



REPUBLIC OF TURKEY  
**INVESTMENT**  
SUPPORT & PROMOTION  
**AGENCY**

**WHY INVEST IN  
TURKISH  
AGRI-FOOD INDUSTRY**



# **Executive Summary**

**Turkish Agri-Food Industry Outlook**

**Growth Drivers in Turkey**

**Opportunities in Turkish Agri-food Industry**

**Success Stories**



### Strengths of the Industry

- Agriculturally sufficient country with favorable climate, large arable lands, and abundant availability of water resources
- Considered to be one of the leading countries in the world in the field of agriculture and food
- Export opportunities thanks to Turkey's proximity to regional markets
- Strong food and agriculture sector, which employed about 20% of the active population of the country and represented approximately 6.1% of GDP in 2016

### Favorable Investment Environment

- Strong macroeconomic growth with increasing income per capita and a burgeoning middle-class
- Favorable demographics with a dynamic, young, and skilled labor force
- Cost-competitive labor prices. Compared to Europe and the rest of the world, the labor costs in the sector are 70% -80% lower
- Strong government support through incentives
- Developed industrial and commercial infrastructure

### Lucrative Opportunities

- Geographically well-placed to take advantage of trade opportunities in Europe, Middle East, and former Soviet countries
- With a growing population of more than 80 million, Turkey is one of the largest markets in the region
- The government invests heavily in irrigation projects and improvements to infrastructure

### Strong International Presence

- Global agri-food giants are present in Turkey with significant productive activities, using Turkey as a hub to access regional markets
- Successful partnerships with local companies to grow in the region, capitalizing on locals' experience and networks



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# TURKEY IS

1<sup>ST</sup>

LARGEST COUNTRY IN  
**EUROPE** IN TERMS  
OF AGRICULTURAL  
ECONOMY (2016)

2<sup>ND</sup>

LARGEST AGRICULTURAL  
ECONOMY AMONG  
**OECD COUNTRIES**  
(WORLD BANK)

9<sup>TH</sup>

LARGEST COUNTRY IN  
**THE WORLD** IN  
TERMS OF  
AGRICULTURAL  
ECONOMY (2016)

1<sup>ST</sup>

FLOUR EXPORTER  
IN **THE WORLD**



**Agricultural land**

**25 million ha**



**Number of agricultural enterprises**

**3,076 million**



**Total agricultural trade volume**

**USD 32.5 billion**



**Arable land**

**5.1 million ha**



**Average enterprise size**

**6 ha**



**Employment in agriculture**

**5.3 million people**



**Total exportation of agricultural products**

**USD 16.9 billion**



**Total importation of agricultural products**

**USD 15.6 billion**



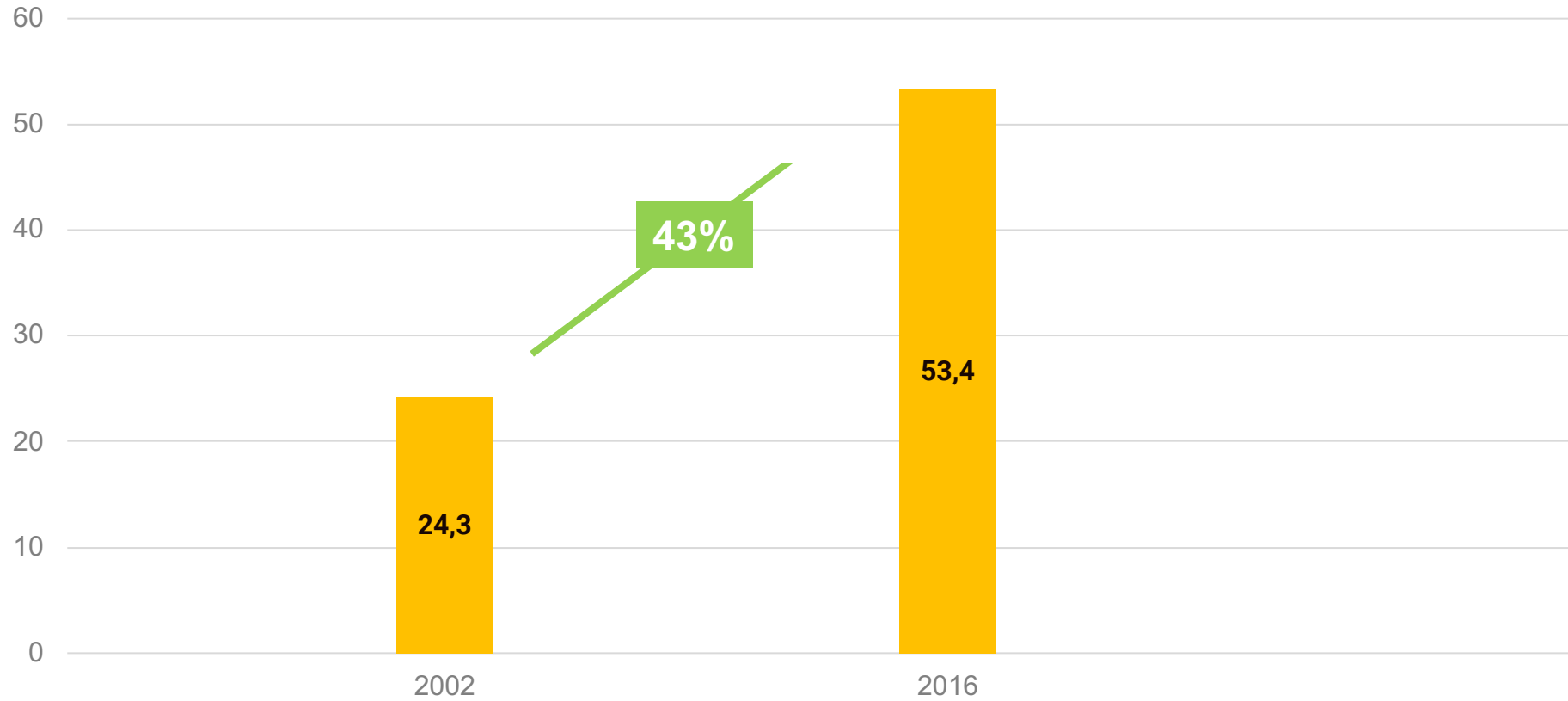
**Agricultural GDP**

**USD 53.4 billion**





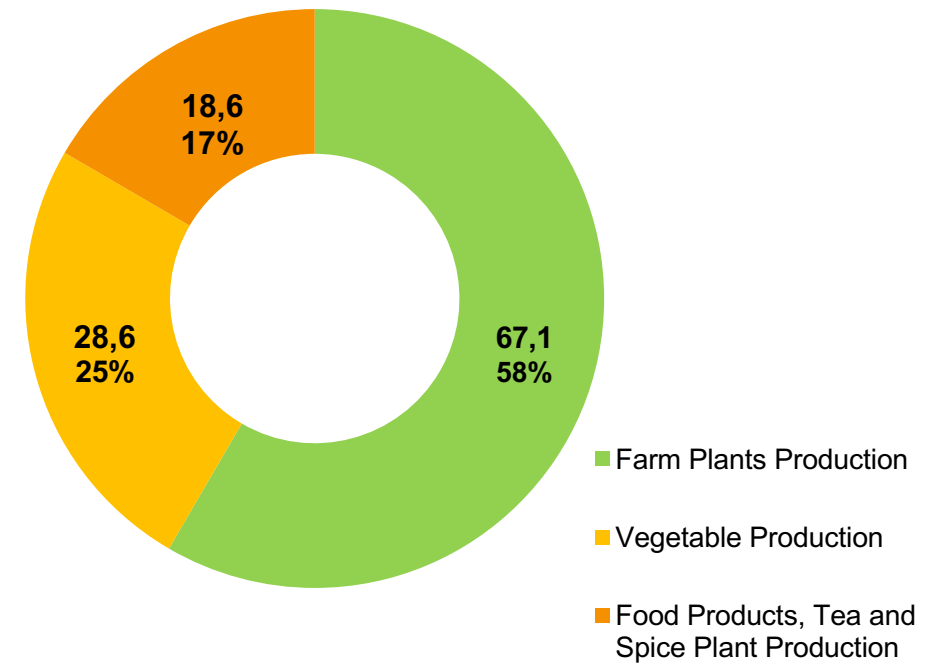
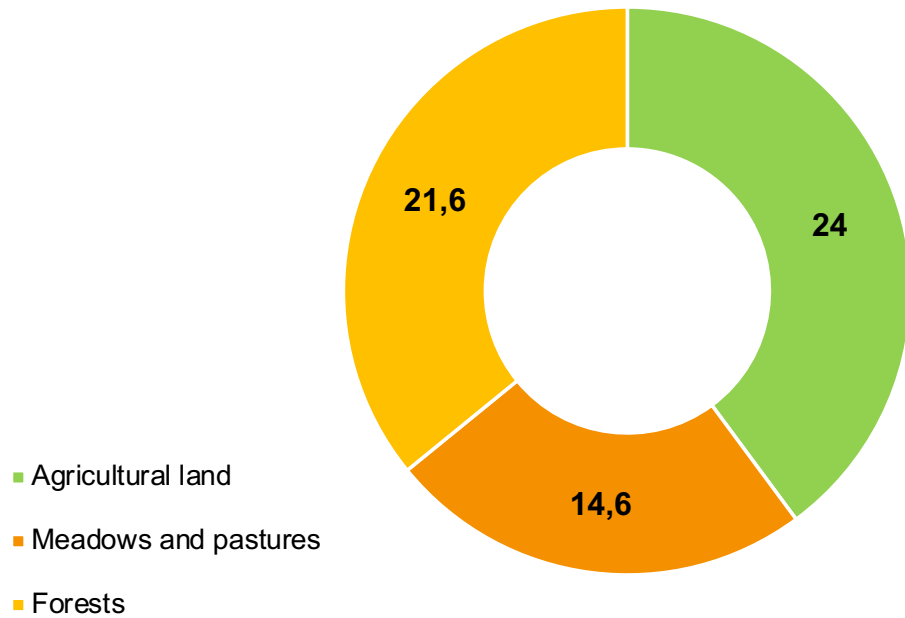
## THE SECTOR'S VALUE BY CURRENT PRICES (billion USD)



**In 2016, 298 of the top 1,000 companies were agri-food companies**



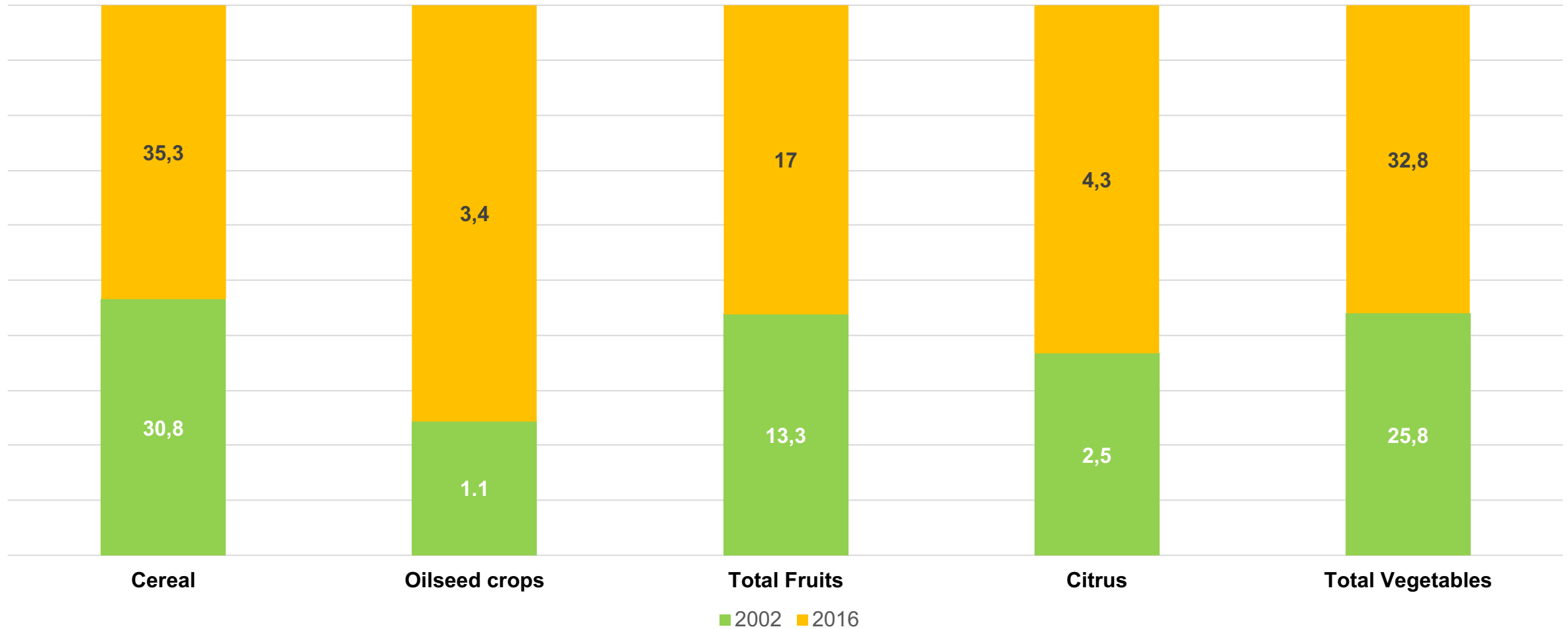
### VEGETABLE PRODUCTION IN MAIN GROUPS (2016-million tons)







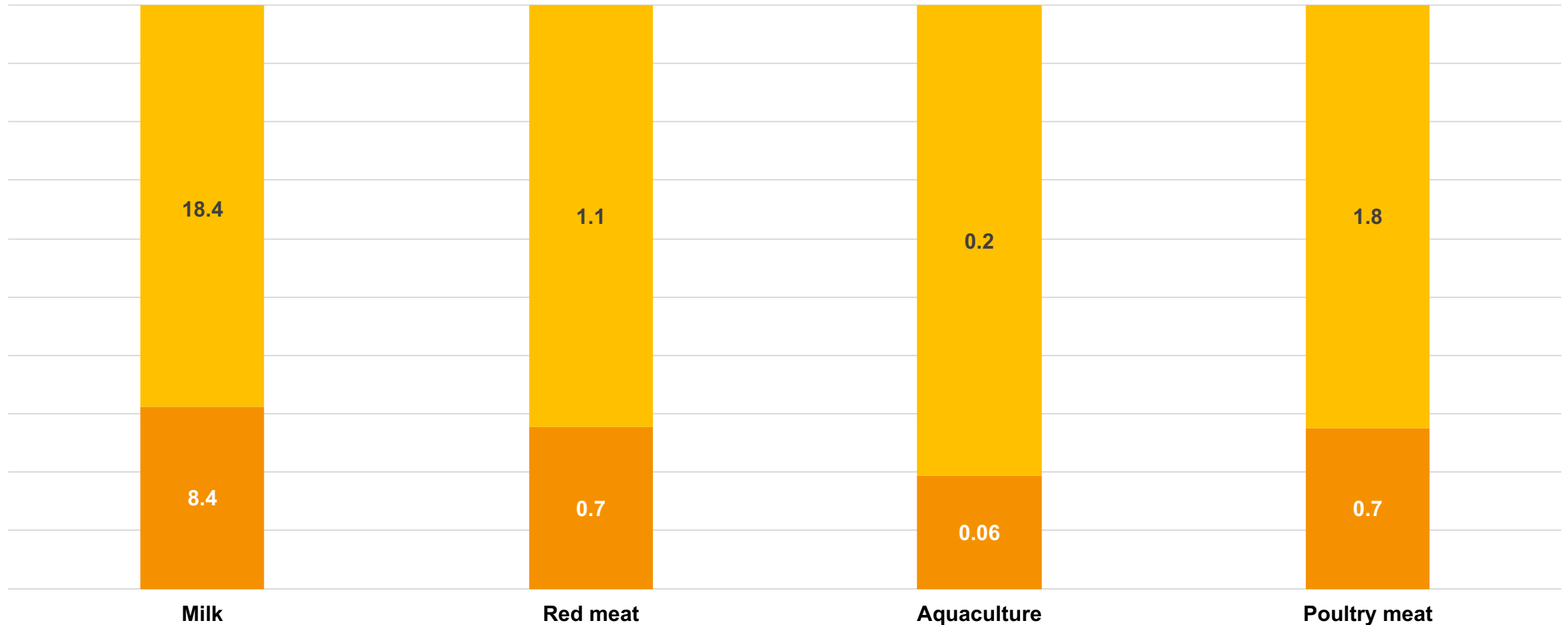
## PLANT PRODUCTS (million tons)



Source: TurkStat



## ANIMAL PRODUCTS (million tons)

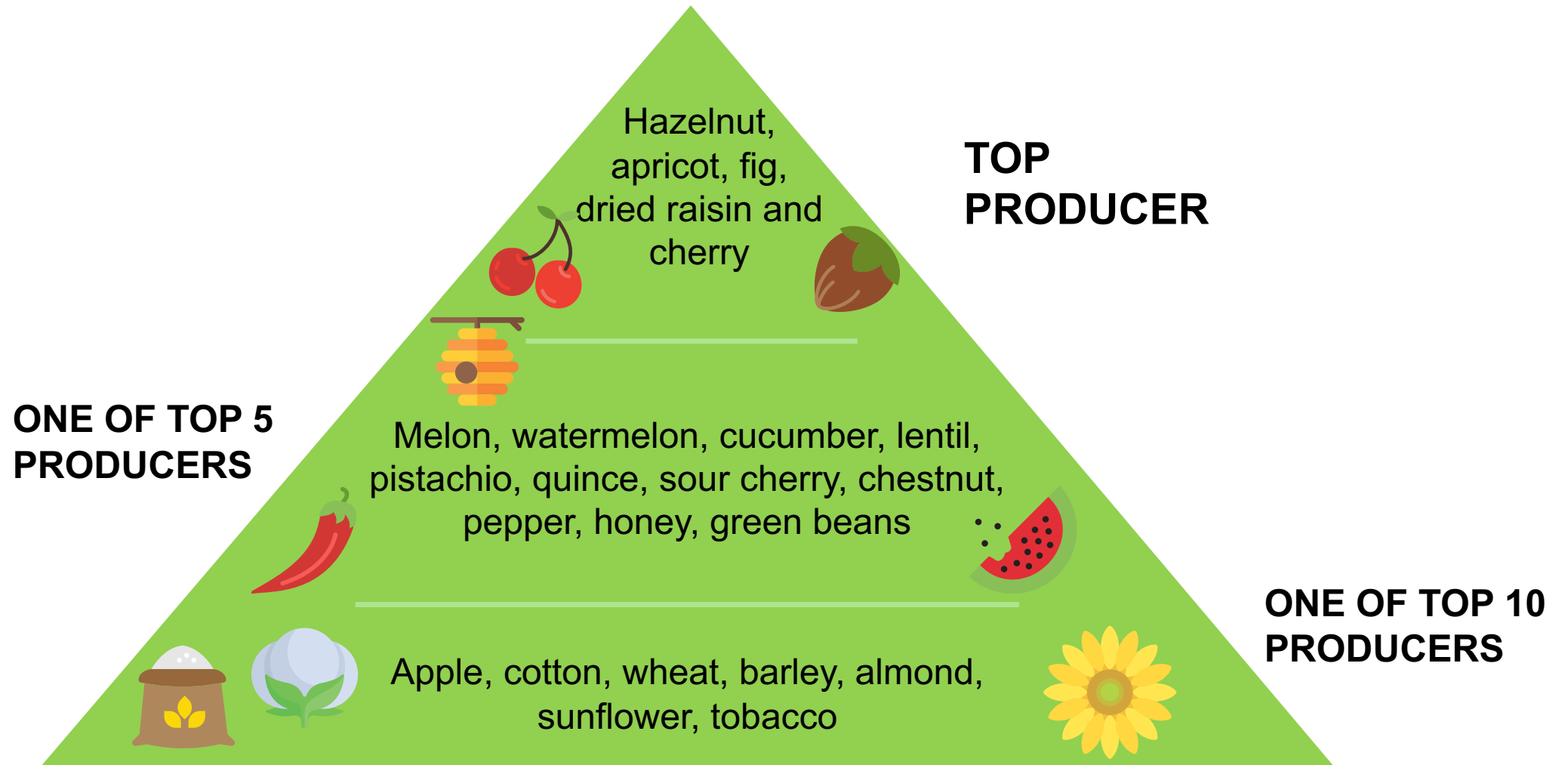


Source: TurkStat

■ 2002 ■ 2016

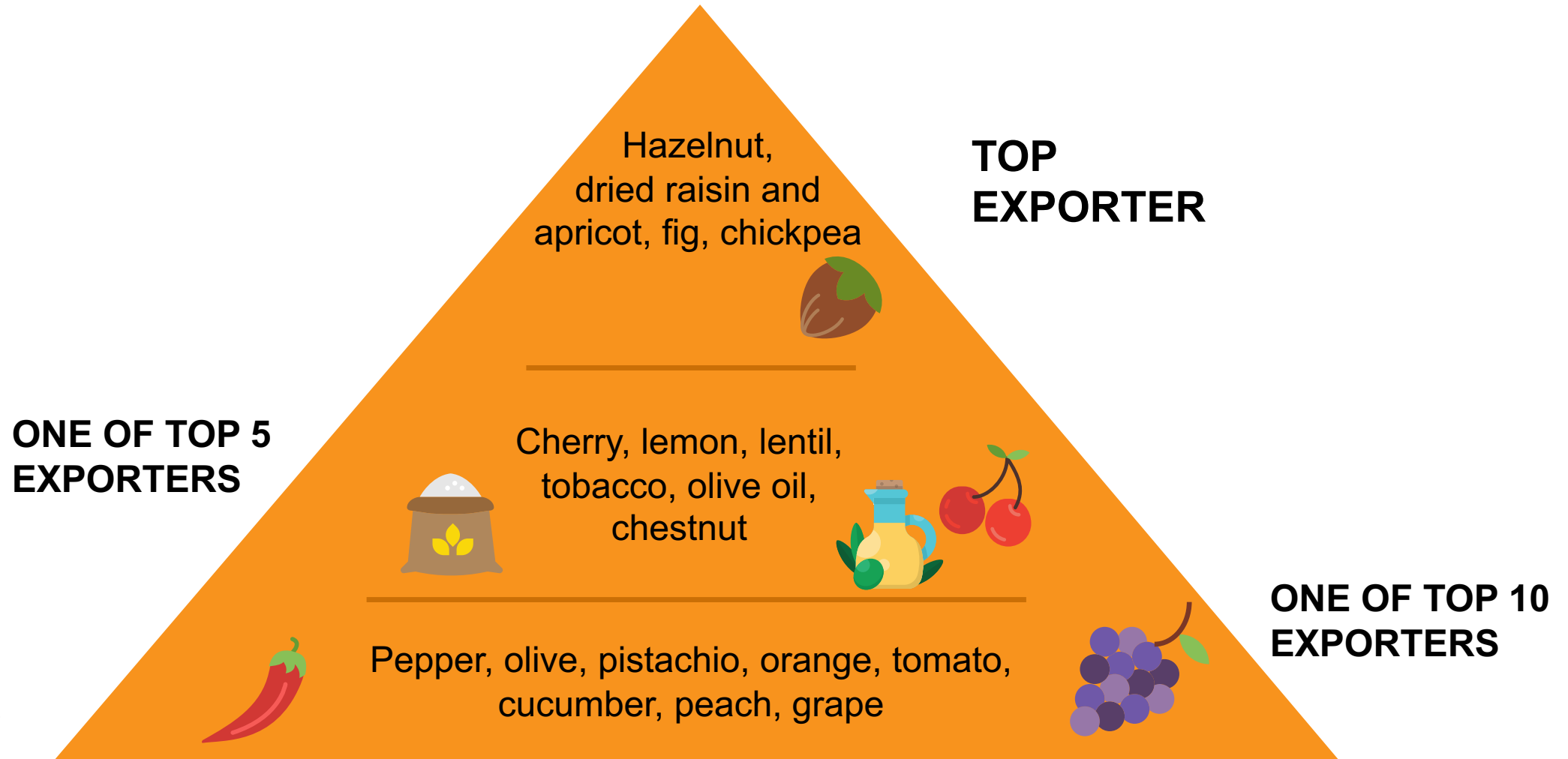


# IN PRODUCTION (2016)



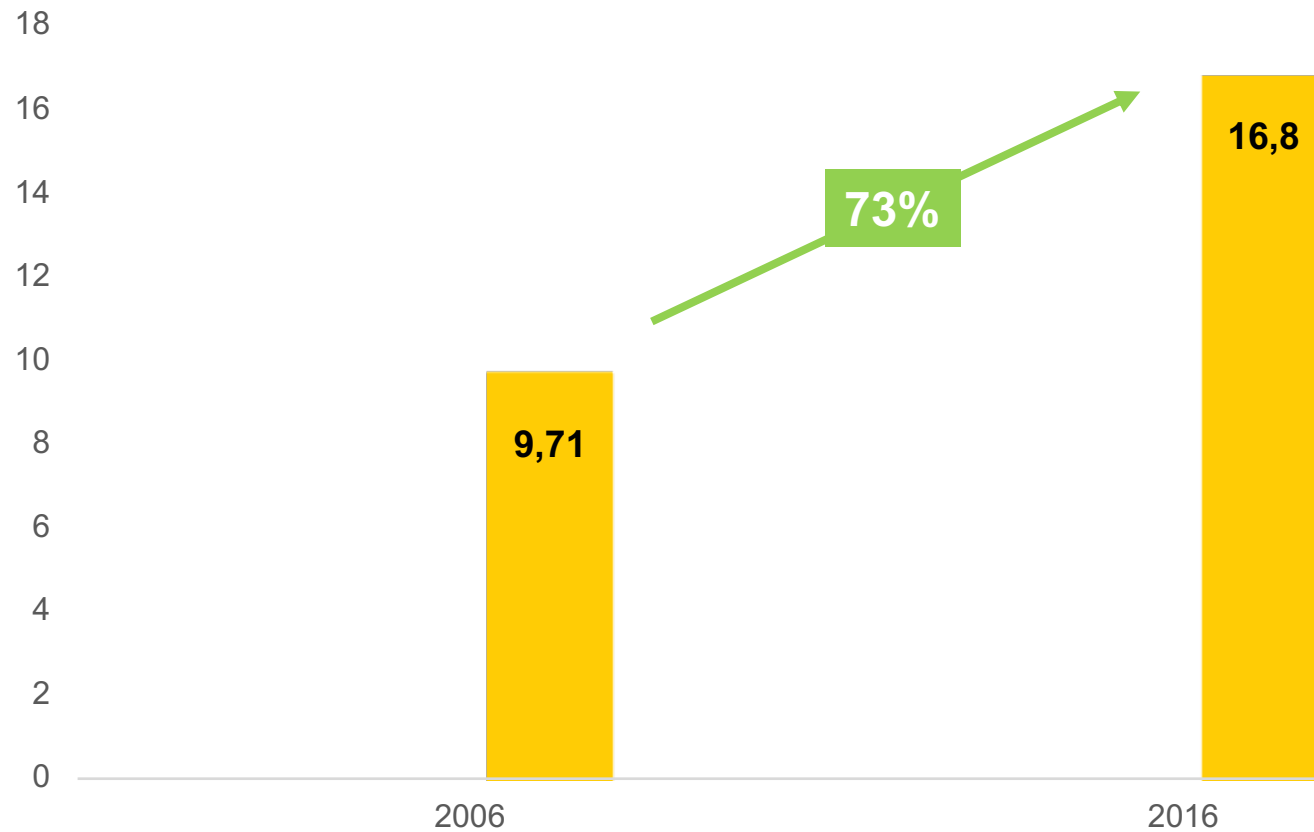


## IN EXPORTS (2016)





## EXPORTS OF AGRICULTURAL PRODUCTS (billion USD)





## • CUSTOMS UNION WITH EU COUNTRIES

## • FREE TRADE AGREEMENTS WITH 27 COUNTRIES

- Albania
- Bosnia & Herzegovina
- Chile
- Egypt
- Faroe Islands
- Georgia
- Ghana
- Iceland
- Israel
- Jordan
- Kosovo
- Lebanon
- Lichtenstein
- Macedonia
- Malaysia
- Mauritius
- Moldova
- Montenegro
- Morocco
- Norway
- Palestine
- Serbia
- Singapore
- South Korea
- Switzerland
- Syria\*
- Tunisia

Agri-food manufacturers in Turkey can access these markets without any custom restrictions

# ADVANTAGES

Turkey is also very advantageous for maritime transportation, allowing agri-food producers to export easily





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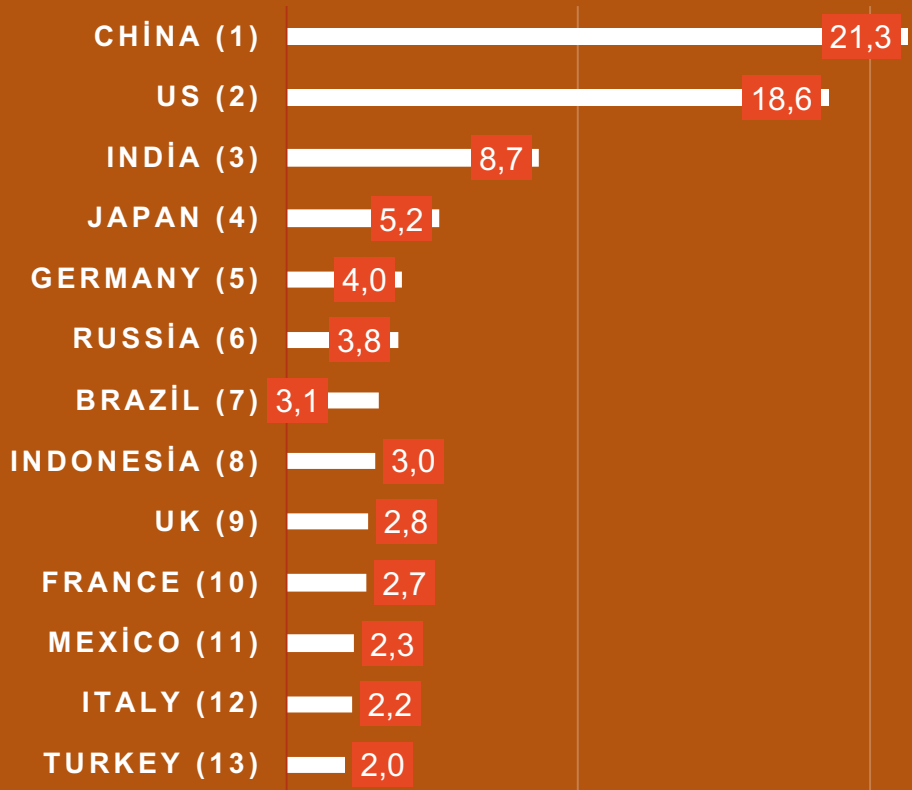
**Success Stories**





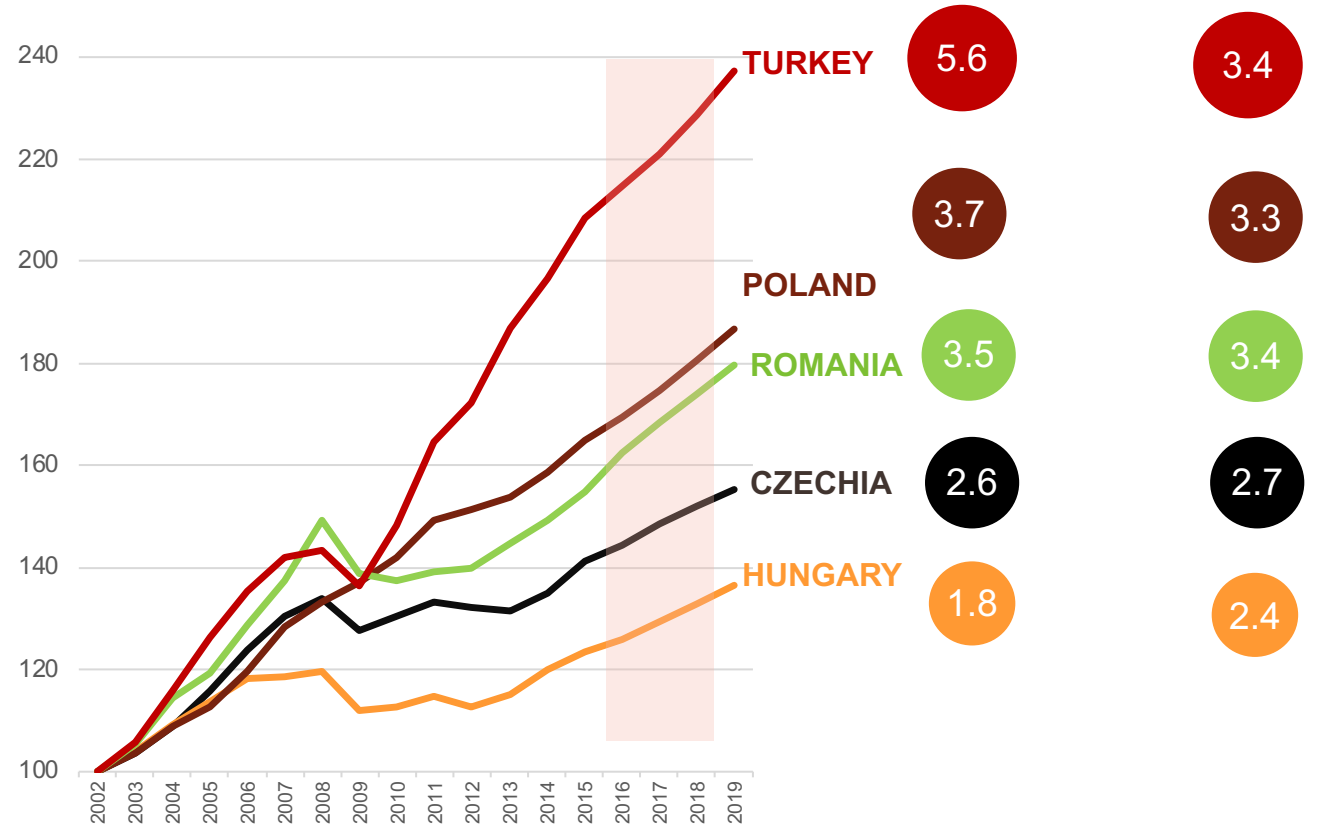
## 13<sup>th</sup> LARGEST ECONOMY IN THE WORLD

2016 GDP (\$ Trillion, PPP)



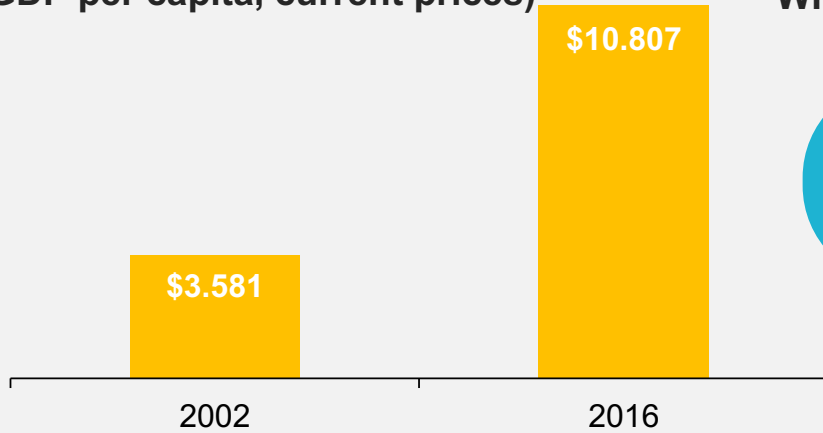
Source: TurkStat, OECD, World Bank, IMF, PPP: Purchasing Power Parity

## REAL GDP GROWTH (INDEX: 2002=100)



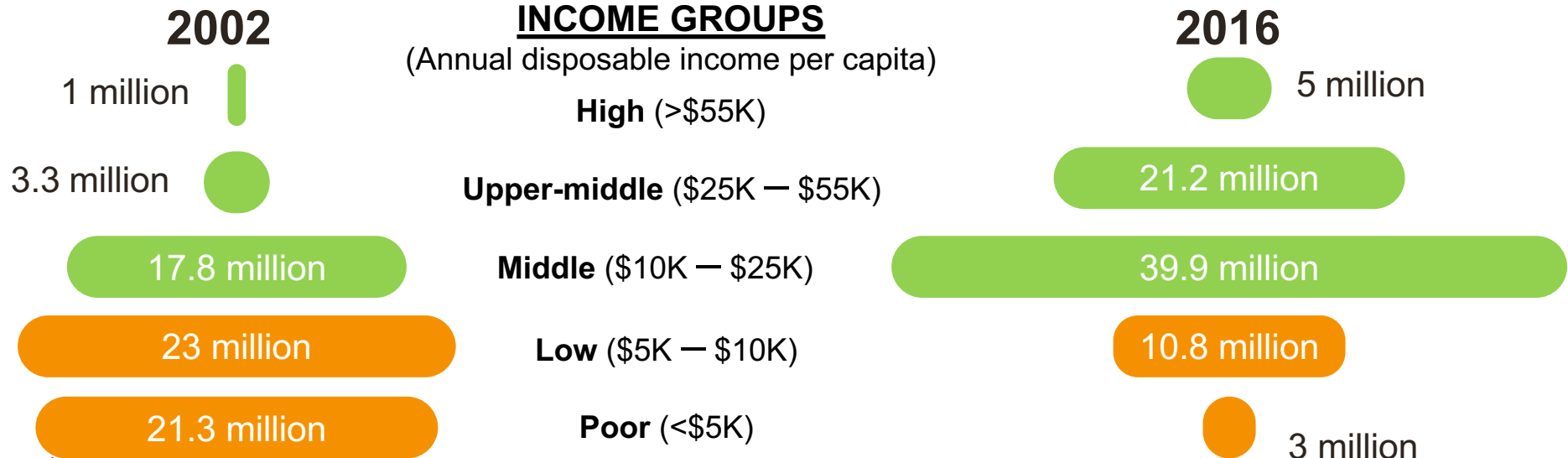
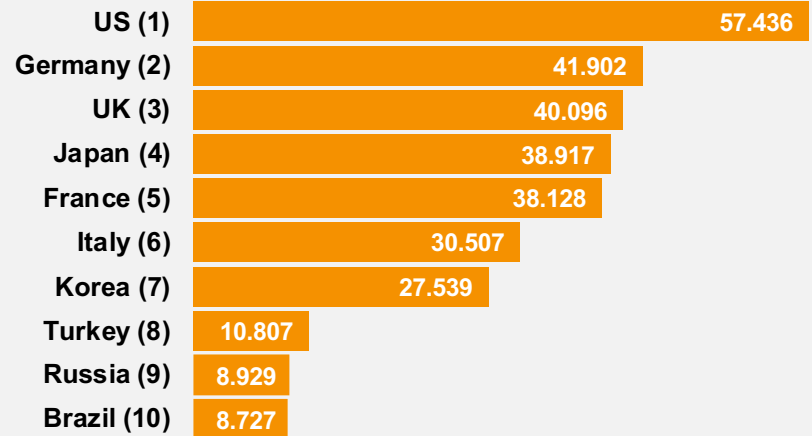


**TRIPLING INCOME PER CAPITA  
(GDP per capita, current prices)**

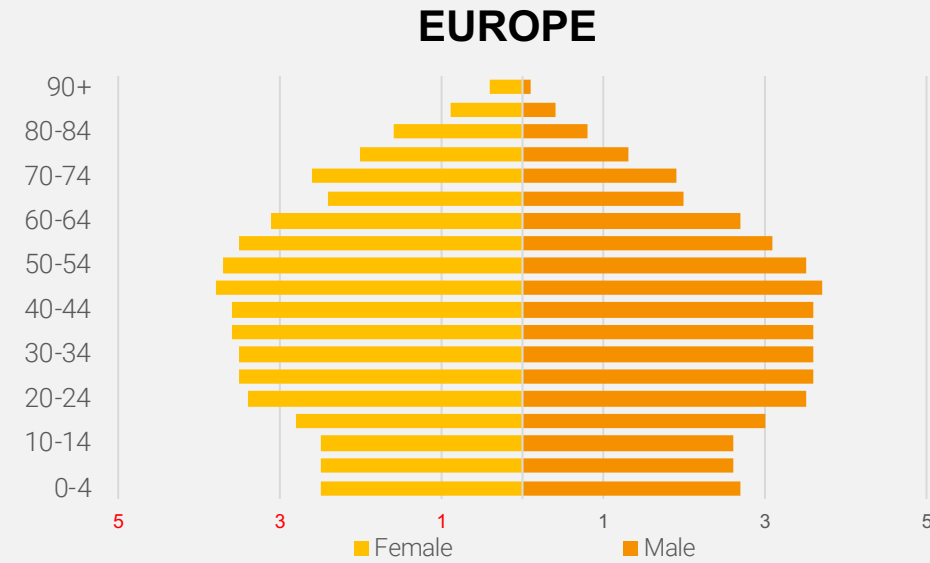
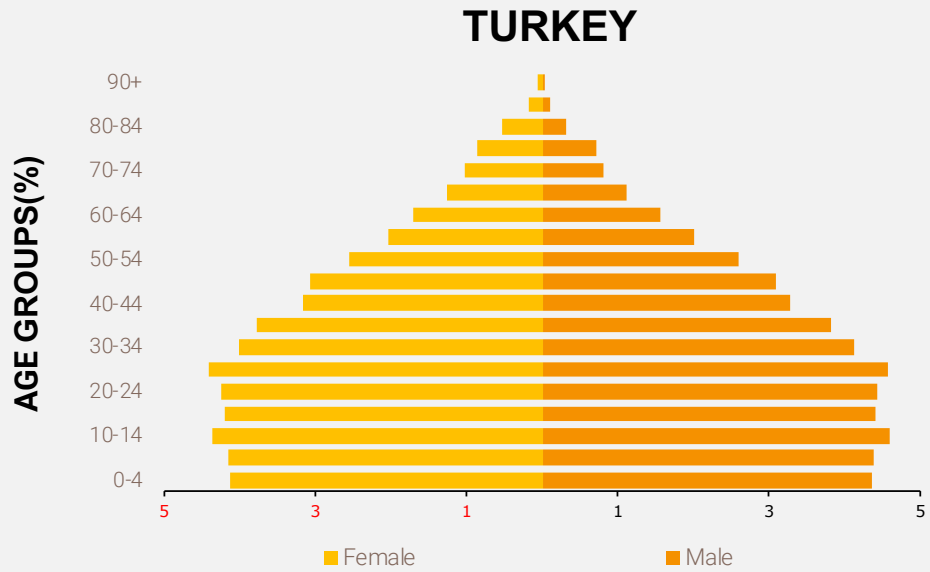


**GDP PER CAPITA IN COUNTRIES  
WITH POPULATION OVER 50 MILLION**

Among countries with population over 50 million, only 8 countries have GDP per capita over \$10,000

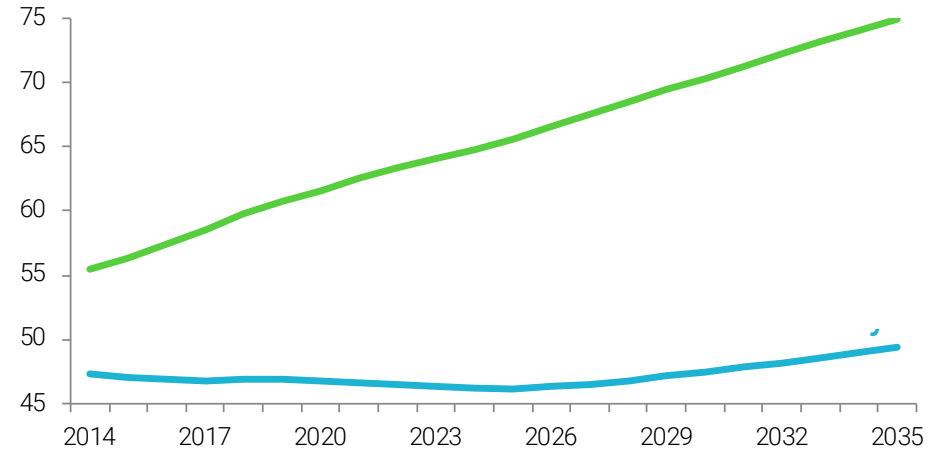
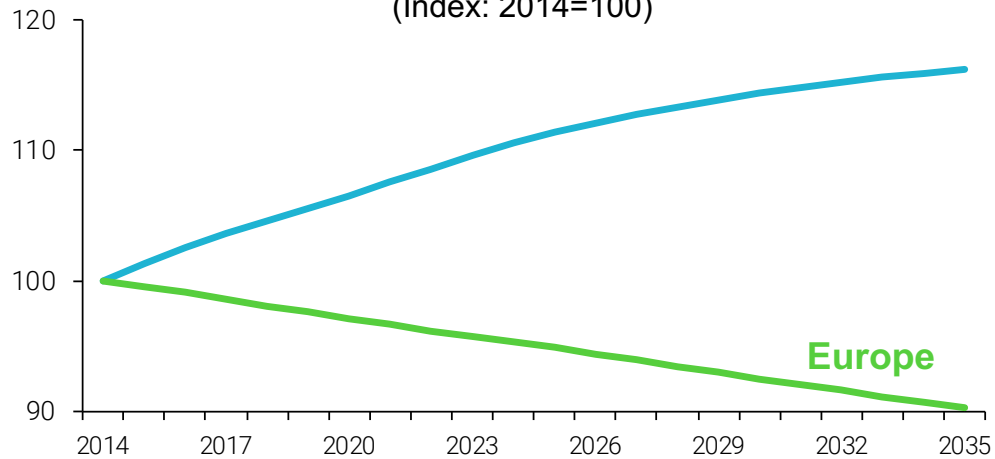


Source: IMF, TurkStat, Euromonitor



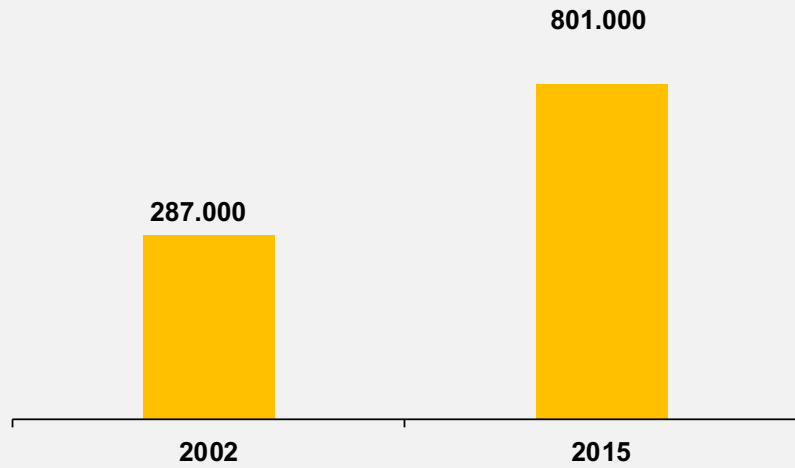
### WORKING AGE POPULATION (15-64)

(Index: 2014=100)

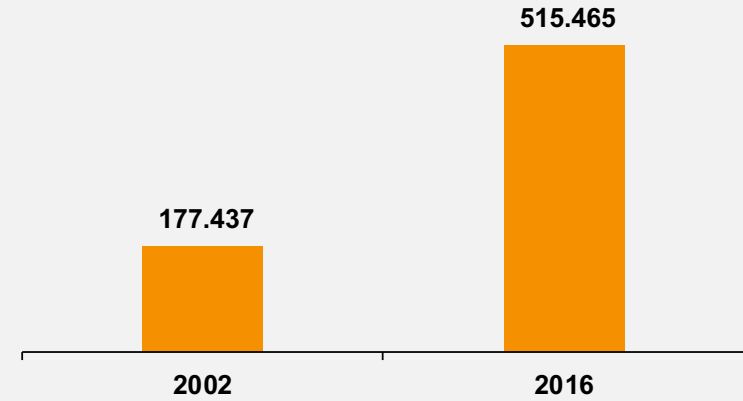




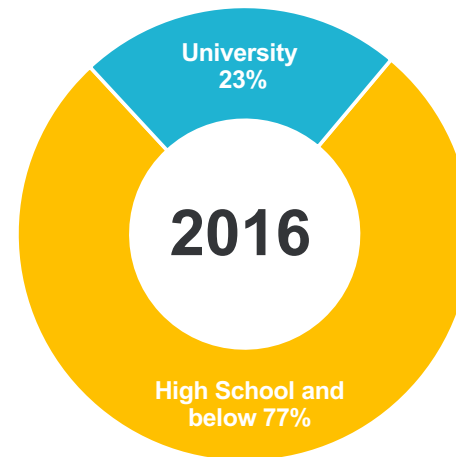
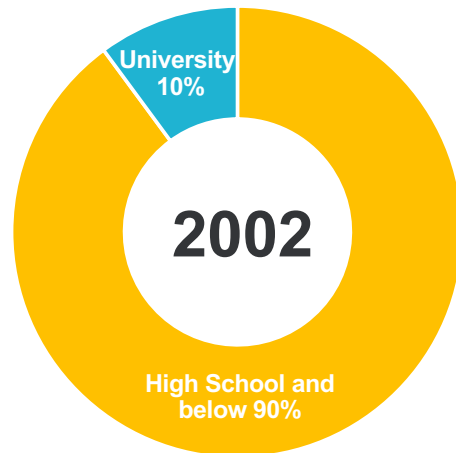
### ANNUAL NUMBER OF UNIVERSITY GRADUATES



### ANNUAL NUMBER OF GRADUATES FROM VOCATIONAL & TECHNICAL HIGH SCHOOLS

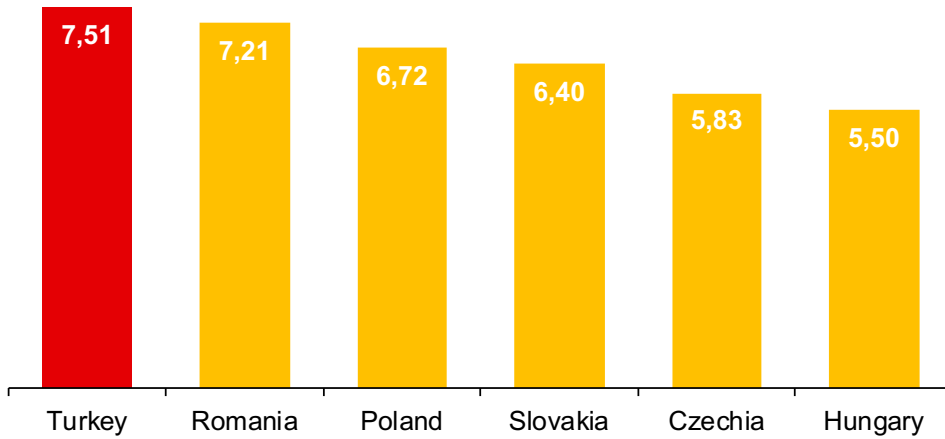


### LABOR FORCE BY EDUCATION LEVEL

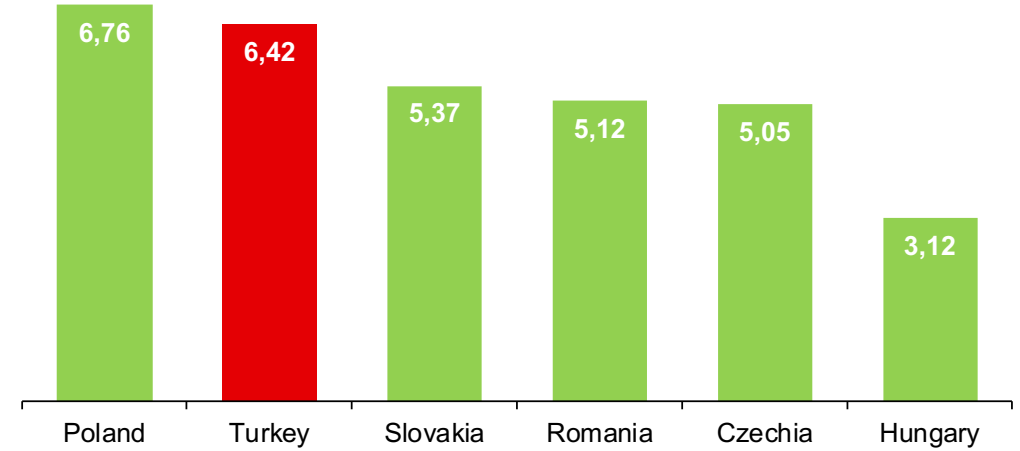




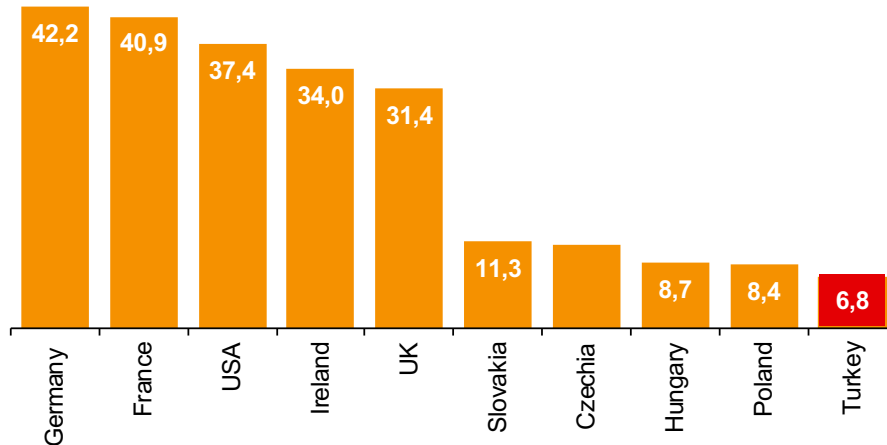
**AVAILABILITY OF QUALIFIED ENGINEERS, 2016**  
(10=Available; 0=Unavailable)



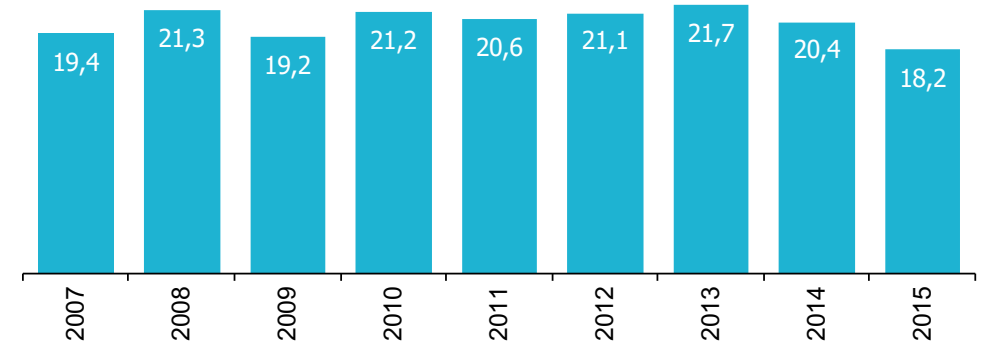
**AVAILABILITY OF COMPETENT SENIOR MANAGERS, 2016**  
(10=Available; 0=Unavailable)



**LABOR COST PER HOUR IN MANUFACTURING (\$)**  
2015



**LABOR COST PER HOUR IN MANUFACTURING**  
Turkey vs. USA (US=100)





Main Incentive Tools	Incentive Schemes					
	General Incentives	Regional Incentives	Incentives for Large Scale Investments	Incentives for Strategic Investments	Project-Based Incentives	R&D Incentives
Corporate Tax Reduction		✓	✓	✓	✓	✓
VAT/Custom Duty Exemption	✓	✓	✓	✓	✓	✓
Social Security Premium Support		✓	✓	✓	✓	✓
Income Tax Withholding Support*	✓	✓	✓	✓	✓	✓
Interest Support**		✓		✓	✓	
Land Allocation		✓	✓	✓	✓	
Partnership (Equity Investment by Gov.)					✓	
Guarantee of Purchase by Gov.					✓	
Energy Cost Support					✓	

### MAIN INCENTIVE TOOLS

**Tax Deduction:** Reduced tax rates for investor's income (50-90%) until the total deduction reaches a certain percentage of capex. (15-65% of capex, or in the case of project based incentives up to 200% of capex). For R&D investments, all R&D expenditures are deducted from the tax base.

**VAT Exemption:** Investment machinery and equipment imported and/or locally provided within the scope of the incentive certificate will be VAT exempt.

**Customs Duty Exemption:** Investment machinery and equipment imported within the scope of the incentive certificate will be customs duty exempt.

**Interest Rate Support:** For investment loans, a certain portion of the interest share will be covered by government. (3-7% points for TRY-denominated, 1-2% points for forex-denominated loans) (TRY 500K-900K).

**Land Allocation:** Government land will be allocated for the investments, if no land is available in OIZs.

**Income Tax Withholding exemption** will provide exemption from income tax withholding. (only for Region 6).

\*Provided that investments are made in Region 6,

\*\*Provided that investment are made in Regions 3, 4, 5 or 6 within the frame of the Regional Incentive Scheme

Source: Ministry of Economy, MSTI



Integrated Livestock investments

Food and beverage investments

Aquaculture

Cold storage

Licensed storage

Greenhouse investments

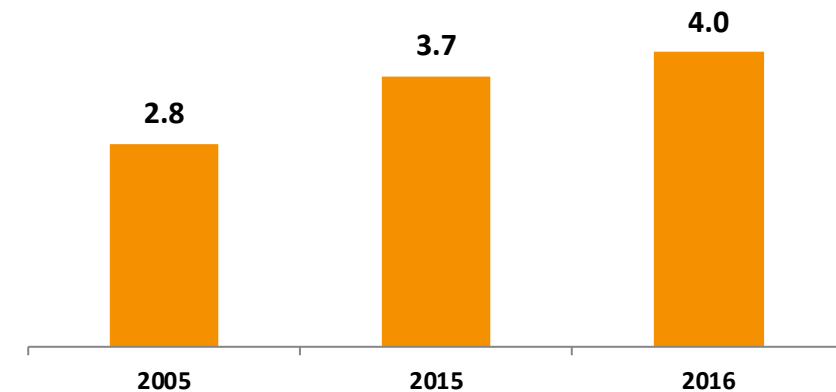


According to the investment incentives legislation from the Ministry of Economy, investments in these sectors are considered under the “Regional Investment Incentives Scheme”

Agricultural supports are being organized on the basis of **QUALITY – SAFETY - YIELD - RURAL DEVELOPMENT**

- Agricultural Basin Model
- Incentives for livestock breeding
- Support for certified seed and seedling
- Support for organic farming
- Farm advisory services
- Implementation of agricultural insurance

AGRICULTURAL SUPPORT BUDGET (BILLION USD)





## RURAL DEVELOPMENT SUPPORT PROGRAM

Initiated in 2006 for investments in

- Fixed investments on agricultural production
  - Processing, packaging, and storing the agricultural products
  - Fixed investments (bovine, ovine, poultry, fisheries, mushroom, fertilizer processing, greenhouse, renewable energy sources etc.)
- Pressurized irrigation systems
- Purchasing machinery and equipment

### TOTAL

**TRY 2 billion** in grants

**100,000** agricultural enterprises created

**60,000** persons employed

## EU GRANT SUPPORTS

Within the scope of Rural Development Program (IPARD) a EUR 1.1 billion grant was given (EUR 800 million EU, EUR 270 million national contribution)

### Supported Sectors

- Meat and meat products
- Milk and dairy products
- Diversifying of plant production
- Aquaculture production
- Rural Development Projects
- Machinery parks
- Renewable energy investment

### IPARD - II PROGRAM (2014-2020)

The program was approved by the EU Commission

EU grant of EUR 801 million

National contributions EUR 244 million

**TOTAL EUR 1 Billion 45 Million**





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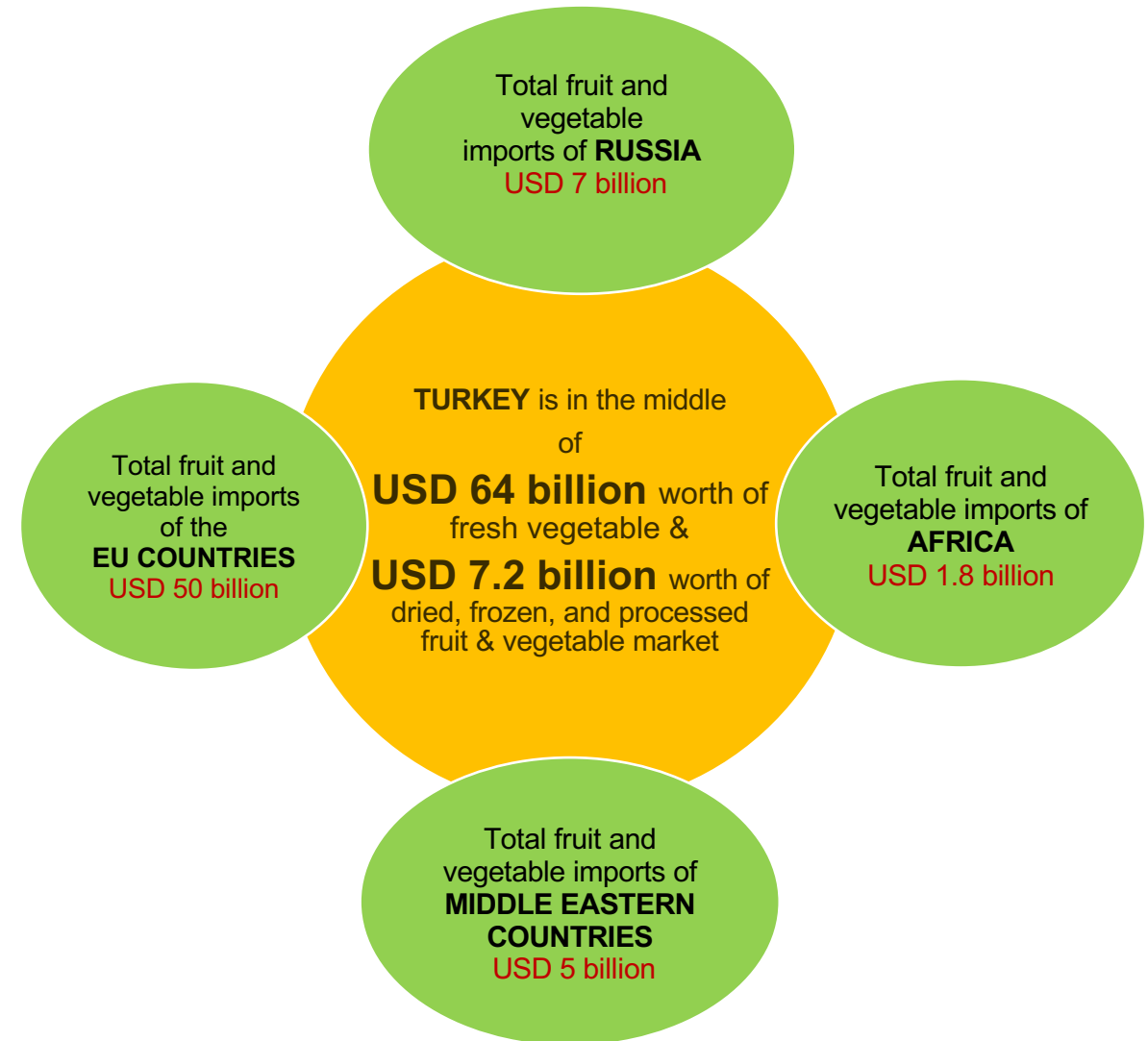
**Opportunities in Turkish Agri-food Industry**

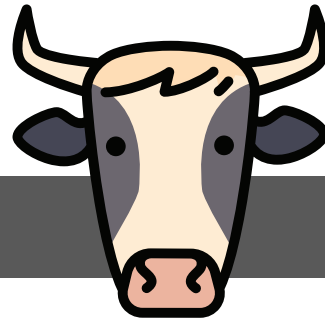
**Success Stories**



## OPPORTUNITIES

- Agricultural sector is growing very rapidly thanks to developed regional trade
- The sectoral advantages of Turkey, which is one of the top 10 producers of fruit and vegetables in the world, are:
  - Ecological conditions, contracted production, easy marketing and export opportunities for food processing sector
  - Rapidly increasing domestic demand and the proximity to major markets such as Europe and MENA
  - Significant investment opportunities with high-tech fruit and vegetable processing industries





## KEY FACTS

### Great opportunities created by the increasing domestic demand

- Sectors like confectionery, ice cream, frozen food etc. will increase demand in livestock products
- Proximity to important markets such as Egypt, Greece, Lebanon, and Algeria
- Significant investment incentives offered

## OPPORTUNITIES

### Animal production valued at TRY 152 billion in 2016

- Small cattle production has an additional potential of 25 million sheep
- 14.6 million ha of pasture
- Production of high quality meat and dairy products
- Processed raw milk → 18.4 million tons (2016)
- Red meat production → 1.17 million tons (2016)



## OPPORTUNITIES

**Turkey benefits from increased local and regional demand growth, and there is a strong potential for growth in exports**

- Proximity to Middle Eastern countries like Saudi Arabia, UAE and Kuwait, creates mega opportunities for Turkish players through "Halal food"
- Attractive investment opportunities by means of M&As

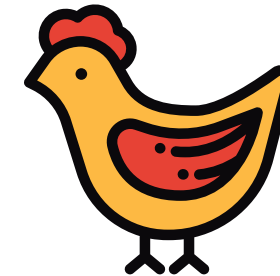
In 2016, poultry meat production was 1.8 million tons; egg production was 18 billion pieces

In 2016, Turkey's egg exports increased 146 fold, while poultry meat exports increased 43 fold compared to 2002

*Source: Ministry of Food, Agriculture and Livestock*

**Egg Production (2014)**  
**10<sup>th</sup> country in the world**  
**3<sup>rd</sup> country in Europe**

57% increase in production  
(2002-2016)



**Poultry Meat Production (2014)**  
**11<sup>th</sup> country in the world**  
**2<sup>nd</sup> country in Europe**

170% increase in production  
(2002-2016)



## KEY FACTS



## OPPORTUNITIES

- 6.7 million tons of production with a total value of approx. USD 3.5 billion
  - Considerably export oriented investment area
  - Greenhouse farming breakdown is as follows:
    - 88% vegetable
    - 10% fruits
    - 2% ornamental plants
  - Adequate infrastructure within specialized industrial zones
  - Potentially 30,000 ha area can be heated by geothermal means for greenhouse farming purposes
  - In geothermal resources, Turkey is 1<sup>st</sup> in Europe 7<sup>th</sup> in the world
  - 4,000 decares of area is being heated
- Modern Greenhouses are expected to grow quickly and, thanks to technology, production in greenhouses will increase significantly as well
  - There are already foreign operators in the greenhouse sector, mostly from Netherlands and Germany; the government has ambitious targets in the sector and therefore offers advantageous incentives



## KEY FACTS

### Turkey's fishery products (2016)

- → 253,400 tons come from aquaculture
- → 335,300 tons come from hunting
- Turkey's exports of fishery and aquaculture products have risen to 145,470 tons with USD 692 million in value (2016)
- 2/3 of exports go to the EU countries

## OPPORTUNITIES

- Turkey dominates markets in several EU countries and has the potential to create new market opportunities in Russia and the USA
- Obtaining higher values by selling in packaged forms to European markets rather than selling in bulk
- Turkish coasts and regulations allow for large-scale farming that is more competitive than the ones in the EU
- Catchy investment opportunities for seabass and seabream thanks to the low cost of production
- Value added products such as turbot, blue tuna, flatfish, sturgeon, white grouper, etc...
- Available incentives



## KEY FACTS



## OPPORTUNITIES

- Total seed trade in Turkey is about USD 750 million
- More than 50% of seeds used to produce vegetables in Turkey are local varieties

- Favorable ecology and biodiversity
- Integration with international seed systems
- Agricultural support
- Proximity to global markets



## KEY FACTS

### In Turkey

- 524,000 ha of land
- 2.5 million tons of production (2016)
- The share of the organic farming area within the total of agricultural area has reached 2%

### World organic market value

- USD 52 billion (2008)
- USD 80 billion (2014)

## OPPORTUNITIES

- Suitable soil and sufficient technical infrastructure for organic farming
- Organic Agriculture Legislation in line with the EU
- Proximity to the European and the Middle Eastern markets
- Available support and incentives for organic farming





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**ALREADY A MANUFACTURING & EXPORT HUB FOR GLOBAL COMPANIES**

 **TOYOTA** Exporting 85% of its production

 Exporting 77% of its production

 Production base for MENA

 Using Turkey as Super Hub

 Its largest production facility  
In the world

**B/S/H/** -----> **89 countries**

 **GE Healthcare** -----> **80 countries**

 -----> **67 countries**

 -----> **60 countries**

 -----> **52 countries**

 -----> **35 countries**

 -----> **30 countries**





- Operational in Turkey for 137 years
- 6 manufacturing facilities and 7 offices in Turkey for chemicals, performance products, functional materials & solutions, agricultural solutions
- Sales of EUR 742 million in Turkey in 2015
- Managing 78 countries from Turkey
- 750 employees



- Coca-Cola Icecek (CCI) is the 5th largest bottler in the Coca-Cola system in terms of sales volume
- Managing 94 countries from Turkey
- Following the acquisition of Efes Invest in 2005, evolved from a bottling operation active only in Turkey to a regional beverage company
- 3,000 employees and 9 production plants



- Operational in Turkey for 108 years
- 2 manufacturing facilities
- Employs 3,800 people directly and over 5,000 indirectly
- Produces locally 95% of the products it sells in Turkey
- Offers more than 800 products and around 50 brands in two different categories
- From its production hub in Turkey, exports to the neighboring countries, particularly to MENA countries



- Operational in Turkey for around 60 years
- 200 employees
- Headquarter & innovation center in Istanbul, seed conditioning & processing plant facility in Adana, sunflower R&D center in Lüleburgaz



- Producing in Manisa OIZ since 2013
- Made an initial investment of 95 million EUR and expanded it to produce more varieties of products
- More than 250 employees



- Operational in Turkey for around 55 years
- More than 500 employees in 6 locations in Turkey – Istanbul, Bursa, Balıkesir, Kocaeli, Adana, Ankara
- 3 production facilities: starch & sweeteners in Bursa, fats & oils in Balıkesir, oleo-chemicals in Kocaeli
- Uses Turkey as a management hub for 19 countries in MENA



- Operational in Turkey since 1998
- Over 500 employees



- Operational in Turkey for over 100 years
- 8 manufacturing facilities
- Over 5,000 employees
- New factory for personal and homecare categories in Turkey creates an investment ecosystem of EUR 350 million along with suppliers
- 29 brands and presence in 9 out of 10 households with its products
- Uses Turkey as a key regional hub for exports to 21 countries



- Operating in Turkey since 1993
- An important production facility with an indoor area of 85.000 m2 in Gebze
- Employs about 1,300 people directly and about 800 indirectly
- Increased its investments in Turkey steadily over the past 20 years



# INVEST IN TURKEY

INVESTMENT SUPPORT & PROMOTION AGENCY OF TURKEY



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