TRADE IN AGRICULTURAL PRODUCTS

TURKEY

Synopsis of Non-Tariff Measures for the Protection of Agriculture or in support of Incomes of Agricultural Producers furnished by the Government of Turkey.
I. NATIONAL AGRICULTURAL POLICIES

A. General Objectives

Turkey is an essentially agricultural country; 77.4 per cent of the total active population is employed in agricultural production, and agricultural products represent 87 per cent of Turkey's export earnings.

The three basic objectives of Turkey's national agricultural policy are the following:

1. to raise the standard of living and to increase the purchasing power of the farming community;

2. to develop agricultural production in order to export enough to earn the foreign exchange needed for the general economic expansion of the country;

3. to increase the consumption of industrial products - which is essential for the general economic development of the country - by expanding the agricultural sector and its markets in order to broaden the present narrow scope of its present farming economy.

To this end, the Government's efforts in the agricultural sector are concentrated on the promotion of cereal production, the improvement of production techniques, price and credit policy, stock-piling programme and aid to exports.

B. Special Measures

To attain the aforementioned objectives, Government resorts to a number of measures of assistance affecting both production and trade.

Aid to Production

Investment policy: As the earnings of the majority of small Turkish farmers are only just sufficient to provide for their own subsistence, they generally have no capital available nor any possibility of saving funds for investments. For this reason, one of the main features of Government's efforts in the agricultural sector is a policy of investments. Its essential objectives are a rapid increase of cultivated areas and a substantial improvement in yield and productivity. In carrying out this policy, priority is given chiefly to investments likely to bring about quick and beneficial results bearing on the situation of the balance of payments and the economy.

In this connexion, Government puts particular emphasis on large irrigation and drainage projects, agrarian reform, mechanization of agriculture and on the building up of agricultural equipment and establishments.

Out of the aggregate amounts invested by Government in the last ten years or so, 23 to 25 per cent were devoted to the agricultural sector. For the years 1951-53, the agricultural share was as high as 40 per cent of total investments.
Mechanization of Agriculture: A great deal of importance is attached by Government to projects dealing with the mechanization of agriculture.

The purpose of mechanization is to put new lands to use for agriculture, to improve cultivation techniques and thereby to reduce the harmful effects of unfavourable and unforeseeable climatic conditions.

Among the measures taken under this heading are: exemption of import duties on agricultural machinery; the granting of credits at favourable rates for purchases of agricultural implements; the setting up of repair shops; the training of farmers in the operation and upkeep of farm machinery.

Agricultural Credits: Various types of credits are granted to farmers for the following purposes:

- As a contribution to the operating capital of the farmer.
- To increase the yield and improve the quality of agricultural products.
- For the distribution of land to enable producers to become owners of their farm.
- To facilitate merchandizing and to develop outlets for the products.

Depending on the needs and on the uses for which they are intended, these credits may be earmarked as operating credits or for increase of productivity, purchase of land or equipment or for marketing purposes. They are being granted with due regard to the standing of the beneficiaries and their ability to refund the credits, and to their particular needs such as the financing of their fixed yearly operating charges, of purchases of machinery, implements and land, of minor irrigation projects, rebuilding of dykes and other works to cope with erosion, floods, etc.

Increase of Yield: Programmes aiming at an increase of productivity are put into operation mainly through mechanization of agriculture, and through the dissemination of technical, mechanical and scientific knowledge. Farmers are being acquainted with and instructed in the new methods by special agricultural institutions such as technical information and training services. The creation of agricultural schools and colleges is also an essential part of these programmes.

Merchandizing Aid

The measures implemented under this heading aim at expanding the internal and external markets for agricultural products.

To support prices of agricultural products, Government resorts simultaneously to price fixing and to market organization. Intervention on the market is practised either by Government services directly responsible to the Ministry of Customs and Monopolies, or by undertakings or organizations operating under the Law on Government Economic Enterprises. Producers' co-operatives also take an active part in market organization.
The most important Government agency in this field of action is the Soil Products Office (TOPRAK OFIZ) which is responsible for the regulation of the cereals market. Guaranteed prices for wheat, barley, oats, rye, maize and rice are fixed by Government in June of each year and the TOPRAK OFIZ is required to purchase at these prices all of the grains offered to it by producers. The farmers, however, are under no compulsion to sell. TOPRAK has a monopoly of import and export trade in cereals (see Section V) and in the last few years it has disposed of surpluses in the world markets at prices below the guaranteed prices (see Section II).

Production of sugar beet is regulated in relation to the capacity of the refineries. Government fixes every year the prices payable to producers by the Turkish Sugar Mill Corporation. Prices are fixed according to the distance between the buying centre and the refinery, transportation costs being borne by the refinery. The retail price of sugar is also fixed by Government. The above Corporation has the exclusive right to export sugar.

The Meat and Fish Organization, a recently established Government agency which is still a pilot undertaking, encourages livestock-breeding and fisheries and is empowered to regulate the commodity market concerned. Up to the present its scope of action has been rather limited.

Apart from Government intervention, the producers' co-operatives, which are in most cases instituted by Government and directly influenced by it, take an active part in market stabilization. The co-operatives' operations are financed by the Agricultural Bank; the resulting profits and losses are credited or debited to a "National Protection Fund" administered by Government.

Legal provisions relating to the fixing of maximum retail selling prices for foodstuffs have been dropped in the case of a number of products. Only in the case of wheat flour, milk and dairy products, vegetable oils and meat are such provisions still in force, in order to control speculation and to prevent rapid increases in prices; and with regard to meat, the fixing of retail prices is limited to five geographical departments.

The importation and sale of tea and tobacco and the manufacture of tobacco products are controlled by a State Monopoly (see Section V). At the beginning of the season, Government fixes a maximum price for tobacco, which is not divulged but serves as a guide for the Monopoly to make further purchases if buyers exert speculative pressure to reduce prices. Prices for tea leaf are fixed by a special commission consisting of representatives of growers and of the Government Ministries concerned.

II. SUBSIDIES (including all forms of income and price support)

As stated in Section I B, all cereals are under a system of guaranteed prices and the TOPRAK OFIZ is required to purchase, at the prices fixed by Government, that portion of annual production offered to it by farmers. In addition, bonuses over and above the guaranteed prices are granted for certain types of cereals (e.g. hard wheat and malting barley) which can be exported on less unfavourable terms than others. These bonuses, according to products, are as follows:
- Anatolian white wheat 1 piastre
- Hard wheat 4 "
- Malting barley 4 "
- White barley 3 "
- Oats 3 "

Owing to a decline in world cereal prices since 1952, TOPRAK was obliged to export cereals at prices below the guaranteed prices in order to dispose of its surpluses. Such losses are covered by the Treasury.

High grade fodder plant seeds purchased by Government or produced on State farms are distributed to farmers, if necessary, on credit.

By Decree No. 1173 of 2 August 1958, a system of multiple exchange rates was introduced with the agreement of the International Monetary Fund. This system, as applied at the present time, provides for the levying by the Central Bank of the Turkish Republic on all foreign exchange selling operations of an exchange super-tax of Turk.£6.20, and for the payment, on all foreign exchange buying operations, of a like amount for US$.1. This constitutes, without prejudice to the nature of this measure considered as a multiple exchange practice, an exchange premium representing an increase by 219.45 per cent of the number of Turk.£ equivalent to US$.1 as compared with the official selling rate of Turk.£2.8252. This measure brings the single and effective exchange rate of the Turk.£ down to 9.0252 in relation to the US dollar. As an exception, however, the premium on opium remains fixed at Turk.£2.10 per US dollar. (On this question, see the statement dated 10 April, IBDD, Supplement No. 8, page .)

The agricultural population is granted exemption from income tax, exemption from the sales tax levied on processed agricultural products, and exemption from sales tax on means of production, whether imported or made in Turkey.

III. COST OF PROGRAMMES AND NET AGRICULTURAL INCOME

(a) Cost of Government Support Programmes

(To be supplied at a later date)

(b) Net Agricultural Income

Figures pertaining to agricultural income for the years 1955, 1956 and 1957 and for which statistics are available, are as follows, based on current prices:

<table>
<thead>
<tr>
<th>Year</th>
<th>In Turk.£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>7,638,200</td>
</tr>
<tr>
<td>1956</td>
<td>9,096,300</td>
</tr>
<tr>
<td>1957</td>
<td>12,046,400</td>
</tr>
</tbody>
</table>
The above figures cover the aggregate income derived from agricultural production, including agriculture, forestry and the fishing industry. For each of these activities taken separately, the figures are as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>1955</th>
<th>1956</th>
<th>1957</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>7,453,300</td>
<td>8,867,400</td>
<td>11,785,600</td>
</tr>
<tr>
<td>Forestry</td>
<td>119,800</td>
<td>164,000</td>
<td>177,900</td>
</tr>
<tr>
<td>Fishing Industry</td>
<td>65,100</td>
<td>64,900</td>
<td>82,900</td>
</tr>
</tbody>
</table>

The net agricultural income for the same years on the basis of the established fixed prices was:

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Forestry</th>
<th>Fishing Industry</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>5,478,800</td>
<td>91,100</td>
<td>37,600</td>
<td>5,607,500</td>
</tr>
<tr>
<td>1956</td>
<td>5,951,800</td>
<td>95,900</td>
<td>47,000</td>
<td>6,094,700</td>
</tr>
<tr>
<td>1957</td>
<td>6,056,600</td>
<td>121,200</td>
<td>39,900</td>
<td>7,211,700</td>
</tr>
</tbody>
</table>

IV. MIXING REGULATIONS

The Turkish Government maintains no such regulations on agricultural products.

V. STATE-TRADING OPERATIONS

(including private enterprises enjoying special privileges)

Soil Products Office

As stated in Section I B, the most important Government agency is the Soil Products Office (TOPRAK OFIZ) which is charged by law to supervise and manage the production, trade and storage of wheat and other bread grains. The TOPRAK OFIZ is bound to purchase all quantities of these products which are offered to it for sale by the country's producers. Apart from the operations transacted by TOPRAK, all buying and selling of cereals is unrestricted. The Office is the sole importer of the products affected and, under the instructions of the Council of Ministers, buys the required quantities from foreign markets. It also has the sole right to export such products, although the actual exportation is carried out by private firms acting under the instructions of the Office.

Turkish Sugar Mill Corporation

The Turkish Sugar Mill Corporation handles both imports and exports. Its imports, however, are not intended for commercial purposes; under the provisions governing foreign trade, they consist exclusively of raw materials, spare parts and accessories, and other supplies required by the mills belonging to the Corporation.
Imports of sugar to Turkey are handled by firms or individuals specially authorized by Government under the powers conferred upon it by the Sugar Act.

The Corporation is also entrusted by Government with the task of handling exports. Government is empowered, however, to authorize other enterprises to carry out sugar export operations on terms laid down by it.

The volume of imports is determined by the Corporation on the basis of its own requirements and of those of the enterprises operating under its competence. The volume of exports depends on production surpluses.

Export prices for sugar are fixed on the basis of world prices and are subject to registration with the Chamber of Commerce. Under the provisions of the Sugar Act, the difference between export prices and cost is financed from a special fund. Import prices are fixed according to prices offered by importing firms.

Meat and Fish Organization

This organization deals with the buying and selling of meat, fish and the natural or industrial products thereof. Its interventions also include sales for the purpose of stabilizing the market.

Apart from the internal trade in meat and fish, this organization also handles imports and exports. It is not, however, under the benefit of any monopoly or exclusive privileges and it operates in free competition with private firms or individuals.

The Meat and Fish Organization is also entrusted with the importation of surpluses from the United States and with their sale in the domestic market.

Export selling prices for products manufactured by the Organization are fixed on the basis of world prices. Selling prices on surpluses are determined by the Ministry of Commerce.

The volume of imports and exports depends on and is determined by availability in the home market.

The Tobacco Monopoly purchases tobacco for manufacturing purposes, imports foreign tobacco and controls the internal sale of all tobacco products. Purchases and sales for export purposes are unrestricted. Tobacco leaf is not subject to the Monopoly and, under the provisions of Law No. 3437, there are no restrictions on its cultivation and its trade, including export.

Tea Monopoly

The purchase of fresh tea leaf, whether grown in Turkey or imported, as well as the sale of tea for consumption, are reserved to the Tea Monopoly. This Monopoly was instituted for revenue purposes, but with the increasing tea production it has come to have a protective effect for national production. It should be added that, besides the fiscal consideration which was its
primary purpose, this Monopoly has resulted in providing income for a portion of population depending solely on tea growing for their subsistence and that its subsidiary objective, therefore, is of a social nature.

Alcohol Monopoly

The manufacture, importation and sale of alcohol and alcoholic beverages come under the exclusive purview of the Alcohol Monopoly. The law provides, however, for relaxations in respect of the sale of beer, wines (including fruit wines), whisky and natural sparkling wines; waivers are also granted, under certain conditions, to sugar mills, wine producers, etc. Besides, permission may be granted to traders to import ethyl alcohol.

VI. IMPORT RESTRICTIONS

Import controls in Turkey are exercised in provenance of Decree No. 4/10707 of 23 August 1958 on foreign trade. Under this Decree, imports from all sources are subject to global quotas, the basis and amounts of which are laid down in instructions and circulars issued by the Ministry of Commerce in accordance with the Decree's provisions. This system, however, was subsequently supplemented by further control measures, also based on the above Decree.

In the aggregate, these control measures fall under the following categories: (1) liberalized list; (2) list of automatic allotments; (3) list of goods to be imported on credit; (4) list of global quotas.

The list of global quotas, which covers the major portion of imports, applies to the areas of the European Monetary Agreement and of free currencies (US dollars, free Swiss francs, sterling convertible into US dollars, transferable sterling and other currencies convertible into those herein mentioned). Imports from these areas are admitted within the limits of periodical global quotas. Imports payable in currencies other than those mentioned are also admitted within the limits of these quotas, with this difference, however, that they are subject to particular quotas within the global quotas.

The volume of imports is controlled strictly in accordance with the amount of funds available from exports and from other external income. Import programmes are essentially designed to cover, according to their priority status, the most urgent needs of the country.

A. Restrictions on Products Subject to Special Measures

Owing to the general situation of the balance of payments and of the foreign currency budget, the following products, which are among those exported by Turkey, are subject to special import restrictions, with the exception of tea:

Fruit, dried and fresh
Cotton
Sugar; sugar beet
Cereals
Tobacco
Tea ) Imports under State Monopoly
Tea is included in the liberalized list and may be imported by firms so authorized by the Ministry of Customs and Monopolies. The other products listed above, which are produced domestically in sufficient volume and even exported, are not shown in the import lists and, therefore, may not be imported.

B. Other Restrictions for the Protection of Agriculture

(to be submitted at a later date)

VII. PROVISIONS TENDING TO MAKE IT UNNECESSARY OR LESS NECESSARY TO RESORT TO NON-TARIFF MEASURES OF PROTECTION OR SUPPORT

(to be submitted at a later date)