

The trend towards high added-value products...

2.7

Total red and white meat production in Turkey amounted to about 2.7 million tons in 2012.

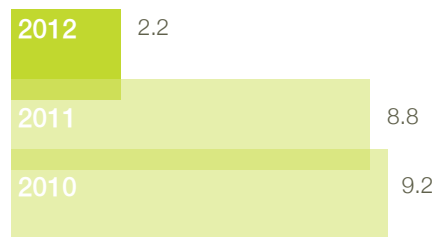
The Turkish Economy and Our Sector in 2012

Average per capita consumption of red and white meat in Turkey is about 12 kgs and 20.7 kgs respectively. While these amounts has been increasing in recent years, they are still below world averages.

2.2%

The Turkish economy grew by 2.2% in 2012.

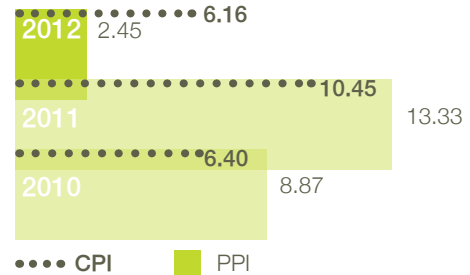
GDP Growth Rate - Fixed Prices (%)



The Turkish economy grew by 2.2% in 2012.

After growing by 8.8% year-on in 2011, the Turkish economy grew by only 2.2% in 2012.

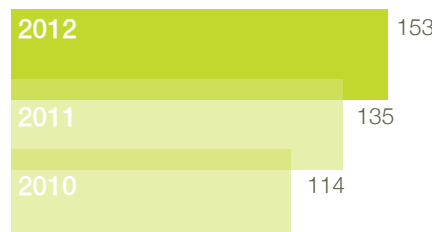
Inflation (%)



Inflation appears to be in decline.

In the twelve months to end-2012, the consumer price index (CPI, 2003 = 100) increased by 6.16%. During the same period, the producer price index (PPI) plummeted from 13.33% to just 2.45%.

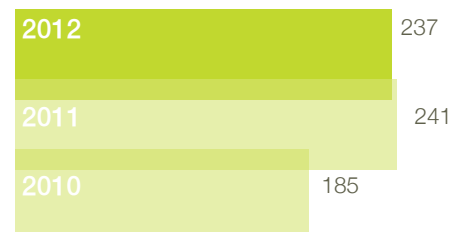
Exports (USD billion)



Increases in exports impacted favorably on economic indicators.

Turkey's total exports increased by 13.1% in value in 2012 and reached USD 153 billion while imports were

Imports (USD billion)



down slightly by 1.8% year-on and amounted to USD 237 billion. The country's terms of trade (TOT) ratio, which was 56.0% at end-2011 rose to 64.5% as of end-2012.

Source: TurkStat, CBT, Undersecretariat of Treasury



The decline in net livestock assets naturally constrains the meat supply as well. Even though per capita meat consumption in Turkey is far below that of the world's developed countries, the available supply cannot keep pace even with that level of domestic consumption.

The livestock and meat products industry

With population increasing in Turkey as it is around the world, a strong livestock industry is vitally important to giving people access to adequate and balanced nutrition. The sector also generates a considerable amount of added value as a source of the raw materials that are needed by many other endeavors. By playing host to a large number of ancillary industries, the livestock sector also makes a substantial contribution to the national economy as well.

Livestock raising generates some 40% of all agricultural gross world product and provides livelihoods for about 1.3 billion people worldwide.

Among EU countries, livestock raising accounts for a 49% share of the total agricultural output of some 7.5 million enterprises. The EU's livestock operations are relatively small with an average of 44 head of livestock per enterprise.

Among the world's developed countries, average protein consumption works out to 102 grams per person per day. Substantially more than half (60-70 grams) of that consists of animal-source protein.

From the standpoint especially of its geographical and topographical sources, Turkey has tremendous potential for the production of all sorts of livestock-based products. That potential is thwarted firstly by inadequate breed improvement and secondly by inadequate domestic fodder cultivation. So serious are these problems that there has actually been a decline in the country's net livestock assets in recent years.

Among the other hindrances to the development of animal husbandry in Turkey, mention should also be made of insufficient locally available breeding stock, feeder cattle, and quality forage. Owing to high input costs, the sector is not globally competitive and suffers seriously from raw material price volatilities and uncertainties.

The decline in net livestock assets naturally constrains the meat supply as well. Even though per capita meat consumption in Turkey is far below that of the world's developed countries, the available supply cannot keep pace even with that level of domestic consumption. This not only drives up prices while fostering unregulated production and unfair competition but also encourages imports (of both the legal and illegal kind) from time to time.



18%

Red meat production in Turkey last year topped more than 915,000 tons, an amount that corresponds to a year-on rise on the order of 8%.

The future development of beef cattle farming in Turkey is largely dependent on making a thorough review and analysis of the industry's entire value-creation chain and introducing measures and providing incentives which see that chain as an integrated whole.



Acknowledging that local production was insufficient, the Food, Agriculture and Livestock Ministry began licensing the importation of live cattle for fattening and slaughter as well as of beef carcasses in the last quarter of 2010. This had the effect of stabilizing raw material prices in 2011, a situation that prevailed in 2012, when price movements more or less remained on track with those of the year before. But although producers' costs increased last year, weak demand (especially in the last quarter) dampened carcass price rises.

The imports authorized by the ministry in 2010 to provide Turkey with the meat it needed dropped off significantly in 2012 (again especially in the last quarter) as the customs duties charged on carcasses and live cattle for slaughter were raised.

The duty on live cattle for slaughter was raised last year first to 30% in July and then to 40% in October, with the duty on carcasses being increased to 100% in the latter month. In February 2013, the duty on live cattle for fattening was pushed up from zero to 15%.

Turning now to the poultry meat sector, we see that the industry has become extremely well organized as a result of the systematic, fully-integrated production that got started in the 1990s. Thanks especially to the use of advanced technology, the sector's output has grown tremendously in the years since then.

Indeed it would not be amiss to say that white meat is one of the most-if not the most-advanced sectors of Turkey's agricultural industry. Most of the country's poultry raising operations conform to international standards of quality and food safety. This was acknowledged by the EU, which recognizes Turkey as one of the third-party non-EU countries from which chicken meat may be imported.

Health-beneficial and flavorsome and with its low levels of fat and cholesterol yet high nutritional content, turkey meat and turkey meat products continue to be an attractive and delicious alternative source of animal-based dietary protein.

According to Turkish Statistical Institute (TurkStat) figures, red meat production in Turkey last year topped more than 915,000 tons of which about 800,000 tons was beef and the remainder mostly mutton and lamb. This output corresponds to a year-on rise on the order of 18%. During the same twelve-month period, poultry meat production amounted to 1,766,000 tons, the overwhelming majority (1,724,000 tons) of which was chicken with turkey weighing in at a mere 42,000 tons. TurkStat puts Turkey's total red and white meat production in 2012 at about 2.7 million tons.

Average per capita consumption of red and white meat in Turkey is about 12 kgs and 20.7 kgs respectively. While these amounts have been increasing in recent years, they are still below world averages.

In a market segment whose prices were moving generally upwards, there was a noticeable trend towards higher added-value goods.



Turning to processed meats, the market for such products in the first four months of 2012 bettered its performance during the same period of the previous year; however beginning in April, the market entered a slump that lasted well into June. Overall, the processed meats market grew by 11% in 2012 on a tonnage basis but on a turnover basis it actually shrank by 1%. In a market segment whose prices were moving generally upwards, there was a noticeable trend towards higher added-value goods.

On December 5th the Food, Agriculture and Livestock Ministry published a new Meat Products Communique (2012/74) governing a host of issues related to the production, packaging, and marketing of meats and meat products. The same communique also introduced a number of changes related to the contents and definitions of meat products.

The future development of beef cattle farming in Turkey is largely dependent on making a thorough review and analysis of the industry's entire value-creation chain and introducing measures and providing incentives which see that chain as an integrated whole.

The large-scale and modern livestock enterprises which have come into existence in Turkey in recent years do have dimensions and attributes capable of transforming the industry as a whole; however owing to various issues and difficulties, not as much progress has been made in integration as might be wished. The sector is still characterized by large numbers of small-scale operations whose inefficiency and lack of technology as well as local-market-driven production and organization issues continue to pose problems.

Supporting the growth and development of a livestock industry capable of turning out higher added-value products is the way to overcome such problems and to move forward. If Turkish livestock farmers are to have any hope of surviving-much less competing-in an EU environment, improvements are needed in livestock breeds, in combating animal diseases and pests, in pasture management and use, in growing better forage crops, and in the provision of extension services.

