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Evaluation of the past and future agricultural policies in Turkey: are they capable to achieve sustainability ?

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Abstract. During the last decade policy makers in Turkey preferred to support the agriculture by distorting prices. More than 70% of transfers to the sector have been achieved through output and input price interventions. The primary cost of budgetary transfers per year remained around 1% of GNP, but the fiscal burden increased to unsustainable levels. Agricultural policy reform is expected to play a key role in the recently launched stabilization program of Turkey. The ongoing policy measures are effectively open-ended, benefiting rich farmers more than poor ones. Low-income classes bear the burden of transfers through price interventions. Furthermore, worldwide tendency towards more decoupled support to agriculture makes it compulsory a radical change of agricultural policies for preserving, at least, competitiveness in the world markets. Tightly constrained by international, and especially by domestic factors, the agricultural policies in Turkey should shift from "distributive" transfer oriented policies towards "productive" policies to sustain competitiveness in the world markets. Recent agricultural reforms are far from achieving sustainable development in agriculture.

Keywords. Agricultural policy - Turkey - free trade zone - Mediterranean policy of the European Union

Résumé. *Durant la dernière décennie, les responsables politiques en Turcs ont préféré soutenir l'agriculture par la distorsion des prix. Plus de 70% des transferts de ce secteur ont été réalisés par des interventions sur les prix d'entrée et de sortie. Le coût annuel des transferts budgétaires est resté aux alentours de 1% du PNB mais la pression budgétaire a atteint des niveaux insoutenables. On s'attend à ce que la réforme de la politique agricole joue un rôle important dans le programme de stabilisation récemment lancé en Turquie. En effet, les mesures politiques en cours ne sont pas limitées, bénéficiant plus aux agriculteurs riches qu'aux pauvres. Les classes à faible revenu supportent le poids des transferts par les interventions sur les prix. En outre, la tendance mondiale vers une aide à l'agriculture plus découplée rend nécessaire un changement radical des politiques agricoles pour préserver au moins la compétitivité sur les marchés mondiaux. Sous la contrainte sévère de facteurs internationaux mais surtout internes, les politiques agricoles de la Turquie devraient évoluer de politiques "distributives" orientées vers le transfert, vers des politiques "productives" pour renforcer la compétitivité sur les marchés mondiaux. Les réformes agricoles récentes sont loin d'avoir atteint un développement durable de l'agriculture.*

Mots clés. *Politique agricole – Turquie – zone de libre-échange – politique méditerranéenne de l'union européenne*

Introduction

The economic, social and environmental dimensions of sustainable agriculture require synchronization of agriculture related national and international policies. It is unavoidable that international and policies will have an impact on the national policies even without considering sustainability issue in agriculture. In addition, the national policies of large trading countries changes the structure of world trade, and hence resource allocation worldwide.

The countries in the Mediterranean Region can be grouped as the EU and South and Eastern Mediterranean counties (excluding Israel) with respect to achieving different phases of sustainability in agriculture. EU was able to achieve a comparable standard of living for the farmers using the past CAP schemes. As a result of past policy reforms, the policy tools have been gradually changed to reach the environmental sustainability with minor effects on the income of the farmers, and no radical changes in the trade policies. The second group of countries was not successful in following a consistent set of policies to provide even a comparable income level to the farmers. For instance, the average income level of the farmers in Turkey is about 40% lower than the workers in non-agricultural sectors.

To be able to identify the traces of sustainability in the agricultural policies in Turkey, this paper is organized as follows: in the next section, the magnitude and the distribution of the costs and benefits of agricultural policies are discussed. Recent agricultural policy reforms are described in the second section. The third section presents the developments between Turkey and other Mediterranean countries with specific emphasis on EU. The last section is reserved for concluding remarks.

I - Policies in the past

During the last decade agricultural sector in Turkey registered a very low growth rate (0.4%) with wide fluctuations. The historical development of real agricultural value added for the last half century suggests that, stagnation in agriculture is not a new phenomenon and appears to be a rule rather than an exception. Growth in real value added in the past has been in upward jumps in every 7-9 years. The magnitude of the jumps became smaller over time with fluctuations around the established levels due to weather conditions (Akder, Kasnakoglu and Cakmak, 2000).

Different policy weights in agriculture contributed to the jumps in the agricultural output: Increase in area sown in early 60's; support to using chemical fertilizers in late 60's; increase in irrigated area and support to mechanization in 70's; support to use of high yielding seeds, fallow reduction programs and new crop rotations in 80's have been the major technological and input augmenting developments that contributed to jumps in agricultural output. No significant productive advance has been realized in the last decade which resulted in the continuation of the stagnation of the earlier period.

Stagnation of growth in agriculture is not valid for all sub-sectors. Cereals and pulses have a negative impact on the growth of output. Among cereals yield decline, especially of wheat is the major source of this negative contribution. The negative contribution of these major crops is offset by industrial crops, tuber crops, vegetable and fruits (Akder, Kasnakoglu and Cakmak, 2000).

1. Costs of Support to Agriculture

This rather dismal performance of the sector coincided with an increase in the transfers to producers.[1] Prior to the start of structural adjustment program in 1999, total producers' subsidy in Turkey showed a significant increase. The contribution of agricultural policies to the farmers' revenue increased by 2.7 folds, from USD 2.7 billion to USD 7.6 billion from mid-80s till the end of 90s (Table 1). Intervention to the product prices is the main source of support to producers.

Table 1. Producer Support and Transfer to Agriculture in Turkey (million USD)

	1986-88	1997-99	1998	1999	2000	2001[e]
Producer Subsidy Estimate	2,670	9,285	9,955	7,636	7,840	3,962
Market Price Support	1,702	7,238	8,002	5,589	6,736	2,764
Total Transfer Estimate	2,983	12,939	13,840	12,087	10,649	6,262

Note: provisional estimate.
Sources: OECD, 2000, 2001 and 2002; CB, 2002.

Another category in the total transfers is the General Services Support Estimate (GSSE) which consists of private or public general service provided to agriculture generally and not individually to farms. Simply put, it is just the difference between the total transfers and PSE. The most important item in this category is the financial cost of the intervention agencies. In the recent years the costs of intervention agencies approached the transfers individually received by the farmers. GSSE expenditures increased, by almost 10 times, to about USD 3.5 billion during the period.

The increase in the financial cost of the intervention can be easily seen in Table 2. The share of GSSE in total transfers increased from 11% in 1986-88 to almost 40% in 1998-2000.

Table 2. Indicators of Transfers to Agriculture (%)

	1986-88	1997-99	1998	1999	2000	2001[e]
TSE/GDP	3,5	6,7	6,9	6,5	5,3	4,3
% PSE	13,9	26,3	25,2	22,8	24,0	15,0
GSSE/TSE	11,1	28,4	28,1	36,8	25,1	36,7
R and D/TSE	2,0	0,3	0,3	0,2	0,2	0,4
% CSE	-12,9	-25,8	-25,3	-22,0	-25,0	-14,0

Note: Provisional estimate
Sources: OECD 2000, 2001, and 2002.

The share of total support in GDP increases from 3.5% to 5.7% during the considered period. Percent CSE indicates the major source of transfer to agriculture is consumers who are taxed through distorted domestic prices. More than two thirds of the support to producers are achieved by market price support (Table 3). The share of support in the input prices declines from 36 in percent 1986-88 to 9 percent in 2001.

Table 3. Types of Producers' Support (%)

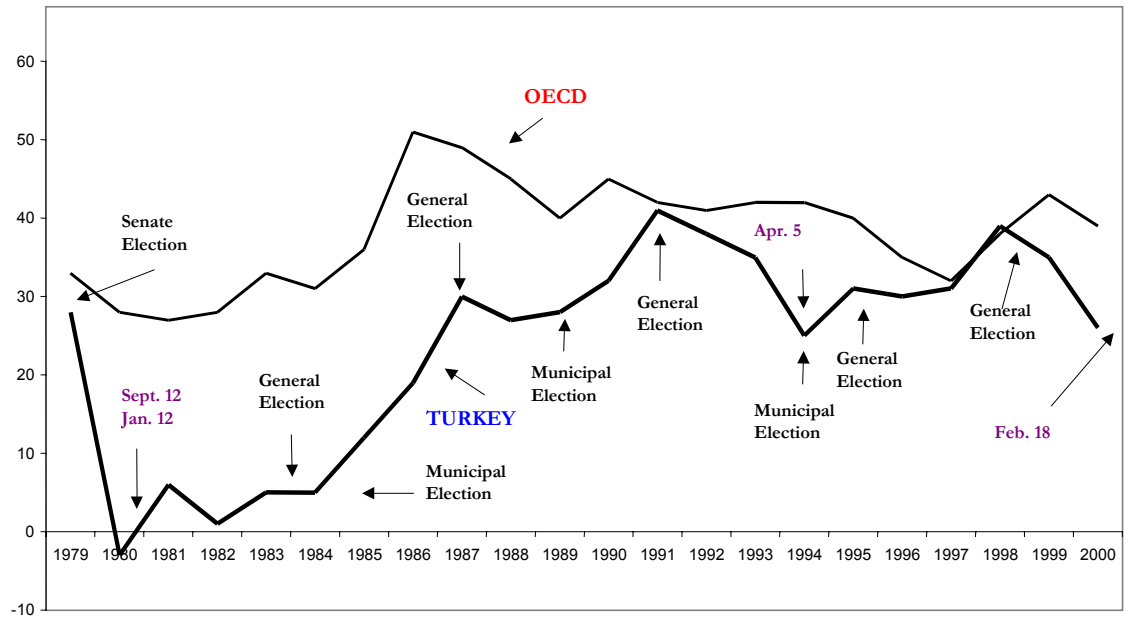
Type of Support	1986-88	1998-99	1998	1999	2000	2001[e]
Market Price	64	78	80	74	86	70
Payments based on output	0	2	1	4	4	11
Payments based on area	0	0	0	0	0	0
Payments on hist. entitlement	0	0	0	0	0	10
Payments based on input use	36	20	18	22	10	9
Others	0	0	0	0	0	0
Total	100	100	100	100	100	100

Note: Provisional estimate.
Sources: Calculated from OECD 2000, 2001, and 2002.

To sum up, the average total transfer to agriculture between 1998-2000 was about USD 11 billion. About USD 7 billion reached the farmers. Consumers' transfers through higher prices amounted to USD 5 billion, and the remaining USD 2 billion was paid from the budget. General services' expenditures, USD 4 billion, made up the rest of the total transfers. Major item in the GSSE for Turkey consists of the expenditure of the state intervention agencies and cooperatives to implement government policies.

The trends in agricultural support ratios in Turkey and OECD countries indicated similarities only during the transition period towards re-establishment of democracy between 1980-1986. We observe that agricultural support in Turkey followed the world trends during periods of limited political activity. During periods with heavy political agenda or internal political instability, on the other hand, agricultural support reflected trends in the political agenda rather than in the world markets. As illustrated very clearly in Figure 2, agricultural support reached relatively higher levels during or prior to the election years and diminished soon after the elections. Since 1994, due to increased frequency in elections and internal political activity, high levels of support have been maintained (Cakmak, Kasnakoglu and Akder, 1999).

Figure 1. Developments in Agricultural Support in Turkey and OECD Countries, 1979-2000



Sources: Cakmak, Kasnakoglu and Akder, 1999; OECD, 2001, and 2002.

Turkey had significantly distorted the price signals to its agriculture by deviating from the world trends. In addition, Turkey has missed the train by not supporting its agriculture while its competitors did so and by trying to support it while its competitors reached a stage to decrease and force the world to decrease the transfers.

2. Benefits and Burden of Agricultural Transfers[2]

The regional distribution of the agricultural subsidies depends on the regional distribution of agricultural production value, the commodity composition of regional agricultural production value, subsidized input use intensity by regions, the composition of agricultural support by commodities, and input subsidies. Kasnakoglu and Cakmak (2000) made the following observations regarding the regional distribution of agricultural support:

- the west and south coastal regions, which are also the highest income regions in Turkey, constitute about 50% of the value of agricultural production and hence receive about half of the subsidies;
- the east and southeast Anatolia regions, which are the lowest income regions in Turkey, constitute less than 20% of the value of production and receive about one fifth of the subsidies;
- the central Anatolia regions get little over 25% of the total agricultural subsidies;
- the east and southeast Anatolia region benefits from the relatively higher subsidies for livestock products due to specialization in livestock activities, but the central Anatolia with a herd composition favoring cattle and Aegean and Thrace specialized in processing of animal products, especially milk also share this favorable position;
- Aegean, Thrace and Mediterranean regions constitute 35% of the cultivated land but nearly 45% of the irrigated land and more importantly over half of the land irrigated from dams and artificial lakes and hence benefit more from subsidized water;

- similarly, the above three high income regions own about half of the agricultural machinery, use fertilizers and pesticides more intensively and hence benefit more from the related input subsidies, such as those on fuel, electricity and credits;

- the three regions although own one third of the livestock, they own more than half of the higher subsidized culture breed cattle;

- finally, the three regions are likely to benefit more from agricultural support as they house about 80 percent of the cooperatives established to carry out these policies.

It can be concluded that the market price component of agricultural support policies did not significantly alter the relative regional distribution of income (in the Gini Coefficient sense) due to product differentials among regions. It is however clear that this component of agricultural support policies have contributed significantly to the widening of absolute income differential between the regions of Turkey, as most of the benefits went to the higher income regions. As far as the input cost reducing component is concerned we can conclude that agricultural policies have contributed to the widening of relative as well as absolute income inequality, as the higher income regions use subsidized inputs relatively more intensively than the lower income regions (Kasnakoglu and Cakmak, 2000).

Farm size distribution of agricultural transfers may give some clues about the major beneficiaries of transfers. Unfortunately the available data available do not permit a comprehensive treatment of this subject. Yet, last agricultural census conducted in 1991 may provide some clues (SIS, 1994).

In Turkey the mode farm size is 2-5 hectares. Nearly 70% of the agricultural holdings have less than 5 hectares of land. The land and livestock owned are also distributed unequally. 2.5% of the farmers do not own any land. Small farmers (<5 ha.), which constitute 70% of the farmers, own little over 20% of the land, less than 45% of the sheep and little over 50% of the cattle. The larger farmers (> 20 ha.) constitute 5% of the holdings, own 35% of the land, 17% of the sheep and 10% of the cattle.

Having shown the unequal distribution of land, we now look at the distribution of the quality of land owned by the farmers. 67% of the farmers who own less than 5 ha of land cultivate only 22% of the land and cultivate 30% of the irrigated land. 1% of the farmers who own more than 50 ha of land cultivate more than 15% of the land and nearly 15% of the irrigated land. Share of irrigated land in total area sown decreases with farm size. This is due to the irrigation intensity in small vegetable gardens. Furthermore, larger lands tend to be irrigated from dams and artificial lakes constructed and subsidized by government, whereas smaller lands are more likely to be irrigated from wells constructed at the farmers expense.

The yields of selected crops according to farm size indicate that barley, maize and sunflower yields increase significantly with farm size. In the cases of wheat, chickpeas, lentils and potatoes yields increase by farm size up to 50 ha and then decrease.

The agricultural census only differentiates between farmers using the subsidized inputs and those are not using them, and it does not provide the amounts of these inputs used at different farm sizes. We can therefore only single out the farmers who are not benefiting at all from these input subsidies. Except in the case of chickpeas we can say that percentage of farmers not using chemical fertilizers is larger in smaller farm sizes than in larger farm sizes but the differences are not significant. In the case of pesticides, insecticides and herbicides the picture is similar. Farms with less than 5 ha of land which constitute nearly 70% of the farms, own 35% of tractors, 8% of the harvesters and 47% of the water pumps.

In summary we can conclude that, a large number of farmers only own and cultivate a small portion of the land. The quality of land owned by small farms is lower than the quality of larger farms as larger farm sizes cultivate a higher proportion of the irrigated land. Furthermore the yields on larger farm sizes are higher than the smaller land sizes. These imply that the larger farms operated by a small proportion of the farmer produce most of the value of production and hence receive most of the benefits of market price support component of agricultural support. The larger farmers also benefit more from the input subsidies than the smaller farmers with relatively better access to and intensive use of subsidized resources such as water, machinery and chemicals. Therefore, agricultural policies are likely to have contributed to income inequality and more so to the widening of absolute income differentials in the rural sector.

In this part we examine the distribution of the burden of agricultural support by income groups. We have in the earlier section divided the transfers to agricultural between taxpayers and consumers. Transfers from the consumers can be divided between urban and rural consumers and that the agricultural producers as consumers pay back about one third of the agricultural support received from consumers.

It is very difficult to know how the transfers from taxpayers are distributed to different income groups in Turkey, as only a very limited number of studies exist on the burden of different types of taxes by income groups and the types of taxes imposed to finance agricultural transfers. In this respect we can only point out that the tax system in Turkey is believed to be very inefficient, limited in its coverage, full of leakages and critically depends on the income taxes collected from fixed income wage and salary earners and indirect taxes collected from consumers. Different estimates show that the size of the untaxed unrecorded economy in Turkey reaches 30 to 50% of total GNP. It is therefore not too unrealistic to expect that the transfers to agriculture from taxpayers have a relatively larger burden on middle and lower income groups than the higher income groups or at least to believe that the reverse is not true.

As far as the distribution of the burden of transfers from consumers we can say a little bit more. Table 4 shows the shares of expenditures on food, beverages, tobacco, clothing and footwear which are the subjects of transfers from consumers, to total consumption expenditures in the urban and rural areas and in Turkey as a whole by income groups.

Table 4. Shares of Agro-Based Expenditure by Income Groups

	Total	1st 20%	2nd 20%	3rd 20%	4th 20%	5th 20%
TURKEY						
Food-Beverage-Tobacco	0,36	0,51	0,47	0,42	0,37	0,26
Clothing-Footwear	0,09	0,07	0,08	0,09	0,10	0,09
Total Agro-Based Expen.	**0,45**	**0,58**	**0,55**	**0,51**	**0,46**	**0,35**
Total Expenditures	1,00	1,00	1,00	1,00	1,00	1,00
URBAN						
Food-Beverage-Tobacco	0,31	0,45	0,41	0,36	0,32	0,22
Clothing-Footwear	0,09	0,08	0,09	0,09	0,10	0,09
Total Agro-Based Expen.	**0,40**	**0,53**	**0,49**	**0,45**	**0,42**	**0,31**
Total Expenditures	1,00	1,00	1,00	1,00	1,00	1,00
RURAL						
Food-Beverage-Tobacco	0,45	0,56	0,52	0,51	0,47	0,36
Clothing-Footwear	0,09	0,06	0,07	0,08	0,09	0,10
Total Agro-Based Expen.	**0,54**	**0,62**	**0,60**	**0,60**	**0,56**	**0,46**
Total Expenditures	1,00	1,00	1,00	1,00	1,00	1,00

Source: SIS (1997).

Total agricultural based expenditures on the average constitute 45% of the total consumption expenditures in Turkey. The share of agro-based expenditures decreases by income. In the lowest income group agro-based expenditures constitute nearly 60% of the total expenditures. The share falls to 35 percent in the highest income group.

Total agricultural based expenditures on the average constitute 40% of the total consumption expenditures in the urban areas. The share of agro-based expenditures decreases by income. In the lowest income group agro-based expenditures constitute 53% of the total expenditures. The share falls to 31 percent in the highest income group.

Total agricultural based expenditures on the average constitute 52% of the total consumption expenditures in the rural areas. The share of agro-based expenditures decreases by income. In the lowest income group agro-based expenditures constitute 62% of the total expenditures. The share falls to 46% in the highest income group.

On the basis of the observations above, and the fact that lower income groups have a lower average propensity to save from income, we can conclude that the lower income groups pay a relatively higher portion of their incomes as transfers to agriculture than the higher income groups and thus the relative negative real income effects of agricultural support on lower income groups are larger.

Table 5. Agricultural and Agri-Industry Trade (percent)

	Agricultural Exports			Total Exports			Agricultural Imports			Total Imports		
Country Group	**1980**	**1990**	**2000**	**1980**	**1990**	**2000**	**1980**	**1990**	**2000**	**1980**	**1990**	**2000**
EU	49,44	64,77	59,38	47,33	55,38	52,24	69,22	35,89	36,06	32,70	44,38	48,82
Other Europe	24,74	6,97	10,92	22,15	6,21	12,41	11,22	7,79	12,36	15,23	7,10	16,25
North Africa	3,39	2,70	3,06	3,56	4,99	3,92	0,00	0,97	1,66	10,60	4,21	4,14
Other Africa	0,10	0,36	0,67	0,10	0,79	1,03	0,31	3,64	2,46	0,19	1,79	0,84
North America	4,71	9,62	13,16	4,68	7,99	12,06	6,96	21,86	21,00	6,38	11,15	7,74
Other America	0,20	0,33	0,40	0,16	0,32	0,89	4,46	9,46	4,43	0,95	2,38	1,06
Middle East	14,64	9,13	6,65	18,85	13,77	8,94	0,06	2,96	3,54	29,87	12,17	5,74
Other Asia	2,42	2,90	1,97	2,68	6,02	3,43	3,62	12,22	13,58	2,26	10,56	11,71
Rest of the World	0,36	3,22	3,78	0,48	4,53	5,10	4,16	5,20	4,91	1,81	6,26	3,68
Total	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00

Source: SIS, 2001.

II - Recent agricultural policy reforms

Turkey has embarked on an ongoing structural adjustment and stabilization program towards the end of 1999. Agriculture has been selected to undergo heavy adjustment due to the ineffective set of policies and its increasing burden on government expenditures in the last decade.

Even without the macroeconomic stabilization program, several additional factors would have forced Turkey to enter into a phase of agricultural policy reform. New round of negotiations for WTO-Agreement on Agriculture is expected to be a challenging process and the issue of alternative policy tools in agriculture will remain as a major item in the agenda of multilateral trade negotiations and hence in the domestic policy debates in the coming years. Turkey's candidacy for membership to EU has also added a new dimension for the changes in agricultural policies.

Protective trade policies in major crops combined with government procurement, input subsidies, and heavy investment in irrigation infrastructure on a fully subsidized basis have created a net inflow of resources from the government to agriculture, but have had many negative effects on the sector and the economy at large. As it is mentioned in the previous section, the benefits of the subsidies have gone mainly to larger, wealthier farmers. In addition, the support system failed to enhance productivity growth despite its heavy burden on taxpayers and consumers.

The reform program targets to diminish drastically heavy involvement of the state in the agricultural sector. The major aims of the reform are to decrease the distortions and the financial burden of support. Removal of the input (especially fertilizer and credit) subsidies, decrease the state procurement activities together with the privatization of the related state economic enterprises and restructuring of the sales cooperatives summarize the major parts of the program. Major additional rather new tool is the direct income support determined depending on the cultivated area.

The direct income support (DIS) is intended to provide the farmers safety net as a result of the elimination of the current mechanisms of support. The DIS is not contingent on input use or output production decisions of the farmer, and hence it is decoupled. Currently, the payments are moderately targeted. The farmers are eligible to receive a fixed amount of payment up to 50 hectares of cultivated land. The government intends to make the DIS payments more targeted towards the poor in the future.

Removal of price support to fertilizer started before the reform program. The fertilizer subsidy has been held constant in nominal terms since 1997, resulting in a reduction of the unit subsidy from approximately 45% of the total price at the end of 1997 to approximately 15% in 2001. Gradual efforts to subsidize the credits to agriculture through the Agricultural Bank have been successful. Apart from extraordinarily high level of interest rates periods, the subsidy element has been removed.

The procurement prices of grains (especially wheat) by Soil Products Office (TMO) have been linked to world prices. For instance, the procurement price of wheat in 2000 was 35% higher than the CBOT price. The sales price for grain of TMO will be set at no less than the lower of either the purchase price of TMO plus storage costs incurred up to the date of sale including imputed interest charges on stocks, or the tariff-inclusive import parity price for grain of equivalent quality. TMO's procurement quantity is expected to remain limited due to the financial restrictions. The output price support will be achieved through the import tariffs which remain at 45-55% with seasonal decrease to 5%.

Reduction in state involvement in tobacco, sugar and tea are closely linked with the privatization of the related agricultural state economic enterprises. Despite the fact that the legislation on tobacco and sugar was completed, there has not been any development in the privatization. More market oriented policies are yet to be applied in these products.

The governments had a dominant role in the agricultural sales cooperatives. The major sales co-ops are in the purchase and processing of cotton, hazelnuts, sunflower and olives. Until the enactment of the new Agricultural Sales Cooperative and Agricultural Sales Cooperative Union Law in June 2000, cooperatives were mainly channels for implementation of government programs rather than member-owned cooperatives. Funded by government, the cooperatives were put under the supervision and direct control of the Ministry of Industry and Trade. Restructuring Board of co-ops has been trying to make them independent and responsible for their own finances, management and operations.

III - Euro-mediterranean Free Trade Area and Turkey

Turkey has already achieved “free trade” target of EU’s Mediterranean policy with the Customs Union Agreement (CUA). Following the provisions of the Association Council Decision in 1995, Turkey has been aligning herself progressively with the preferential customs regime of the EU. Turkey gave priority to the adaptation of preferential agreements concluded between the EU and the third countries in which reciprocal trade provisions have been sought. Within the context of the Association Council Decision, Turkey accepted to give priority to the following preferential agreements: Israel, Hungary, Bulgaria, Poland, Romania, Slovakia, Czech Republic, Estonia, Latvia, Lithuania, Morocco, Tunisia, and Egypt.

In this respect, the Free Trade Agreement between Turkey and the EFTA States which was signed in 1991 was the first step on the way to the adoption of the preferential regimes of the EU. Free Trade Agreements with Israel, Central and Eastern European countries have been completed and entered into force latest in 2000. On the other hand, FTA negotiations still continue with rather important members of the Mediterranean basin: Morocco, Egypt, and Tunisia. Draft texts of agreements have been sent to Jordan, Malta, South Africa and Mexico.

CUA initially covered all industrial products and processed agricultural products, which corresponded to 93% in value of the trade between EU and Turkey in 1995. Adjustment to CAP was stated as a precondition for the CU in primary agricultural products. A system parallel to the one applied by EU was introduced in imports of processed agricultural products. Accordingly, the agricultural and industrial components of a customs duty are taken separately. The industrial share enjoys duty-free treatment in imports from EU or EFTA countries, and reductions in imports from third countries. As a result of preferential trade negotiations in primary agricultural products, a bilateral agreement to improve the level of liberalization of agricultural trade had been concluded and entered into force in 1998.

The reluctance of major Mediterranean countries to end the negotiations on free trade agreements in non-agriculture and preferential trade agreements in agricultural products puts Turkey in a disadvantageous situation *vis à vis* the EU. This situation will delay the benefits of free and preferential trade for Turkey.

It is difficult to isolate the impacts of CUA on Turkey. The comparison of the trade volume in all agricultural products before and after the CUA indicates that the share of exports of EU in total exports increased, and significant decline was observed in the EU’s share in total imports (Table 5). North American, other Asian shares in agricultural imports increased significantly.

Conclusion

Agricultural policies can be divided into two groups. The first group is called as “productive policies” since it aims at the improvement of efficiency in the use of resources both in production and consumption. Areas such as, research, reduction of transaction costs, infrastructural services, quality and standard control, crop insurance, and extension services, all geared towards increasing the economic growth, are included in this group. Second group which can be named as “distributional policies”, on the other hand, consists of policies such as price supports, deficiency payments, interventions at the border, input subsidies, subsidized credits, by which wealth and income are transferred to agricultural producers from the rest of the economy (Rauser, 1992).

Economic and political returns of the policies embodied in the first group are paid back throughout the time, and especially during the initial periods, it requires to transform the institutional structure and use of public resources for effective organization. On the other hand, political returns of the policies that only include transfers, are recouped in the short run; yet according to the preferred tool, the burden of the transfers on consumers and budget could reach to unaffordable levels. With an historical perspective, governments in Turkey tend to choose the second group in order to strengthen their political power.

Changes required in the agricultural policies of Turkey originate not from the size of transfers but from the type of preferred policies. Discussions on agricultural policies should not be based on the size of support, but instead should be the balance between the “productive policies” and “distributional policies” in the set of implemented policies taking into consideration international and domestic factors. The long-term objectives of agricultural policies obviously need to be the improvement of productivity in the sector. Otherwise, given the ongoing developments, the sector will face a challenging international competition. Major policies to accomplish the change are technological development, improvement of productive resources, and reduction in the price interventions.

The major obstacle in getting rid of price intervention policies is the absence of markets or the existence of imperfections in some input and output markets. Clear definition of property rights in land is the major issue in rural areas. The lack of appropriate cadastral works prevents agricultural land markets to work, and it also limits the access of small farmers to credit. In the output markets, at least in some relatively less developed regions of Turkey the transaction costs are still high due to the lack of well developed exchange markets. The prevailing conditions of the markets hinder structural transformation. In addition, it constrains the set of policy tools or decreases the chances for success of the new policies. Regulation of the markets, correction of the externalities, and the provision of public goods are the major duties of the state. Hence, it is necessary to upgrade the capacity of agricultural policy environment to handle the policy reforms.

The picture of the agricultural sector is not encouraging. Despite large transfers to the sector labor and land productivity measures are growing at declining rates. Trade position is shifting from being a net-exporter of agricultural products to net-importer. The source of transfers is mainly the consumers with a significant welfare cost. The burden of support falls more on low-income consumers. The form of support contributes to income inequality, and the widening of absolute income differentials in the rural sector. Although rural income distribution is more equal than urban distribution, rural average income per household was 42% lower than the urban average in the last income distribution survey (SIS, 1997). Poverty is more prevalent in the rural area.

The present state of agricultural policies becomes gloomier when the sustainability in agriculture is considered. Agriculture still plays a key role in rural development and poverty alleviation. Rural development has not occurred anywhere in the absence of simultaneous agricultural productivity increase (Valdés and Wien, 1996). Consumers and taxpayers in Turkey can not bear the burden of support to agriculture like in the developed counties. Far from achieving economic and social sustainability in the sector, environmental sustainability is yet to appear in the policies.

Notes

[1] The magnitude and impacts of agricultural policies on producers, consumers and taxpayers can be measured by the Producer Support Estimate (PSE) and Consumer Support Estimate (CSE). PSE is an indicator of the total amount of monetary support provided to producers in a year. This type of transfer covers not only the transfers from consumers through the increase in domestic prices, but also budgetary transfers financed by taxpayers. Percentage PSE is defined as the share of transfer in every 100 TL of producers' earnings. Percent CSE, on the other hand, is the share of transfer in every 100 TL paid by consumers. Positive values indicate subsidy, negative values indicate the tax ratios. For the method used in calculating PSE and CSE see OECD (1998).

[2] This section depends heavily on Kasnakoglu and Cakmak (2000).

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