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Production and Marketing of Organic Raisin in Turkey

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1. Introduction

Use of fertilizers and pesticides in the production of agricultural products have begun threatening human health and have caused environmental problems. In many countries producers and consumers have become conscious of these issues and have taken preference to producing and consuming organic agricultural products which are important in terms of protecting the environment and human health.

Organic agriculture in Turkey began solely for the purpose of exporting to foreign countries. Organic agricultural practices were realized in 1984-1985, firstly with raisin and dried fig in the Aegean region. During this practice, the production and marketing condition of organic raisins in Turkey was examined. Organic raisin, which takes up an important part in the export of our conventional products, has begun to play an important role in our organic product export as well. In 1999, 1140 producers of organic raisin realized a production of 7182.9 tons within an area of 2451.9 hectare. In 2001 organic raisin made up 17.68 % of the income obtained from the export of all organic products.

This study primarily examines the developments in the production and marketing of the organic products in Turkey. In the following parts, the production and marketing structure of organic raisin is discussed. The issues such as the channels of marketing within the marketing structure, the domestic market, foreign trade and prices are referred to. In the last part, the problems that occur during the production and marketing of organic raisin are described and some solutions for these problems are suggested.

2. The Progress of Organic Agriculture in Turkey

Initially, organic agriculture began in Turkey for exportation purposes due to the demands of the importing companies. The production and export of the organic products was realized in accordance with the regulations of the importing countries until 1991. After 1991, it was based upon the regulation number EEC 2092/91 of the European Union. In the following years, "The Regulation on the Production of Plants and Animal Products through Organic Methods" was promulgated in the Official Gazette dated 18.12.1994 No. 22145. Finally, studies on a draft for a new Regulation by the Ministry of Agriculture and Rural Affairs, drawn up in order to eliminate some deficiencies present in the current Regulation, are still ongoing.

The production and the marketing of organic products, in Turkey, are generally performed within the framework of an agreement of "contract farming" signed between the marketing company and the producers. In Turkey, the number of organic products produced in 1990 was 8, whereas in 1999, it reached 92. There has been an increase in the product range day by day.

The number of producers who practice organic agriculture was 313 in 1990, whereas in 1996, it increased 1189% and reached 4035. In 1999, 12275 producers were dealing with organic agriculture. Organic agriculture is not practiced yet in animal production but only in apiculture.

Since almost all of the products are exported and the conditions in the domestic markets have not been developed and the cost of control and certification is high, the producers do not have their own organic product certificates. Organic product certificates are issued in the name of all of the producers who took part in the project by the firm which devised the project.

In Turkey, the land allocated for organic agriculture was 1037 hectare in 1990. In 1999, it increased with a rate of 4385 % and reached approximately 46508 hectare.

In terms of the official data for 1999, the products mainly produced in terms of dried fruits are pear, apple, apricot, fig and raisin. Other products produced are strawberry, plum, peach, quince in the group of fresh fruits; beans, pepper, onion, mint within the group of vegetables; cotton, wheat, lentils in the group of field crops; and, thyme, garden sage, sweet bay and cumin in the group of medicinal plants. Finally a considerable amount of valonia oak, olive oil and honey, which are classified under the group of "other products" are also organically produced.

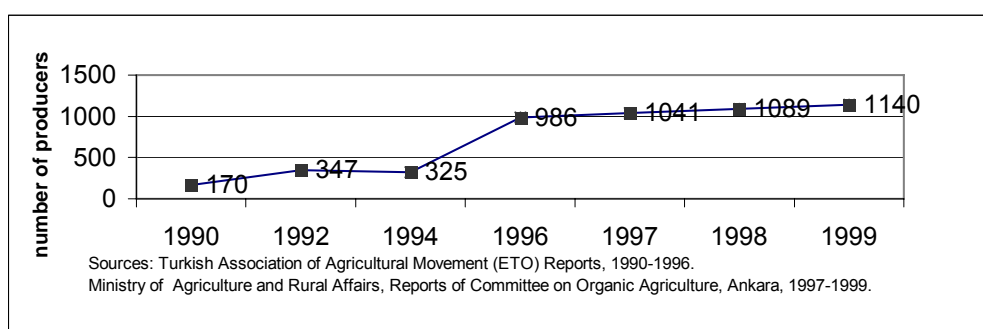
According to the data in 1999, approximately 0.20 % of the arable land, and 0.30 % of the farms were allocated to organic agricultural production.

Since in Turkey organic products are produced for export purposes due to the demands from the foreign countries, 99% of the production is sent abroad. According to the registrations of the Aegean Exporters Union, the income from organic product exports was approximately \$13.5 million in 1997, whereas in 1999, it increased with a rate of 74.81% and reached approximately \$23.6 million. In 2001, the income obtained from organic product export was approximately \$27.7 million.

The most important markets where Turkey exports organic products are Germany, Switzerland, Holland, England, France, and the USA

3. Improvements in the Production of Organic Raisin in Turkey

In Turkey, organic raisin is produced in Izmir and Manisa in the Aegean Region. The number of organic raisin producers in Turkey in 1990 was 170, whereas in 1999, it increased with a rate of 570.58 % and reached to 1140 producers (Graph 1).



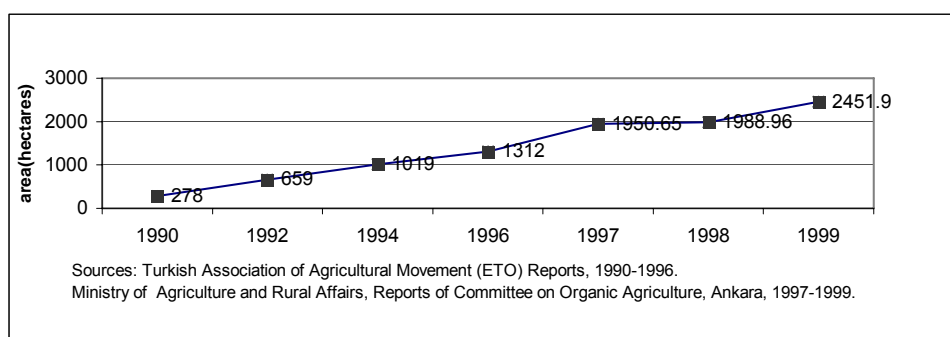
Graph 1. Number of Organic Raisin Producers in Turkey

Among the producers who deal with organic agriculture in Turkey, the rate of the ones who produce organic raisin was 54.33 % in 1990, whereas in 1999, it decreased to 9.29 %. It might not

be right to consider that as a decrease because organic agriculture in Turkey started with raisin and dried figs and the product range increased due to the development of organic agriculture. Thus, among the total producers who deal with organic agriculture, the number of the ones who produce organic raisin increased in terms of absolute value, whereas it decreased in terms of percentage. All of the organic raisin producers realize the production process based on the production bound by contract system.

When we examine the situation on the basis of the number of producers in each product category, it seems that organic raisin is within the category of dry and dried fruit. In the category of dry and dried fruit, raisin (1140 producers) is the product which has the most producers followed by nut (1381 producers), apple (1211 producers), and fig (1197 producers).

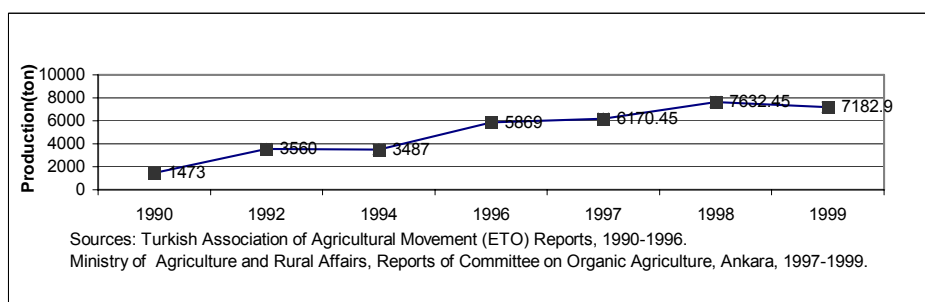
In 1990, the area where organic raisin was produced was 278 hectare, whereas in 1998, it increased to 615.45 % and reached 1988.96 hectare (Graph 2). In 1999, it was 2451.9 hectare. The proportion of the land where organic raisin is produced within the whole organic production area was 5.27 % in 1999.



Graph 2. Area Allocated to Organic Raisin in Turkey

When we examine the situation on the basis of the production areas in product categories, it seems that raisin (2451.90 hectares) is the product which has the largest arable land within the category of dry and dried fruit after pine nut (4666.80 hectares), nut (4096.80 hectares) and dried fig (3851.00 hectares).

The amount of production of organic raisin in 1990 was 1473 tons whereas in 1999, it increased 388 % and reached 7183 tons (Graph 3) .



Graph 3. Organic Raisin Production in Turkey(ton)

Organic raisin makes up 3.78 % of the total production of raisin in Turkey and 3.29 % of the production area.

4. The Marketing Structure of Organic Raisin in Turkey

4.1. Marketing Channels for Organic Raisin

Figure 1 illustrates the units that make up the marketing channel of organic raisin starting from the producer until it reaches the stage of export and the consumer.

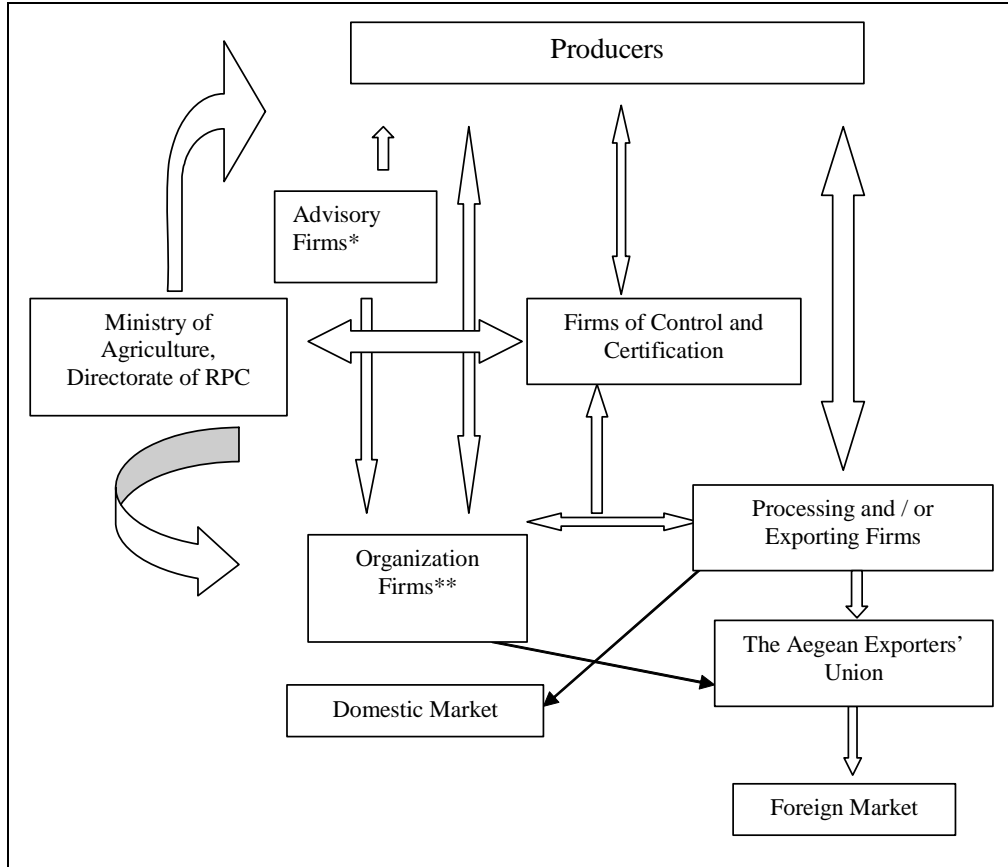


Figure 1. The Main Agents of The Organic Agriculture System in Turkey

* Firms carrying out feasibility work on organic agricultural production and other activities to provide the application of organic production methods to be fulfilled in accordance with the Regulation.

** Firms acting as liaison offices of foreign firms contracting farmers to produce organic products and organizing the marketing of these products.

Source: Uygun, Aksoy ve Ahmet Altındışli, Dünya'da ve Türkiye'de Ekolojik Tarım Ürünleri Üretimi, İhracatı ve Geliştirme Olanakları, İstanbul Chamber of Commerce, Publication No: 1999-70, 1999, p.64.

The firms that want to take part in control and certification activities in organic agriculture in Turkey, apply to the Organic Agriculture Committee, which is dependent on the Ministry of Agriculture and Rural Affairs. In order to sell organic raisin in domestic and foreign markets, it has to be certified by control and certification bodies. In Turkey, there are seven control and certification bodies which certify the firms that process organic products and market them. According to the data of 1999, 1140 producers of organic raisin were certified by 5 control and certification bodies.

There are some Consulting Agencies in Turkey which were established to perform feasibility studies of organic products and to apply the organic production methods in accordance with regulation. The consulting agencies that take part in the organic agricultural products market enable the feasibility of the organic products and application of the organic production methods

according to the regulation. On the other hand, organization firms are the ones which function as liaison offices of the firms abroad and make the producers bound by contract produce organically and help the marketing of those organic products.

There are 49 firms in Turkey which export organic products or produce and export them. Most of these firms process and market organic raisin. The head offices of all of the establishments processing organic raisin and the control and certification institutions are in Izmir and in its surroundings. Since organic raisin is among the products which are subject to certification the Aegean Exporters Union has been assigned to collect all the data concerning the export of organic raisin as well as for other organic products.

Since the organic raisin producers in Turkey work in agriculture bound by contract, they market their products to the firms which they have signed a contract with. Moreover, within the scope of this contract the organic raisin producers are not obliged to give their products to the firm with which they have an agreement and the firm does not have to get all of the products. When the firm does not buy all or some of the products, the producer will have to market his product like a conventional product without getting any price premium. In some cases, if the producer cannot reach an agreement on price with the firm, he might be able to give his product to the firm he has had an agreement with. In such a case, he might be taken out of the project by the exporting company.

When the price of the organic raisin which is announced to the producers by exporting firms is being determined, the price of the conventionally produced raisin in the stock exchange on that day is taken into consideration and it is paid by adding the premium to this price. The premium given to the producers change from firm to firm and year to year depending on the agreement between the producer and purchaser. Some firms declared that they gave 10% price premium to the organic raisin producers in 1999 and 2000. Some firms on the other hand, provide different price premiums by taking the procedures that the producer uses when producing organic raisin into consideration. The use of animal manure, breaking sticks, attending meetings and use of organic fertilizer affect the price premiums that the producers get. Exporting firms require the producers to place the organic raisin in plastic cases. The payments are made in cash and in a short period of time after the delivery of the product. On the other hand some producers deliver their products but do not have them priced. The producer has it priced based on the stock exchange rate on that day.

Export firms working with the farmers based on contracts provide them with advisory services and technical aid. The producers are given some information on technical issues such as cultivating the soil, fertilization, medication, pruning, harvest and drying. Firms provide the organic raisin producers with whom they have made an agreement with seeds, organic fertilizer, organic medicine and tools, and traps for insects as input supply. These are supplied with a price below cost and they might also be sold in the form of credit with a low interest rate. Furthermore, plastic cases and packaging materials are provided for the producers free of charge. Besides, if the producer has some financial problems, he is given some credit (advance) by the firm. The products are taken from the producer's garden, the transport expenses are paid by the firm, and so the producer is provided with marketing services. In the processing and packaging of the raisin stage, the control and certification bodies make some inspections. When the products are marketed to the domestic and foreign markets, not only is the brand and the weight of the packet written, but so is the added information that the product is produced organically and certified in Turkey. The companies which export organic raisin determine which importing company they will market the product far.

4.2. Domestic Markets

Ninety-nine percent of the organic products are exported. However, in the last three years some of the export companies have marketed some of the organic products to Migros, Tansaş and Kipa stores in the domestic market. There are 25 natural product stores that sell organic products. The number of shops that sell natural products is increasing day by day.

Since the domestic market is new, there is no statistical data about the price premium that the consumer pays. Nevertheless, the retail price of organic raisin sold in supermarkets and natural product shops and that of the conventional raisin are compared and evaluated. The retail price of the conventional raisin in May, 2001 is 1.148 \$/kg whereas that of the organic one is 2.216 \$/kg. Between these two there is a significant difference of \$ 1.068. The consumers pay approximately 93.03 % price premium for organic raisin¹.

The sales of organic raisin in Turkey seems not to be as widespread as in all other organic products in the domestic market. One of the reasons why it is not widespread in Turkey is that the producers do not have enough information about these products. The main reason is that the level of income is low and the distribution of income is not balanced and there is a significant difference between the organic product prices and the conventional product prices.

4.3. Export

According to The Registrations of Aegean Exporters Union, the income obtained from the export of organic raisin was approximately \$ 3 million in 1997, whereas in 2001, it increased to 63.33 % and reached an approximate \$ 4.9 million (Table 1). The portion of organic raisin within the income obtained from the export of all organic products in 2001 is 17.68 %.

Table 1. The Amount of Export(kg), Export Value (FOB\$) of Organic Raisin

	1997	1998	1999	2000	2001
Amount(kg)	2 223 138	2 838 620	3 287 591	4 252 119	5 411 534.75
Value(FOB \$)	2 940 244	3 855 281	4 149 714	4 836 139	4 887 076.27

Source: Secretary General of Aegean Exporters' Union, Izmir, 1997-2001

Table 2. The Amount (kg) and Export Value (\$) of Organic Raisin of Turkey by Countries in 2001.

Countries	Amount(kg)	Value(\$)
Germany	2 346 784	2 072 247.44
England	679 596	630 227.44
Holland	745 576.25	612 546.54
Switzerland	506 250	525 137.12
France	406 550	377 950.06
Italy	208 955	191 020.43
Other Countries	517 823.5	477 947.24
Total	5 411 534.75	4 887 076.27

Source: The Registrations of General Secretariat, Aegean Exporters Union, Izmir, 2001

¹ The prices were calculated based on the average TL/\$ exchange rate in May. 1\$= 1 127 730 TL.

The retail prices of organic raisin were obtained from Nuh'un Ambarı, Organic Market, Migros, and Kipa, the retail prices of conventional products were obtained from Migros and Kipa.

Among the most important markets where Turkey exported organic raisin to in 2001 were Germany, England, Holland, Switzerland, France and Italy (Table 2).

4.4. Prices

In this part, the producers' income obtained from conventional and organic raisin and the profit of the exporting firms have been compared.

While the price that was paid to the producers for conventional raisin in 2001 was 0.56 \$/kg, the export price was 0.68 \$/kg. The price paid to the conventional raisin producers is 0.12 \$/kg less than the export prices. The price paid to organic raisin producers in 2001 is 0.62 \$/kg and the export price is 0.90 \$/kg. The price paid to the organic raisin producers is 0.28 \$/kg less than the export prices.

When the prices received by the producers are examined, the difference between the prices that organic and conventional raisin producers received in 1998 was 0.09 \$/kg whereas in 2001, it was 0.06 \$/kg. When the situation is examined in terms of export prices, the difference between the export prices of organic and conventional raisin was 0.45 \$/kg in 1998 whereas in 2001, it was 0.22 \$/kg (Table 3). The difference between export prices and the prices paid to the producer for organic and conventional raisin has represented a decrease year by year.

Table 3. The price paid to the producers for conventional and organic raisins and export prices (\$/kg)

	1997	1998	1999	2000	2001
The price paid to the producer for conventional raisin (\$/kg)* (1)	0.94	0.91	0.88	0.76	0.56
The export price of conventional raisin (\$/kg)** (2)	1.11	1.09	1.07	0.83	0.68 ¹
The difference between the export price of the conventional raisin and the payment for the producer (2-1)	0.17	0.18	0.19	0.07	0.12
The price paid to the producer for organic raisin (\$/kg)* (3)	1.04	1.00	0.97	0.83	0.62
Export price of organic raisin (\$/kg)*** (4)	1.32	1.36	1.26	1.14	0.90
The difference between the export price of the organic raisin and the payment for the producer (4-3)	0.28	0.36	0.29	0.31	0.28
The difference between the payments to the producers for organic and conventional raisin (3-1)	0.10	0.09	0.09	0.07	0.06
The difference between the export prices of organic and conventional raisin (4-2)	0.21	0.45	0.19	0.31	0.22

Source: *It has been prepared with reference to İzmir Trade Stock Exchange, 1998 Economic Report, İzmir, 1998 and 2000.

**It has been prepared with reference to The General Secretariat, Aegean Exporter Unions, Aegean Dried Fruit and Products Report, İzmir, 2001-2002.

*** The Registrations of the Aegean Exporters Unions, İzmir, 1997-2001.

¹ From 11.1.2001.

10 % organic product premium was added to the average price of the conventional raisin (for all types) that is in the İzmir Trade Stock Exchange and so the price of the organic raisin was determined. Export prices were calculated by dividing the export values to export quantity

Annual exchange rate: 1997: 151428.5 1998: 260039.6 1999:417580.9 2000:623418.9 2001 : 1220463.3 (T.C. Prime Ministry State Planning Organization, Basic Economical Indicators Ankara, Aralık 2001.)

Between 1997-2001 there seems to have been a significant decrease in the amount of money that organic raisin producers have earned as well as the export prices of organic raisin. However, the decrease in the price that producers get is much more than the decrease in export prices. The

positive changes in marketing and the increase in the number of companies which export organic products day by day have led to a competitive environment.

The prices that the producers get for conventional and organic raisin and export prices are examined in a 5-year-period. However, due to the insufficiency of the statistical data, the retail price for organic raisin could not be found. To get a better idea, in May 2001 the prices of organic raisin were obtained from shops that sell organic products. The retail price of conventional raisin in May 2001 is 1.148 \$/kg whereas that of organic raisin is 2.216 \$/kg.

5. Problems and Suggestions

The results obtained from studies provide insight to the problems that are faced in the production and marketing of organic raisin.

There has been a decrease in the productivity of organic raisin due to some difficulties in the struggle with diseases and insects, the difficulties in the supply and use of organic agricultural input, the difficulties in the supply of manure, the system of early warning and trap which could not be widespread enough and the expensive cost of green fertilizing. Moreover, the high cost of input used in organic agriculture, and the maturity difference that is taken from companies during the supply of the input are other problems that producers face

During the stage of marketing of organic raisin, one of the most important problems of the producers is that the difference in price is not enough. The two important problems are that the price premium difference from firm to firm is very low and yet some firms do not pay a price premium difference. One of the most important problems is the belated payment of price premiums and forward payments. When the price of organic raisin is being determined the stock exchange prices according to their quality numbers are taken into consideration. The producers state that the quality number is not determined objectively. Although it was undertaken before, number 7 raisin is not bought by firms so producers of organic raisin have to sell it in conventional markets without any price premium. Survey results reveal that another problem is the lack of legal obligation in the contracts that are made between producers and firms. Producers claim that the contract includes statements aiming to protect the firm. Producers claim that there is no information about the price premium in the contracts. They mention that sometimes that the firm with which they have had an agreement does not buy all of the organic raisin. Some producers claim that after they harvest, some firms do not come and collect the product. Consequently, they have to sell organic raisin in the conventional product markets without any price premiums.

Some suggestions for the problems of the producers who produce organic raisin and other organic products might be:

Firstly, the contracts between the producers and firms should have a legal status. Both producers and the firms should fulfill all the agricultural requirements which are bound by contract. The amount of price premium that will be given to the producer should especially be mentioned in the contract.

When the price premium that will be given to the producer by the firm is being determined, the price premium should be given according to the quality of the product. Therefore, the organic raisin producers will be more cautious in organic agriculture in order to get more premium. As a result, an increase in productivity and improvement in quality will be achieved.

When some co-ops that seek the organic producers are established, the domestic sales could be increased, and the problems that the producer faces at the production and marketing stage could be easily solved. The next step would be to form a target audience through panel testing.

The producers claim that organic raisin is sold at a high price both in the country and abroad. The producers think that firms keep the premium at a minimum level and they profit a lot. Producers and the institutions that took part in the marketing of the organic products should be allowed to share the income proportionately.

The firms must lead in the supply of the manure that is used largely in organic agriculture.

Since the income of the producers is low and the certification expenses are high, producers cannot obtain control and certification documents on their own. The products sometimes are not bought by the export company and in such a case, the producer suffers. The lack of their own control and certification documents prevents the producer from selling his product as he wants. Therefore, the producers who would like to obtain control and certification documents in Turkey will be supported financially through the government's payment of all or some of the expenses and that will help organic agriculture improve. Certificates will provide producers with some alternatives for the marketing of the products in many ways. So, the producers will be able to sell their organic products in the local open markets, and the flow of the organic products from producers directly to consumers will prevent the large of difference in price between conventional and organic products. In the certification process, prioritizing cooperations might relieve producers and enable the certification institutions to have control. Besides, as in other countries and especially in the EU, the support of the government to the producers who deal with organic agriculture will help producers solve some problems which occur at the production stage.

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