

# **MARKET DYNAMICS in the TURKISH OLIVE OIL INDUSTRY**

A decorative background image of an olive branch with green leaves and yellow-green olives, positioned behind the title and authors' names.

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# Introduction

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- leading olive oil producers in the world
- ranking fifth after the EU countries and Tunisia
- many competitors on the international olive oil market
- important to know the future of Turkish olive oil performance and its competitiveness

# Objective

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- to gain more insight into
  - constraints and problems preventing development in the Turkish olive oil industry and
  - opportunities and competitive strengths of the Turkish olive oil industry

# Method

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- SWOT
- Survey
  - 117 firms
  - 58 exporters
  - 59 olive oil firms
  - Regions having the highest share in production and exportation

# Results and Discussion

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- The firms in Turkish olive oil sector have identified
  - 5 strengths
  - 11 weaknesses
  - 8 opportunities
  - 4 threats

# Strong Points of the Turkish Olive Oil Industry

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## □ **Increasing production and new plantations:**

- Maximizing its capacity and production
- A policy of encouraging farmers
- Turkish government pays USD 170 for every new tree planted.
- Many farmers have begun to abandon less profitable crops for olive tree production.
- Making Turkey a bigger player

# Strong Points of the Turkish Olive Oil Industry

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## □ **Mechanization and technical improvements:**

- Considerable technical innovations have been introduced.
- Traditional extraction systems have been widely substituted by continuous system.
- Approximately 96% of the firms use continuous system.

# Strong Points of the Turkish Olive Oil Industry

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- **Increase in production facilities:**
  - A number of agents are involved along chain
  - Predominating way of marketing
  - Increase in local stores (boutique stores)
  - Local brands of differentiated quality
- **Increasing demand for olive oil:** Olive oil is increasingly known as the healthiest alternative to other edible oils, and thus Turkish consumers are becoming more interested in olive oil.



# Strong Points of the Turkish Olive Oil Industry

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- **Organization of the operators in all levels of the olive oil industry**
  - Fragmented
  - Two major cooperatives
  - important role
  - Responsible for purchasing operations, storage and trade

# Weak Points of the Turkish Olive Oil Industry

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- **Absence of a long-term development strategy for the industry**
  - A program encouraging the development of various growing areas
  - The production is expected to rise to 350,000 tons
  
- **High prices and production costs**
  - Production costs are high
  - Labor costs
  - Higher in price than other edible vegetable oils.

# Weak Points of the Turkish Olive Oil Industry



- **Alternance, low productivity and production**
  - Large fluctuations
  - Market instability
  - Export market is constrained
- **Small and fragmented farms and traditional olive cultivation methods**
  - Less than 5 hectares (74.5%)
  - Family business
  - Prevents mechanization, higher production costs and quality problems

# Weak Points of the Turkish Olive Oil Industry

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## □ **Weak efforts for quality preservation**

- instructions for transport and storage of olives (using plastic boxes) and maintenance of the equipment involved in transformation and storage of olives and olive oil are not generally respected
- The minority (8%) transport olives in plastic safe

# Weak Points of the Turkish Olive Oil Industry

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## □ **Absence of horizontal and vertical integration**

- 39 firms have integration
  - increase market share
  - continuity of supply of raw materials
  - lower production costs
  - improve production and quality

# Weak Points of the Turkish Olive Oil Industry

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- **Image of Turkish olive oil and lack of promotion and branding**
  - Absence of a leading name brand, trade name
  - Unknown and unrecognized on the market
- **Weakness in product strategic marketing**
  - Scarcity of efficient export strategies with medium and long-term visions
  - Common, coordinated promotion
  - Budget constraints

# Weak Points of the Turkish Olive Oil Industry

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- **Domination of bulk exports**
  - 43% in bulk
  
- **Low domestic consumption**
  - Around 1 kg per person
  - High prices
  - Low income
  
- **Financial problems**

# Opportunities in the Turkish Olive Oil Industry

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## □ **Increasing demand for olive oil worldwide**

- New olive oil consuming countries with high income
- Demand is rising more than in traditional countries

## □ **Emergence of new markets**

- USA, Canada, Japan, Australia and Brazil
- 5 fold increase in their imports (1989-2005)



# Opportunities in the Turkish Olive Oil Industry



## □ **Decreasing production in competitor countries**

- Severe droughts and frosts causing losses in production

## □ **EU full membership**

- The screening has been in progress since 2005
- Spain, Portugal and Greece have experienced substantial growth since joining the EU.
- Modernization of the industry in these countries has been partly promoted by their accession to the EU and the application of EU regulations.

# Opportunities in the Turkish Olive Oil Industry

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- **Increase in foreign direct investment**
  - Turkey has been able to attract steadily increasing flows of FDI into a wide variety of its industries.
  
- **Awareness of high-quality Turkish olive oil worldwide**
  - a program called Turququality, which aims to strengthen the international image of Turkish products
  - This program provides support for companies under a wide range of incentives.

# Opportunities in the Turkish Olive Oil Industry



- **Cheaper labor force**
- **Geographical position of Turkey**
  - close to
    - Europe, which is the main olive oil consumption market
    - the Middle East and Commonwealth of Independent States
  - Based on the survey results, the EU (32.12%) in olive oil exports.
  - Middle East countries (10.63%),
  - Bulgaria, Romania (5.71%) and
  - Commonwealth Independent States (5.54%).
  - the USA, Canada, Far East, Australia and Africa

# Threats to the Turkish Olive Oil Industry



## □ **CMO for olive oil**

- The CMO has promoted better market orientation, competitiveness and quality in member countries
- agreements with certain southern Mediterranean countries obstruct the entry of Turkish olive oil into the EU

## □ **Emergence of new producer countries**

- the USA, Australia, Japan, Argentina, Chile and other countries
- In the future, their domestic production will cover their consumption needs and yield exportable surpluses that could compete with traditional exporter countries

# Threats to the Turkish Olive Oil Industry

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## □ **Vegetable oil competition**

- compete with sunflower oil, soybean oil, rapeseed oil and other substitute oils and fats

## □ **Global warming**

- in the long run be affected by climatic change
- Owing to climatic change, some areas may become more suitable and others less suitable for olive cultivation

# Conclusion

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- In the coming years, most markets appear either to have leveled or to be leveling out consumption. However, production will continue to increase, resulting in oversupply.
- Turkey has to face its weaknesses and threats and benefit from its strengths and opportunities in order to increase and sustain its competitiveness on the international market.

# Conclusion

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- In order to compete effectively in a global world, the Turkish olive oil industry needs to organize itself in cooperation with the Ministry of Agriculture and Rural Affairs, private industry, cooperatives, producers and relevant NGOs.
- The principal strengths of the Turkish olive oil industry are related to the product characteristics and new orchards.

# Conclusion


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- Turkey has a high potential for increasing production if cultivation practices such as irrigation and mechanization are improved and old orchards are restructured.
- Quality has to be the pillar of sectoral development in Turkey. Applying appropriate production, processing and storage techniques must be a priority objective in the Turkish olive oil industry.



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