MARKET DYNAMICS in the TURKISH OLIVE OIL INDUSTRY

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Introduction

- 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

- 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

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

- 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

- 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

- **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.

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Strong Points of the Turkish Olive Oil Industry

**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

- 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

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Weak Points of the Turkish Olive Oil Industry

- **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.

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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

- 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

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

- **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

- **Domination of bulk exports**
  - 43% in bulk

- **Low domestic consumption**
  - Around 1 kg per person
  - High prices
  - Low income

- **Financial problems**

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Opportunities in the Turkish Olive Oil Industry

- **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

- **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 Turquality, 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

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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

- **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

- 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

- 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

- 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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