

ABSTRACT

Agriculture has taken an important place in the relations between Turkey and the EU since 1963. In the history of the relations, the commitment of Turkey to adapt its agricultural policy to the measures of the Common Agricultural Policy (CAP) of the EU has been the vital issue. On the other hand, after Customs Union in 1995, another commitment of Turkey came forward; adaption to the trade system of processed agricultural products of the EU.

The processed agricultural products trade system covers the three basic products; cereals, sugar and milk and milk products. This trade system is necessary for the EU because of the effect of the CAP on the raw material costs of the food industry. Both support policies in the common market system of each of the three products and the processed agricultural products trade system encourage the EU food industry to demand raw materials originated from the Community.

According to the adaption commitments of Turkey to the CAP, the support policies regarding to cereals, sugar and milk and milk products should have the priority. Although the results of agricultural support policies implemented for these three products are very much related with the agricultural structure, the main points of the policies and the policy changes in the CAP parallel to the effect of the GATT Uruguay Round will be the guides for the development of the agricultural support policies in Turkey. Some of the structural problems requiring solutions in Turkish agriculture are low and non-increasing yield of products, the quality problems in marketing of products and production in small and inefficient agricultural holdings.

The food industry has been developing since the end of 1980's in Turkey. Regarding to the effects of both structural problems in agriculture and the implication of the agricultural support mechanisms, food industry could not have been procuring adequate amounts of raw materials at the standard quality and in stable prices from domestic markets of these three raw materials. The price differences with world markets could not be financed by export refunds for raw materials and these differences lead to difficulties in the exportation of processed products. An important finding is that, as the export subsidies are not in force after 1996 and GATT commitments do not give permission to Turkey for implementing new ones, food industry has to import cereals, sugar and milk products at lower prices in order to compete in export markets.

After the Customs Union Agreement with the EU, food industry will have to be more competitive and in relation with the three products, some measures should be put into action. In this context, a number of proposals are given which are believed to make help for the improvement of the situation in agricultural sector and for more efficient procurement of raw materials to a more competitive industry. It is thought that the role of the government in agricultural sector would also be reduced by these proposals.

Registration in agricultural sector is believed to be very important for the monitoring of agricultural support policies. A registration system like FADN of the EU would help much to the purpose of data collection. The production costs, revenues and all data about production activities can only be collected via that kind of a system. According to these data, the area that has advantages by production costs and/or yield should be selected out. In the selected area small agricultural holdings can be encouraged to come together to establish cooperatives and producer unions in order to make production more efficiently and economically. Input subsidies are proposed to be used for this encouragement. In the short run the input subsidies may be given directly to these organizations and in the long run, they may be converted to direct income payments. It is thought the quality and yield improvement in agricultural production would also be possible via cooperatives and producer unions.

The improvement and establishment of cooperatives and producer unions will also facilitate the procurement of raw material to the food industry at standard quality, price and amount. New plants may be built by the cooperatives or producer unions in order to process their products or production in contract with the other plants may be improved as a system.

The policy changes related with these agricultural organizations and new policy approaches in product basis should also be taken into account in details for Turkey. In cereals sector, direct income payments system and commodity exchanges should be active parallel to each other. In sugar sector, a new private sector oriented structure should be established, like the one in the EU. In milk and milk products sector, it is very important to improve the infrastructural situation of the farms and the chain between farms and industry while it is also important to increase the domestic demand for milk products.

All the agriculture related policies and expenditures are needed to be directed by a central body and, like in the EU, product management committees should be formed. In this way, implementation of feasible policies in agriculture will be possible and it will positively affect the food industry in Turkey.