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TOBACCO POLICY IN TURKEY. LESSONS FOR POLAND*

Tobacco is one of the important agricultural products in Turkey. The share of tobacco producers in rural population is 8%. Tobacco growing and processing creates employment for about 3 million people. It is cultivated on 6% of arable land and the total production of tobacco leaves is 200,000 tons per year. About half of the production is exported. It makes 22.5% of agricultural export and 4% of global exports in 1989.

The oriental type tobacco predominates in Turkey. Virginia and Burley tobacco production have been developed lately but its share in global production is still marginal. Tobacco cultivation and processing are controlled by state, namely the Turkish State Monopolies (TEKEL). Out of 10 factories manufacturing cigarettes 8 are state-owned and 2 foreign ones.

Tobacco is cultivated on unirrigated and relatively unfertile land. Cereals are the major crops that could replace tobacco in the short term and vine yard or olives in the long term. But tobacco is superior over the other possible crops as far as gross income is concerned. According to field study results, the growing of tobacco provides 4-8 times more gross income than wheat or barley production and 4-12 times more than vine yard or olive cultivation on the same plot of land. Furthermore, employment created by tobacco is 3, 12 or 48 times higher than that created by vine yard, olives or wheat production, respectively.

The structure of the domestic and foreign demand for tobacco products changed in the '80s. The Turkish consumers are turning their preferences from the Oriental type tobacco cigarettes to high quality American ones made mostly of Virginia tobacco. On the other hand, anti-smoking campaign has already influenced the cigarettes consumption in developed countries. For instance, the consumption of tobacco products in the United States has decreased by 10% over the past decade. But the production of tobacco leaves and products is even rising there. According to the estimates, the trend will not change by the end of the '90s. Tobacco manufacturers from developed countries, especially from the U.S.

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are becoming more and more aggressive in entering new markets. Moreover, liberalization of foreign trade regimes in Turkey reduced the import barriers to tobacco products.

As a result, imported cigarettes are competitive on domestic market as far as price and quality are concerned and consumption of foreign tobacco products rapidly increases and it has already reached high volumes. The producers of the Oriental type of tobacco in Turkey face a real and urgent challenge.

There are at least four possible solutions to the problem that could form a basis for the policy on tobacco production in Turkey:

1. Turkey can continue to import high quality cigarettes and reduce its own production as a not competitive one. If this is accepted, tobacco producers will have to pass over tobacco growing and processing to other activities. But it will cause reduction of income and employment possibilities.

2. Turkey can continue to import high quality cigarettes and capture new markets for its Oriental-type tobacco leaves and products. For instance, Soviet republics are liberalizing their trade regimes. Tobacco is in extremely short supply in most of them and the consumers prefer the types of tobacco that can be grown in Turkey. Thus, Soviet republics are potentially an expanding market for Turkish tobacco.

3. Domestic production of cigarettes with imported tobacco as a major input can be developed. If it were taken into consideration that: Oriental type tobacco/American made cigarette price ratio is 1/5 and Virginia tobacco/American made cigarette price ratio is 1/4 it could be more reasonable to import raw material and process it in Turkey than to import ready-made products. It will provide possibilities for keeping at least part of employment and income created in tobacco production for domestic producers.

4. Domestic cultivation of Virginia and Burley tobacco and the production of new types of cigarettes of high quality, attractive designs and trade marks can be developed to compete with import.

The tobacco production policy accepted by Turkey is a mixture of the last three possible solutions. In short, TEKEL has gone in for the production of cigarettes which contain foreign varieties of tobacco. Foreign companies as joint ventures with TEKEL are to manufacture cigarettes in Turkey for domestic consumption as well as for exports. It has been decided that joint venture factories will use tobacco provided by domestic producers. Yet due to short supply of Turkish tobacco leaves and until domestic production reaches sufficient level, imported tobacco is to be used there as an input, too. Meanwhile, domestic production of foreign origin tobacco is promoted with the subsidies paid out of taxes collected from tobacco and import of its products. Moreover, production of high quality tobacco leaves is being encouraged by big differences in prices of each type of tobacco. It should also be stressed that the Turkish government is involved in energetic campaign calling for entering export markets for tobacco products. The Soviet republics as a huge source of demand for Oriental type tobacco made cigarettes have top priority.

Summing up, Turkish tobacco production policy aims at developing high quality leaves and cigarettes production, and extending export markets for the Oriental type tobacco products. Application of the policy is to result in saving foreign exchange, keeping hitherto existing employment and income sources and creating new ones.

The changes of tobacco market are taking place in many countries, including Poland. So far, tobacco production in Poland has been showing an increasing trend. But demand for domestic production steadily diminishes and import of Virginia tobacco made cigarettes rises rapidly — partly as a result of liberalization of foreign trade regime in Poland. As cigarettes made in Poland are mostly of low quality and contain much more nicotine than most of the imported ones this tendency can result in the decreasing consumption of high nicotine and extremely unhealthy cigarettes. Yet this will affect at least 130 thousand producers of tobacco in Poland. Moreover, when assumed people cannot change their habits easily, the rising tendency of demand for imported tobacco products will bring negative results as far as foreign exchange is concerned.

Thus, it seems reasonable for Poland to launch a new policy to develop its own production of high quality tobacco leaves and cigarettes. The Turkish policy seems to be a good example.

