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The General Overview of Organic Market Structure, Foreign Trade and Regulation in Turkey and the EU

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Abstract: Since the beginning of the past decade, organic agriculture has gained huge importance in the world. The increasing domestic market demand in developed countries such as the USA, Canada, Austria, Japan, EU and the export potential in developing countries have stimulated organic agriculture.

Currently, organic products are produced in more than 130 countries around the world. There is a large number of organic products composed of plant and animal product as well as several processed food and juices. Trade capacity of organic processed food is gradually expanding.

The share of the organic food market compared with the conventional food market is small in all countries. However, the market size and share of organic products varies from country to country.

Turkey is considered as one of the important countries in the world in terms of organic production.

In this paper, the developments of the organic market, and foreign trade and regulations of Turkey and EU are examined.

1. Introduction

After the green revolution, conventional agriculture has been applied very densely. The increase in the use of chemical pesticides, fertilisers and usage of hybrid seed is an important problem for the conservation of the environment and ecological diversity. One of the direct effects of conventional agriculture was the damage to the earth and to peoples' health.

Organic agriculture can be viewed as a means of friendly methods of production. This formation aims to produce healthy foods for consumers using environment protective techniques. For this reason, the organic movement is going against industrialisation activities. Moreover, the demand for healthy food is increasing.

2. Organic Worldwide Development

Production of organic products began in the 1930s according to general applications that were previously maintained.

The increase in domestic market demand in developed countries such as the USA, Canada, Austria, Japan, EU and the export potential of developing countries have stimulated organic agriculture. Developing countries are making an effort to increase production and offer it for exporting. Developed countries are willing to import and to meet the domestic market by their domestic productions. Thus developing countries are competing as export nations and developed countries are mainly the target markets. In fact, Turkey also does most of its exporting to the EU and the USA, and is competing with other developing countries.

Many marketing studies related to organic agriculture have been conducted. One of them was by The International Trade Centre.

World organic research results showed that:

- Market demand of organic products is increasing;
- Insufficient supply is a serious problem, and
- The role of trade in developing countries is continuously increasing.

Nowadays, organic products are produced at commercial quality in more than 130 countries around the world. At least 90 of them are developing countries and some are located in Asia and Africa. Organic product certification activities are applied by European agencies as determined in EC-Reg.2092/91. It must be adapted to common standards and certificates otherwise; circulation permission is not given in the EU. For developing countries, there are special rules within EC-Reg.2092/91 (No:11).

Organic products are classified in five groups. These are plant products, processed food products, livestock products and beverages. There is a large number of organic products and they are composed of plant and animal products with several processed food and juices. Trade capacity of processed food is gradually expanding.

3. Organic Agriculture in the European Union

Development in the numbers of organic agricultural land and organic farmers in the EU is depicted in Table-1. Between 1985-90 organic agricultural land has increased nearly three-fold. Between 1990-2000 land allocated to organic agriculture has increased by approximately 14 times. When we look at the rise levels according to the previous year (except the year 2000 values) from the year 1995 to 1999 it can be seen that the values kept increasing. The ratio of total organic agricultural land in the total agricultural area in the EU is about 2.3%. On the other hand, there is currently 128 692 000 ha of organic land. Average organic farm size was 28,4 ha in 2000.

Table 1. Total Organic Farm Land and The Number of Farms

Years	Organic Land (HA)	The Numbers of Farms
1985	94 430	6 318
1990	290 905	14 824
1995	1 407 850	59 752
1996	1 756 670	74 489
1997	2 301 943	94 113
1998	2 822 776	116 285
1999	3 489 128	132 179
2000	3 944 953	138 919

Source: http://www.organic.aber.ac.uk/stats.shtml

4. Organic Market Structure

The organic food market has a small share of the general food market in all countries. With small quantities produced and distributed, it becomes crucial that producers have channels that accommodate the consumers who are most interested in the products.

The structure of the organic product market has got three marketing channels. These are:

- Direct Sales;
- Specialised Shops (Germany, Netherlands), and
- Conventional Supermarkets

Table 2. Sales Channels and Market Shares of Organic Food Products in EU (%)

Countries	Retail Shops	Specialised Shops	Direct Sales
Sweden	90	5	5
Denmark	70	15	15
United King.	65	17,5	17,5
Switzerland	60	30	10
France	40	30	30
Germany	25	45	20
Netherlands	20	75	5

Source: http://www.igeme.org.tr/TUR/foyler/tarim/frame.htm

In the past, organic producers sold their goods directly to consumers or through specialised shops. This provided a separate market from conventionally grown products. Specialised shops have gained prominence in sales channels as well as supermarkets.

Direct sales from farmers to consumers became a very important option, in the form of farm shops, participation in weekly markets or consumer subscriptions, with one or a few farmers delivering vegetables and fruits to consumers on a regular basis.

Organic food products were sold to specialised shops as they, in general hosted to target consumers interested in non conventional products. These shops were whole food or health-food shops; Sales to conventional, specialised shops brought about an interest in offering organic products along with other types of specialised products such as organic bread to a baker shop selling several types of special bread (Michelsen, 1999).

Organic food is more expensive than conventional production, but that is not mainly due to promotion efforts. Function of promotion plays an important role in the marketing of organic food. We can use promotion activities for organic products with a certification label so that the consumer can know whether a food is organic or not. Due to global changes, media is an important communication tool that can be used for promoting organic foods.

5. Development in Turkey

Turkey has been producing organic products since the mid 1980s. It is one of the most suitable countries in the world for organic cultivation as a result of the great diversity of ecological, climatic and soil conditions.

Due to changes in consumption behaviour and the demand of importer countries, organic farming has started to grow and develop in Turkey. That is why, statistical infrastructure is nearly formed and the institution structure is new.

Turkey passed the first national regulation on production and processing on the marketing of organic items on December 18, 1994. Currently, there is a draft law in circulation to slightly alter the existing regulation. The first regulation was based upon the European Union's regulation number 2092/91, and the new draft law attempts to incorporate all subsequent EU Regulations for organic agriculture. The Ministry of Agricultural and Rural Affairs (MARA) was given the authority to oversee the original regulation. To do so, MARA established two committees to provide guidance and support the organic sector: The National Steering Committee of Organic Agriculture, which overlooks policy formulation responsibilities, and the Committee of Organic Agriculture, which has operational responsibilities (USDA, Turkey Report-2001).

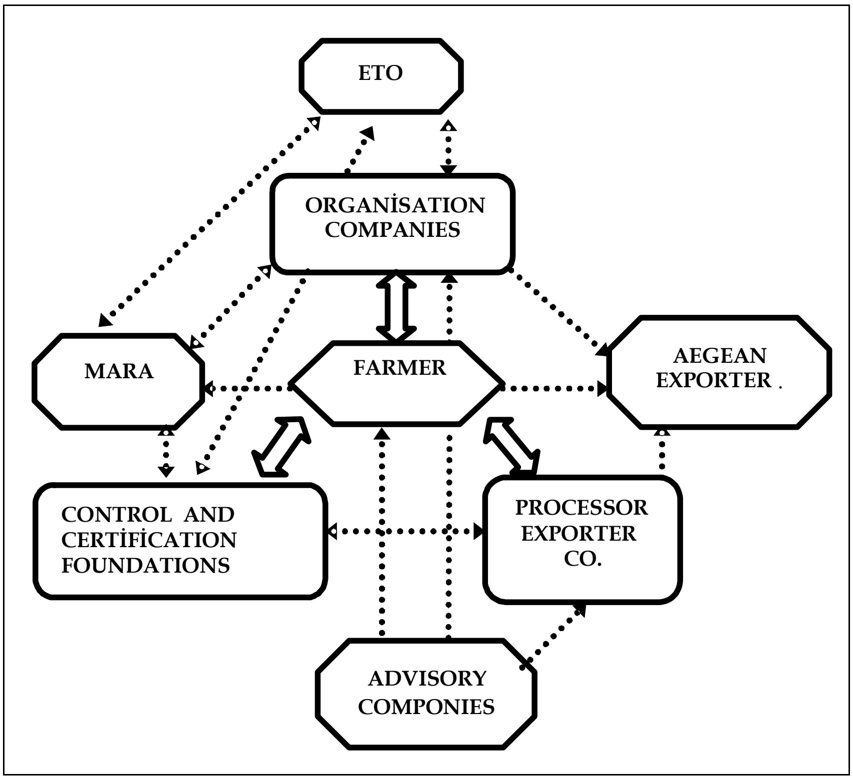

Figure 1. Foundation Organisations in Organic Agricultural Activities In Turkey
Source: Sayın, 2002

Currently there are eight companies which apply certification in Turkey. Most of them are established in Izmir, the centre of the organic industry. The other foundations are the Ecological Agriculture Organisation (ETO), the Aegean Exporter Union (IBGS), the Co-ordinator Union, MARA and the Authorised Foundation.

The domestic market is a newly developing one. The great majority of organic production is plant production Because of insufficient standards, livestock production is not enough. The type of production is usually contract-based growing, and it is fairly wide spread.

Generally, organic production with certificate is exported to foreign countries. Among these countries are EU countries; Australia, United States of America and the others.

6. Statistics of Production

Statistical data are collected from certification companies by MARA. The area under cultivation is shown in Table-3 and is about 44 553 hectares and the number of organic products was 91 in 1999. The leadership products are raisins, figs and apricots in the dried fruits and nuts category. The area occupied for the leading products was 22 772 ha and out of which 99 773 tons was produced.

Table 3. Organic Products Grown In Turkey

Products	The Numbers of Farms	Area (Ha)	Production (Ton)
Dried Fruits & Nuts	7 364	22 772	99 733
Fresh Fruits	829	1 971	8 132
Vegetables	77	363	2 730
Field Crops	1 238	10 718	33 331
Berries	957	586	2 468
Medicinal & Aromatic Plants	421	4 137	3 209
Others	1 549	4 005	10 636
TOTAL	12 435	44 553	160 239

Source: USDA, Turkey Report, 2001

7. Market Structure in Turkey

Although development of organic agriculture in Turkey is fairly rapid, market shares remain quite small. The total food market is *$ 23 billion* but the organic food market makes up only *$ 3-5 million*. Organic products are generally export but domestic consumption is very low. The decrease in income has affected consumption. Also, the great majority of Turkish consumers remain price sensitive.

The results of various studies have generally shown that higher income households prefer organic products. These consumers constitute 15 % of the population, some 10 million people with 50 % of total income, and who are concerned with health. Another group know the benefits of organically produced products.

Organic products are generally brought from the grower to the consumer in two ways. Either the grower brings it directly to the consumer in the domestic market which could be the sales place on production land or in a weekly market. The other method is one where products are brought to the consumer after several stages. This is done indirectly through the selling method of growers to supermarkets or food industry companies. For that reason, preference is given to supermarkets or to the channel that is a contract-based exporter union. Generally, in recent years products have been distributed to specialised markets.

In indirect sales channel, organic products must have a certificate otherwise organic products are not allowed to be exported to foreign countries.

The other group has an important role in the marketing of organic products is food industry foundations. They usually support inputs from farmers or exporter companies.

8. Agriculture Policy and Organic Farming

In recent years conventional agriculture has been supported in various ways by government. In 2001, Turkey completed its National Program. In this program, agriculture has great importance and the program anticipates fundamental changes. Its main objective is developments of agriculture and the welfare of the farmers.

As discussed before, MARA established two committees to provide guidance and support to the organic sector. The National Steering Committee takes in activities in the information of policy on organic agriculture and the observation of production quality and certification.

Turkey is in an adaptation period for joining EU CAP reform, Environmental Policy. So, the Turkish agricultural policy is under speculation.

One of the most important problems in the agricultural sector is insufficient production data. With organic cultivation, it will be possible to get data on production and the farm because, organic production forces farmers to register within the certification application conducted by certification companies. The production control process is essential in all stages of production from sowing seed to reaching the consumer.

According to the EU, the other problem is insufficient farmer organizations Farmers should corporate each other in legal and regional institutional departments. Not only should the producer be conscious but the consumer must also be trained to have organic product consciousness. For that reason, applications of extension programs and their establishment should be encouraged.

As the production of organic products is increasing there should be an enlargement in marketing channels, an increase in studies supporting marketing and an establishment of a new market suitable for exporting and transferring new technologies.

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