647	10,012	9,466
Manufacture of Vegetable Oils and Fats	1,185	1,161	1,192	1,243	1,305	8,542	8,257	6,809	6,723	6,374
Manufacture of oils and fats	1,177	1,152	1,185	1,236	1,298	7,628	**	**	**	**
Manufacture of margarine and similar edible fats	8	9	7	7	7	914	**	**	**	**
Manufature of Dairy products	1,957	2,038	2,066	2,156	2,248	9,949	10,346	9,205	9,079	8,613
Operation of dairies and cheese making	1,608	1,647	1,649	1,730	1,769	**	**	**	**	**
Manufacture of ice cream	349	391	417	426	479	**	**	**	**	**
Manufature of Grain Mill Products, Starches and Starch Products	3,535	3,313	3,469	3,386	3,319	8,576	8,885	8,152	7,958	7,690
Manufacture of grain mill products	3,510	3,286	3,443	3,353	3,291	7,802	8,096	7,447	7,265	6,866
Manufacture of starches and starch products	25	27	26	33	28	774	789	704	693	824
Manufacture of Bakery and Farinaceous Products	28,654	31,391	29,899	31,120	32,740	9,319	9,527	8,459	8,529	8,229
Manufacture of bread; manufacture of fresh pastry goods and cakes	25,442	27,350	25,659	26,659	28,026	4,888	4,921	4,356	4,413	4,119
Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes	3,120	3,951	4,160	4,360	4,589	3,099	3,206	2,930	2,795	2,748
Manufacture of macaroni, noodles, couscous and similar farinaceous products	92	90	80	101	125	1,332	1,400	1,173	1,321	1,362
Manufature of Other Food Products	2,555	2,769	2,835	3,149	3,363	11,315	11,930	10,685	10,834	10,424
Manufacture of sugar	12	10	10	10	10	2,835	2,965	2,603	2,490	2,286
Manufacture of cocoa, chocolate and sugar confectionery	1,253	1,276	1,317	1,343	1,413	4,073	4,249	3,777	3,766	3,569
Processing of tea and coffee	297	343	349	389	438	2,259	2,490	2,260	2,363	2,314
Manufacture of condiments and seasonings	427	471	401	429	434	827	889	812	876	880
Manufacture of prepared meals and dishes	292	337	382	480	497	**	281	276	**	391
Manufacture of homogenised food preparations and dietetic food	32	30	36	45	56	**	58	44	**	41
Manufacture of other food products n.e.c.	242	302	340	453	515	998	998	914	979	943
Manufacture of Prepared Animal Feeds	732	754	534	564	591	4,679	4,504	3,988	4,122	4,362
Manufacture of prepared feeds for farm animals	708	723	503	524	543	4,615	4,430	3,916	4,049	4,280
Manufacture of prepared pet foods	24	31	31	40	48	63	75	72	73	82
Manufacture of Beverages	**581**	**564**	**557**	**560**	**595**	**3,794**	**3,812**	**3,410**	**3,293**	**3,262**
Distilling, rectifying and blending of spirits	12	12	11	14	17	**	**	**	**	**
Manufacture of wine from grape	163	163	162	158	162	144	153	134	108	129
Manufacture of beer	4	5	5	7	9	**	**	**	**	**
Manufacture of soft drinks; production of mineral waters and other bottled waters	402	384	379	381	407	**	**	**	**	**
TRL/USD*						**1.904**	**2.187**	**2.725**	**3.02**	**3.648**

Table 2 Sources: Turkish Statistical Institute, 2017 is latest available year as of March 2019. Orange and Yellow lines are aggregates. All the statistics in the table are revised by TurkStat retroactively in 2018 will not match with our previous report.

***** The values are exchanged from current TL values to USD by using the average FX rate for that year, rates are indicated on the last line of the table for each year.

****** The specific values are not revealed (but included in aggregates) by TurkStat to protect the confidentiality of companies if there are too few companies in the given industry or if a few large players are dominating the industry even if the number of companies are not too few.

Despite Turkey's strong agricultural production base, when it comes to food additives, such as coloring additives and artificial sweeteners, Turkish companies import these products. They are then sold as mixes under a Turkish brand or with the original brands. There is one prominent Turkish company that is producing aromas, natural-identical flavors, called Aromsa. Most of the aromas/flavorings used in the industry are imported. When it comes to yeasts for the bakery sector, there are three large companies in Turkey producing these. The one with the largest market-share is Turkish-owned, called Pakmaya, the other two are European-origin foreign direct investments in Turkey. All three are also exporting to other countries. Regarding enzymes as food processing aids, most are imported from various countries and there is a bit of local production. In gelatin, there is demand for Halal products as Turkey is a Muslim country and pork products are common in gelatin production globally. There are some Halal gelatin producers in Turkey that use only beef products to meet the demand. When it comes to vitamins and minerals as food ingredients, most are imported, though there is some local production, such as calcium carbonate. Additives are generally imported from developed countries. Europe and the United States are the main sources, with Netherlands and Germany being the two most important countries that sell these to Turkey.

II. ROAD MAP FOR MARKET ENTRY

a. ENTRY STRATEGY

After conducting market research determining that there is a potential market in Turkey for the food ingredient that you are dealing with, it is important to develop a good strategy for market entry. Turkey straddles southern European and Middle Eastern cultures, and relationships are very important for business. This makes already existing relations and connections in the country especially important. Finding a local agent is a safe approach for entry into the market, especially for medium and small enterprises that would like to start exporting to Turkey. Large food processors in Turkey may be directly contacted, especially by larger size American companies. Agents in Turkey are sometimes an importer, distributor, wholesaler, a commission-based trader or some combination thereof. Local representatives will have experience in market development and contact information of potential buyers, such as the food processors that are likely to use your products. A good representative can guide you in the market, including on import rules and regulations, which ports to utilize, local business practices, conducting market intelligence formally or informally, starting sales calls, etc. Before selecting any local agent, personally visiting them in Turkey is highly recommended. One should do meetings with several of them before selecting one. For larger companies with more resources, it might be an option to establish a company in Turkey and hire some local personnel.

Large food processors in Turkey are often capable of accessing the ingredient suppliers themselves and importing directly. So one might approach them directly or try and meet them in a Trade Show in Europe, the Middle East or in Turkey. The large companies typically attend large shows such as Anuga in Germany, Sial in France, or Gulf Food in Dubai. Food trade shows in Turkey can be helpful to visit before deciding to enter the market. Anfas Food Product, World Food Istanbul, IbaTech , CNR Food Istanbul, and Food Ingredients Fi Istanbul are good shows to visit and meet importers.

Entering the Turkish market often needs a long-term perspective and persistence, as building trust is important. Correct market analysis must be done thoroughly before entry to be able dedicate enough resources; Turkey is a large country compared to almost all other European countries and has a very diverse set of consumers and food processing entities. We recommend reviewing our other reports and contacting the FAS Turkey office if needed.

b. IMPORT PROCEDURE[4]

Import procedures are complicated and burdensome in Turkey. This makes a local business ally more essential. For details on the requirements, please refer to our Exporters Guide to Turkey and FAS Turkey reports on Food and Agricultural Import Regulations and Standards and Required Certificates. The U.S. Foreign Commercial Service also gives some general information on import procedures to Turkey, and on doing business in Turkey.

Turkey's import processes and regulations can be difficult to navigate; in most cases some counseling with a customs broker/consultant in Turkey is useful as these brokers/consultants often understand the complex import processes better than a new lesser-experienced company. You might contact Istanbul, Izmir , Mersin, or Ankara Customs Brokers Association depending on your needs.

Many laws and regulations are harmonized with the EU in Turkey. Companies that have exported to the EU before are often are better prepared for navigating Turkish regulations, though not everything is the same, which does additionally complicate imports. Labeling requirements should be taken into consideration, and the best

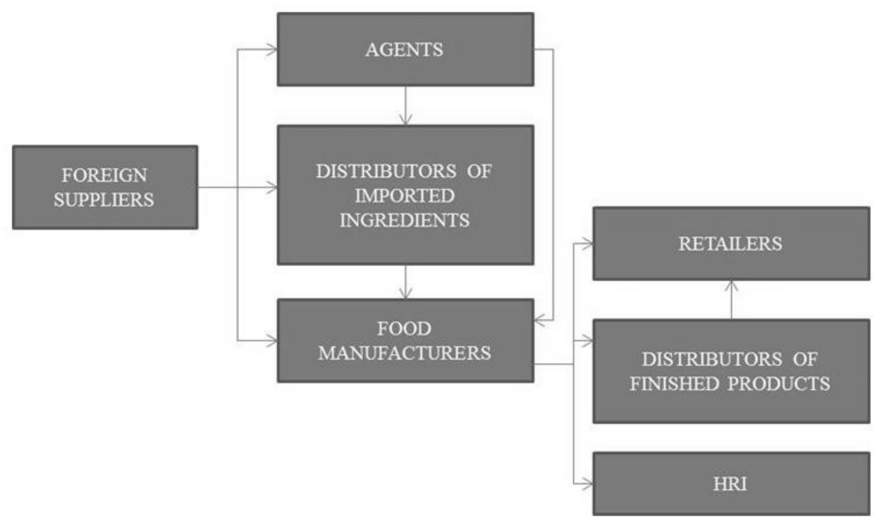
[4] FINAL IMPORT APPROVAL OF ANY PRODUCT IS SUBJECT TO THE IMPORTING COUNTRY'S RULES AND REGULATIONS AS INTERPRETED BY BORDER OFFICIALS AT THE TIME OF PRODUCT ENTRY. Please verify all import requirements with the customer and officials.

resources for more information are the FAS Turkey reports on Food and Agricultural Import Regulations and Standards and Certificates.

c. DISTRIBUTION CHANNELS

Food processing ingredients reach processors in Turkey either through a local importer, agent, distributor, or broker, or are imported directly by the processor. Large processors prefer to buy directly from the producer in the exporting country, but also do buy from agents as well. Other small and medium sized processors will buy ingredients from importers/agents/wholesalers/representatives to reduce risk related to financial transactions and import procedures.

Imported processed food is distributed through mostly premium organized retailers in the country. The penetration of organized retailers are approximately 50%, with the rest being traditional small family-owned corner grocery stores. These smaller stores have little (or no) imported packaged food, but more domestically-produced processed products such as cheese, bakery items, confectionary and snacks. Turkey's largest cities are Istanbul, Ankara, Izmir, and Adana. In summer, the Mediterranean and Aegean coasts of the country are flooded with foreign and domestic tourists. Please review our Turkish Food Retail Sector Report to better understand the retail market structure and distribution channels and opportunities.



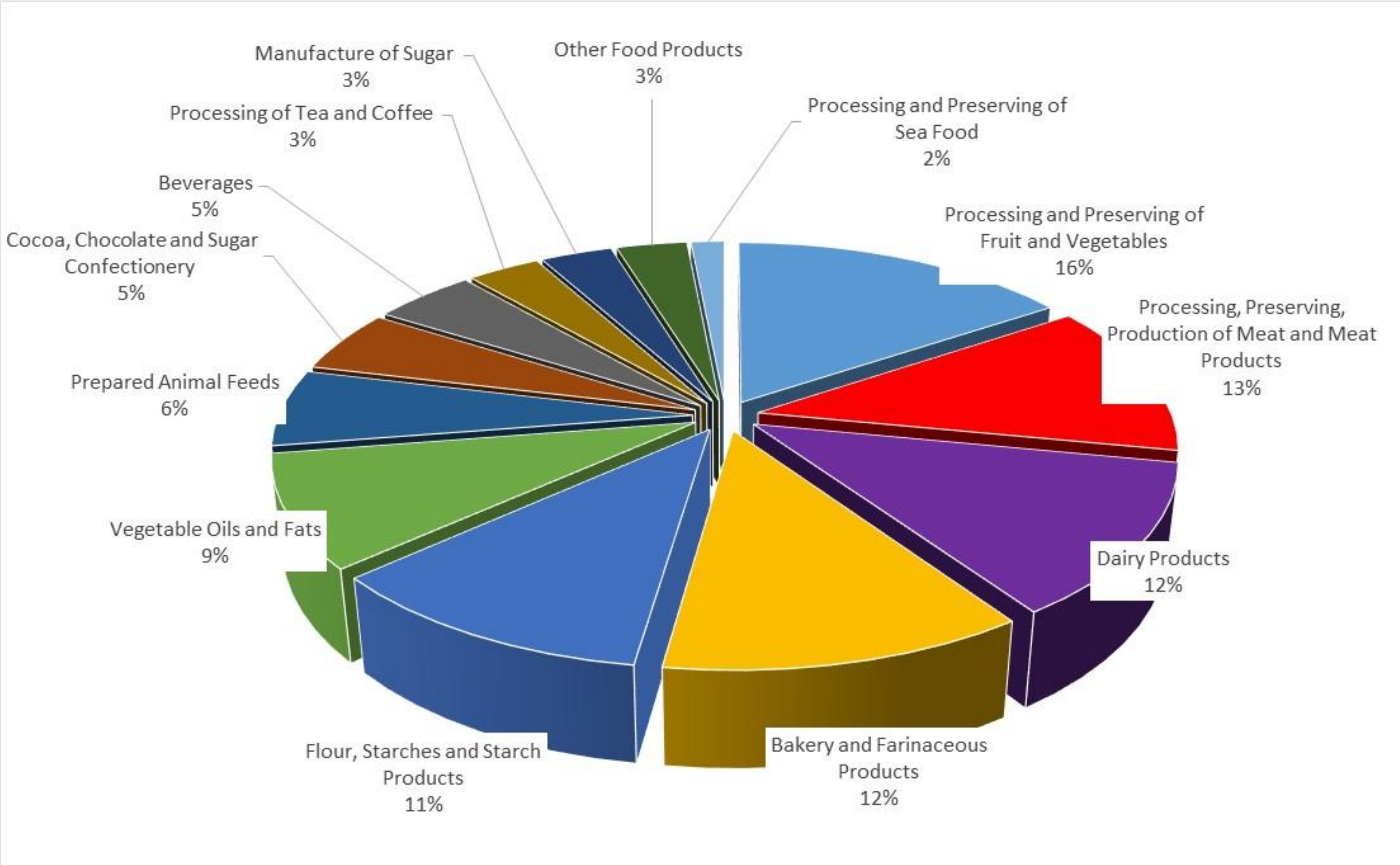
Food service is another way of reaching consumers. High end restaurants that are generally in large metropolitan areas or coastal resort towns are potential users of imported processed food and ingredients. Please review our Food Service - Hotel, Restaurant, Institutional Report for more information.

d. MARKET STRUCTURE

There are large, medium, and small size food processors spread throughout the country fueling demand for ingredients, though not all use imported or U.S. ingredients. Some food processors in Turkey use local ingredients supplied by the fertile agriculture base and/or locally produced additives. For many others though, imported ingredients and/or additives are vital. The above chart represents the market structure for food processing ingredients.

The majority of food processing is done around major metropolitan areas in Western Turkey. For production of ingredients for bakery products such as flour (but not additives and yeast) there is a concentration around Karaman and Konya, in Central Anatolia where Turkey's wheat is grown. There is a concentration around Izmir and Bursa for dairy processing. Most companies have an office or suppliers centered around Istanbul.

e. SHARE OF MAJOR SEGMENTS in the FOOD PROCESSING INDUSTRY in 2017



*The above chart is for year 2017 which is the latest year that TurkStat has reported these data so far.
** Percentages are calculated on basis of turnovers created by the respective industry. See actual data.

f. COMPANY PROFILES

The food processing companies in Turkey that are listed in Turkish Fortune 500 for 2017 are below. For the purposes of this report, only the top 25 companies are displayed, but there are actually 37 food companies in the Turkish Fortune 500 list in 2017, as prepared by Fortune Magazine Turkey.

Table 3: Food processing companies listed in Turkish Fortune 500 by Fortune Magazine Turkey 2017

2017	Fortune 500	Company	Subject of Business	Net Sales (1,000 USD) *
1	18	Anadolu Efes	Alcoholic beverage (Efes Beer), owner of Migros retail chain, master franchise owner and operator of McDonald's in Turkey, bottler of Coca-Cola in 10 countries including Turkey.	3,549,046
2	44	Unilever	Ice cream, ready-to-eat soup, ketchup, mayonnaise, mustard, tea, vegetable based margarine, food ingredients for B2B	1,336,011
3	46	Ülker Bisküvi	Confectionary, Snacks, chocolate, butter, flour, vegetable oil	1,318,814
4	52	Et ve Balik Kurumu	Meat and related products (State owned)	1,198,661
5	58	Türkiye Şeker Fabrikaları	Production of Refined Sugar (State owned)	1,062,429
6	71	Eti Gıda	Confectionary, Snacks, chocolate, baby food	868,889
7	81	Konya Şeker	Sugar, Confectionary, Dairy	760,495
8	87	Sütaş	Dairy Products and processing	728,634
9	94	Banvit	Poultry Products and processing	693,828
10	102	Kerevitaş Gıda	Production of frozen and canned vegetables and fruits for home and industrial use, canning of tuna fish	663,571
11	104	Abalıoğlu Yem Soya	Fish, poultry and farm animal feed, aquaculture production, fish processing, meat production and processing, poultry production and processing	649,619
12	117	Altınmarka Gıda	Cocoa importer and processor, chocolate producer for other companies (B2B)	552,974
13	118	TAB Gıda	Operator and master franchise owner (for Turkey) of Burger King, Arby's, Popeye's, Sbarro and Usta Donerci (local fast food)	547,997
14	122	Çaykur	Tea and tea products processing (State owned)	522,171
15	146	Namet Gıda	Meat processing, Meat products	460,799
16	167	Abalıoğlu Oil	Oil production	392,978
17	169	Sofra Yemek Üretim	Industrial catering company	379,733
18	172	Kayseri Şeker Fabrikaları	Production of Refined Sugar	371,206
19	183	Pro Yem	Fish, poultry and farm animal feed	352,271
20	187	Türk Tuborg	Alcoholic beverage (Beer)	338,769
21	188	Trakya Birlik	Sunflower seed oil, vegetable based margarine	337,312
22	190	Erser Group Tarım Ürünleri	Trade of grain and pulses	328,531
23	208	Yayla Agro Gıda	Pulse packer, ready-to-eat packed pulse meals	296,625
24	213	Oba Makarnacılık	Pasta and semolina	287,537
25	222	Torunlar Gıda	Trade of sunflower seed oil and other oil seeds; production of sunflower seed oil, canola oil, soya oil, paddy production and rice processing	276,733

* Net sales is converted into USD from TRL with FX rate of 3.648 TRL/USD, average rate for 2017.

Important food processing companies in Turkey are listed below by sector, with links to their websites.

Dairy Companies

1. SEK Sut Urunleri
2. Pinar Sut Mamulleri
3. Sutas Sut Urunleri
4. Yorsan Sut Urunleri
5. Danone Turkey
6. Ak Gida / Ulker Icim Sut
7. Eker Sut Urunleri
8. Torku Gida

Meat and Poultry Processing

1. Pinar Et
2. Namet Et
3. Maret Et (Owned by Namet since 2014)
4. Trakya Et
5. Polonez Et Urunleri
6. Sahin Melek Et ve Mamulleri
7. Besler Et ve Gida Sanayi
8. Coskun Et Mamulleri
9. Banvit Poultry
10. Keskinoglu Poultry
11. Beypilic Poultry
12. Akpilic Poultry
13. CP Turkey Poultry

Confectionary, Chocolate, Snack

1. Eti Gida
2. Ulker Gida
3. Nestle Turkey
4. Frito Lay Turkey
5. Mondolez International Turkey

6. Torku Gida
7. Dogus
8. Ferrero Turkey
9. Saray Biscuits
10. Haribo Turkey
11. Bifa Gida

Processed Sea Food

1. Dardanel Gida
2. Kerevitas
3. Leroy Turkey
4. Kocaman
5. Kilic Deniz
6. Marines Sea Food

Nuts and Dried Fruits

1. Malatya Pazari
2. Tadim
3. Papagan
4. Peyman
5. Pinar Kuruyemis
6. Milhans Kuruyemis
7. Seyran Gida

Beverages

1. Dimes Gida (Fruit Juices)
2. Aroma (Fruit Juices, Carbonated Drinks, Water)
3. Tamek (Fruit Juices)
4. PepsiCo Turkey (Carbonated drinks, chips)
5. Coca Cola Turkey (Carbonated drinks, fruit juices, water)
6. Anadolu Efes (Beer)
7. Turk Tuborg (Beer)
8. Mey Icki (Hard liquor, wine)
9. Doluca Wine
10. Kavaklidere Wine

Canned Food, Ready to Eat Food, Frozen Food, Processed Vegetables & Fruits

1. Tat (canned, glass bottle conserved)
2. Tamek (canned, glass bottle conserved)
3. Yurt Konserve (canned)
4. Superfresh (frozen)
5. Pinar (Frozen)
6. Feast (Frozen)
7. Tukas Gida (canned, glass bottle conserved)
8. Penguen Gida (glass bottle conserved)

g. SECTOR TRENDS

Turkey's food manufacturing/processing industry has benefited from the sustained economic growth and has also been a driver of economic growth for over a decade. Even though there were stagnations or drops in GDP growth rates in some years, food manufacturing/processing and food retail industries were the least impacted across the economy. Sales growth is expected in the processed food industry in the upcoming years. This growth is driven by continued urbanization, a large young population which is more inclined to eat processed food compared to the former generation, an increase in women's participation in the workforce, and an increase in the number of college students that prefer more ready to eat meals. There is an increase in the number of single-person households, especially in larger cities, which tends to increase consumption of processed food, especially packaged food and prepared meals. There is also more access to organized grocery chains throughout the country, at least in city/town centers, since they are replacing traditional grocery stores, called *bakkal*s; this creates better access to a wider variety of processed, packaged, chilled, frozen and ready to eat food.

With increasing education levels, urbanization and disposable income, health and wellness related processed food, such as organic and functional foods and drinks, are expected to be more in demand by younger upper-middle- and upper-income level Turks. In grocery store freezers, there are a variety of pizzas, Turkish-style meat products such as different kinds of meatballs and kebabs, forms of prepared seafood dishes, local/ethnic kinds of bakery products like börek, and processed vegetables and fruits. Ready to eat seafood and frozen bakery products are trendy, and more functional and flavored yogurts and kefirs are arriving in retailer refrigerators. Healthier, organic, and functional food options are on the rise.

Food service consumption is also expected to grow, compared to the last few years, as tourism picks back up.

III. COMPETITION

Major competition for U.S. processed food and food processing ingredients are from local suppliers and from European countries. The EU and Turkey are in a customs union where there is either no or low customs tariff rates for many products (though agricultural commodities are excluded), and other preferential treatments for products not covered by the customs union agreement. Also, many processed foods are considered manufactured items and covered under the customs union, unlike agricultural commodities. EU-origin processed food ingredients also benefit from proximity and lower freight costs and a familiarity by Turkish consumers.

Likewise, there is a free trade agreement with European Free Trade Association (EFTA) countries. For example, Norway sells seafood to Turkey, some of which goes into food processing and Switzerland sells additives, processing aids, and cocoa to Turkey. Turkey has FTAs with 19 other countries, with many including preferential tariff rates on food and agriculture products. Among the countries that have an FTA with Turkey, only Bosnia & Herzegovina is in the top 10 countries from which Turkey imports processed food ingredients (see below), likewise Switzerland (member of EFTA) is in the Top 15.

The table below gives the top countries from which Turkey imports processed products/ingredients. Many of them are from Europe, and benefit from geographical proximity and aligned regulatory structures. Asian countries are generally supplying palm oil, and Russia and Ukraine are generally supplying sunflower seeds and sunflower seed oil. The United States is mainly exporting value added products and "Food Preparations nesoi" categories, which are mainly processed food additives, aids, and ingredients. The main competitors for these products are European countries. Turkish processed food products/ingredients imports have been declining in the past five years both from the United States and from the rest of the world in USD terms, mainly due to the depreciating TL against USD. The United States has maintained its market share of imported processed food/ingredients over the past three years, but it has slowly lost some ground to EU countries compared five years ago. This may be gained back with correct pricing for the market as Turkish market is a very price sensitive developing market.

Table 4: Processed Products/Ingredients Imports to Turkey

	Thousands of USD Country	Imports 2016	Imports 2017	Imports 2018	Share (%) 2016	Share (%) 2017	Share (%) 2018	FTA Status
1	Malaysia	522,310	577,619	554,782	13.94	15.68	17.69	No
2	Russia	782,815	461,284	307,564	20.90	12.52	9.81	No
3	Netherlands	212,965	250,130	249,826	5.69	6.79	7.97	EU
4	Germany	243,255	245,383	232,726	6.49	6.66	7.42	EU
5	Italy	115,777	131,472	125,186	3.09	3.57	3.99	EU
6	United Kingdom	112,354	142,202	104,352	3.00	3.86	3.33	EU
7	France	84,574	90,660	99,308	2.26	2.46	3.17	EU
8	Ukraine	216,553	189,744	95,369	5.78	5.15	3.04	No
9	Bulgaria	69,873	60,516	91,836	1.87	1.64	2.93	EU
10	Poland	84,758	86,718	82,657	2.26	2.35	2.64	EU
11	India	63,578	99,941	78,903	1.70	2.71	2.52	No
12	Bosnia & Herzegovina	127,825	136,695	74,795	3.41	3.71	2.39	FTA
13	Indonesia	63,999	115,975	74,148	1.71	3.15	2.36	No
14	**United States**	**87,429**	**86,921**	**71,715**	**2.33**	**2.36**	**2.29**	**No**
15	Ireland	52,167	61,507	70,166	1.39	1.67	2.24	EU
	World Total	3,745,690	3,683,326	3,135,892	100	100	100	

Source: Global Trade Atlas

IV. BEST PRODUCT CATEGORIES

Turkey is a highly competitive and very price sensitive market for many items. A thorough analysis should be done before prospective exporters consider Turkey as a long-term market.

a. PRODUCTS PRESENT in the MARKET WHICH HAVE GOOD SALES POTENTIAL

1. Food additives, food processing aids (especially innovative new ones)
2. All kinds of coffee products, coffee additives, coffee aromas etc., coffee innovations
3. Nuts: almonds, walnuts

4. Sunflowerseed (for oil)
5. Sauces
6. Gourmet/Ethnic food ingredients
7. Spices (some niche spices)

b. PRODUCTS NOT PRESENT in the MARKET BUT WHICH HAVE GOOD SALES POTENTIAL

1. Ingredients for healthy, natural or functional foods industry
2. Ingredients for organic processed food

c. PRODUCTS NOT PRESENT in the MARKET BECAUSE THEY FACE SIGNIFICANT BARRIERS

1. GMO derived ingredients and additives (Turkey Agricultural Biotechnology Annual Report 2018)
2. Organic sugar as ingredient
3. Beef and products

V. KEY CONTACTS AND FURTHER INFORMATION

Republic of Turkey, Ministry of Agriculture and Forestry (MinAF)

Turkish Statistics Institute (TurkStat)

Union of Chambers and Commodity Exchanges of Turkey (TOBB)

Foreign Economic Relations Board of Turkey (DEIK)

Investment Support and Promotion Agency of Turkey (ISPAT)

Federation of All Food and Drink Industry Associations of Turkey (TGDF)

Association of Food Additives and Ingredients Manufacturers (GIDABIL)

All Foods Foreign Trade Association (TUGIDER)

Federation of Food Industrialists Associations (YESIDEF)

For other agricultural industry reports on Turkey and other countries in the world you may visit Foreign Agricultural Service (FAS) webpage. Contact our office via the information below:

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